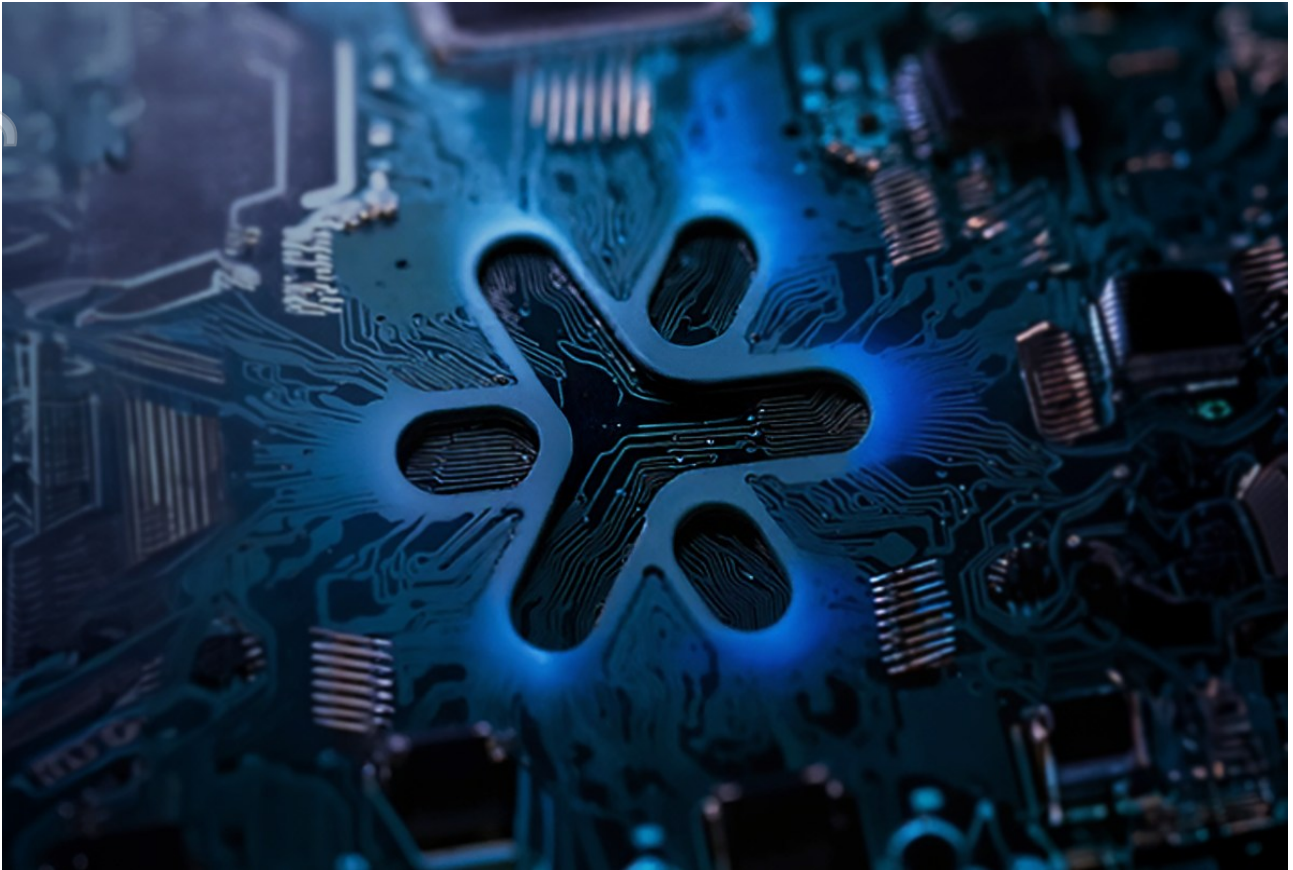




BrainChip Holdings Ltd
Annual Report
2024



	Page		Page
CEO's Letter	2	Notes to the consolidated financial statements	44
Directors' Report	4	Consolidated entity disclosure statement	76
Auditor's Independence declaration	39	Directors' declaration	77
Consolidated statement of profit or loss and other comprehensive income	40	Independent Auditor's Report	78
Consolidated statement of financial position	41	Shareholder information	82
Consolidated statement of changes in equity	42	Corporate Directory	84
Consolidated statement of cash flows	43		

Dear Shareholder,

The next major economic revolution is underway, as entire industry sectors are boosting their productivity by using Artificial Intelligence (AI). This new revolution is creating a seismic shift that rivals the impact of the Industrial Revolution back in the 18th century. The global technology market has always been dynamic, but the rate of change due to the impact of AI has been stratospheric. The benefits of AI are seen across all levels of the market, from early technology development to consumer products. BrainChip continues to be at the forefront of advances in the development and innovation in Edge AI.

2024 witnessed remarkable changes and innovations in the AI market. The advent of Large Language Models (LLMs) such as OpenAI's ChatGPT, which runs on huge data center computer networks, has enabled the next paradigm shift in human-to-computer interaction. This shift is best seen in the generation of written or voiced language, where we see sophisticated responses in a fraction of a second.

State Space Models (SSM) are a mathematical method to describe dynamic systems. SSMs are integral to artificial intelligence, especially when it comes to systems that need to make decisions or predictions based on evolving situations. SSMs are used in speech recognition, speech generation, and the analysis of other sequential information from physical processes. The rapid evolution of SSMs is challenging incumbent computer systems to improve performance, scale, accuracy and system efficiency. Along with new silicon architectures, SSMs are at the core of next generation computing capabilities.

The rapid innovation in edge AI computing is driven by an overwhelming demand for differentiating product features. Complex data-center-based models are being ported to Edge AI devices to provide sophisticated functions in edge products. This is driving innovation, both in next generation models and more efficient silicon. A large number of silicon providers support older legacy models and are struggling to keep up.

Older incumbent technologies are often "good enough," until they simply are not. BrainChip, as a leader in the development of innovative technologies, has developed more efficient silicon architecture to support the emerging shift to SSMs.

Last year, we coupled performance-leading silicon architecture (IP) with dedicated edge models. This was achieved by offering AI acceleration with our latest Akida™ IP and our proprietary TENNs models (Temporal Event-based Neural Network models). 2024 also saw notable commercial wins with leading organisations including Frontgrade-Geisler, Air Force Research Laboratory and Bascom Hunter. These organisations collectively acquired Akida IP and TENNs model development to fuel their innovations in advanced sensing, mobile, radar and space applications.

To protect our most important asset, we added 5 more patents to our portfolio and filed 14 more applications last year. Human capital remains critical in the AI market and BrainChip strengthened the engineering, research and executive ranks with outstanding hires and a new industry-leading Scientific Advisory Board.

CEO's Letter

We enter 2025 with the most robust product offering and detailed roadmap in the history of our company. The entire organisation is focused on capitalising on our product strength, and aggressively executing our roadmap plans. To support these objectives, expect a very prescriptive roadmap with tight committed timelines which will further strengthen our product offering for both silicon IP and edge-dedicated models. BrainChip will intensify its operational rigor on several fronts, in particular product planning, engineering focus and drive release. BrainChip has always been and always will be about technology excellence and leadership.

We are pleased with the progress we made in 2024: we accelerated market adoption and revenue scaling. 2025 is about building on these achievements, extending those efforts and capitalising with more commercial wins. The market opportunities are clear, and our capabilities are aligned well with market needs. As a Board we remain very positive about the future of BrainChip's market penetration and the broader adoption of our technology.

Thank you for being a shareholder. We appreciate your continued support as we shape the future of the Edge AI industry, and we look forward to speaking with each of you at our Annual General Meeting.

Thank you



Sean Hehir, CEO and the BrainChip Board of Directors

Directors' report

The directors submit their report of the consolidated entity, being BrainChip Holdings Ltd ("BrainChip Holdings" or "Company" or "BrainChip") and its controlled entities ("Group" or "Consolidated Entity"), for the year ended 31 December 2024.

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:

Antonio J. Viana	Non-Executive Director and Chair
Sean Hehir	Executive Director, Chief Executive Officer
Peter van der Made	Non-Executive Director
Geoffrey Carrick	Non-Executive Director
Pia Turcinov	Non-Executive Director
Duy-Loan Le	Non-Executive Director

The name of the Company's Secretary in office during the year and until the date of this report is:

Kim Larkin

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 financial year or up to the date of this report.

Significant changes in the state of affairs

On 29 December 2023, BrainChip, together with LDA Capital Limited and LDA Capital LLC ("LDA Capital") executed a Third Amendment to the Put Option Agreement ("POA") (refer to ASX announcements dated 13 August 2020 and 26 October 2020), extending the agreement for a one-year period. The amendment also provided an option to extend the POA for two additional years under the same terms upon mutual consent. Under the terms of the renewal, the Company was required to fulfil its obligations under the Second Amendment to draw down the remaining A\$2.7M in addition to an amount no less than A\$12M by 31 December 2024.

On 4 December 2023, BrainChip submitted a capital call notice in accordance with the POA to subscribe for up to 25 million shares. The capital call notice was closed and cash funds of US\$2,535,623 (A\$3,850,488) were received on 23 January 2024.

On 27 March 2024, BrainChip submitted a capital call notice to LDA Capital in accordance with the Third Amendment to the POA to subscribe for 40 million shares. The formula used to determine LDA Capital's purchase price remained set at 91.5% of the average of the daily Volume Weighted Average Price for each day that shares were sold throughout the pricing period. Cash funds were received in two instalments, comprising US\$1,810,792 (A\$2,820,000) on 19 April 2024, and US\$3,645,104 (A\$5,465,128) on 3 July 2024. The purchase price per share ranged from A\$0.2194 to A\$0.3664 during the capital call period.

On 25 July 2024, the Company announced an equity capital raise of A\$25 million, comprising a fully underwritten share placement to professional and sophisticated investors raising A\$20 million before costs ("Placement"), the sale of A\$2 million (before costs) of existing securities from LDA Capital ("Existing Share Sale") and a non-underwritten share purchase plan ("SPP") to be offered to eligible Australian and New Zealand shareholders to raise a further A\$3 million.

Significant changes in the state of affairs (continued)

The Placement, Existing Share Sale and SPP were completed with a share price of A\$0.193 representing a:

- 3.5% discount to the last close of A\$0.20 per share on 22 July 2024;
- 4.5% discount to the 5-day VWAP of A\$0.2022 per share up to and including 22 July 2024; and
- 4.0% discount to the 10-day VWAP of A\$0.2011 per share up to and including 22 July 2024.

The Company received US\$14,219,293 (A\$21,880,000) (before costs) on 31 July 2024 to close out the Placement and the Existing Share Sale transactions and 103,245,355 shares were issued on 1 August 2024.

Under the SPP, shareholders with a registered address in Australia or New Zealand on 24 July 2024 were eligible to apply for a maximum of A\$30,000 of new shares free of fees and at the same price offered through the Placement. The offer closed on 15 August 2024 resulting in the issue of 3,274,604 shares on 22 August 2024 and cash received by BrainChip of US\$425,838 (A\$632,013).

On 31 December 2024, the Company signed a Fourth Amendment to the POA with LDA Capital. Total funding increased to A\$140M (Total Commitment Amount), of which A\$68 million in gross proceeds has been drawn since inception in 2020. Under the new terms, BrainChip has agreed to an additional Minimum Drawdown Amount of A\$20 million to be drawn no later than 30 June 2026. BrainChip will issue 40 million Collateral Shares by the earlier of the next Capital Call or 30 June 2025, subject to Listing Rule 7.1 placement capacity. The purchase price remains set at 91.5% of the average daily Volume Weighted Average Price for each day shares are sold throughout the pricing period.

There have been no other significant changes in the state of affairs of the Group.

Review of operations

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

Overview

The Group made a net loss after income tax for the year ended 31 December 2024 of \$24,431,185 (2023: \$28,881,041).

Revenues for the year ended 31 December 2024 of \$398,011 increased 72% from \$232,004 in 2023, reflecting that the Company did not deliver on its goal to achieve significant growth in license and product revenue.

Total operating expenses for the year ended 31 December 2024 of \$23,868,799 decreased 17% from \$28,829,188 incurred in the prior year. This decrease was attributable to:

- Research & development (R&D) expenses of \$7,699,968 for the current period increased 9%, or \$665,951 from a year ago. R&D costs in the current period comprised employee expenses, contractor and other research and development costs, and the amortisation/impairment of capitalised R&D intangible assets. Movements in R&D costs are summarised as follows:
 - 2% increase in employee expenses reflecting the expansion of headcount in the USA, offset by the effect of the redundancy of the Australian R&D team;
 - 72% reduction in grant revenue recognised as a result of the change of work completed by the Australian R&D team prior to their redundancies.
 - No third-party pre-development services incurred in the current period (2023: \$636,493);
 - Impairment of capitalised intangible assets of \$576,037 as reported at the half-year after consideration of current impairment indicators.
- Selling & marketing (S&M) expenses of \$4,605,111 for the current period decreased 3%, or \$140,800 from a year ago. Management is continuing to focus on targeting potential customers worldwide and the promotion and marketing of current and future products;

Review of operations (continued)

Overview (continued)

- General & administrative (G&A) expenses of \$6,113,371 for the current period increased 7% overall, or \$418,345 from the same period a year ago as a result of:
 - An increase of 22% of employee expenses due to the addition of Peter van der Made as a non-executive director on the Board, plus an increase of accrued short-term incentive payments based on performance criteria approved by the Board as well as payment of 2023 short-term incentives to KMPs not accrued in the prior year;
 - reduced legal and professional costs;
 - Impairment of a receivable from a customer of \$29,970; and
- Share-based payment expense of \$5,450,349 for the current period decreased 52%, or \$5,903,885 from the same period a year ago. Share-based payments expense is non-cash in nature and represents the current period vesting expense for equity instruments (Options, Performance Rights ("PRs"), Restricted Stock Units ("RSUs") and Services Rights ("SRs")) issued to directors, employees and consultants, offset by the value of equity units that have been forfeited during the year. The prior year period included the issue of 8 million RSUs to former Chairman Mr Manny Hernandez, fair valued at \$2,224,068 (as presented and approved by shareholders at the 2023 AGM). The current year included a vesting credit of \$4,085,053 (2023: Nil) resulting from the reassessment of the achievement of the maximum performance criteria for equity units granted in 2022 that vest on 28 February 2025.

