

APPENDIX 4D HALF-YEAR FINANCIAL REPORT

Information given to ASX under listing rule 4.2A

1. Reporting period and Functional Currency

| | |
|---|--------------|
| Current reporting period: | 30 June 2021 |
| Previous corresponding reporting period: | 30 June 2020 |
| Functional Currency: | US dollars |

2. Results for announcement to the market

| | 30 June 2021 US\$ | 30 June 2020 US\$ | % change |
|---|------------------------------|------------------------------|-----------------|
| Revenues from continuing operations | 767,545 | 13,397 | Up 5629% |
| Operating loss | (8,435,158) | (6,199,380) | Down 36% |
| Loss for the period attributable to members | (9,298,244) | (6,858,171) | Down 35% |

Dividends

No dividends were paid or declared during the year ended 30 June 2021 (2020: Nil).

| | US cents per share | US cents per share |
|------------------------|-------------------------------|-------------------------------|
| Loss per share | | |
| Basic loss per share | (0.55) | (0.48) |
| Diluted loss per share | (0.55) | (0.48) |

| | 30 June 2021 US cents per share | 30 June 2020 US cents per share |
|------------------------------|--|--|
| Net tangible asset | | |
| Net tangible asset per share | 0.97 | 0.28 |

Dividends or dividend distribution plan

No dividends were paid or declared during the half-year ended 30 June 2021 (2020: Nil). The Company does not operate a distribution reinvestment plan.

Additional Information

Additional Appendix 4D disclosure requirements can be found in the attached Financial Report for the half-year ended 30 June 2021.

This report is based on the interim consolidated financial statements and notes which have been reviewed by HLB Mann Judd (WA) Partnership. This report should be read in conjunction with the most recent annual financial report.

For personal use only



BrainChip Holdings Ltd

ABN: 64 151 159 812

Financial Report
For the Half-Year ended
30 June 2021

For personal use only

Corporate Directory

Board of Directors

| | |
|------------------------------|--|
| Emmanuel T. Hernandez | Non-Executive Director and Chair |
| Peter van der Made | Executive Director, Chief Technical Officer, Interim Chief Executive Officer |
| Geoffrey Carrick | Non-Executive Director |
| Antonio Viana | Non-Executive Director |

Company Secretary

Kim Clark

Registered Office

Level 12, 225 George St. Sydney NSW 2000 Australia

Telephone: +61 2 9290 9606

Facsimile: +61 2 9279 0664

Postal Address

GPO Box 3993, Sydney NSW 2001 Australia

Website

<http://www.brainchipinc.com>

Auditors

HLB Mann Judd (WA) Partnership

Level 4, 130 Stirling Street, Perth WA 6000

Telephone: +61 8 9227 7500

Share Registry

Boardroom Pty Limited

Level 12, 225 George Street Sydney NSW 2000

Telephone: +61 2 9290 9600

Facsimile: +61 2 9279 0664 Online: www.boardroomlimited.com.au

Securities Exchange

Australian Securities Exchange Limited

Exchange Centre, 20 Bridge St, Sydney NSW 2000

Code: BRN

OTCQX Best Market – OTC Markets Groups

Code: BRCHF

Contents

| | |
|--|----|
| Directors' Report | 1 |
| Auditor's Independence Declaration | 4 |
| Consolidated Statement of Profit or Loss and Comprehensive Income for the half-year ended 30 June 2021 | 5 |
| Consolidated Statement of Financial Position as at 30 June 2021 | 6 |
| Consolidated Statement of Cash Flows for the half-year ended 30 June 2021 | 7 |
| Consolidated Statement of Changes in Equity for the half-year ended 30 June 2021 | 8 |
| Notes to the Consolidated Financial Statements for the half-year ended 30 June 2021 | 9 |
| Director's Declaration | 21 |
| Independent Auditor's Review Report | 22 |

For personal use only

Directors' Report

The Directors submit their report of the consolidated entity, being BrainChip Holdings Ltd ("BrainChip Holdings" or "Company") and its controlled entities ("Group"), for the half-year ended 30 June 2021.

DIRECTORS

The names and details of the Company's Directors in office during the financial period and until the date of this report are as follows:

| | |
|-----------------------|--|
| Emmanuel T. Hernandez | Non-Executive Director and Chair |
| Peter van der Made | Executive Director, Chief Technical Officer, Interim Chief Executive Officer |
| Geoffrey Carrick | Non-Executive Director |
| Antonio Viana | Non-Executive Director (appointed 28 June 2021) |
| Louis DiNardo | Executive Director, Chief Executive Officer (resigned 15 March 2021) |
| Christa Steele | Non-Executive Director (resigned 21 May 2021) |

PRINCIPAL ACTIVITIES

The principal activity of the Group is the development of software and hardware accelerated solutions for advanced artificial intelligence ("AI") and machine learning applications with a primary focus on the development of its Akida Neuromorphic Processor to provide a complete ultra-low power and fast AI Edge Network for vision, audio, olfactory and smart transducer applications.

DIVIDENDS

No dividends have been paid or declared by the Company during the half-year or up to the date of this report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The COVID-19 outbreak and the response of Governments in dealing with the pandemic continues to affect general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report, however, whilst there appears to be minimal impact on our business to date, including consideration of key judgements and estimates used in presenting the financial report, there is a possibility of an impact on our future earnings, cash flow and financial condition. It is not possible to estimate the impact of the near-term and longer effects of Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time. The financial statements have been prepared based upon conditions existing at 30 June 2021, including those which are evidenced by events occurring subsequent to that date.

In March 2021, Louis DiNardo ceased his role as Managing Director and Chief Executive Officer of BrainChip with Peter van der Made assuming the role until a replacement is appointed. The search for a new CEO has progressed and a shortlist of candidates is being interviewed and vetted as part of our due diligence process.

