



BrainChip Announces Financing Facility

Company Enters into an Equity Draw Agreement with LDA Capital

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- Agreement provides the Company a Put Option for up to A\$29 million
 - Draws to the facility will support commercialization of the Company's technology
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Sydney, Australia – 13 August 2020 – BrainChip Holdings Ltd ACN 151 159 812 (ASX:BRN) (BrainChip or the Company), a leading provider of ultra-low power high performance AI technology, is pleased to announce that it has entered into a put option agreement (**Agreement**) with LDA Capital Limited and LDA Capital LLC (**LDA Capital**), a United States based investment group, to provide the Company with up to A\$29 million in committed equity capital over the next 12 months which may be extended by the parties for a further 12 months. The Company will control the timing and maximum amount of the draw down under this facility subject only to the minimum draw down commitment of A\$10 million within the first 12 months.

The facility strengthens the Company's balance sheet and is intended to support the commercialization of the Company's groundbreaking Akida™ technology. This funding will allow the Company, whilst it continues to maintain strict cost controls, to tailor the timing and size of each capital draw to support growth, expected customer engagements, operating costs and eventual manufacturing of Akida devices, while safeguarding shareholder value. It also provides further protection for the Company as our economy continues to face market and Covid-19 related risks.

The Akida technology addresses a large and growing market including Smart Home, Smart Transportation, Smart City and Smart Health. Addressing the Edge AI market, which is forecasted to exceed US\$50B by 2025 and is the central focus of the Company. The Early Access Program, which was initiated in early 2020 has provided significant insight into customer needs and has generated engagements.

"We are pleased to have very high-quality U.S. based institutional investment group as part of our register. As Akida comes to market as both intellectual property and as an integrated circuit provider a partner such as LDA is a key component to support this effort", said Lou DiNardo, the Company CEO.

LDA Capital Managing Partner Anthony Romano said "We believe BrainChip's Akida Neuromorphic Processor offers a unique solution to the current limited power budget and processing capabilities of today's Edge AI technology. Additionally, we are impressed with BrainChip management's comprehensive understanding of the existing problems around conventional AI processing and their accelerated pace of innovation. We are excited to be partnering with Mr DiNardo (CEO), Mr Scarince (CFO) and the rest of the BrainChip team as they enter the next phase of the Company's growth".

Agreement Particulars

The capital may be accessed by the Company by exercising put options under the Agreement at the Company's election. The Company has agreed to draw down A\$10 million in the first 12 months (**Minimum Draw Down Amount**) and may draw down up to an aggregate amount of up to A\$29 million under the Agreement. This allows the Company to drawdown funds during the term of the Agreement by issuing ordinary shares of the Company (**Shares**) for subscription to LDA Capital. Any issue of Shares by the Company under the Minimum Draw Down Amount is expected to be issued under the Company's Listing Rule 7.1 placement capacity and any issue of Shares by the Company as a result of capital calls above the Minimum Draw Down Amount, will be subject to the Company's available placement capacity at the time and otherwise any required regulatory and shareholder approvals.

The Company may issue call notices to LDA Capital with each call notice being a put option on LDA Capital to subscribe for and pay for those Shares on closing, subject to the satisfaction of certain conditions precedent, including requirements for the Company to have released applicable Corporations Act and ASX filings on the ASX.

Upon issue of a call notice, the Company must within 3 business days of issuing the call notice, issue LDA Capital with Shares for no consideration as 'collateral shares' which LDA Capital is entitled to sell on-market (subject to certain terms) and any unused collateral shares will be adjusted or may be used for subsequent calls, bought back by the Company or transferred to a trustee or nominee of the Company.

The number of Shares subject to a call notice is limited to a maximum of 10 times the average daily number of the Company's Shares traded on the ASX during the 15 trading day period before its issue. The issue price of the capital call Shares will be 90% of the higher of the average VWAP of Shares in the 30 trading day period after exercise of the put option (subject to any applicable adjustments) and the minimum price notified to LDA Capital by the Company upon exercise of the put option. The VWAP calculation is subject to adjustment as a result of certain events occurring including trading volumes falling below an agreed threshold level or a material adverse event occurring in relation to the Company.

In addition, the Company has agreed to issue up to 75,000,000 unlisted options to LDA Capital with 37,500,000 of these having an exercise price of A\$0.15 and 37,500,000 having an exercise price of A\$0.20, with each option having an exercise period of 3 years. These options will be issued under the Company's Listing Rule 7.1 placement capacity.

The Company has agreed to pay a commitment fee of \$580,000 which is payable in cash in two instalments. \$290,000 is due and payable at closing of the Company's first capital call with the remaining \$290,000 due and payable at closing of the second capital call. The Company may (at its discretion) elect to pay the Commitment Fee in Shares.

Additional information in relation to the Agreement and the securities the Company has agreed to issue under the Agreement can be found in the Appendix 3B that accompanies and is released with this announcement on the ASX announcement platform.

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

About Brainchip Holdings Ltd (ASX: BRN)

BrainChip is a global technology company that is producing a groundbreaking neuromorphic processor that brings artificial intelligence to the edge in a way that is beyond the capabilities of other products. The chip is high performance, small, ultra-low power and enables a wide array of edge capabilities that include on-chip training, learning and inference. The event-based neural network processor is inspired by the spiking nature of the human brain and is implemented in an industry standard digital process. By mimicking brain processing BrainChip has pioneered a processing architecture, called Akida™, which is both scalable and flexible to address the requirements in edge devices. At the edge, sensor inputs are analyzed at the point of acquisition rather than through transmission via the cloud to a data center. Akida is designed to provide a complete ultra-low power and fast AI Edge Network for vision, audio, olfactory and smart transducer applications. The reduction in system latency provides faster response and a more power efficient system that can reduce the large carbon footprint of data centers.

About LDA Capital

LDA Capital is a global investment group with expertise in complex, cross border transactions worldwide. Our team has dedicated their careers to international & cross border opportunities having collectively executed over 200 transactions in both the public and private markets across 42 countries with aggregate transaction values of over US\$10 billion.

Additional information is available at <https://www.brainchipinc.com>
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Follow BrainChip on LinkedIn: <https://www.linkedin.com/company/7792006>

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