The current year loss also includes:

- Finance income, comprising Interest income earned \$635,246 (2023: 491,508) on cash balances invested;
- Finance expense of \$1,008,048 (2023: 154,121) comprising unrealised foreign exchange losses on revaluation of non-USD cash balances of \$981,104, other foreign exchange gains (unrealised and realised) of \$54,693 and interest expense of \$81,636 (2023: \$104,111).
- non-cash gains totalling \$13,575 (2023: non-cash losses of \$364,248) resulting from the fair value of the LDA financial liabilities recognised due to the agreed pricing mechanism and the put option premium.

Balance Sheet and Cashflows

At the end of the year, the Group had consolidated net assets of \$19,826,520 (2023: \$16,834,321), including cash and cash equivalents of \$20,000,422 (2023: \$14,343,381).

Trade and other Receivables decreased to \$947,994 from \$2,422,006 in the prior year, driven mainly by a decrease in Research Tax Credits recognised in the current year and the recognition of both a receivable of \$921,792 and a derivative asset of \$41,215 related to the LDA capital call notice in the prior year.

Cash outflows used in operating activities totaled \$15,884,799 (2023: \$17,532,390), as noted in the Consolidated Statement of Cash Flows, and reflects a transition from a focus on product development to bringing products to market.

Cash inflows from Financing Activities included \$7,991,520 from the issue of shares to LDA Capital (2023: \$8,210,972), a further \$14,645,131 raised (before costs) from the issue of shares via a placement to investors and a share purchase plan to shareholders. A further cash inflow of \$1,435,102 was received from the exercise of BrainChip Equity Plan options into issued shares (2023: \$1,029,013). The Company incurred share issue costs of \$1,033,498 (2023: 56,791).

Review of operations (continued)

Operational Highlights

Throughout 2024, the Company focused on executing its commercial strategy with a drive to secure royalty-bearing IP sales agreements, develop a pipeline of new business opportunities and expand its product offering through constant technical innovation.

This focus yielded several important commercial agreements, including a royalty-bearing IP sales agreement with Frontgrade Gaisler, one of Europe's leading aerospace and defence technology companies, which was announced in December. This agreement followed an earlier announcement in August which detailed two agreements totaling €190,000 for projects with Frontgrade Gaisler and Airbus to provide customers with AI capabilities for space applications using Akida 1.0 technology.

Another significant win included the award of a US\$1.8 million Small Business Innovation Research (SBIR) contract with the United States Air Force Research Laboratory (US AFRL) for mapping complex sensor signal processing algorithms onto neuromorphic chips.

These achievements demonstrate BrainChip's ability to leverage its revolutionary neuromorphic technology products into a range of Edge AI applications across a number of industry verticals, and provide an insight into the commercial strategy that will drive revenue generation.

BrainChip further expanded its technology industry ecosystem partnerships to include many of the world's largest and most innovative technology enablers and innovators. These ecosystem partnerships are a vitally important element of the Company's "go-to-market" strategy, and are essential to establishing commercial relationships that have the potential to lead to sales and revenue generation. Ecosystem partnerships enable Brainchip to build and establish trusting relationships with customers and enable customers to evaluate and test BrainChip products prior to acquiring them under an IP licence agreement. Ecosystem partnerships have the potential to convert into future commercial partnerships generating revenues for BrainChip through royalty-bearing IP licencing agreements, licence fees and product sales.

In terms of product innovation, the major new product released in 2024 was the proprietary TENNs (Temporal Event-based Neural Network) algorithm which, when combined with the second-generation Akida 2.0 neuromorphic AI product, delivers exceptional performance and power efficiency.

TENNs with Akida 2.0 was designed and developed with extensive customer input and market feedback to address a broader range of Edge AI user applications, specifically focusing on live-streaming services such as audio and video data streaming applications. This innovation further enhances BrainChip's differentiation in the market and opens opportunities to engage with a significantly larger segment of the addressable market for Edge AI applications, especially in areas such as audio de-noising for hearing aids, closed-circuit security cameras, and other consumer electronics products.

As of 31 December 2024, BrainChip is proud to have a total of 52 issued and pending patents, demonstrating our commitment to innovation and intellectual property. These patents span a wide range of technologies, underscoring our continued efforts to develop cutting-edge solutions that drive progress in our industry in key global markets. We remain focused on fostering a culture of creativity and excellence, ensuring that BrainChip remains at the forefront of technological advancements for years to come.

In 2024, BrainChip saw the planned retirement of the second of BrainChip's two co-founders, Anil Mankar, from his position as Chief Development Officer (CDO). Anil's transition to full retirement comes after the planned retirement of founder Peter van der Made in 2023.

BrainChip also welcomed the appointment of Mr Steve Brightfield to the critically important role of Chief Marketing Officer (CMO), to drive our global sales team, develop an effective customer engagement strategy, and manage key messaging to the market, potential customers and industry influencers.

Review of operations (continued)

As reported earlier, the Company secured a Placement to Australian institutional investors to raise A\$20 million to ensure funding of the Company's operations for the foreseeable future. In addition, the Company offered a Share Purchase Plan (SPP) to existing shareholders at the same price as the placement, to provide shareholders with an opportunity to minimise dilution. The capital raise was intended to reduce financial risk and ensure management had the financial runway to execute its planned rollout of new products and continue funding ongoing research & development and new product innovation.

Risks

Factors that may impact the Company's performance include the commercial viability of, and potential delays in the delivery of, new products and technology, delays in the establishing of an effective sales organisation and disruption in the global economy. Some of the risks related to this include:

- Risks of competitors addressing the Company's markets and customers with advanced products with similar or better performance.
- Delays in customer adoption of new products, caused by disruption to, or our inability to provide adequate training and education, collateral materials, application engineering and customer support.
- Risks of delays in new product development, including delayed internal development, slower than expected development by partners, and delays in the integration of our technology with third party providers of intellectual property.
- Risks of delays in new product introductions, including delays to wafer fabrication, assembly of products and test operations.
- Inability to recruit and retain appropriately skilled and experienced human resources in a timely fashion, or at all.

The Company's performance and success are dependent upon the ability to effectively identify, protect and defend its intellectual property through patents or trade secrets. Some of the risks related to this include:

- Risks of intellectual property or other claims, which are costly to defend, and which could result in significant damage awards, and/or limit the Company's ability to use certain technologies in the future.
- Risks of successful intellectual property infringement claims that may have an adverse effect on the Company's consolidated financial position, results of operations, or cash flows.
- Risks that intellectual property infringement protection for the Company's patents, trademarks, trade secrets and copyrights may not be available or feasible in every country in which our products and services could be distributed.
- Risks that all reasonable efforts by the Company to protect proprietary rights may not be sufficient or effective, including risks that intellectual property may not have adequate patent or copyright protection for certain innovations, that the scope of available protections is insufficient, or that an issued patent may be deemed invalid or unenforceable in certain jurisdictions.
- Risks that intellectual property held as trade secrets could be compromised by outside parties, or by our employees.
- Risks that change to government rules governing the export of artificial intelligence-related products and technologies may prohibit the sale of our products or licensing of our technology in some areas of the world.

Review of operations (continued)

Risks (continued)

Other key risks the Company has identified include:

- Risks of an information technology breach that may damage our intellectual property, our reputation, or litigation and potential liability.
- Risks of international operations exposure that could harm our business, operating results, and financial condition, including changes in local political, economic, and foreign currency fluctuations, regulatory, tax, social, labour conditions and health and safety issues, which may adversely harm our business.

Significant events after the balance date

Subsequent to the end of the year, the following events occurred:

Since 1 January 2025 and to the date of this report, 1,450,000 options, 204,813 PRs and 476,465 RSUs held by BrainChip Equity Plan participants converted to shares upon vesting. The Company also granted 270,000 options and 87,500 RSUs to new participants.

No other matters or circumstances have arisen since the end of the financial 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 years.

Likely development and expected results

It is expected that the Group will further develop the Akida Neuromorphic System-on-Chip (NSoC).

Environmental regulation and performance

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State Law.

Employees

The Group employed 63 employees as of 31 December 2024 (2023: 78).

Information on directors

Name:	Antonio J. Viana
Title:	Non-Executive Director and Chair
Qualifications:	Mr Viana holds a Bachelor of Science with Honors from California Polytechnic State University, San Luis Obispo in Industrial and Systems Engineering.
Experience and expertise:	Antonio J. Viana has over 30 years of experience in the global semiconductor industry and has served as a member of our board of directors since 2021. Mr. Viana is also a non-executive director of Arteris (Nasdaq: AIP). He has served on the Arteris board since 2016. At Arteris, he is chairman of the Nominations and Governance Committee and member of both the Audit and Compensation Committees. Recently, Mr. Viana was appointed as a non-executive director of PQShield, a privately-held British cybersecurity company specializing in cryptography solutions for software and hardware. Mr Viana is also a non-executive director of Parsley360, an emerging enterprise-level, empathetic AI, performance optimization provider. Previously, from 2016–2021, Mr. Viana served as the Executive Chairman of QuantalRF, an emerging Swiss RF semiconductor company. In 1999, Mr. Viana joined ARM Holdings, the global leader in semiconductor IP, serving in a number of leadership positions, most notably as the Global Director of the ARM Foundry Program and President of Commercial and Global Development. He was appointed to the ARM executive team as Executive VP of worldwide sales in 2007. At the beginning of 2013, his executive duties were expanded to include all of commercial and global development. Mr. Viana has also worked with Hughes Aircraft, Silicon Graphics, Encore Industries and was Senior VP of worldwide sales at Tensilica Inc.
Other current directorships:	Arteris Inc. (NASDAQ: AIP) – Non-Executive Director (Nov 2016 – present).
Former listed directorships (last 3 years):	None
Special responsibilities	Mr Viana resigned from the Company's Remuneration & Nomination Committee 15 March 2024.

Name:	Sean Hehir
Title:	Chief Executive Officer
Qualifications:	Mr Hehir holds a Bachelor of Science from the University of Massachusetts and MBA from Georgia State University.
Experience and expertise:	Mr Hehir has managed large global teams and been responsible for significant revenue growth for global enterprise organisations such as Compaq and HP, as well as smaller, fast-growing companies like Fusion-io. Mr Hehir is industry-recognized as a builder of trusted customer relationships and Strategic Alliances across diverse partners such as Systems Integrators, ISVs, and OEMs
Other current directorships:	None
Former listed directorships (last 3 years):	None
Special responsibilities	None

Information on directors (continued)

Name:	Peter van der Made
Title:	Non-Executive Director
Qualifications:	
Experience and expertise:	Mr van der Made has been at the forefront of computer innovation for over 40 years. He is the inventor of a computer immune system at vCIS Technology where he served as Chief Technology Officer, and then Chief Scientist when it was acquired by Internet Security Systems, and subsequently IBM. Previously, he designed a high resolution, high speed colour Graphics Accelerator chip for IBM PC graphics at PolyGraphics Systems. He was the founder of PolyGraphics Systems, vCIS Technology, and BrainChip Inc. Mr van der Made previously held the position of Chief Technical Officer (10 September 2015 to 31 December 2023) and Executive Director of BrainChip Holdings Ltd (10 September 2015 to 1 January 2018).
Other current directorships:	None
Former listed directorships (last 3 years):	None
Special responsibilities	None

Name:	Pia Turcinov AM
Title:	Non-Executive Director
Qualifications:	Ms Turcinov holds a Bachelor of Laws and Bachelor of Arts degrees from the University of NSW and is a Graduate of the Australian Institute of Company Directors. In 2023, Ms Turcinov was appointed as a Member of the Order of Australia in the King's Birthday 2023 Honours List for her significant service to technology, innovation and women in STEM.
Experience and expertise:	Ms Turcinov has more than 30 years of commercial and corporate experience across multiple industries, including technology, energy, resources, consumer goods and professional services. Having practised in corporate, commercial and IP law in NSW and Western Australia, Ms Turcinov transitioned into commercial advisory work in the private and public sectors.
Other current directorships:	Ms. Turcinov is currently a General Partner at Fund WA Pty Ltd. She also holds positions as a Non-Executive Director at the Centre of Decommissioning Australia and the Lyn Beazley Academy, in addition to serving as Chair of the East Metropolitan Health Service.
Former listed directorships (last 3 years):	None
Special responsibilities	Ms Turcinov is a member of the Company's Audit & Governance Committee and a member and Chair of the Remuneration & Nomination Committee.