Directors' Report

REVIEW OF OPERATIONS

The financial results of the Group are presented in US dollars, unless otherwise referenced.

Although the pandemic has continued to the date of this report, there has been minimal impact on our business other than certain restrictions when meeting and working with our customers face-to-face.

During the reporting period, the Company's design and manufacturing partner, SocioNext America Inc ("SocioNext"), released our engineering layout of the production version of the Akida1000 chip to Taiwan Semiconductor Manufacturing Company (TSMC). We received the first batch of Akida AKD1000 production chips from SocioNext America in August 2021 and is now completing a program of rigorous quality assurance and performance testing prior to allocation to Early Access Program customers and the production of modules.

Operating Results

The Group made a net loss after income tax for the half-year ended 30 June 2021 of \$9,298,244 (30 June 2020: \$6,858,171) resulting from license revenues reported in the current period.

Revenues for the half-year ended 30 June 2021 of \$767,545 increased 5629% from \$13,397 in the same period a year ago.

Total expenses for the half-year ended 30 June 2021 of \$9,471,476 increased 52% from \$6,212,777 incurred in the half-year ended 30 June 2020. This increase was attributable to:

- 1) Research & development (R&D) expenses of \$4,417,926 for the current period increased 27%, or \$928,888 from 30 June 2020. R&D costs in the current period include \$2,250,000 paid to Socionext as the next progressive payment related to the fabrication of the Akida™ device (2020: \$1,525,000), and include an increase in employee expenses as the Australian and Indian offices expand, offset by an increase in R&D tax credits claimed from the relevant authorities.
- 2) Sales & Marketing (S&M) expenses of \$1,062,668 for the current period increased 42%, or \$313,134 from the comparative period as a result of increased external marketing consultants and personnel to target potential customers.
- 3) General & Administrative (G&A) expenses of \$2,386,784 increased 68%, or \$963,284 from the same period a year ago which is a result of:
 - a) Increased in headcount in the administrative team resulted in higher employee-related expenses;
 - b) An increase in Director remuneration in the current period due to the appointments of Ms Steele and Mr Carrick in Q4 2020;
 - c) Increase legal and other professional costs; and
 - d) Increased corporate costs associated with higher shareholder activity during the period.
- 4) Share based payment expense of \$1,604,098 for the current period increased 191%, or \$1,053,393 from the comparative period. Share based payments expense is non-cash and represents the value of options, restricted share units and performance rights issued to directors, employees and consultants that have been earned during the reporting period, offset by the effect of cancelled and forfeited equity instruments.

In May 2021, the Company received confirmation from the U.S. Small Business Administration, "SBA", of the forgiveness of the Payroll Protection Program loan received in the prior year as U.S. financial relief from the COVID-19 emergency. The loan forgiveness and related interest is recognised as Other Income of \$413,335.

Balance Sheet and Cashflows

At the end of the half-year the Group had consolidated net assets of \$19,306,973 (31 December 2020: \$17,729,336), including cash and cash equivalents of \$17,653,356 (31 December 2020: \$19,136,425).

The unlisted options held by LDA Capital at 1 January 2021 and recognised as a derivative liability were fully exercised during the current period. The remeasurement of the derivative liability resulted in a fair value loss of \$763,809 and contributed to cash inflows from financing activities of \$2,031,236 to the Company.

Cash from Financing Activities also includes \$3,452,512 from the exercise of options held by LTIP participants.

Directors' Report

SECURITIES ON ISSUE

The Company has the following securities on issue as of the date of this report:

| | |
|------------------------------|---------------|
| Ordinary shares | 1,659,737,144 |
| Options over ordinary shares | 128,325,907 |
| Restricted stock units | 2,462,500 |

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 28 July 2021, the Company announced the appointment of HLB Mann Judd (WA) Partnership ("HLB") as the auditor of BrainChip, effective until the 2022 Annual General Meeting of the Company where a resolution to appoint HLB as the official auditor will be put to shareholders. The change of auditor has occurred due to the Company reviewing its external audit function.

On 16 August 2021, the Company issued a Capital Notice to LDA Capital Limited and LDA Capital LLC (together "LDA Capital") as per the Put Option Agreement ("POA") dated 13 August 2020. The Capital Notice provided LDA Capital with irrevocable notice to subscribe for 8,750,000 shares ("Collateral Shares") on 27 August 2021.

In the period since 30 June 2021 and to the date of this report, the Company has issued 10,868,952 treasury shares under the LTIP on the exercise of 8,856,952 options (raising \$1,404,675 (A\$1,922,568)), and the conversion of 2,000,000 restricted stock units and 12,500 performance rights. The Company has also issued 1,500,000 share options in accordance with the Company's 2018 Long Term Incentive Plan and 125,000 restricted stock units to a consultant in accordance with the Company's constitution.

No other matter or circumstance has arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

AUDITOR INDEPENDENCE

The Directors received the Independence Declaration, as set out on page 5, from HLB Mann Judd.

Signed in accordance with a resolution of the Directors.



