brainchip

ASX Announcement

BrainChip Holdings Ltd
Appendix 4C & Quarterly Activities Report
for the Period Ended 30 September 2024

- Cash Balance as of 30 September 2024 US$25.6M

Sydney – 30 October 2024 – BrainChip Holdings Ltd (ASX: **BRN**, OTCQX: **BRCHF, BCHPY**), the world's first commercial producer of neuromorphic artificial intelligence technology, today provides the Quarterly Activities Report in conjunction with its Appendix 4C lodged for the quarter ending 30 September 2024.

OPERATIONS UPDATE

The period from the end of June 2024 to the end of September 2024 was a period in which the Company continued to focus on advancing its customer engagements towards commercialization, continued to strengthen and renew its leadership team and raised additional capital.

In August, the Company signed two agreements totaling €190,000 for projects with Frontgrade Gaisler and Airbus Defence and Space, to provide customers with AI capabilities for space applications using Akida 1.0 technology. These two projects were initiated in response to a European Space Agency request for ultra-low power neuromorphic, edge-AI computing in space to enable future missions to the moon and beyond. Due to the nature, timing and risk associated with these projects, it is not possible for the company to estimate future royalty revenues associated with these engagements.

During the quarter, the Company announced the appointment of Mr. Steven Brightfield as Chief Marketing Officer (CMO). Steven comes to BrainChip with a depth of tech industry knowledge and experience within the AI semiconductor industry. He previously led marketing at several AI focused technology companies, such as SiMa.ai, X-Silicon and Wave Computing combined with deep experience within the semiconductor sector, including executive leadership positions at LSI Logic, Qualcomm, Zoran and others.

One of Steven's first priorities has been to oversee the development of a marketing strategy for the new TENNs product, an advanced, ultra efficient neural network architecture and integrate it into the Akida technology platform.

During the quarter, the Company also announced that co-founder and Chief Development Officer (CDO) Anil Mankar had announced his intention to retire at the end of 2024, and that transitional arrangements were already in place to enable Anil to step away from the business he co-founded with Peter van der Made after a long and very successful career.

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Dr. Jonathon Tapson has been appointed as the permanent Vice President of Engineering to replace Anil Mankar. Anil remains employed as a technical advisor until he retires at the end of the year.

BrainChip has also announced it had reconstituted its Scientific Advisory Board (SAB) by appointing company founder Peter van der Made, Dr. Jason K. Eshraghian and Dr. André van Schaik as current members.

The SAB provides independent advice and expert consultation for the executive staff of BrainChip to guide the scientific and technical aspects of the Company's short-and long-term goals. The SAB also reviews and evaluates the research and development programs of BrainChip with respect to quality and scope. The re-envisioned SAB provides new perspectives from key industry leaders in AI with increasing focus under the leadership of Chief Technology Officer (CTO) Dr. Tony Lewis.

On 25 July, the Company announced a A$25 million equity capital raising, which included a fully underwritten A$20 million placement to institutional investors and a A$2 million sale of existing securities from LDA Capital, which effectively fulfilled the existing LDA capital call obligation.

In addition, the Company offered a non-underwritten share purchase plan (SPP) to existing investors to raise up to an additional A$3 million before costs. One of the primary purposes of the share purchase plan was to enable existing shareholders to mitigate the dilutionary impact of the placement to institutional shareholders. The SPP raised A$0.632 million.

The proceeds from the placement and the SPP are being used to support commercialisation of the Company's Akida 2.0 technology and the development, commercialisation and productisation of new TENNs products, which represent the next evolution in BrainChip's product portfolio.

FINANCIAL UPDATE

The Company ended the September Quarter with US$25.6M in cash compared to US$10.9M in the prior quarter.

BrainChip reported net operating cash outflows of US$3.4M vs.US$3.9M in the prior quarter.

Cash inflow from customers in the current quarter of US$0.04M was similar to the prior quarter (US$0.05M). The Company continues to experience long sales cycle times but remains optimistic based on the number of active engagements and level of interest from our prospective customers.

Total payments to suppliers and employees of US$4.0M in the current quarter was consistent with the prior quarter (US$4.1M).