Information on directors (continued)

Name:	Geoffrey Carrick
Title:	Non-Executive Director
Qualifications:	Mr Carrick is a graduate of the University of Sydney B.Ec, LLB.
Experience and expertise:	Mr Carrick is an experienced capital markets executive, having held the position of Head of Corporate Finance at Shaw and Partners Limited from March 2016 through July 2019 and Head of Equity Capital Markets at Commonwealth Bank from 2012 – 2015. Prior to joining CBA, Mr Carrick was a senior member of Macquarie Capital's Equity Capital Markets team, from 1999 to 2011. Mr Carrick currently serves as Executive Chairman of VCF Capital Partners Pty Limited.
Other current directorships:	SmartPay Holdings Limited (ASX:SMP) – Non-Executive Director (18 May 2022 – present).
Former listed directorships (last 3 years):	None
Special responsibilities	Mr Carrick is a member of the Company's Remuneration & Nomination Committee and a member and Chair of the Audit & Governance Committee.
Name:	Duy-Loan Le
Title:	Non-Executive Director
Qualifications:	
Experience and expertise:	Ms. Le has an impressive professional history, both technologically and in executive management, having retired from Texas Instruments (TI) as a Senior Fellow after 35 years. While at TI, she led global R&D and advanced technology manufacturing from concept to high volume production for TI's multi-billion-dollar memory, DSP, and base station product lines. She has global business experience, including overseeing joint ventures, foundries and OSAT (Outsourced Semiconductor Assembly and Test) partnerships. Ms. Le holds 24 patents and serves on the board of two universities. She is the President and sole partner of DLE Management Consulting LLC, a management consulting firm. Ms Le was inducted into the Women in Technology Hall of Fame (WITI) in 2001, was the first engineer inducted into the Asian Hall of Fame in 2017 and in 2021 was named to "NACD Directorship 100", a recognition by the National Association of Corporate Directors for her excellence in leadership & corporate governance. She received numerous recognitions for her philanthropic contributions worldwide, including Congressional Special Recognition. She currently serves on the Board of two non-profit organisations which promote education and support social economic development projects in the third world.
Other current directorships:	– Wolfspeed, Inc. (NASDAQ: NATI): Non-executive director – Oct 2018 to present – Atomera Inc. (NASDAQ: ATOM) – Non-executive director – Oct 2019 to present – Cirrus Logic Inc. (NASDAQ: CRUS) – Non-executive director – Jul 2023 to present
Former listed directorships (last 3 years):	– National Instruments Corp. (NASDAQ: NATI): Non-executive director – Sep 2002 to Oct 2023 – Ballard Power Systems: (NASDAQ: BLDP) Non-executive director – Feb 2017 to Feb 2023
Special responsibilities	Ms Le is a member of the Company's Remuneration & Nomination Committee and Audit & Governance Committee.

Company secretary

Kim Larkin is an experienced business professional with 22 years' experience in the Banking and Finance industries and 6 years as a Company Secretary (in-house) of an ASX300 company. Her experience includes debt and capital raising, risk management, mergers and acquisitions, compliance and governance. Ms. Larkin currently acts as Company Secretary to various ASX listed and unlisted companies in Australia and is the Head of Corporate Services for Boardroom Pty Limited's Queensland office, a position she has held since April 2013. Ms Larkin holds a certificate III in Financial Services, Graduate Certificate in Commerce and a Certificate of Banking.

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Directors Meetings		Audit & Governance Committee Meetings ⁽¹⁾		Remuneration & Nomination Committee Meetings ⁽¹⁾	
	Eligible to	Attended	Eligible to	Attended	Eligible to	Attended
A Viana	7	7	6	6	4	4
S Hehir	7	7	-	-	-	-
P van der Made	7	7	-	-	-	-
G Carrick	7	7	6	6	4	4
P Turcinov	7	7	6	6	4	4
D Le	7	6	6	5	4	4

⁽¹⁾ Directors who are not members of the Audit & Governance Committee or Remuneration & Nomination Committee may be invited to attend meetings of the Committees.

Committee Memberships

The Board maintained an Audit & Governance Committee and a Remuneration & Nomination Committee during the year. The membership of each Committee is listed below:

Audit & Governance Committee	Remuneration & Nomination Committee
G Carrick (Chair)	P Turcinov (Chair)
P Turcinov	G Carrick
D Le	D Le
	A Viana (resigned 15 March 2024)

Directors' report

Interests in the equity of the company

As at the date of this report, the interests of the directors in the shares, options and performance rights of the Company were:

Director	Fully Paid Ordinary Shares	Options over Ordinary Shares	Restricted Stock Units	Performance Rights	Service Rights
A Viana	2,432,344	-	697,674	-	-
S Hehir	2,972,017	-	6,517,470	-	-
P van der Made	156,805,823	-	-	1,262,635	697,674
G Carrick	187,344	2,500,000	-	-	697,674
P Turcinov	565,031	-	-	69,125	697,674
D Le	495,986	-	851,995	-	-
Total	163,253,732	2,500,000	8,067,139	1,536,573	2,093,022

Remuneration Report (Audited)

This remuneration report for the year ended 31 December 2024 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 ("the Act") and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Executive summary
2. Remuneration governance
3. Non-executive Director remuneration arrangements
4. Executive remuneration arrangements
5. Equity instruments granted as part of remuneration
6. Executive contractual arrangements
7. Equity instruments disclosures
8. Other transactions and balances with Key Management Personnel ("KMP")

Remuneration Report (Audited)

1. Executive summary

The Remuneration Report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing, and controlling the major activities of the Group, including any director of the parent entity.

For the purposes of this Remuneration Report, the term 'executive' includes the executive directors and senior executives of the Parent and the Group.

Details of KMP of the Group are set out below:

Key Management Personnel

Name	Position	Date of appointment	Date of resignation	Country of Residence
Directors				
A Viana	Non-Executive Director	28 Jun 2021	-	USA
S Hehir	Executive Director & Chief Executive Officer	29 Nov 2021	-	USA
P van der Made	Non-Executive Director	10 Sep 2015	-	Australia
G Carrick	Non-Executive Director	23 Nov 2020	-	Australia
P Turcinov	Non-Executive Director	4 Jan 2022	-	Australia
D Le	Non-Executive Director	1 Nov 2022	-	USA
Other Key Management Personnel				
A Mankar	Chief Development Officer	1 Oct 2014	31 Dec 2024	USA
K Scarince	Chief Financial Officer	11 Mar 2019	-	USA

Financial performance 2024

A summary of the Group's financial results and movement in shareholder value is presented in the table below for the past five years up to and including the current financial year:

	2024	2023	2022	2021	2020
Revenue in US\$ million	\$0.40	\$0.23	\$5.07	\$1.59	\$0.12
Net loss after tax US\$ million	\$24.43	\$28.88	\$22.09	\$20.98	\$26.82
Closing share price AUD	\$0.390	\$0.170	\$0.745	\$0.680	\$0.430
Closing share price USD	\$0.242	\$0.113	\$0.507	\$0.494	\$0.331
Loss per share (US cents)	1.24c	1.57c	1.24c	1.22c	1.76c
Net tangible assets US cents per share	0.96c	0.83c	1.24c	1.10c	0.90c

No dividends were issued in the past five years including the current financial year.

Remuneration Report (Audited)

1. Executive summary (continued)

Compensation highlights

BrainChip is at the forefront of AI technology innovation. The Company operates on a global scale and requires an executive team capable of maintaining our competitive advantage, seeking the top talent in the geographical regions in which we compete. As a result, our compensation practices and policies are generally consistent with the executive's location. For example, each of our Executive KMPs resides and operates in the United States, a key market for BrainChip. In turn, our executive compensation for these employees must align with standard U.S. technology sector practices in order to attract and retain talent. Failure to align our remuneration program with market standards for these individuals would hamper our retention and recruitment efforts.

For all KMPs and employees, our compensation programs focus on the alignment between pay and performance. In 2024, this was demonstrated by the following:

- 2024 Short-term incentive ("STI") awards based on bookings and operational performance of the Company, as well as the achievement of individual goals resulting in STI awards accrued at 52% of Target.
- Long-term incentive ("LTI") awards with financial performance targets based on Revenue, Bookings and Share Price ("SP") at the end of two performance periods, Fiscal Year 2024 (FY 2024) and the period from 1 January 2024 to 31 December 2026. A minimum of 50% of the performance target was achieved for the LTI award based on the FY 2024 targets, with vesting to occur on 28 February 2025.

For the Chief Executive Officer, the compensation structure was similarly designed to align with both pay and performance. The Board ensures the CEO's accountability through a defined set of performance metrics aligned with the role's assigned responsibilities. Performance is evaluated annually through a review process led by the Chair.

- In 2024, the Board approved an incentive payout at 52% of the annual target for the Chief Executive Officer which aligned with the STI plan and the performance against operational goals and bookings.
- The 2024 LTI award granted to the Chief Executive Officer under the terms of the 2024 LTIP was limited to the minimum level, equating to 50% of the target award. This minimum award of RSUs is scheduled to vest on 1 March 2025.
- The Board did not approve any additional awards, as the higher financial performance targets were not achieved.

2. Remuneration governance

Remuneration & Nomination Committee

The Board of Directors has overall responsibility for BrainChip's remuneration principles, practices, strategies and approach to ensure they support the Company's business strategy and are appropriate for a listed company given the size and nature of BrainChip's business. The Remuneration & Nomination Committee (R&NC) is responsible for advising the Board on the compensation of the Board and its committees, amongst other roles.

Remuneration Report (Audited) (continued)

2. Remuneration governance (continued)

Determining Executive Compensation

The Committee undergoes a thorough year-long process in determining compensation for senior executives. The Committee seeks input from multiple parties when determining the structure, size, and method of compensation.

Role of the Remuneration & Nomination Committee	The R&NC operated throughout the year with the purpose of assisting the Board in establishing the Group's remuneration philosophy, guiding principles and practices for monitoring their effectiveness. The principal objective of the Company's remuneration program is to attract, retain and motivate highly talented individuals who can deliver competitive results and financial returns to our shareholders while accomplishing both our short and long-term plans and goals. The R&NC is specifically tasked with reviewing and making recommendations to the Board in respect of the Group's remuneration policies, short and long-term incentives, and equity remuneration, including the structure and amount of remuneration of Executives and Non-Executive Directors. The R&NC is also responsible for overseeing the succession planning of the Chief Executive Officer and other top executives.
--	--

Role of Executive Officers	Mr. Hehir makes recommendations to the Committee regarding program design and remuneration levels for KMPs other than himself. In addition, the KMPs are responsible for performance and remuneration programs for all other employees. Mr. Hehir and other members of management provide input to the Committee to assist in establishing the performance objectives. At the end of the fiscal year, the Committee reviews and discusses the performance and compensation of the Chief Executive Officer and makes its recommendations to the Board. Mr. Hehir is not part of the R&NC and does not participate in decisions regarding his own compensation.
-----------------------------------	---

Role of Compensation Consultants	In 2024, the Committee retained Korn Ferry as an independent remuneration consultant for a fee of \$68,500 to conduct a review of, and provide advice regarding, the design of the Company's executive compensation plan and related compensation advice.
---	---

Remuneration approval process

The Board approves, subject to a recommendation from the R&NC the remuneration arrangements of the Non-Executive Directors, Executive Directors, and executives and all awards made under the BrainChip Equity Plan ("LTIP") (previously named the 2018 Long Term Incentive Plan). Aggregate fees paid to Non-Executive Directors are paid within the total remuneration fee pool approved by shareholders.

Remuneration Report (Audited) (continued)

2. Remuneration governance (continued)

Adoption of 2023 Remuneration Report

At the Annual General Meeting of Shareholders on 21 May 2024, greater than 25% of Shareholders voted against the adoption of the 2023 Remuneration Report, which constituted a Second Strike for the purposes of s250U of the Corporations Act (Cth) 2001. Shareholders however voted against the Board Spill Resolution as presented to the Annual General Meeting as a result of the Second Strike. Based on shareholder feedback received at the 2024 Annual General Meeting, the R&NC and the Board have continued to review the approach taken to the Company's overall remuneration and its appropriateness to the Company's circumstances, its performance and overall market conditions.

To address concerns raised by shareholders, the R&NC recommended to the Board, and the Board approved changes to the Non-Executive Director Remuneration Policy. These included the introduction of:

- a set of Non-Executive Director (NED) evaluation criteria against which each NED is annually held accountable; and
- a NED Minimum Shareholding Policy requiring each NED to establish and hold a minimum shareholding based on 1 year of the NED base cash remuneration.

The updated remuneration policies and practices, formally adopted by the Board of Directors, reflect current market and stakeholder expectations, being:

- transparent;
- globally benchmarked; and
- aligned with the interest of shareholders.

The Remuneration Policy and the Non-Executive Director Remuneration Policy are both available on the Company's website.

The Company believes that the appropriate balance has been struck in the current remuneration arrangements set out in this Report.

Peer Group Information

During 2024 the R&NC, with assistance from its independent remuneration consultant, selected a peer group for comparison and benchmarking purposes. Prior to 2024, the Committee did not primarily rely on benchmarking for setting remuneration. Rather, the Committee relied on various surveys purchased from independent third parties.

The Committee generally targets the median of the peer group, but may deviate, up or down, from the median based on a variety of factors, including, but not limited to, experience levels, retention needs, and job responsibilities.

The Committee, in consultation with the independent remuneration consultant, established two peer groups based on identical selection criteria. One peer group focused on Australian companies while the other was made up of U.S. based companies. Use of both peer groups allowed the Committee to balance the remuneration standards in each market while designing an incentive program intended to meet the Company's strategic needs.

In establishing the two 2024 benchmarking peer groups, the Committee applied the same criteria to each:

- *Industry scope:* Publicly traded companies in application software and information technology, in general;
- *Geographic scope:* Publicly traded companies in Australia and the United States (12 selected of each).