Emmanuel Hernandez

Chair
California, USA, August 24, 2021

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of BrainChip Holdings Limited for the half-year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



Perth, Western Australia
24 August 2021

B G McVeigh
Partner

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

For personal use only

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the half-year ended 30 June 2021

| | Note | 30 June 2021 US\$ | 30 June 2020 US\$ |
|--|-------|---------------------------|---------------------------|
| Continuing operations | | | |
| Revenue from contracts with customers | 3 | 767,545 | 13,397 |
| Cost of goods sold | | (144,562) | - |
| Gross profit | | <u>622,983</u> | <u>13,397</u> |
| Research & development expenses | 4(a) | (4,417,926) | (3,489,038) |
| Selling & marketing expenses | 4(b) | (1,062,668) | (749,534) |
| General & Administrative expenses | 4(c) | (2,386,784) | (1,423,500) |
| Share based payment expense | 16(a) | (1,604,098) | (550,705) |
| Other income | 5(a) | 413,335 | - |
| Operating loss | | <u>(8,435,158)</u> | <u>(6,199,380)</u> |
| Finance income | 6(a) | 55,452 | 14,536 |
| Finance expense | 6(b) | (5,645) | (532,548) |
| Net fair value loss through profit and loss | 6(c) | (763,809) | (140,779) |
| Loss from continuing operations before income tax | | <u>(9,149,160)</u> | <u>(6,858,171)</u> |
| Income tax expense | | (149,084) | - |
| Net loss for the period | | <u>(9,298,244)</u> | <u>(6,858,171)</u> |
| Other comprehensive income / (loss) | | | |
| <i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):</i> | | | |
| Remeasurement gains (losses) on defined benefit plans | | (23,359) | (5,517) |
| <i>Items that may be reclassified subsequently to profit or loss (net of tax):</i> | | | |
| Exchange differences on translation of foreign operations | | (95,063) | (16,765) |
| Other comprehensive loss for the period, net of tax | | <u>(118,422)</u> | <u>(22,282)</u> |
| Total comprehensive loss for the period, net of tax | | <u>(9,416,666)</u> | <u>(6,880,453)</u> |
| | | US cents per share | US cents per share |
| Loss per share attributable to ordinary equity holders of the Company | | | |
| Basic and diluted loss per share | 7 | (0.55) | (0.48) |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2021

| | Note | 30 June 2021 US\$ | 31 December 2020 US\$ |
|--------------------------------------|-------|-------------------------|-----------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | 17,653,356 | 19,136,425 |
| Trade and other receivables | 9 | 1,099,594 | 907,680 |
| Financial asset | 13(c) | 1,431,302 | 1,470,275 |
| Inventory | | 78,581 | 54,399 |
| Other assets | | 224,177 | 127,791 |
| Total current assets | | 20,487,010 | 21,696,570 |
| NON-CURRENT ASSETS | | | |
| Right-of-use assets | 10 | 70,158 | 98,056 |
| Plant and equipment | | 127,629 | 149,316 |
| Intangible assets | 11 | 1,677,907 | 1,710,642 |
| Other assets | | 142,578 | 40,311 |
| Total non-current assets | | 2,018,272 | 1,998,325 |
| TOTAL ASSETS | | 22,505,282 | 23,694,895 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 1,038,361 | 927,271 |
| Deferred revenue | | 578,515 | 13,441 |
| Financial liabilities | 13 | - | 3,500,434 |
| Lease liabilities | 12 | 49,997 | 51,136 |
| Employee benefits liabilities | | 511,372 | 420,156 |
| Other liabilities | | 717,853 | 635,049 |
| Total current liabilities | | 2,896,098 | 5,547,487 |
| NON-CURRENT LIABILITIES | | | |
| Financial liabilities | 13 | 85,946 | 166,116 |
| Lease liabilities | 12 | 21,426 | 48,088 |
| Defined benefit plan | | 194,839 | 203,868 |
| Total non-current liabilities | | 302,211 | 418,072 |
| TOTAL LIABILITIES | | 3,198,309 | 5,965,559 |
| NET ASSETS | | 19,306,973 | 17,729,336 |
| EQUITY | | | |
| Contributed equity | 15(a) | 108,132,090 | 98,741,885 |
| Share based payments reserve | | 21,458,607 | 19,854,509 |
| Foreign currency translation reserve | | 19,877 | 114,940 |
| Other equity reserve | | 247,872 | 247,872 |
| Accumulated losses | | (110,551,473) | (101,229,870) |
| TOTAL EQUITY | | 19,306,973 | 17,729,336 |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the half-year ended 30 June 2021

| | Note | 30 June 2021 US\$ | 30 June 2020 US\$ |
|--|------|----------------------|----------------------|
| CASH FLOWS USED IN OPERATING ACTIVITIES | | | |
| Receipts from customers | | 1,314,862 | 12,031 |
| Grants and R&D credits received from third parties | | 105,784 | 436,610 |
| Payments to suppliers and employees | | (8,324,815) | (5,596,505) |
| Interest received | | 17,465 | 14,536 |
| Interest paid | | (869) | (2,645) |
| Net cash flows used in operating activities | | <u>(6,887,573)</u> | <u>(5,135,973)</u> |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | | |
| Payments for property, plant and equipment | | <u>(19,054)</u> | <u>(15,010)</u> |
| Net cash flows used in investing activities | | <u>(19,054)</u> | <u>(15,010)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from the issue of shares | | 5,483,748 | 1,989,898 |
| Proceeds from the reduction of collateral share holdings | | - | 910,971 |
| Payment of share issue costs | | (21,718) | (145,293) |
| Payment of convertible securities costs | | - | (2,833) |
| Proceeds from loans from third parties | | - | 412,300 |
| Payment of lease liabilities | | <u>(24,216)</u> | <u>(82,704)</u> |
| Net cash flows generated from financing activities | | <u>5,437,814</u> | <u>3,082,339</u> |
| Net decrease in cash and cash equivalents | | (1,468,813) | (2,068,644) |
| Net foreign exchange differences | | (14,256) | (207,437) |
| Cash at the beginning of the financial period | | <u>19,136,425</u> | <u>7,622,178</u> |
| Cash and cash equivalents at the end of the period | 8 | <u>17,653,356</u> | <u>5,346,097</u> |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity For the half-year ended 30 June 2021

