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31 July 2016

June Quarter Update

Highlights

- **Proposed acquisition of French computer vision technology group Spikenet announced**
- **SNAP commercialisation efforts have resulted in advanced discussions with a number of companies**
- **Successful non-renounceable rights issue raises A\$4.075m; funds raised used to accelerate SNAP commercialization and development**
- **Cash position of US\$2.897mn at end of quarter**
- **Post reporting period, appointed specialist executive search firm to hire a new US-based CEO in order to facilitate the successful commercialisation of SNAP and the expansion of the Spikenet business**

BrainChip Holdings Ltd (“BrainChip” or “the Company”) is pleased to provide shareholders with the following Company Update to accompany the quarterly cash flow report for the period ending 30th June 2016.

During the quarter BrainChip continued to make solid progress towards the commercialisation of its proprietary and proven Spiking Neuron Adaptive Processor (SNAP) engine.

The Company continues to advance its discussions with a core group of companies and in addition has entered into discussions with a growing number of new potential partners and customers. Follow up meetings are scheduled to take place during this current quarter. The Company is confident that a number of these discussions will lead to exciting business relationships and customer contracts.

BrainChip has a clear strategy to leverage its position as a leading company in Cognitive Technology, to progress the use of its proprietary products and introduce new innovative technologies.

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BrainChip proposed acquisition of Spikenet Technology

We were excited to announce the acquisition of Spikenet Technology. Spikenet is an “Artificial Vision Specialist” company that was established in 1999, and has developed a disruptive pattern recognition technology SNVision. SNVision has been marketed as a successful suite of cognitive software products that are currently generating revenue.

The compatibility of BrainChip’s SNAP (hardware) with the Spikenet SNVision (Software) is of significant importance and once the two products are integrated will lead to a suite of highly attractive products spread across the software and hardware spectrum.

Whereas SNAP is a fast hardware engine, SNVision is a software-based spiking neural network that learns visual patterns in real time, representing people or objects, with no intensive training and very few image samples. It detects and recognizes these people or objects in video streams or in still images with greater than 99% accuracy.

Spikenet is utilizing deep learning Spiking Neural Network techniques, which complements BrainChip’s SNAP unsupervised visual feature extraction and learning capabilities. The BrainChip SNAP engine autonomously learns to recognize patterns but performs these functions entirely in fast hardware. The advantages of integrating Spikenet’s algorithms and applications with BrainChip’s SNAP engine are much faster response times and the ability to integrate the technology into embedded platforms for mass production in hand held devices such as mobile phone handsets. BrainChip will now have the flexibility to offer customers integrated hardware, embedded IP and complete software solutions. The SNAP engine will form the foundation for the visual processing applications that are provided by the Spikenet acquisition. The combination of the two technologies makes a highly synergetic fit creating a superior suite of products that have immediate application in the computer vision market.

Spikenet’s existing customers are in the Security, Gaming and Steel Manufacturing sectors in Europe, North America and Asia Pacific

The acquisition along with its sales revenue establishes BrainChip as a leader in the Computer Vision hardware and software market. BrainChip will see immediate returns from the acquisition. It provides a robust sales and marketing channel in Europe in addition to the USA.

The Computer Vision hardware and software market is forecast to grow from US\$6.6 billion in 2015 to US\$48.6 billion by 2022 (ref. [Tractica](#)). The Artificial Intelligence market

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is experiencing a similar growth. BrainChip is ideally positioned to take full advantage of these expanding markets. The Board is confident that the integration of the Spikenet software with the SNAP hardware will enable a line of exceptional products and strong revenue growth.

We look forward to providing the market with further updates on the commercial potential of the acquisition and how BrainChip benefits from cross-marketing opportunities.

Interim CEO and CTO Peter van der Made commented: “The enhancement of the Spikenet product suite via integration with the SNAP engine will create innovative world class cognitive products that we expect to drive a higher level of enquiry resulting in new and significant revenue for the Company.”

Fully Subscribed Rights Issue

The Company successfully raised A\$4.075m by way of a fully subscribed non-renounceable pro rata rights issue.

The Company was assisted by Fosters Stockbroking who were appointed as Corporate Advisor to the Company in April. Fosters will seek to raise the profile of the Company amongst investors during the year. A comprehensive initiation research report was issued and announced via an ASX release and a copy is available on our website.

As at June 30, 2016, BrainChip had US\$2.897 million cash, representing a cash increase of 260.7% from the March 31 cash balance of US\$803,000, with most of the increase due to proceeds from the rights issue.

Marketing

In addition to its ongoing and advanced discussions with a considerable core group of companies BrainChip initiated discussions with a number of new companies interested in the capabilities of SNAP that resulted in the signing of Non-Disclosure Agreements (NDA's). These are signed at an early stage between BrainChip and the business prospect. A steady flow of new NDA's provides a good indication of the market's growing awareness of BrainChip and act as a measure of how well the Company's active marketing strategy is working.

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Furthermore, and in a continued effort to raise awareness of BrainChip and SNAP BrainChip's CTO, and interim CEO, Peter van der Made addressed the Institute of Neuroinformatics in Zurich with a lecture about the BrainChip SNAP technology. The mission of the Institute is to discover the key principles by which brains work and to implement these in artificial systems that interact intelligently with the real world. The lecture was well received and was followed by a stimulating discussion and question and answer session.

Going forward the Company intends on presenting at and participating in more lectures and discussions to further raise the profile of the Company and its products.

Recruitment Company Mandated

We announced post end of the quarter that we had mandated a world renowned recruitment firm, Heidrick & Struggles, to find a new CEO for the Company. BrainChip is seeking to hire a CEO with extensive commercial and marketing experience specific to the technology space who is located in the USA. In addition to assuming the day to day running of the Company the new CEO will facilitate the global reach and market awareness of the Company to potential customers, current and new investors and the media on a continual basis.

We anticipate holding interviews with nominee candidates in the current quarter.

Outlook

The Company is very confident of making significant and further progress towards the signing of its first licensing agreement and additional targeted contracts over the months ahead. A considerable effort is focused on commercialising the SNAP technology and we are on the cusp of commercial success that will prove to be a transitional period for the Company and its shareholders. Over the coming months our marketing focus will broaden to encompass the product suite acquired with the Spikenet acquisition that we envisage will create further interest in the Company and its products.

"We have had a busy quarter during which we have made excellent progress towards the commercialization of our SNAP technology. Much of the work that we have done is anticipated to bear fruit later in the year and we look forward to announcing these achievements as they occur." said interim CEO Peter van der Made.

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About BrainChip Holdings Ltd (ASX:BRN)

BrainChip Inc, located in Aliso Viejo, CA, has developed a revolutionary new Spiking Neuron Adaptive Processor (SNAP) technology that has the ability to autonomously and rapidly learn and associate information just like the human brain. SNAP technology learns in seconds. This exemplifies a new level of machine learning that is expected to surpass deep learning, which requires days or weeks to train. The SNAP technology is fast, completely digital, and consumes very low power. Additional information is available by visiting www.brainchipinc.com

Forward Looking Statements

This press release may contain certain forward-looking statements and information, as defined within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and is subject to the Safe Harbor created by those sections. This material contains statements about expected future events and/or financial results that are forward-looking in nature and subject to risks and uncertainties. Such forward-looking statements by definition involve risks, uncertainties and other factors, which may cause the actual results, performance or achievements of BrainChip Holdings Limited to be materially different from the statements made herein.

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