Remuneration Report (Audited) (continued)

2. Remuneration governance (continued)

Peer Group Information (continued)

- *Size*: Companies with a market capitalisation generally between 0.5 and 2.5 times BrainChip's market capitalisation; and
- *Business fit*: Peer group companies' business models and structures broadly reflect those of BrainChip.

This peer group will be reflected in pay decisions for Fiscal Year 2025 (FY 2025).

Share Ownership Guidelines

For FY2025, the Committee intends to establish share ownership guidelines to further align our executives with shareholders. The Committee intends to progressively implement these guidelines to give executives a greater stake in the long-term outcome of the Company, but also to strengthen the governance of our remuneration program.

BrainChip Equity Plan - Forfeiture Conditions

Within the BrainChip Equity Plan Rules the Company may, in the event of certain circumstances and at the discretion of the Board, recover certain long-term incentive Share Awards granted to an LTIP participant if the individual engaged in fraud or wilful misconduct, wilful breach of the Company's Code of Conduct, or wilful breach of the individual's terms of employment with the Company (Forfeiture Condition). The BrainChip Equity Plan Rules further stipulates that, in such an event, the surrender and recovery of Share awards held by the participant to the Company may be sold to a third party or subject to a Buy-Back for a nominal consideration.

Compensation Risk

In reviewing our compensation policies and practices each year, the Committee seeks to ensure the executive compensation program provides an appropriate balance of risk and reward consistent with the risk profile of our Company. The Committee also seeks to ensure our compensation practices do not encourage excessive risk-taking behaviour by the executive team. The BrainChip Equity Plan was designed to align executive compensation with our long-term performance, and to discourage executives from taking excessive risks in order to achieve short-term, unsustainable performance. The Company's BrainChip Equity Plan Forfeiture Conditions and the proposed Share Ownership Guidelines are designed to achieve the same objectives.

All BrainChip's executives, other employees and Directors are subject to our insider trading policy, which prohibits trading in our securities while in possession of material undisclosed information about the Company. Under this policy, such individuals are also prohibited from entering into hedging transactions involving our securities, such as short sales, puts and calls. Furthermore, all Directors and officers of the Company, as well as direct reports to the Chief Executive Officer and other persons identified by the Company from time to time, are only eligible to trade in our securities during prescribed trading windows and subject to the prior approval of the Company's trading officer.

Remuneration Report (Audited) (continued)

3. Non-Executive Director Remuneration Arrangements

The Board seeks to set aggregate remuneration for Non-Executive Directors at a level that enables the Company to attract and retain highly skilled directors with exceptional ethical standards and diverse experience, while maintaining a cost that remains competitive.

The Company's constitution and the ASX listing rules specify that the Non-Executive Director fee pool shall be determined from time to time by a general meeting. The last determination was at the Company's 2022 Annual General Meeting, held on 24 May 2022, where shareholders approved an aggregate fee pool of A\$700,000 per year.

Structure

The remuneration of Non-Executive Directors consists of cash and participation in the BrainChip Equity Plan at the Board's discretion and subject to approval by shareholders.

In general, the Board seeks to increase Directors' shareholding and overall alignment with investors. As such, a critical component of the Non-Executive Director compensation program is in the form of equity. This practice is consistent with non-executive director compensation arrangements in the United States and Australia. Importantly, our Board talent is sourced from multiple markets, and we strive to create a unified fee structure that suits the needs and expectations of all directors. With help from our independent remuneration consultant, the cash and equity fees were sized after consideration of peers operating in both Australia and the United States. The Board viewed this as appropriate given that our directors reside and perform their oversight duties in both of these markets.

With effect from 11 February 2019, each non-executive member of the Board received a base fee of A\$90,000 per year, the Non-Executive Chair received an additional fee of A\$60,000 per year; the Audit & Governance Committee Chair and the R&NC Chair each received a fee of A\$15,000 per year and each member of those Committees received A\$10,000 per year.

In addition, as outlined in the Notice of Meeting for the 2022 AGM, which was approved by shareholders, each Non-Executive Director will, on appointment, receive an initial grant of Restricted Stock Units, Performance Rights or Service Rights valued at A\$400,000 using the average closing share price of the 30 trading days preceding the appointment date. This grant would vest annually on the anniversary of the appointment date over a three-year period. Additionally, each year the Non-Executive Directors will also receive an annual grant at each Annual General Meeting valued at A\$135,000 based on the share price, being the volume-weighted average price (VWAP) for the 60 trading days (for shares traded on the ASX) up to and including 31 December annually. This package is based on market data, including guidance provided by a third-party consulting firm specialising in executive and director remuneration retained by the Company in 2021.

The total remuneration received by each Director during the reporting period is disclosed in Section 6.

4. Executive remuneration arrangements

The remuneration strategy is designed to support our long-term growth, with accountability for key annual results and long-term shareholder value. In turn, the Committee's executive remuneration decisions were made after careful consideration of several factors, including the talent market in which BrainChip operates, shareholder input on incentive design, best practices in remuneration across multiple regions, and strategic alignment.

Remuneration Report (Audited) (continued)

4. Executive remuneration arrangements (continued)

The Company's remuneration strategy consists of the following key objectives:

Alignment with Shareholder interests	The Group's current use of equity as a part of its remuneration structure enhances alignment between directors and executives' interests with those of our shareholders. Achievement of the Group's objectives are aimed at creating shareholder value, thus directly benefiting Executives and Non-Executive Directors as well.
Pay for Performance	The Group instituted short term and long-term incentive programs for all executives in 2024. The 2024 short-term incentive program is based on the achievement of Company and individual performance targets, with payouts focused on the achievement of target bookings, product development milestones and adherence to budget. The long-term incentive program performance metrics are focused on bookings, the conversion of bookings to revenue and the Company share price.
Market Comparisons	The Company's remuneration program must be competitive with those of our peer companies in both Australia and the United States in order to attract and retain our executives and employees. As a general rule, we target the market median (50th percentile) though we may deviate, up or down, from the median from time to time due to a variety of factors.
Retention	The Company's remuneration program is designed to attract and retain highly talented individuals critical to our success by providing programs with retentive features. The Group's use of equity, both performance and time based, not only aligns with global compensation practices, but also with the interests of our shareholders. Furthermore, it provides the Company with the appropriate remuneration tools to attract, retain, and reward our employees. Achieving our objectives should lead to creation of shareholder value which in turn would benefit Executives and Non-Executive Directors as their equity grants vest over time.
Separate Remuneration Structures	The structure of Executive and Non-Executive Directors' remuneration is separate and distinct.
Risk Analysis	The R&NC considers the potential for unacceptable risk-taking in its remuneration design. We believe that the design of our executive remuneration does not unduly incentivise our executives to take actions that may conflict with the long-term best interests of the Company and its shareholders. Specifically, the Company provides executives with an appropriate mix of pay elements between cash and equity, with compensation not overly weighted towards any one remuneration component.

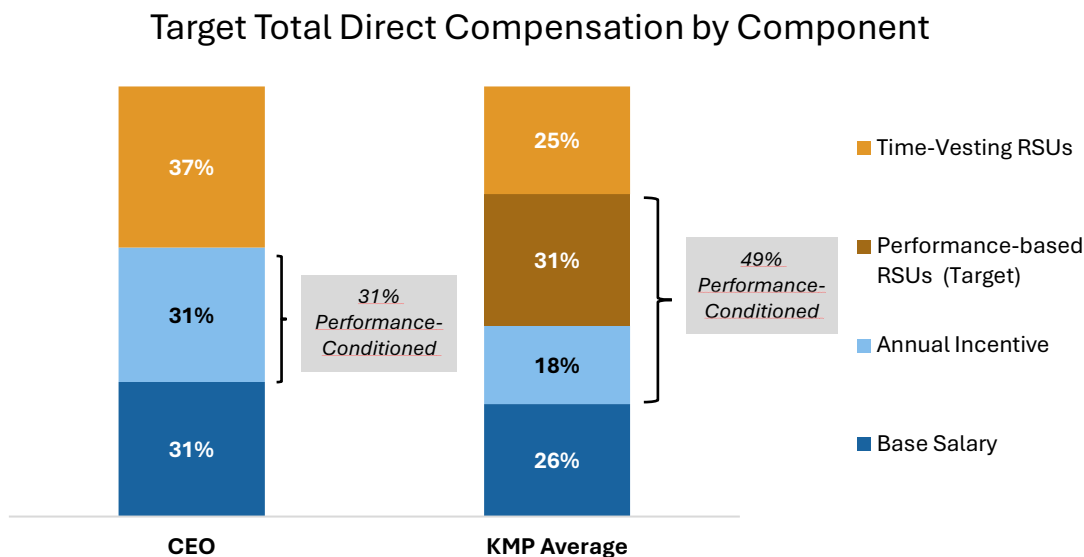
Remuneration Report (Audited) (continued)

4. Executive remuneration arrangements (continued)

The Company recognises that if it is to be successful in a relatively nascent industry with its pioneering technology, it must recruit and retain highly talented individuals. Considering the stage of our technology and business development, these individuals also bear the incremental risk of joining an early-stage public company. Although it is not the only factor, remuneration plays a key part in determining the Company's ability to compete for human resources and retain executives, particularly in the technical fields. In doing so, the R&NC, the Board and management aim to design competitive remuneration programs commensurate with executives' positions, responsibilities and experience, and incentivise them to drive towards the achievement of the Company's short and long-term objectives.

The Committee is also cognisant of the talent markets in which BrainChip operates and the compensation standards of each. The Company strives to balance the compensation standards based in Australia and those in the United States. The remuneration program is heavily weighted towards performance-based outcomes. However, the program also utilizes a retention component more in line with U.S. standards, through the use of time-vesting RSUs representing 45% of target equity awards. This mix of awards is critical to not only retain and attract the finest talent in each market, but keep our executive team focused on long-term shareholder growth.

The chart below indicates the breakdown of total direct compensation for the KMPs by percentage, and the proportion of total compensation which is performance conditioned. At target, 49% of average compensation for all KMPs is performance-conditioned and is only received upon achievement of financial, operational, or share price performance targets, except for the CEO whose compensation above target is limited to 31% and subject to further consideration by the Board.



Remuneration Report (Audited) (continued)

4. Executive remuneration arrangements (continued)

Elements of Our Executive KMP Remuneration Program

The BrainChip remuneration program consists of two key elements: fixed and variable pay. The chart below shows the elements of the Company's executive remuneration program for FY 2024:

	Component	Description	Measurement / Vesting Period	Rationale
Fixed	Base salary	Fixed cash compensation to provide a stable source of income.	One year	Competitive base salaries attract and retain talent. Salaries reflect the role, responsibilities, capabilities, geographical location, and experience of individual executives.
	Short-term Incentive Program (STIP)	Variable cash earned upon achievement of financial and operational goals. FY 2024 goals include - Bookings - Operational goals - Individual goals	One year	Rewards executives when organisational goals are achieved. The incentive program is designed to focus on key measures of corporate growth.
Variable	Long-term Incentive Plan (LTIP)	Equity-based compensation in the form of Restricted stock units	One and three years	The objective of the LTIP is to attract and retain key employees and consultants. It is considered that the LTIP, through the issue of equity instruments, will provide eligible participants with the opportunity to participate in the future growth of the Company and align their interests with shareholders.

Base Salary

Base salary is the fixed cash component of the remuneration program and is provided for running the day-to-day operations of the Company. In addition, the base salary is set at a level intended to attract and retain talented executives in the competitive markets in which the individuals operate.

In FY 2024, executives received fixed base salaries, and their contracts did not include any guaranteed base pay increases. Fixed remuneration is reviewed annually by the Board. This process consists of a review of the Company's results, individual performance, and relevant comparative remuneration internally and externally.

Executive	2023 Base (\$) ⁽¹⁾	2024 Base (\$) ⁽¹⁾	YoY % Change
• Sean Hehir	450,000	450,000	0.0%
• Anil Mankar	375,000	375,000	0.0%
• Ken Scarince	325,000	325,000	0.0%

⁽¹⁾ In U.S. dollars. Salary packages are exclusive of superannuation, employee benefits, practices, policies and programs provided by BrainChip.

Remuneration Report (Audited) (continued)

4. Executive remuneration arrangements (continued)

Short-term Incentive Program (STIP)

The STIP allows for cash awards upon the achievement of financial, operational and individual performance goals. The potential STI awards under the FY 2024 STIP were determined to be market competitive based on an assessment of the peer group, employee location, industry surveys, and input from the independent remuneration consultant, Korn Ferry. As previously noted, individual target awards are set with consideration of common practices within geographic regions. As such, target awards may be higher than is typical of Australian practice. The STI target awards for senior executives listed as KMPs are noted below:

Executive	2024 Base (\$) ¹	STI Target %	STI Target \$
• Sean Hehir	450,000	100%	450,000
• Anil Mankar	375,000	50%	187,500
• Ken Scarince	325,000	50%	162,500

At the beginning of the year an STI 'scorecard' is established for the senior executives, made up of the key objectives, STI Awards and performance levels set by the R&NC. Results are compared against this scorecard at the end of the year to assess performance.

Half of the FY 2024 STI scorecard is based on Bookings, with a range of potential outcomes set by the R&NC and approved by the Board. Executives may earn 100% of the STI Awards for achieving the Target level of performance, as demonstrated in the table below. If the performance result falls short of the Target expectation, a minimum Threshold award is paid out. Conversely, performance results above the STI Target level for Bookings may earn a higher payout which is capped at 150% of the STI Target ("Maximum"). The potential payouts between performance levels (Threshold, Target, Maximum) are determined on a linear basis.