| | Contributed equity | Share based payment reserve | Other reserves | Foreign currency reserve | Accumulated losses | Total equity |
|---|--------------------|-----------------------------|----------------|--------------------------|--------------------|--------------|
| | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ |
| At 1 January 2020 | 64,740,268 | 18,418,864 | 247,872 | 72,803 | (74,383,457) | 9,096,350 |
| Loss for the year | - | - | - | - | (6,858,171) | (6,858,171) |
| Other comprehensive loss | - | - | - | (16,765) | (5,517) | (22,282) |
| Total comprehensive loss for the period | - | - | - | (16,765) | (6,863,688) | (6,880,453) |
| Transactions with owners in their capacity as owners | | | | | | |
| Shares issued | 3,277,030 | - | - | - | - | 3,277,030 |
| Share issue costs | (149,258) | - | - | - | - | (149,258) |
| Share-based payment | - | 550,705 | - | - | - | 550,705 |
| At 30 June 2020 | 67,868,040 | 18,969,569 | 247,872 | 56,038 | (81,247,145) | 5,894,374 |
| | | | | | | |
| | Contributed equity | Share based payment reserve | Other reserves | Foreign currency reserve | Accumulated losses | Total equity |
| | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ |
| At 1 January 2021 | 98,741,885 | 19,854,509 | 247,872 | 114,940 | (101,229,870) | 17,729,336 |
| Loss for the year | - | - | - | - | (9,298,244) | (9,298,244) |
| Other comprehensive loss | - | - | - | (95,063) | (23,359) | (118,422) |
| Total comprehensive loss for the period | - | - | - | (95,063) | (9,321,603) | (9,416,666) |
| Transactions with owners in their capacity as owners | | | | | | |
| Shares issued | 5,974,801 | - | - | - | - | 5,974,801 |
| Converted Treasury shares | 3,452,514 | - | - | - | - | 3,452,514 |
| Share issue costs | (37,110) | - | - | - | - | (37,110) |
| Share-based payment | - | 1,604,098 | - | - | - | 1,604,098 |
| At 30 June 2021 | 108,132,090 | 21,458,607 | 247,872 | 19,877 | (110,551,473) | 19,306,973 |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2021

1. CORPORATE INFORMATION

The interim condensed consolidated financial report of BrainChip Holdings Ltd (“Company”) and its controlled entities (“Consolidated Entity” or “Group”) for the half-year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 25 August 2021, California, U.S.A.

BrainChip Holdings is a for-profit Company limited by shares, incorporated and domiciled in Australia, and whose shares are publicly traded on the Australian Securities Exchange.

The address of the registered office is Level 12, 225 George Street, Sydney, NSW 2000, Australia.

The nature of the operations and principal activities of the Group are described in the Directors’ Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statement has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 “*Interim Financial Reporting*”.

The interim condensed consolidated financial statement does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2020, and considered together with any public announcements made by the Company during the half-year ended 30 June 2021 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

Certain comparative expenditures have been reclassified to align with the current reporting presentation.

New standards, interpretation and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

| | 30 June 2021 US\$ | 30 June 2020 US\$ |
|--|-----------------------|----------------------|
| (a) Types of goods or service | | |
| Product revenue | 52,005 | - |
| License revenue | 412,500 | - |
| Development service revenue | 303,040 | 13,397 |
| Total revenue from contracts with customers | <u>767,545</u> | <u>13,397</u> |
| (b) Timing of revenue recognition | | |
| Services transferred over time | 355,045 | 13,397 |
| Sale of product and license transferred at a point in time | 412,500 | - |
| Total revenue | <u><u>767,545</u></u> | <u><u>13,397</u></u> |

Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2021

4. EXPENSES

| | 30 June 2021 US\$ | 30 June 2020 US\$ |
|---|----------------------|----------------------|
| (a) Research & development expenses | | |
| Employee expenses | 2,221,479 | 1,765,660 |
| Grants received | (350,248) | (196,335) |
| Third party development services | 2,250,000 | 1,525,000 |
| Other contractor fees | 124 | 252,919 |
| Amortisation of intangible assets | 32,735 | 32,735 |
| Rent expense | 27,975 | - |
| Other expenses | 235,861 | 109,059 |
| Total research & development expenses | <u>4,417,926</u> | <u>3,489,038</u> |
| (b) Selling & marketing expenses: | | |
| Employee expenses | 690,737 | 398,584 |
| Contractor fees | 263,235 | 196,959 |
| Other expenses | 108,696 | 153,991 |
| Total selling & marketing expenses | <u>1,062,668</u> | <u>749,534</u> |
| (c) General & Administrative expenses: | | |
| Employee expenses | 1,180,694 | 759,934 |
| Legal and professional expenses | 431,171 | 229,768 |
| Corporate and listing expenses | 420,224 | 110,819 |
| Travel and accommodation expenses | 15,125 | 35,400 |
| Depreciation of plant & equipment | 38,113 | 41,868 |
| Depreciation of right of use assets | 25,067 | 78,201 |
| Office rent | 55,568 | 15,899 |
| Software lease expense | 114,415 | 73,126 |
| Other expenses | 106,407 | 78,485 |
| Total general & administrative expenses | <u>2,386,784</u> | <u>1,423,500</u> |

5. OTHER INCOME

| | 30 June 2021 US\$ | 30 June 2020 US\$ |
|--|----------------------|----------------------|
| (a) Forgiveness of borrowings | | |
| Forgiveness of borrowings - refer note 13(b) | 413,335 | - |
| Total finance income | <u>413,335</u> | <u>-</u> |