Cash used for operating activities includes payments to BrainChip's Board of Directors totaling US$215,183 as noted in item 6.1 of the accompanying Appendix 4C, comprising fees for Non-Executive Directors and salaries for Executive Directors.

Cash flows from financing activities included the receipt of $3.7M from LDA Capital which had been reported as receivable at 30 June, $14.1M from the issue of shares to institutional investors and $0.43M from the SPP. BrainChip also received $0.03M resulting from the exercise of BrainChip Equity Plan stock options and incurred $1M of share issue costs.

The Company recognised $0.89M in unrealised foreign exchange gains due to the revaluation of cash held in AUD bank accounts post capital raising. BrainChip intends to translate these funds to US$ in the immediate future, pending favourable exchange rates.

BrainChip has entities in Perth, Australia; Laguna Hills, California (United States); Toulouse, France; and Hyderabad, India.

This announcement is authorised for release by the BRN Board of Directors.

About BrainChip Holdings Ltd (ASX: BRN)

BrainChip is the worldwide leader in edge AI on-chip processing and learning. The Company's first-to-market neuromorphic processor, Akida™, mimics the human brain to analyze only essential sensor inputs at the point of acquisition, processing data with unparalleled efficiency, precision, and economy of energy. Keeping machine learning local to the chip, independent of the cloud, also dramatically reduces latency while improving privacy and data security. In enabling effective edge compute to be universally deployable across real world applications such as connected cars, consumer electronics, and industrial IoT, BrainChip is proving that on-chip AI, close to the sensor, is the future for its customers' products as well as the planet. Explore the benefits of Essential AI at www.brainchip.com.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

BrainChip Holdings Ltd

ABN	**Quarter ended ("current quarter")**
64 151 159 812	30 September 2024

Consolidated statement of cash flows		**Current quarter $US'000**	**Year to date (9 months) $US'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	45	183
1.2	Payments for		
	(a) research and development	(1,716)	(5,313)
	(b) product manufacturing and operating costs	(19)	(74)
	(c) advertising and marketing	(1,082)	(3,522)
	(d) leased assets	-	-
	(e) staff costs	(705)	(2,375)
	(f) administration and corporate costs	(516)	(1,711)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	210	413
1.5	Interest and other costs of finance paid	(19)	(61)
1.6	Income taxes paid	(6)	29
1.7	Government grants and tax incentives	359	688
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(3,449)**	**(11,743)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(4)	(55)

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Consolidated statement of cash flows		**Current quarter $US'000**	**Year to date (9 months) $US'000**
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(4)**	**(55)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	18,290	22,636
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	30	851
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1,000)	(1,033)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
	- Reduction in leases	(113)	(332)
	- Funds received from shareholders on exercise of options	13	(17)
3.10	**Net cash from / (used in) financing activities**	**17,220**	**22,105**

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Consolidated statement of cash flows		**Current quarter $US'000**	**Year to date (9 months) $US'000**
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	10,905	14,343
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,449)	(11,743)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(55)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	17,220	22,105
4.5	Effect of movement in exchange rates on cash held	889	911
4.6	**Cash and cash equivalents at end of period**	**25,561**	**25,561**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $US'000**	**Previous quarter $US'000**
5.1	Bank balances	25,547	10,891
5.2	Call deposits	14	14
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**25,561**	**10,905**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $US'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	215
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $US'000**	**Amount drawn at quarter end $US'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	686	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	686	-
7.5	**Unused financing facilities available at quarter end**		686

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

BrainChip SAS has a secured overdraft facility with Credit Agricole, France, to the value of 20,000 Euros which incurs interest at 8.39%.

BrainChip Inc has an Irrevocable Standby Letter of Credit to the value of US$665,000 with First Republic Bank as security for the office lease. The Letter of Credit expires 31 May 2027 and incurs interest at 0.9%.

8.	**Estimated cash available for future operating activities**	**$US'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(3,419)
8.2	Cash and cash equivalents at quarter end (item 4.6)	25,561
8.3	Unused finance facilities available at quarter end (item 7.5)	686
8.4	Total available funding (item 8.2 + item 8.3)	26,247
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	7.7

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: n/a

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: n/a

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: n/a

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 30 October 2024

Authorised by: Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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