For 2024, the STI scorecard included the following key metrics:

Metric	Weighting	Performance Levels			Actual Achievement %
		Threshold (50% Payout)	Target	Maximum (150% Payout)	
Bookings	50%	50%	100%	--	27%
Operational Goals	45%	See description below			20%*
Individual Goals	5%	0%	100%	--	5%
				Subtotal:	52%
Bookings Outperformance	Multiplier	--	100%	150%	0.0%
				Total:	52%

*KMP average

The Threshold, Target, and Maximum performance levels are not disclosed as this may lead to competitive harm.

Remuneration Report (Audited) (continued)

4. Executive remuneration arrangements (continued)

Operational Goals

In addition to the Bookings goal, the R&NC and the Board established multiple operational goals necessary for the execution of corporate strategy. Payout of each operational goal is earned at 100% of Target if the performance target is achieved, or at 0% if Target performance is not met.

The following table sets out the short-term operational goals used for purposes of the FY 2024 STI scorecard:

Operational Goals	Weighting	Outcome
Edge Box sales	10%	Not Achieved
Strategic Development Goals (5 goals, weighted 5% each)	25%	60% Achieved
Corporate culture improvements as measured by quantitative survey	5%	Not Achieved
Risk register compliance and reporting	5%	Achieved

Despite success with respect to several operational and individual goals, the Company fell short of the Booking Target performance level. Review of the overall FY 2024 STI scorecard resulted in an eligible STI Award of 52% of Target being approved by the Board.

STI - FY 2025

For the FY 2025 Incentive Program, the R&NC has maintained a similar set of metrics and weightings for the FY2025 Company scorecard, which has been updated to reflect new goals that are aligned with operational and strategic initiatives and priorities. The R&NC has also implemented a change to the Bookings performance levels, with the Threshold being set at 80% and Maximum at 120%, in line with the intention to add further rigor to the performance requirements in our remuneration program.

Long-term Incentive Program (LTIP)

The Company grants equity pursuant to the LTIP (previously named BrainChip Long-term Incentive Plan. Under the LTIP, the Committee may grant employees a variety of equity instruments to accomplish its compensation objectives. The granting of equity instruments is a critical element of the Company's remuneration program for executives as it aligns their interests directly with those of the Company and its shareholders. The realisation of value from these equity grants over time are highly dependent on the success of the Company. As a result, equity grants incentivise our executives to drive towards the achievement of our short and long-term objectives.

The objective of the LTIP is to attract and retain key employees and consultants. It is considered that the LTIP, through the issue of shares, share options, performance rights, restricted stock units and service rights ("LTIP equity instruments"), will provide eligible participants with the opportunity to participate in the future growth of the Company. Share options offered under the LTIP must be offered at no more than a nominal value and under terms to be determined by the Board from time to time. It is not the intention of the Company to apply for quotation of any of the share options which are issued under the LTIP.

LTIP equity instruments issued to eligible participants are issued in accordance with the BrainChip Equity Plan and, historically, in accordance with the 2015 LTIP. The number of LTIP equity instruments issued is determined by the policy set by the Board upon recommendation by the R&NC and is based on each eligible participant's role and position within the Group.

Remuneration Report (Audited) (continued)

4. Executive remuneration arrangements (continued)

The LTIP equity instruments will vest over periods as determined by the Board, and eligible participants are able to exercise or convert the LTIP equity instruments any time after vesting and before the expiry date. Where an eligible participant ceases employment prior to the vesting of their LTIP equity instrument, the LTIP equity instrument will generally lapse automatically and be forfeited, unless otherwise determined by the Board. Where an eligible participant ceases employment after the vesting but before the exercise (if applicable) of their LTIP equity instrument, unless the eligible participant has been terminated for cause (when their LTIP equity instrument will immediately lapse), the LTIP equity instrument may generally be exercised by the eligible participant within a period after cessation of employment prescribed either under the applicable Plan or offer documentation, or a longer period as determined by the Board. Any LTIP equity instruments not exercised within such period will automatically lapse and be forfeited, unless otherwise determined by the Board.

Remuneration in the form of share-based payments awarded to executives included performance criteria linked to certain financial performance conditions, and service conditions which are in recognition of the service provided. The following table summarises the awards granted in 2024 to executives:

Equity Type	Purpose and Award Detail
Performance-Based RSUs	The Committee provides Performance-Based RSUs as an incentive to achieve financial growth and other corporate goals. Achievement of these goals is intended to align with the interests of shareholders. Additionally, a portion of the awards are subject to time-based vesting to promote executive retention.

The performance criteria were approved by the R&NC and the Board for grant in the relevant year and require the Company to achieve financial performance targets based on Revenue, Bookings and Share Price ("SP") at the end of two performance periods. One-third of the 2024 RSUs will be measured as of 31 December 2024. The remaining two-thirds of the 2024 RSU grant will measure cumulative performance over the three-year period ending 31 December 2026.

Participants will receive a minimum award equal to 50% of Target shares for each of the Bookings and Revenue components regardless of performance. For Bookings and Revenue results between 50% and 100% of target, participants will earn awards equivalent to the percentage of target achieved. For the Share Price component, participants will receive 50% of target shares if performance (measured by 60-day VWAP at the end of each performance period) falls between the Threshold and Target share price objectives and will receive 100% of Target shares if the share price is at or above the target level of performance. If the Share Price falls below the Threshold, participants will not receive any award.

Participants may earn above-target payouts provided "stretch" goals are met for Bookings only. Up to 150% of the Bookings portion of the award may be earned for achieving between 100% and 150% of the Bookings target.

Remuneration Report (Audited) (continued)

4. Executive remuneration arrangements (continued)

Achievement of the LTI award is measured based on the percentage of performance level achieved. Metric weightings and requirements are as follows:

Metric	Weighting	Performance Levels			Period 1	Period 2
		Threshold (0-50% Payout)	Target (51-100% Payout)	Maximum (101-150% Payout)		
Bookings	50%	50%	100%	150%	2024	2024-2026
Revenue	40%	50%	100%	--	2024	2024-2026
Share price	10%	0-100%	100%	--	2024	2024-2026

For FY 2024, with the exception of the Executive Director, senior executives were granted Performance-Based RSUs, one-third of which will vest one year after grant and two-thirds will vest after three years. 45% of the Target RSUs will vest regardless of performance outcomes, while the remaining 55% will vest only upon achievement of certain financial and share price performance conditions. The blend of service-based and performance-based equity awards is aligned with competitive U.S. market practices, and balances driving long-term performance with ensuring executive retention.

The Executive Director received Threshold RSUs with no performance criteria attached, one-third of which will vest one year after grant and two-thirds will vest after three years. The Board may consider further award if higher financial performance targets are achieved.

The fair value of the 2024 grants of RSUs to executives split by the vesting periods are included in the tables below:

Executive – 1 year vesting	Bookings RSUs (50%)	Revenue RSUs (40%)	SP RSUs (10%)	Aggregate RSUs
• Sean Hehir – Threshold award	\$90,354	\$72,283	\$18,071	\$180,708
• Anil Mankar – Maximum award	\$170,640	\$136,512	\$19,025	\$326,177
• Ken Scarince – Maximum award	\$147,888	\$118,311	\$16,488	\$282,687
Executive – 3 year vesting	Bookings RSUs (50%)	Revenue RSUs (40%)	SP RSUs (10%)	Aggregate RSUs
• Sean Hehir – Threshold award	\$179,359	\$143,487	\$35,872	\$358,718
• Anil Mankar – Maximum award	\$341,281	\$273,025	\$64,102	\$678,408
• Ken Scarince – Maximum award	\$295,777	\$236,621	\$55,556	\$587,954

Refer to Section 5 for equity instruments granted as part of remuneration to KMPs, including historical grants of options, restricted stock units and performance rights.

For FY 2025 the R&NC has maintained the same set of metrics and weightings, as the metrics continue to be well aligned with our operational and strategic initiatives and priorities. The performance range for Bookings will be set at 80% at Threshold and 120% at Maximum, furthering the rigor of the LTIP's performance requirements.

Remuneration Report (Audited) (continued)

5. Equity instruments granted as part of remuneration (continued)

Options, performance rights, restricted stock units and service rights linked to performance criteria

	Grant Date	Unit granted	Maximum awarded Number	Vested in current year Number	Cancelled in current year Number	End of Vesting Period	Fair value per RSU/PR (1) US\$/unit	Total Fair Value (3) US\$	Expiry date
S Hehir	25/5/2022	RSU	1,081,730	-	-	28/2/2025	0.814	880,539	1/3/2025
S Hehir	25/5/2023	RSU	2,264,493	-	-	28/2/2026	0.278	629,529	1/3/2026
P van der Made	25/5/2022	PR	1,250,000	-	-	28/2/2025	0.814	1,017,513	1/3/2025
P van der Made	25/5/2023	PR	1,287,906	-	-	28/2/2026	0.278	358,038	1/3/2026
A Mankar	29/4/2022	RSU	1,250,000	-	-	28/2/2025	0.702	877,216	1/3/2025
A Mankar	21/4/2023	RSU	1,572,564	-	-	28/2/2026	0.278	437,173	1/3/2026
A Mankar	22/5/2024	RSU	2,039,125	-	-	28/2/2025	0.1600 (2)	326,177	1/3/2025
A Mankar	22/5/2024	RSU	4,078,250	-	-	28/2/2027	0.1663 (2)	678,408	1/3/2027
K Scarince	29/4/2022	RSU	1,000,000	-	-	28/2/2025	0.702	702,773	1/3/2025
K Scarince	21/4/2023	RSU	1,362,889	-	-	28/2/2026	0.278	378,883	1/3/2026
K Scarince	22/5/2024	RSU	1,767,242	-	-	28/2/2025	0.1600 (2)	282,687	1/3/2025
K Scarince	22/5/2024	RSU	3,534,484	-	-	28/2/2027	0.1663 (2)	587,954	1/3/2027

(1) The fair value per unit is rounded for disclosure purposes. For details on the valuation of the units issued in the current year, including models and assumptions used, are included in Note 26 of the Financial Report.

(2) Weighted average of the fair value per unit of market and non-market performance criteria.

(3) Total Fair value is calculated at the date of grant based on the maximum target award.

Remuneration Report (Audited) (continued)

5. Equity instruments granted as part of remuneration (continued)

Options, performance rights, restricted stock units and service rights with no linked performance criteria

RSUs, PRs and SRs over ordinary shares in the Company were provided as remuneration to KMPs during the financial year with no performance conditions other than a service condition of between 1 to 10 years and vesting period in tranches of varying time periods to encourage the retention of staff, as detailed in the table below:

	Grant Date	Unit granted	Awarded in 2024 Number	Vested in 2024 Number	Lapsed in 2024 Number	End of Vesting Period	Fair value per unit ⁽¹⁾ US\$	Total Fair Value ⁽²⁾ US\$	Expiry date
A J. Viana	25/5/2022	RSU	-	666,667	-	28/6/2024	0.814	1,628,000	29/6/2024
A J. Viana	25/5/2022	RSU	-	250,000	-	1/11/2025	0.814	814,000	2/11/2025
A J. Viana	26/5/2023	RSU	-	187,344	-	26/5/2024	0.278	52,082	27/5/2024
A J. Viana	22/5/2024	RSU	697,674	-	-	23/5/2025	0.1701	118,674	24/5/2025
S Hehir	25/5/2022	RSU	-	2,000,000	-	29/11/2025	0.814	4,884,000	30/11/2024
S Hehir	22/5/2024	RSU	1,062,368	-	-	1/3/2025	0.1701	180,708	2/3/2025
S Hehir	22/5/2024	RSU	2,108,879	-	-	1/3/2027	0.1701	358,718	2/3/2027
D-L Le	26/5/2023	RSU	-	187,344	-	26/5/2024	0.278	52,082	27/5/2024
D-L Le	26/5/2023	RSU	-	154,321	-	1/11/2025	0.278	128,704	2/11/2025
D-L Le	22/5/2024	RSU	697,674	-	-	23/5/2025	0.1701	118,674	24/5/2025
P Turcinov	25/5/2022	PR	-	69,124	-	25/5/2025	0.814	168,802	26/5/2025
P Turcinov	25/5/2022	PR	-	204,813	-	4/1/2025	0.814	500,153	5/1/2025
P Turcinov	26/5/2023	PR	-	187,344	-	26/5/2024	0.278	52,082	27/5/2024
P Turcinov	22/5/2024	SR	697,674	-	-	23/5/2025	0.1701	118,674	24/5/2025
G Carrick	26/5/2023	PR	-	187,344	-	26/5/2024	0.278	52,082	27/5/2024
G Carrick	22/5/2024	SR	697,674	-	-	23/5/2025	0.1701	118,674	24/5/2025
P van der Made	22/5/2024	SR	697,674	-	-	23/5/2025	0.1701	118,674	24/5/2025

⁽¹⁾ The fair value per unit is rounded for disclosure purposes. For details on the valuation of the units issued in the current year, including models and assumptions used, please refer to Note 26 of the Financial Report.

⁽²⁾ Total Fair value is calculated at the date of grant based on the number awarded.