For personal use only

Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2021

6. FINANCE INCOME AND EXPENSES

| | 30 June 2021 US\$ | 30 June 2020 US\$ |
|---|----------------------|----------------------|
| (a) Finance income | | |
| Interest received | 17,465 | 14,536 |
| Foreign exchange gain | 37,987 | - |
| Total finance income | <u>55,452</u> | <u>14,536</u> |
| (b) Finance expense | | |
| Convertible Securities interest expense | - | 268,522 |
| Other interest expense | 5,645 | 3,447 |
| Foreign exchange loss | - | 260,579 |
| Total finance expense | <u>5,645</u> | <u>532,548</u> |
| (c) Net fair value loss through profit and loss | | |
| Gain on settlement of financial asset at fair value through the profit and loss | - | (87,832) |
| Net loss from financial assets and liabilities measured at fair value through the profit and loss (refer to Note 13(c)) | 763,809 | 228,611 |
| | <u>763,809</u> | <u>140,779</u> |

7. LOSS PER SHARE

| | 30 June 2021 US\$ | 30 June 2020 US\$ |
|---|----------------------|----------------------|
| Net loss attributable to ordinary shareholders for basic and diluted earnings per share | (9,298,244) | (6,858,171) |
| | US cents per share | US cents per share |
| Basic and diluted loss per share | (0.55) | (0.48) |
| Weighted average number of ordinary shares for basic loss per share ⁽³⁾ | 1,699,394,657 | 1,440,509,140 |
| Effect of the dilution of share options and performance rights ^{(1) (2)} | - | - |
| Weighted average number of ordinary shares adjusted for the effect of dilution | <u>1,699,394,657</u> | <u>1,440,509,140</u> |

⁽¹⁾ At 30 June 2021, the Company had on issue 135,557,359 (30 June 2020: 159,543,976) share options that were excluded from the calculation of diluted loss per share as they are considered anti-dilutive.

⁽²⁾ At 30 June 2021, the Company had 2,450,000 restricted stock units (30 June 2020: 2,850,000) that were excluded from the calculation of diluted loss per share as they are considered anti-dilutive.

⁽³⁾ Weighted average number of ordinary shares has been adjusted as a result of rights issue to institutional and sophisticated investors for all periods.

8. CASH AND CASH EQUIVALENTS

| | 30 June 2021 US\$ | 31 December 2020 US\$ |
|--------------------------|-------------------------|-----------------------------|
| Cash at bank and in hand | 17,608,105 | 19,096,796 |
| Term deposits | 45,251 | 39,629 |
| Total | <u>17,653,356</u> | <u>19,136,425</u> |

For personal use only

Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2021

9. TRADE AND OTHER RECEIVABLES

| | 30 June 2021 US\$ | 31 December 2020 US\$ |
|-----------------------|-------------------------|-----------------------------|
| Trade receivables (i) | 78,963 | 97,716 |
| Research tax credits | 971,590 | 721,655 |
| Other receivables | 49,041 | 88,309 |
| Total | <u>1,099,594</u> | <u>907,680</u> |

- (i) Trade receivables are non-interest bearing and generally on terms of 30-90 days. No allowance for expected credit loss has been recorded.

10. RIGHT-OF-USE ASSETS

| | 30 June 2021 US\$ | 31 December 2020 US\$ |
|--------------------------|-------------------------|-----------------------------|
| Cost | 148,570 | 153,479 |
| Accumulated depreciation | (78,412) | (55,423) |
| Total | <u>70,158</u> | <u>98,056</u> |

| | 6 Months to 30 June 2021 US\$ |
|---|-------------------------------------|
| Movement in Right-of-Use Assets: | |
| Opening balance | 98,056 |
| Depreciation | (25,067) |
| Net foreign exchange movements | (2,831) |
| Closing balance | <u>70,158</u> |

For personal use only

Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2021

11. INTANGIBLE ASSETS

| | 30 June 2021 US\$ | 31 December 2020 US\$ |
|---|-------------------------|-------------------------------------|
| Patents and licenses (a) | 772,449 | 805,184 |
| Goodwill | 905,458 | 905,458 |
| | <u>1,677,907</u> | <u>1,710,642</u> |
| (a) At cost – patents and licenses with finite useful life | 1,103,753 | 1,116,851 |
| Accumulated amortisation | (331,304) | (311,667) |
| | <u>772,449</u> | <u>805,184</u> |
| | | 6 Months to 30 June 2021 US\$ |
| Movement in patents and licenses: | | |
| Opening balance | | 805,184 |
| Amortisation | | (32,735) |
| Closing balance | | <u>772,449</u> |

12. LEASE LIABILITIES

| | 30 June 2020 US\$ | 31 December 2020 US\$ |
|--------------------------------------|-------------------------|-----------------------------|
| Current | 49,997 | 51,136 |
| Non-Current | 21,426 | 48,088 |
| | <u>71,423</u> | <u>99,224</u> |
| Movement in lease liabilities | | |
| Opening balance | | 99,224 |
| Reduction in liabilities | | (24,216) |
| Net foreign exchange movements | | (3,585) |
| Closing balance | | <u>71,423</u> |

For personal use only

Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2021

13. FINANCIAL LIABILITIES

| | 30 June 2021 US\$ | 31 December 2020 US\$ |
|---|-------------------------|-----------------------------|
| <i>Current</i> | | |
| Borrowings (b) | - | 320,678 |
| Derivative liabilities – LDA unlisted options (c) | - | 3,179,756 |
| | <u>-</u> | <u>3,500,434</u> |
| <i>Non-current</i> | | |
| Advances from third parties (a) | 85,946 | 88,786 |
| Borrowings (b) | - | 77,330 |
| | <u>85,946</u> | <u>166,116</u> |
| <i>Total Financial liabilities</i> | <u>85,946</u> | <u>3,666,550</u> |

(a) Advances from third parties

Non-current advances include loans from various French government agencies which are granted without any interest and are to be repaid under certain conditions. The benefit of the government loan at a below-market rate of interest is treated as a government grant.

Movement in advances from third parties

| | US\$ |
|----------------------------|---------------|
| Opening balance | 88,786 |
| Foreign exchange movements | (2,840) |
| Closing balance | <u>85,946</u> |

(b) Borrowings

In May 2021, the Company received confirmation from the U.S. Small Business Administration, "SBA", of forgiveness of the Payroll Protection Program loan of \$412,300 which was received in the prior year as U.S. financial relief from the COVID-19 emergency.

Movement in borrowings

| | US\$ |
|---------------------------|-----------|
| Opening balance | 398,008 |
| Interest payable | 15,327 |
| Forgiveness of borrowings | (413,335) |
| Closing balance | <u>-</u> |

(c) LDA Capital Agreement

Financial Asset – Put Premium Option

The Company has not issued a further Capital Call Notice as per the Put Option Agreement (POA) with LDA Capital (dated 13 August 2020), and continues to recognise the unused 8,750,000 Collateral Shares held by LDA Capital as a derivative asset (put option premium), valued using a market based approach with reference to a 15% market placement discount. The unused Collateral Shares continue to be reported as Treasury shares (Note 15(d)).

Derivative Liabilities – LDA unlisted options

The unlisted options held by LDA Capital at 1 January 2021 and recognised as a derivative liability were fully exercised during the half year reporting periods. The remeasurement of the derivative liability resulted in a fair value loss of \$763,809 and contributed to cash inflows of \$2,031,236 to the Company.

Other transactions

The Company continues to recognise for the remaining commitment fee of A\$290,000 (US\$217,478) in Trade and other payables, which is due at closing of the second capital call. The commitment fee may be paid in shares at the Company's discretion.

Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2021

13. FINANCIAL LIABILITIES (continued)

| | US\$ |
|--|------------------|
| Movement in Financial asset – Put premium option | |
| Opening balance | 1,470,275 |
| Foreign exchange | (38,973) |
| Closing balance | <u>1,431,302</u> |
| Movement in Derivative liabilities – LDA unlisted options | |
| Opening balance | 3,179,756 |
| Re-measurement to fair value through profit or loss | 763,809 |
| Fair value of options exercise at each exercise date | (5,974,801) |
| Cash received on exercise of options | <u>2,031,236</u> |
| Closing balance | <u>-</u> |

14. FINANCIAL ASSETS & LIABILITIES

Set out below is an overview of financial assets (other than cash and short term deposits) and financial liabilities held by the Group as at 30 June 2021 and 31 December 2020:

| | 30 June 2021 US\$ | 31 December 2020 US\$ |
|--|-------------------------|-----------------------------|
| (a) Financial assets at amortised cost | | |
| Trade and other receivables | 1,099,594 | 907,680 |
| Financial assets at fair value through profit or loss | | |
| Derivative asset – Put option premium | <u>1,431,302</u> | <u>1,470,275</u> |
| Total financial assets | <u>2,530,896</u> | <u>2,377,955</u> |
| <i>Current</i> | 2,530,896 | 2,377,955 |
| <i>Non-current</i> | - | - |
| Total financial assets | <u>2,530,896</u> | <u>2,377,955</u> |
| Financial liabilities at amortised cost | | |
| Trade and other payables | 1,038,361 | 927,271 |
| Financial liabilities | | |
| - Advances from third parties | 85,946 | 88,786 |
| - Borrowings | - | 398,008 |
| Other liabilities | | |
| - Grant liabilities | 82,804 | - |
| - Deferred gain | 635,049 | 635,049 |
| Financial liabilities at fair value through profit & loss | | |
| Financial liabilities | | |
| - Derivative liabilities - LDA unlisted options | - | 3,179,756 |
| Total financial liabilities | <u>1,842,160</u> | <u>5,228,870</u> |
| <i>Current</i> | 1,756,214 | 5,062,754 |
| <i>Non-current</i> | 85,946 | 166,116 |
| Total financial liabilities | <u>1,842,160</u> | <u>5,228,870</u> |

Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2021

14. FINANCIAL ASSETS & LIABILITIES (continued)

- (b) The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities as at 30 June 2021 and 31 December 2020:

| | Total US\$ | Fair value measurement using | | |
|---|------------------|--|--|--|
| | | Quoted prices in active markets (Level 1) US\$ | Significant observable inputs (Level 2) US\$ | Significant unobservable inputs (Level 3) US\$ |
| As at 30 June 2021 | | | | |
| Financial assets measurement at fair value | | | | |
| Derivative asset - put option premium | 1,431,302 | - | - | 1,431,302 |
| | <u>1,431,302</u> | <u>-</u> | <u>-</u> | <u>1,431,302</u> |
| As at 31 December 2020 | | | | |
| Financial assets measurement at fair value | | | | |
| Derivative asset - put option premium | 1,470,275 | - | - | 1,470,275 |
| | <u>1,470,275</u> | <u>-</u> | <u>-</u> | <u>1,470,275</u> |
| Financial liabilities measured at fair value | | | | |
| Derivative liabilities – LDA Capital | 3,179,756 | - | 3,179,756 | - |
| | <u>3,179,756</u> | <u>-</u> | <u>3,179,756</u> | <u>-</u> |

There were no transfers between levels during the financial half-year.

- (c) Changes in liabilities arising from financing activities are disclosed within individual notes.