Remuneration Report (Audited) (continued)

5. Equity instruments granted as part of remuneration (continued)

Options, performance rights, restricted stock units and service rights with no linked performance criteria (continued)

In prior years, options over ordinary shares have been issued to KMPs with no performance criteria other than a service condition of between 1 to 10 years vesting period in tranches of varying time periods. These are listed in the table below:

	Grant Date	Unit granted	Awarded during 2024 Number	Vested during 2024 Number	Exercised during 2024 Number	Forfeited during 2024 Number	Lapsed during 2024 Number	End of Vesting Period	Fair value per option US\$	Total Fair Value US\$	Exercise price per option US\$	Expiry date
K Scarince	11/3/2019	Options	-	-	7,200,000	-	-	11/3/2023	0.038	381,370	0.047	11/3/2029
K Scarince	23/7/2020	Options	-	4,000,000	-	-	-	10/8/2024	0.079	316,000	0.125	06/8/2030
G Carrick	23/11/2020	Options	-	625,000	-	-	-	23/11/2024	0.395	987,736	0.279	27/5/2031

The value of options over ordinary shares granted, exercised, forfeited and lapsed for KMPs as part of compensation during the current year are set out below:

	Value of options granted during 2024 US\$	Value of options exercised during 2024 US\$	Value of options forfeited during 2024 US\$	Value of options lapsed during 2024 US\$	Remuneration consisting of options for the year %
K Scarince	-	1,676,593	-	-	70%

Remuneration Report (Audited) (continued)

6. Executive contractual arrangements

Details for executive contractual arrangements for KMP are noted below:

Name	Sean Hehir
Title	Chief Executive Officer and Executive Director
Term of agreement	Open agreement with no fixed term
Details	Salary package of \$450,000 including any salary sacrifice and superannuation, health and welfare benefit plans, practices, policies and programmes provided by BrainChip Inc. Mr Hehir will be eligible for discretionary annual incentive plans, the terms of which are at the absolute discretion of the Board. Mr Hehir will be eligible to receive a STI payout of up to 100% of base salary in respect of each financial year in which he is employed by the Company, subject to performance metrics determined by the Board. During 2024, a STI payout of \$123,750 was awarded in relation to the 2023 financial year (2023: Nil), and a further amount of \$232,283 is payable in relation to the 2024 STIP.
Termination	Terminated by 12 months' notice by the Company or Mr Hehir, except that the Company may terminate employment without notice in certain circumstances. On termination of employment by either Mr Hehir or the Company, the Company will pay all fixed remuneration and any statutory entitlements owing to Mr Hehir, and any STI or LTI not vested may be paid or granted at the discretion of the Board.

Name	Anil Mankar
Title	Chief Development Officer
Term of agreement	Open agreement with no fixed term however Mr Mankar retired effective 31 December 2024.
Details	Base fee of \$375,000 plus benefits under health and welfare benefit plans, practices, policies and programmes provided by BrainChip Inc. Mr Mankar will be eligible to receive an STI payout on such terms and conditions as determined from time to time by the Board. The STI payout may be an amount up to fifty percent (50%) of the base salary in effect at the end of any fiscal year. During 2024, a STI payout of \$51,563 was awarded in relation to the 2023 financial year (2023: Nil), and a further amount of \$96,784 is payable in relation to the 2024 STIP.
Termination	Terminated at any time with or without cause or notice by either himself or BrainChip Inc. Mr Mankar is entitled to 24 months' severance pay upon termination by BrainChip Inc. at any time without cause. The amount is payable over 24 months from the date of termination.

Remuneration Report (Audited) (continued)

6. Executive contractual arrangements (continued)

Name	Ken Scarince
Title	Chief Financial Officer
Term of agreement	Open agreement with no fixed term
Details	Base fee of \$325,000 plus benefits under health and welfare benefit plans, practices, policies and programmes provided by BrainChip Inc. Mr Scarince will be eligible to receive an STI payout on such terms and conditions as determined from time to time by the Board. The STI payout may be an amount up to fifty percent (50%) of the base salary in effect at the end of any fiscal year. During 2024, a STI payout of \$44,688 was awarded in relation to the 2023 financial year (2023: Nil), and a further amount of \$83,880 is payable in relation to the 2024 STIP.
Termination	Terminated at any time with or without cause or notice by either himself or BrainChip Inc. Mr Scarince is entitled to 12 months’ severance pay upon termination by BrainChip Inc. at any time without cause. The amount is payable over 12 months from the date of termination.

There are no other formalised KMP employment agreements.

Directors' report

Remuneration Report (Audited) (continued)

6. Executive contractual arrangements (continued)

The table below shows the realised remuneration of the Group's KMPs received during 2024:

2024	Short Term		Post-Employment		Share-based Payment ⁽⁴⁾	Total	Performance-related %
	Salary and Fees	STIP ⁽³⁾	Annual leave	Super-annuation	Equity Instruments		
	US\$	US\$	US\$	US\$	US\$		
Directors							
A Viana	105,429	-	-	-	290,501	395,930	-
S Hehir	457,195	356,033	34,614	10,350	861,817	1,720,009	24%
P van der Made ⁽¹⁾	62,593	-	-	-	(22,125)	40,468	-
G Carrick	82,366	-	-	-	148,606	230,972	-
P Turcinov	82,366	-	-	-	188,123	270,489	-
D Le	72,482	-	-	-	135,750	208,232	-
Other KMPs							
A Mankar ⁽²⁾	390,494	148,347	11,538	10,350	247,998	808,727	49%
K Scarince	332,195	128,568	24,998	9,210	234,845	729,816	43%
Totals	1,585,120	632,948	71,150	29,910	2,085,515	4,404,643	

- (1) Salary and fees for Mr van der Made includes \$3,290 of consulting services as a BrainChip Scientific Board member, of which \$1,630 is payable at year end.
- (2) Mr Mankar retired as Chief Development Officer on 31 December 2024 and ceased being a KMP of the Company. He has continued providing services as a consultant.
- (3) STI payouts to executive KMPs during the year related to the 2023 performance comprised: Mr Hehir \$123,750, Mr Mankar \$51,563 and Mr Scarince \$44,688. STIs payable at year end related to the 2024 performance comprised: Mr Hehir \$232,283, Mr Mankar \$96,784 and Mr Scarince \$83,880.
- (4) Share-based payment remuneration represents the current period expense in respect of options and performance rights issued, offset by the value of options and performance rights that have been forfeited during the year. Management has assessed the likelihood of achieving the performance criteria of the 2022 and the 2024 "one year vest" grants which vest on 28 February 2025 and has recognised appropriate vesting credits in the current financial year for Mr Hehir, Mr van der Made, Mr Mankar and Mr Scarince.

Remuneration Report (Audited) (continued)

6. Executive contractual arrangements (continued)

The table below shows the realised remuneration of the Group's KMPs received during the prior year:

2023	Short Term		Post-Employment		Share-based Payment ⁽³⁾	Total	Performance related %
	Salary and Fees	STIP ⁽²⁾	Annual leave	Super-annuation	Equity Instruments		
	US\$	US\$	US\$	US\$	US\$		
Directors							
A Viana	111,255	-	-	-	698,146	809,401	-
S Hehir	456,781	-	34,614	9,900	2,079,506	2,580,801	5%
P van der Made ⁽¹⁾	294,073	-	22,476	17,483	196,757	530,789	37%
G Carrick	82,782	-	-	-	166,541	249,323	-
P Turcinov	82,782	-	-	-	270,050	352,832	-
D Le	72,848	-	-	-	102,661	175,509	-
Other KMPs							
A Mankar	389,343	-	13,224	9,900	415,255	827,722	50%
K Scarince	331,781	-	24,998	9,750	344,547	711,076	48%
Totals	1,821,645	-	95,312	47,033	4,273,463	6,237,453	

⁽¹⁾ Mr van der Made retired as Chief Technology Officer on 31 December 2023 and was appointed non-executive director effective 1 January 2024

⁽²⁾ No STI payouts were accrued related to KMPs during the year.

⁽³⁾ Share-based payment remuneration represents the current period expense in respect of options and performance rights issued, offset by the value of options and performance rights that have been forfeited during the year.

Remuneration Report (Audited) (continued)

7. Equity instruments disclosures

Shareholdings of Key Management Personnel (including nominees)

Shares held in BrainChip Holdings by KMP are summarised as follows:

	Balance at 1 January 2024	Acquired / Disposed	Shares issued as remuneration	Net change other ⁽³⁾	Balance at 31 December 2024
Directors					
A Viana	1,413,333	(85,000)	-	1,104,011	2,432,344
S Hehir	1,989,017	(1,017,000)	-	2,000,000	2,972,017
P van der Made ⁽³⁾	156,805,823	-	-	-	156,805,823
G Carrick	-	-	-	187,344	187,344
P Turcinov	273,937	(375,000)	-	461,281	360,218
D Le	154,321	-	-	341,665	495,986
Other KMPs					
A Mankar ⁽¹⁾	84,999,833	(9,999,833)	-	(75,000,000)	-
K Scarince ⁽²⁾	222,100	(7,400,000)	-	7,200,000	22,100
Total	245,858,364	(18,876,833)	-	(63,705,699)	163,275,832

- ⁽¹⁾ Mr Mankar's fully paid ordinary shares are held by Merrill Lynch (Australia) Nominees Pty Ltd on behalf of Mr Mankar, who ceased to be a KMP upon his retirement at 31 December 2024
- ⁽²⁾ Mr Scarince holds 100 BRCHF shares and 300 BCHPY (ADR) shares (which represent 40 BRN shares) on the US stock markets.
- ⁽³⁾ Other than the adjustment for Mr Mankar upon ceasing to be a KMP, this column comprises shares issued on conversion of Restricted Stock Units or Performance Rights.

Options holdings of Key Management Personnel (including nominees)

The table below summarises the options granted to KMPs and exercised during the current year. Refer to section 5 for the terms of the options granted to KMP in the current and prior years. There were no alterations to the terms and conditions of options awarded as remuneration since their award date. No options were lapsed during the current year.

	Balance at 1 January 2024	Granted as remuner- ation	Exercised	Balance at 31 December 2024	Vested and not exercis- able	Vested and exercise- able
Directors						
A Viana	-	-	-	-	-	-
S Hehir	-	-	-	-	-	-
P van der Made	-	-	-	-	-	-
G Carrick	2,500,000	-	-	2,500,000	-	2,500,000
P Turcinov	-	-	-	-	-	-
D Le	-	-	-	-	-	-
Other KMPs						
A Mankar	-	-	-	-	-	-
K Scarince	21,700,000	-	(7,200,000)	14,500,000	-	14,500,000
Total	24,200,000	-	(7,200,000)	17,000,000	-	17,000,000

Remuneration Report (Audited) (continued)

7. Equity Instruments Disclosure (Continued)

Restricted Stock Unit (RSU) holdings of Key Management Personnel (including nominees)

The table below summarises the RSUs granted to KMP and converted to shares during the current year. Refer to section 5 for the terms of the RSUs granted to KMP in the current and prior years. There were no alterations to the terms and conditions of RSUs awarded as remuneration since their award date.

	Balance at 1 January 2024	Granted as remuneration	Converted	Net change other ⁽ⁱ⁾	Balance 31 December 2024
Directors					
A Viana ⁽ⁱ⁾	1,104,011	697,674	(1,104,011)	-	697,674
S Hehir	5,346,223	3,171,247	(2,000,000)	-	6,517,470
P van der Made	-	-	-	-	-
G Carrick	-	-	-	-	-
P Turcinov	-	-	-	-	-
D Le	495,986	697,674	(341,665)	-	851,995
Other KMPs					
A Mankar	2,822,564	6,117,375	-	(8,939,939)	-
K Scarince	2,362,889	5,301,726	-	-	7,664,615
Total	12,131,673	15,985,696	(3,445,676)	(8,939,939)	15,731,754

⁽ⁱ⁾ Mr Mankar ceased to be a KMP upon his retirement on 31 December 2024

Performance Right (PR) holdings of Key Management Personnel (including nominees)

The table below summarises the PRs granted to KMPs and converted during the current year. Refer to section 5 for the terms of the PRs granted to KMP in the current and prior years. There were no alterations to the terms and conditions of the PRs awarded as remuneration since their award date.

	Balance at 1 January 2024	Granted as remuneration	Converted	Net change other	Balance at 31 December 2024
Directors					
A Viana	-	-	-	-	-
S Hehir	-	-	-	-	-
P van der Made	1,262,635	-	-	-	1,262,635
G Carrick	187,344	-	(187,344)	-	-
P Turcinov	735,219	-	(461,281)	-	273,938
D Le	-	-	-	-	-
Other KMPs					
A Mankar	-	-	-	-	-
K Scarince	-	-	-	-	-
Total	2,185,198	-	(648,625)	-	1,536,573

Remuneration Report (Audited) (continued)

7. Equity Instruments Disclosure (Continued)

Service Right (SR) holdings of Key Management Personnel (including nominees)

The table below summarises the SRs granted to KMPs and converted during the current year. Refer to section 5 for the terms of the SRs granted. There were no alterations to the terms and conditions of the SRs awarded as remuneration since their award date.

	Balance at 1 January 2024	Granted as remuneration	Converted	Net change other	Balance at 31 December 2024
Directors					
A Viana	-	-	-	-	-
S Hehir	-	-	-	-	-
P van der Made	-	697,674	-	-	697,674
G Carrick	-	697,674	-	-	697,674
P Turcinov	-	697,674	-	-	697,674
D Le	-	-	-	-	-
Other KMPs					
A Mankar	-	-	-	-	-
K Scarince	-	-	-	-	-
Total	-	2,093,022	-	-	2,093,022

8. Other transactions and balances with KMP

Mr Viana – business development consulting services

Mr Antonio J. Viana entered into an agreement with BrainChip Inc on 1 November 2021 to provide business development consultancy services on a rolling 6-month period, renewed up to four years. The consideration, as approved by shareholders at the 2022 AGM was valued at \$6,000 per month and was satisfied by the issue of 1 million RSUs, vesting 25% annually upon the anniversary of the original agreement (1 Nov 2021).