15. CONTRIBUTED EQUITY

| | 30 June 2021 | 31 December 2020 |
|--|----------------------|---------------------|
| | US\$ | US\$ |
| (a) Ordinary Shares | | |
| Issued and fully paid | 108,132,090 | 98,741,885 |
| | <u>108,132,090</u> | <u>98,741,885</u> |
| (b) Movements in ordinary shares on issue | | |
| | Number | US\$ |
| At 1 January 2021 | 1,616,591,587 | 98,741,885 |
| Shares allocated on exercise of LDA Capital put option premium – refer note 13 | 13,145,556 | 5,974,801 |
| Issue of shares to the Trustee of the BrainChip LTIP | 30,000,000 | - |
| Treasury shares issued on conversion of options | - | 3,452,514 |
| Share issue costs | - | (37,110) |
| At 30 June 2021 | <u>1,659,737,143</u> | <u>108,132,090</u> |

(c) Terms and conditions of contributed equity

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings. In the event of winding up the Company the holders are entitled to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2021

15. CONTRIBUTED EQUITY (continued)

| (d) Treasury shares | 30 June 2021 Number | 31 December 2020 Number |
|--|---------------------------|-------------------------------|
| Fully paid shares issued to LDA Capital Pty Ltd | 8,750,000 | 8,750,000 |
| Fully paid shares issued to Trustee of Long Term Incentive Plan ("LTIP") | 12,964,859 | 9,495,000 |
| | <u>21,714,859</u> | <u>18,245,000</u> |

Movements in Treasury shares

| | Number |
|--|---------------------|
| At 1 January 2021 | 18,245,000 |
| Shares issued to Trust from BrainChip Holdings Ltd | 30,000,000 |
| Shares issued on exercise of performance rights | (12,500) |
| Shares issued on exercise of options | <u>(26,517,641)</u> |
| At 30 June 2021 | <u>21,714,859</u> |

(e) Options on issue

Unissued ordinary shares of the Company under option at 30 June 2021 are as follows:

| Type | Expiry Date | Exercise Price (US\$) | 30 June 2021 Number | 31 December 2020 Number |
|--|-------------|-----------------------|---------------------------|-------------------------------|
| <i>Options issued to LDA Capital Unlisted ⁽¹⁾</i> | | | | |
| | | | | 13,145,556 |
| <i>Options issued as share-based payments</i> | | | | |
| Unlisted – refer Note 16(b) | Various | Various | 135,557,359 | 154,145,000 |
| Total | | | <u>135,557,359</u> | <u>167,290,556</u> |

(f) Restricted Stock Units (RSUs) on issue

Unissued ordinary shares of the Company held as restricted stock units at 30 June 2021 are as follows:

| Type | 30 June 2021 Number | 31 December 2020 Number |
|--------------|---------------------------|-------------------------------|
| Unlisted | 4,462,500 | 4,462,500 |
| Total | <u>4,462,500</u> | <u>4,462,500</u> |

(h) Performance rights on issue

Unissued ordinary shares of the Company held as performance rights at 30 June 2021 are as follows:

| Type | 30 June 2021 Number | 31 December 2020 Number |
|--------------|---------------------------|-------------------------------|
| Unlisted | 12,500 | 25,000 |
| Total | <u>12,500</u> | <u>25,000</u> |

(i) Movement in Performance rights

| | |
|---------------------------------------|-----------------|
| 1 January | 25,000 |
| Converted to shares during the period | <u>(12,500)</u> |
| Total | <u>12,500</u> |

For personal use only

Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2021

16. SHARE-BASED PAYMENTS

| | 30 June 2021 US\$ | 30 June 2020 US\$ |
|---|----------------------|----------------------|
| (a) Recognised share-based payment expenses | | |
| Equity instruments issued in accordance with BrainChip Long Term Incentive Plan | 1,604,098 | 550,705 |
| Total share-based payment expenses | <u>1,604,098</u> | <u>550,705</u> |

(b) Share Options granted as share-based payments

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options issued as share based payments during the half-year:

| | 2021 Number | 2021 WAEP (US\$) | 2020 Number | 2020 WAEP (US\$) |
|--|--------------------|------------------------|--------------------|------------------------|
| Outstanding at 1 January | 154,145,000 | 0.117 | 175,068,976 | 0.117 |
| Granted during the period | 8,680,000 | 0.374 | - | - |
| Exercised during the period | (26,517,641) | (0.126) | (15,525,000) | (0.047) |
| Forfeited during the period | (750,000) | (0.182) | - | - |
| Outstanding at 30 June | <u>135,557,359</u> | <u>0.155</u> | <u>159,543,976</u> | <u>0.124</u> |
| Exercisable (vested and unrestricted) at the end of the period | 75,398,192 | 0.147 | 112,818,976 | 0.129 |

The weighted average remaining contractual life for the share options outstanding at 30 June 2021 is 4.23 years (31 December 2020: 3.95 years).

The weighted average fair value of options granted during the period was \$0.386 (31 December 2021: \$0.167). The range of exercise prices for options outstanding at the end of the period was \$0.031 to \$0.464.

The above options are exercisable after vesting and at any time on or before the expiry date.

No options were granted during the period as share-based payments.

(c) Options granted, forfeited and lapsed under the Long Term Incentive Plan

Unissued ordinary shares of the Company under option at 30 June 2021 are as follows:

| Grant Type | Grant Date | Expiry Date | Exercise Price (US\$) | Granted during year | Exercised during year | Forfeited during year |
|------------|------------|-------------|-----------------------|---------------------|-----------------------|-----------------------|
| LTIP | 09/04/2021 | 09/04/2031 | 0.446 | 280,000 | - | - |
| LTIP | 09/04/2021 | 09/04/2031 | 0.441 | 3,900,000 | - | - |
| LTIP | 09/04/2021 | 23/04/2031 | 0.464 | 1,000,000 | - | - |
| AGM2021 | 27/05/2021 | 27/05/2031 | 0.279 | 2,500,000 | - | - |
| LTIP | 04/06/2021 | 04/06/2031 | 0.460 | 1,000,000 | - | - |
| LTIP | 22/01/2016 | 01/02/2021 | 0.165 | - | 1,125,000 | - |
| LTIP | 28/09/2016 | 30/09/2021 | 0.172 | - | 12,660,974 | - |
| LTIP | 08/07/2016 | 10/10/2021 | 0.113 | - | 300,000 | - |
| LTIP | 01/10/2016 | 10/10/2021 | 0.205 | - | 100,000 | - |
| AGM 2017 | 31/05/2017 | 01/02/2023 | 0.182 | - | 240,000 | - |
| AGM 2017 | 31/05/2017 | 01/02/2026 | 0.182 | - | - | 750,000 |
| LTIP | 05/03/2017 | 13/03/2028 | 0.147 | - | 1,500,000 | - |
| LTIP | 18/03/2019 | 18/03/2029 | 0.042 | - | 2,800,000 | - |
| AGM 2019 | 30/05/2019 | 30/05/2029 | 0.069 | - | 7,500,000 | - |
| LTIP | 23/09/2019 | 23/09/2029 | 0.031 | - | 125,000 | - |
| LTIP | 23/09/2019 | 23/09/2029 | 0.035 | - | 166,667 | - |
| | | | | <u>8,680,000</u> | <u>26,517,641</u> | <u>750,000</u> |

Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2021

16. SHARE-BASED PAYMENTS (continued)

(d) Options pricing model

Options issued under LTIP - 2021

The fair value of the equity-settled share options granted under the LTIP is estimated as at the date of the offer of the grant using a Black Scholes Option Pricing model. The following table lists the inputs to the models used for the valuation of options during the period ended 30 June 2021:

| | Number of options | Fair value at measurement date \$US | Share price at Grant Date US\$ | Exercise price US\$ | Expected volatility (%) | Risk-free interest rate (%) | Expected life of options in years |
|-----------|-------------------|--|-----------------------------------|------------------------|----------------------------|--------------------------------|-----------------------------------|
| Employees | 280,000 | 0.378 | 0.423 | 0.446 | 100.0 | 1.74 | 10.0 |
| | 3,900,000 | 0.378 | 0.412 | 0.446 | 100.0 | 1.74 | 10.0 |
| | 1,000,000 | 0.415 | 0.463 | 0.467 | 100.0 | 1.69 | 10.0 |
| | 1,000,000 | 0.405 | 0.453 | 0.464 | 100.0 | 1.68 | 10.0 |
| Director | 2,500,000 | 0.395 | 0.428 | 0.280 | 100.0 | 1.72 | 10.0 |

(e) Restricted Stock Units issued during the period as share-based payments

During the period, 12,500 restricted stock units were converted to shares. No restricted stock units were issued or cancelled.

17. OPERATING SEGMENTS

For management purposes, the Group is organised into one operating segment, being the technological development of designs that can be licensed to OEM (Original Equipment Manufacturer) Customers, End Users and System Integrators based on Artificial Neural Networks.

All the activities of the Group are interrelated, and each activity is dependent on the others. Accordingly, all significant operating disclosures are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

The Group currently derives revenue from BrainChip Inc., located in the USA, and BrainChip SAS, its France based subsidiary.

Geographically, the Group has the following revenue information based on the location of its customers and non-current assets from where its investing activities are managed.

| | 30 June 2021 US\$ | 30 June 2020 US\$ |
|--|----------------------|----------------------|
| Revenue from external customers | | |
| Americas | 658,338 | - |
| Asia Pacific | 4,667 | - |
| Europe, Middle East & Asia (EMEA) | 104,540 | 13,397 |
| Revenue from continuing operations | <u>767,545</u> | <u>13,397</u> |

Customers representing more than 10% of revenues in the current year amounted to \$512,502 (2020: \$13,397) comprising license revenue of \$412,500 and engineering services revenue of \$100,002 which was earned from customer located in the Americas (2020: \$13,397 of engineering services earned from a European customer).

| | 30 June 2021 US\$ | 31 December 2020 US\$ |
|---------------------------|-------------------------|-----------------------------|
| Non-current assets | | |
| Oceania | 24,484 | - |
| North America | 882,838 | 945,494 |
| EMEA | 1,110,950 | 1,052,832 |
| | <u>2,018,272</u> | <u>1,998,326</u> |

Notes to the Consolidated Financial Statements

For the half-year ended 30 June 2021

18. COMMITMENTS

The Group has no commitments as at 30 June 2021.

19. EVENTS AFTER BALANCE SHEET DATE

On 28 July 2021, the Company announced the resignation of Ernst & Young and the appointment of HLB Mann Judd (WA) Partnership ("HLB") as the auditor of BrainChip, effective until the 2022 Annual General Meeting of the Company where a resolution to appoint HLB as the official auditor will be put to shareholders. The change of auditor has occurred due to the Company reviewing its external audit function.

On 16 August 2021, the Company issued a Capital Notice to LDA Capital Limited and LDA Capital LLC (together "LDA Capital") as per the Put Option Agreement ("POA") dated 13 August 2020. The Capital Notice provided LDA Capital with irrevocable notice to subscribe for 8,750,000 shares ("Collateral Shares" on 27 August 2021.

In the period since 30 June 2021 and to the date of this report, the Company has issued 10,868,952 treasury shares under the LTIP on the exercise of 8,856,952 options (raising \$1,404,675 (A\$1,922,568)), and the conversion of 2,000,000 restricted stock units and 12,500 performance rights. The Company has also issued 1,500,000 share options in accordance with the Company's 2018 Long Term Incentive Plan; and 125,000 restricted stock units to a consultant in accordance with the Company's constitution.

No other matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

Director's Declaration

In accordance with a resolution of the Directors of BrainChip Holdings Ltd, I state that:

1. In the opinion of the Directors:
 - (a) the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and
 - (ii) complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the half-year ended 30 June 2021.

On behalf of the Board.



Emmanuel T. Hernandez

Chair
California, USA, August 24, 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of BrainChip Holdings Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of BrainChip Holdings Limited ("the company") which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of BrainChip Holdings Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 E: mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
24 August 2021



B McVeigh
Partner

For personal use only