In light of key executive appointments made by the Company in 2023, Mr Hehir as CEO of the Company determined that the business development consultancy services provided by Mr Viana were no longer required. The consultancy agreement was terminated by the Company effective 31 December 2023. Consistent with the terms of the agreement Mr Viana received 250,000 RSUs on 1 November 2024.

Mr van der Made – Scientific Advisory Board consulting services

Mr Peter van der Made was engaged to provide consulting services to BrainChip as a member of the Scientific Advisory Board on 22 July 2024 for a period of 12 months commencing 25 July 2024. Consideration awarded to Mr van der Made for such services is A\$2,500 per quarter.

There were no other transactions with other Key management personnel have been incurred, other than reported above.

End of Audited Remuneration Report.

Directors' report

Corporate governance

The Directors of the Group support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the 2024 Corporate Governance Statement dated 27 February 2025 released to the ASX and posted on the Company website which outlines the Group's approach to corporate governance and sets out the key charters and policies of the Group.

Indemnification and insurance of directors and officers

During the financial year, the Company paid a premium in respect to a contract of insurance to insure directors and officers of the Company and related bodies corporate against those liabilities for which insurance is permitted under section 199B of the Corporations Act 2001. Disclosure of the nature of the liabilities and the amount of the premium is prohibited under the conditions of the contract of insurance.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, HLB Mann Judd, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify HLB Mann Judd during or since the financial year.

Auditor Independence

The Directors received the Independence Declaration, as set out on page 39, from HLB Mann Judd.

Non-audit services

No non-audit services were provided by the entity's auditor, HLB Mann Judd during the current and the prior year.

Signed in accordance with a resolution of the Directors.



Antonio J. Viana

Chair

California, U.S.A., 27 February 2025

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of BrainChip Holdings Limited for the year ended 31 December 2024, 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 audit; and
- b) any applicable code of professional conduct in relation to the audit.



Perth, Western Australia
27 February 2025

B G McVeigh
Partner

hlb.com.au

HLB Mann Judd ABN 22 193 232 714

A Western Australian Partnership

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 is a member of HLB International, the global advisory and accounting network.

Consolidated statement of profit and loss and other comprehensive income

For the year ended 31 December 2024

	Note	2024 US\$	2023 US\$
Continuing operations			
Revenue from contracts with customers	5	398,011	232,004
Cost of goods sold		(532,925)	(140,564)
Gross profit		(134,914)	91,440
Expenses			
Research & development	6(a)	(7,699,968)	(7,034,017)
Sales & marketing	6(b)	(4,605,111)	(4,745,911)
General & administrative	6(c)	(6,113,371)	(5,695,026)
Share-based payment expense	26(a)	(5,450,349)	(11,354,234)
Operating loss		(24,003,713)	(28,737,748)
Finance income	7(a)	635,246	491,508
Finance expense	7(b)	(1,008,048)	(154,121)
Net fair value (loss)/gain through profit and loss	7(c)	13,575	(364,248)
Loss from continuing operations before income tax		(24,362,940)	(28,764,609)
Income tax expense	9(c)	(68,245)	(116,432)
Net loss for the year		(24,431,185)	(28,881,041)
Other comprehensive income/(loss)			
<i>Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Remeasurement gain/(loss) on defined benefit plans		19,066	(6,453)
<i>Items that may be reclassified subsequently to profit or loss (net of tax):</i>			
Exchange differences on translation of foreign operations		(219,990)	138,210
Other comprehensive (loss)/income for the year, net of tax		(200,924)	131,757
Total comprehensive loss for the year, net of tax		(24,632,109)	(28,749,284)
Loss per share attributable to ordinary equity holders of the Company			
		US cents per share	US cents per share
Basic loss per share	10	(1.24)	(1.57)
Diluted loss per share	10	(1.24)	(1.57)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 31 December 2024

	Note	2024 US\$	2023 US\$
Current Assets			
Cash and cash equivalents	12	20,000,422	14,343,381
Trade and other receivables	13	947,994	2,422,006
Inventory		240,723	482,960
Other assets		441,916	309,638
Total Current Assets		21,631,055	17,557,985
Non-Current Assets			
Right-of-use assets	14	894,856	1,334,641
Plant and equipment	15	346,225	427,737
Intangible assets	16	-	608,772
Other assets		174,962	253,088
Total Non-current Assets		1,416,043	2,624,238
TOTAL ASSETS		23,047,098	20,182,223
Current Liabilities			
Trade and other payables	17	1,373,294	853,642
Deferred revenue		48,342	58,185
Financial liabilities	20	-	34,701
Lease liabilities	19	454,956	446,751
Employee benefits liabilities	18	456,403	553,173
Total Current Liabilities		2,332,995	1,946,452
Non-current Liabilities			
Financial liabilities	20	45,455	68,213
Lease liabilities	19	669,914	1,147,470
Defined benefit plan	22	172,214	185,767
Total Non-current Liabilities		887,583	1,401,450
TOTAL LIABILITIES		3,220,578	3,347,902
NET ASSETS		19,826,520	16,834,321
Equity			
Contributed equity	23(a)	167,800,215	145,626,256
Share-based payments reserve	24	50,169,446	44,719,097
Foreign currency translation reserve	24	36,811	256,801
Other equity reserve	24	-	247,872
Accumulated losses	25	(198,179,952)	(174,015,705)
TOTAL EQUITY		19,826,520	16,834,321

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

Consolidated statement of changes in equity

For the year ended 31 December 2024

	Contributed equity	Share-based payment reserve	Other reserves	Foreign currency reserve	Accumulated losses	Total equity
At 1 January 2023	135,115,291	33,364,863	247,872	118,591	(145,128,211)	23,718,406
Loss for the year	-	-	-	-	(28,881,041)	(28,881,041)
Other comprehensive loss	-	-	-	138,210	(6,453)	131,757
Total comprehensive loss for the period	-	-	-	138,210	(28,887,494)	(28,749,284)
Issue of share capital	9,507,156	-	-	-	-	9,507,156
Converted treasury shares	1,056,803	-	-	-	-	1,056,803
Share issue costs	(52,994)	-	-	-	-	(52,994)
Share-based payment (Note 26(a))	-	11,354,234	-	-	-	11,354,234
At December 2023	145,626,256	44,719,097	247,872	256,801	(174,015,705)	16,834,321
At 1 January 2024	145,626,256	44,719,097	247,872	256,801	(174,015,705)	16,834,321
Loss for the year	-	-	-	-	(24,431,185)	(24,431,185)
Other comprehensive loss	-	-	-	(219,990)	19,066	(200,924)
Total comprehensive loss for the period	-	-	-	(219,990)	(24,412,119)	(24,632,109)
Transfer of reserves to accumulated losses	-	-	(247,872)	-	247,872	-
Issue of share capital	21,792,953	-	-	-	-	21,792,953
Converted treasury shares	1,407,248	-	-	-	-	1,407,248
Share issue costs	(1,026,242)	-	-	-	-	(1,026,242)
Share-based payment (Note 26(a))	-	5,450,349	-	-	-	5,450,349
At December 2024	167,800,215	50,169,446	-	36,811	(198,179,952)	19,826,520

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

Consolidated statement of cash flows

For the year ended 31 December 2024

	Note	2024 US\$	2023 US\$
Cash flows used in operating activities			
Receipts from customers		232,911	1,672,784
Payments to suppliers and employees		(17,369,980)	(19,866,071)
Interest received		635,246	491,508
Interest paid		(77,078)	(100,030)
Grants and R&D credits received from third parties		695,199	411,619
Income taxes paid		(1,097)	(142,200)
Net cash flows used in operating activities	12	(15,884,799)	(17,532,390)
Cash flows used in investing activities			
Payments for property, plant and equipment		(72,652)	(132,602)
Net cash flows used in investing activities		(72,652)	(132,602)
Cash flows used in financing activities			
Receipts from the issue of shares		22,636,651	8,210,972
Payment of share issue costs		(1,033,498)	(56,791)
Receipts from the exercise of unlisted options		1,435,102	1,029,013
Payment to reduce lease liabilities	19	(442,659)	(342,305)
Net cash flows generated from financing activities		22,595,596	8,840,889
Net increase /(decrease) in cash and cash equivalents		6,638,145	(8,824,103)
Net foreign exchange differences		(981,104)	2,196
Cash at the beginning of the financial period		14,343,381	23,165,288
Cash and cash equivalents at the end of the period		20,000,422	14,343,381

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

Notes to the consolidated financial statements

Note 1. Corporate information

The annual financial report of BrainChip Holdings Ltd ("BrainChip Holdings" or "Company") and its controlled entities ("Consolidated Entity" or "Group") for the year ended 31 December 2024 was authorised for issue in accordance with a resolution of the Directors on 27 February 2025, 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 8, 210 George Street, Sydney NSW 2000, Australia.

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

Note 2. Summary of material accounting policies

a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis except for certain financial assets and liabilities that have been measured at fair value.

Notwithstanding the operating loss and the net operating cash outflows recognised in the current year, the Directors are confident that the Company will continue operating as a going concern based on the current available cash resources and capital raising obligations of the LDA Capital facility.

The financial report is presented in US dollars, being the functional currency of the Company.

New standards, interpretation and amendments adopted by the Group

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

AASB 2021-2 *Amendments to Australian Accounting Standard – Disclosure of Accounting Policies and Definition of Accounting Estimates* makes amendments to various Australian Accounting Standards and AASB Practice Statement 2 *Making Materiality Judgements* change the way in which accounting policies are disclosed in financial reports. The amendments require disclosure of material accounting policy information rather than significant accounting policies and are effective for annual reporting periods beginning on or after 1 January 2023. Accounting policy disclosure has been updated in line with this standard. All other new standards had no material effect.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2024. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board. The financial report also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent entity and its subsidiaries (the 'Group') as at 31 December each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

Notes to the consolidated financial statements

Note 2. Summary of material accounting policies (continued)

c) Basis of consolidation (continued)

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

d) Foreign currency translation

i) Functional and presentation currency

The functional currency of each entity within the Group is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in United States Dollars which is the functional and presentation currency of the parent entity and the subsidiary, BrainChip Inc. The functional currency of all remaining subsidiaries is the same as their respective local currencies: BrainChip SAS - Euros, BrainChip Research Institute Pty Ltd - AUD and BrainChip Systems India Private Limited - Indian Rupee.

ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. All exchange differences arising from the above policies are recognised in the profit and loss.

iii) Translations of subsidiary Companies' functional currency to presentation currency

The results of non-US\$ reporting subsidiaries, if any, are translated into United States Dollars (presentation currency). Income and expenses are translated at the average exchange rates for the month. Assets and liabilities are translated at the closing exchange rate for each balance sheet date. Share capital, reserves and accumulated losses are converted at applicable historical rates.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity. On consolidation, exchange differences arising from the translation of monetary items considered to be part of the net investment in subsidiaries are taken to the foreign currency translation reserve. If a subsidiary were sold, the proportionate share of the foreign currency translation reserve would be transferred out of equity and recognised in the statement of comprehensive income.

Notes to the consolidated financial statements

Note 2. Summary of material accounting policies (continued)

e) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15. Refer to the accounting policies in section (h) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cashflows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Gains and losses on initial recognition.

When the transaction price of a financial asset differs from the fair value on initial recognition and the fair value is evidenced by a quoted price in an active market for an identical asset or based on a valuation technique that uses only data from observable markets, the difference between the transaction price and fair value is recognised immediately in profit or loss. If fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and recognised in profit or loss when the inputs become observable or when realised through settlement.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the assets are derecognised, modified or impaired. The Group's financial assets at amortised cost include trade receivables and other receivables.

Notes to the consolidated financial statements

Note 2. Summary of material accounting policies (continued)

e) Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other current financial assets.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Note 2. Summary of material accounting policies (continued)

e) Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 3.
- Trade receivables Note 13.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, Convertible Securities recognised as financial liabilities, and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss include embedded derivatives designated upon initial recognition as at fair value through profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied.

Note 2. Summary of material accounting policies (continued)

e) Financial instruments – initial recognition and subsequent measurement (continued)

ii) Financial liabilities (continued)

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

f) Share-based payment transactions

The Group provides benefits to employees, consultants and service providers (including Directors) ("eligible participants") in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The BrainChip Equity Plan ("LTIP") was adopted by shareholders on 10 May 2018. The Company had share options and performance rights that were issued under the plans current at the time of offer (Performance Rights Plan, 2015 Long Term Incentive Plan and Directors and Officers Option Plan) however all new awards post 10 May 2018 have been issued under the LTIP.

The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value of options granted is determined by using a Black Scholes model, further details of which are given in Note 26. The fair value of equity instruments with a performance condition linked to a market condition is measured on the date of grant using a Monte-Carlo simulation with multiple implied share price targets.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Note 2. Summary of material accounting policies (continued)

f) Share-based payment transactions (continued)

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not the market condition is fulfilled, provided that all other conditions are satisfied.

If a non-vesting condition is within the control of the Group, Company or the eligible participant, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Group, Company nor eligible participant is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

g) Employee benefits

i) Wages, salaries and annual leave

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

ii) Superannuation

Contributions made by the Group to employee superannuation funds, which are defined contribution plans, are charged as an expense when incurred.

iii) Defined benefit plan

The Group's net obligation in respect of defined benefits plans is calculated by estimating the discounted amount of future benefit that employees have earned in the current and prior periods. The calculation of defined benefit plan obligations is performed annually by a qualified actuary using the projected unit credit method, taking into account staff turnover and mortality probability.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in OCI. The Group determines the net interest expense on the defined benefit liability for the period by applying the discount rate used to measure the net defined benefit obligation. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

Note 2. Summary of material accounting policies (continued)

g) Employee benefits (continued)

i) Defined benefit plan

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss.

h) Revenue from contracts with customers

The Group accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of the consideration is probable.

Revenues from license and product sales are recognised when an identified performance obligation is satisfied, and the customer obtains and accepts control of the Company's product. This means that the customer can direct the use, and obtain substantially all of the remaining benefits, from the use of the license and product. Sales of product and licenses generally occur at a point in time, typically upon delivery to the customer. In instances where the Group has significant obligations to maintain or update licences, the revenue is recognised over time.

Revenue from development service is generally recognised as the Company creates or enhances an asset that the customer controls.

The Group determined that the input method is the best method in measuring progress of the development services revenue because there is a direct relationship between the Group's effort (i.e., labour hours incurred) and the transfer of service to the customer. The Group recognises revenue on the basis of the time lapsed as a percentage compared to total expected service.

Taxes collected from customers relating to product and service sales and remitted to governmental authorities are excluded from revenues. The Company expenses incremental costs of obtaining a contract as and when incurred because the expected amortisation period of the asset that the Company would have recognised is one year or less.

i) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as a credit on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

j) Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided for using the full liability, balance sheet method.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the consolidated financial statements

Note 2. Summary of material accounting policies (continued)

j) Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Note 3. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

• Revenue from contracts with customers

Judgement was applied in determining whether applicable contracts were considered a contract with a customer, where goods and/or services are delivered in exchange for consideration, or a co-development agreement where the risks and benefits that result from the activity are shared. In all instances, management concluded that a contract with a customer had been negotiated and AASB 15 was applicable.

Note 3. Significant accounting judgements, estimates and assumptions (continued)

- Revenue from contracts with customers (continued)

The revenue recognition standard states that if a contract has more than one performance obligation, judgement is required in determining the allocation of the transaction price to each performance obligation (or distinct good and service) in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer.

Determining the performance obligation in a contract comprising license revenue and development service revenue

The Group determined that both license and development service revenue is capable of being distinct and identifiable in a specific contract, comprising the delivery of the perpetual license and the engineering services provided to specifically enhance the license to the specifications of the customer.

Determining the timing of satisfaction of the development service revenue

The Group concluded that development service revenue is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group; BrainChip is enhancing an asset that the customer controls, and the work completed does not create an alternative use to the Group.

In the absence of clearly identified phases or project milestones that are associated with progress and payments, the Group determined that the input method is the best method in measuring progress of the development services revenue because there is a direct relationship between the Group's effort (i.e., labour hours incurred) and the transfer of service to the customer. The Group recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service.

- Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined by using a Black Scholes model, using the assumptions as discussed in Note 26. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities in the next annual reporting period but may impact expenses and equity.

- Impairment of non-financial assets other than goodwill

The Group assesses all non-financial assets other than goodwill for impairment at each reporting date by evaluating the carrying value of the asset against the recoverable amount, which is the higher of fair value less costs to sell and its value in use. This requires assessment of conditions specific to the Group and to the particular asset which may lead to an impairment being recognised.

- Defined benefit plan

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These includes the determination of the discount rate, future salary growth, mortality rates and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about defined benefit plans are provided in Note 22.

Notes to the consolidated financial statements

Note 3. Significant accounting judgements, estimates and assumptions (continued)

• Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the monte carlo model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 21 for further disclosure.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Note 4. Financial risk management objectives and policies

Overview

This note presents information about the Group's exposure to credit, liquidity and market risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

Other than derivatives associated with the Put Option Premium in the previous years, the Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's cash and cash equivalents and receivables from customers.

Presently, the Group undertakes technology development activities in the USA, Australia, India and France and is exposed to credit risk from its operating activities (primarily trade and other receivables).

Cash and cash equivalents and investment securities

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

Trade and other receivables

The Group operates primarily in technology development and has trade receivables. There is risk that these receivables may not be recovered however the Group does not consider this to be likely. The Group reviews the collectability of trade and other receivables on an ongoing basis and measures the expected credit loss at each reporting date (see Note 13).

Credit risk associated with the financial asset is considered low due to its short-term nature and the ability to offset the financial asset against any outstanding liability recognised in relation to the Put Option Premium.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Note	Carrying amount	
		2024 US\$	2023 US\$
Cash and cash equivalents	12	20,000,422	14,343,381
Trade and other receivables	13	947,994	2,422,006

Notes to the consolidated financial statements

Note 4. Financial risk management objectives and policies (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Group completed a capital raise in 2024 and entered into a Put Option Agreement in 2020, with amendments agreed in 2021, 2022, 2023 and 2024 resulting in cash inflows to the Group in those years. The following are the contractual maturities of financial assets and liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount US\$	Contractual cash flows US\$	6 mths or less US\$	6-12 mths US\$	1-5 years US\$
31 December 2024					
<i>Financial Assets</i>					
Trade and other receivables	947,994	947,994	947,994	-	-
	947,994	947,994	947,994	-	-
<i>Financial Liabilities</i>					
Trade and other payables	1,373,294	1,373,294	1,373,294	-	-
Financial liabilities	45,455	45,455	-	-	-
Lease liabilities	1,124,870	1,144,890	261,321	251,465	632,104
	2,543,619	2,563,639	1,634,615	251,465	632,104
Carrying amount					
31 December 2023					
<i>Financial Assets</i>					
Trade and other receivables	2,422,006	2,422,006	2,422,006	-	-
	2,422,006	2,422,006	2,422,006	-	-
<i>Financial Liabilities</i>					
Trade and other payables	853,642	853,642	853,642	-	-
Financial liabilities	102,914	102,914	-	-	102,914
Lease liabilities	1,594,221	1,755,124	260,983	263,363	1,230,778
	2,550,777	2,711,680	1,114,625	263,363	1,333,692

Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group is not exposed to material market risk at period end.

Notes to the consolidated financial statements

Note 4. Financial risk management objectives and policies (continued)

Foreign currency risk

The Group is exposed to fluctuations in foreign currencies arising from the purchase of goods and services in currencies other than the transacting entity's functional currency. The legal parent, BrainChip Holdings, holds cash balances in AUD. As a result of this, the Group's statement of financial position can be affected by movements in the USD/AUD exchange rate when translating to the USD functional currency.

In respect of other monetary assets and liabilities denominated in foreign currencies (AUD), the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group is exposed to foreign currency risk on the derivative liability recognised in the balance sheet.

Equity price risk

The Group is exposed to equity price risk associated with unlisted options.

Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in interest bearing accounts.

The Group's exposure to interest rate risk at the balance sheet date was negligible.

Fair values

Fair values versus carrying amounts

The Group compares the carrying amount and fair values of the Group's financial instruments. Cash and short-term deposits, trade and other receivables, trade and other payables and current financial liabilities are short term in nature. As a result, the fair value of these instruments is considered to approximate their fair value.

Capital Management

Capital managed by the Board includes contributed equity totalling \$167,800,215 and other equity reserves of \$Nil at 31 December 2024 (2023: \$145,626,256 and \$247,872 respectively). When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. Managed capital is disclosed on the face of the Statement of financial position and comprises contributed equity and reserves.

Management may adjust the capital structure to fund the continued development of the Company's pioneering AI technology and keep the Company operational. As the market is constantly changing, management may issue new shares or sell assets to raise cash, change the amount of dividends to be paid to shareholders (if at all) or return capital to shareholders.

During the financial year ending 31 December 2024, management did not pay a dividend and does not expect to pay a dividend in the foreseeable future (31 December 2023: Nil).

The Group encourages employees to be shareholders through the BrainChip Equity Plan.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the consolidated financial statements

Note 5. Revenue from contracts with customers

Revenue is disclosed by type of goods and services and timing of recognition. Refer to Note 11 for the disaggregation of revenue from contracts with customers by geographical region.

	2024 US\$	2023 US\$
Types of good and services		
Product revenue	207,108	174,000
Development services revenue	190,903	58,004
Total revenue from contracts with customers	398,011	232,004
Timing of revenue recognition		
Services transferred over time	98,555	48,004
Sale of product and license transferred at a point in time	299,456	184,000
Total revenue from contracts with customers	398,011	232,004

Note 6. Expenses

(a) Research & development expenses		
Employee expenses	6,541,445	6,406,084
Government grants received ⁽¹⁾	(280,762)	(1,001,013)
Third party development services	-	636,493
Patent application fees	145,644	145,815
Software/hardware IT expenses	368,569	430,281
Amortisation of intangible assets	32,735	65,470
Impairment of intangible assets	576,037	-
Depreciation of plant & equipment	14,196	14,170
Depreciation of right-of-use assets	68,771	69,527
Other expenses	233,333	267,190
Total research & development expenses	7,699,968	7,034,017
(b) Selling & marketing expenses		
Employee expenses	3,494,052	3,526,836
Promotional advertising	664,425	698,269
Other expenses	446,634	520,806
Total selling & marketing expenses	4,605,111	4,745,911
(c) General & administration expenses		
Employee expenses	3,493,989	2,863,041
Legal and professional fees	638,625	687,342
Corporate and listing fees	355,118	349,242
Recruiting fees	109,877	288,829
Travel and accommodation expenses	152,230	144,518
Depreciation of plant & equipment	136,947	126,991
Depreciation of right of use assets	353,759	348,753
Impairment of trade receivables	29,970	-
Office rent	12,529	7,751
Software lease and hardware expense	401,508	356,246
Other	428,819	522,313
Total general & administration expenses	6,113,371	5,695,026

⁽¹⁾ The Group recognised research credits from the French and Australian regulatory authorities in accordance with local tax regulations. There are no unfulfilled conditions attached to amounts recognised.

Notes to the consolidated financial statements

Note 7. Finance income and finance expense

	2024 US\$	2023 US\$
(a) Finance income		
Interest received	635,246	491,508
Total finance income	635,246	491,508
(b) Finance expense		
Other interest expense	81,636	104,111
Foreign exchange loss	926,412	50,010
Total finance expense	1,008,048	154,121
(c) Fair value gain/(loss) through profit and loss		
Net gain/(loss) from financial assets and liabilities measured at fair value through profit and loss (i) (ii)	13,575	(364,248)
Net fair value gain/(loss) through profit and loss	13,575	(364,248)

- (i) On 4 December 2023, BrainChip submitted a capital call notice to LDA Capital Limited and LDA Capital LLC ("LDA Capital") in accordance with the Put Option Agreement (POA) dated 13 August 2020 to subscribe for up to 25 million shares. The capital call notice was closed with cash funds of US\$2,535,623 (A\$3,850,488) received on 23 January 2024. A net loss from financial assets measured at fair value through profit and loss of \$44,654 was recognised in the current year after consideration of the purchase price per capital call share ranging from A\$0.1642 to A\$0.1891 and the pricing mechanism, reconciled as follows:

	2024 US\$
Cash received on settlement	2,535,623
Reversal of receivable and derivative asset recognised at 31 December 2023	(963,007)
Net (gain)/loss from financial assets and liabilities measured at fair value through the profit and loss (Note 7(c) above)	44,654
Foreign currency gain recognised due to timing of cash receipt and closure of capital call.	886
Value of shares issued on exercise of LDA Capital put option premium (Note 23(b))	1,618,156

- (ii) On 27 March 2024, BrainChip submitted a capital call notice to LDA Capital in accordance with the Third Amendment to the POA to subscribe for 40 million shares. The formula used to determine LDA Capital's purchase price remains set at 91.5% of the average of the daily Volume Weighted Average Price for each day shares are sold throughout the pricing period. Cash funds were received in two instalments, comprising US\$1,810,792 (A\$2,820,000) on 19 April 2024, and US\$3,645,105 (A\$5,465,128) on 3 July 2024 after the call notice was closed on 28 June 2024. The purchase price per capital call share ranged from A\$0.2194 to A\$0.3664 during the capital call period. A net gain from financial assets and liabilities measured at fair value through the profit and loss of \$58,229 was recognised. Refer below for the reconciliation of cash and issued capital.

	2024 US\$
Cash received on settlement	5,455,897
Net (gain)/loss from financial assets and liabilities measured at fair value through the profit and loss (Note 7(c) above)	(58,229)
Foreign currency gain recognised due to timing of cash receipt and closure of capital call.	70,076
Value of shares issued on exercise of LDA Capital put option premium (Note 23(b))	5,467,744

Notes to the consolidated financial statements

Note 8. Dividends paid and proposed

No dividends have been paid or declared by the Company during the current or prior financial years or up to the date of this report.

Note 9. Income tax

	2024 US\$	2023 US\$
(a) Major components of income tax expense		
<i>Consolidated income statement</i>		
Current income tax:		
Current income tax expense/(benefit)	68,245	116,432
Tax losses previously not recognised	-	-
Deferred tax asset not recognised	-	-
Income tax (benefit)/expense reported in the statement of comprehensive income	68,245	116,432
(b) Amounts charged or credited directly to equity		
Current income tax related to items charged or credited directly to equity	-	-
Deferred income tax related to items charged or credited directly to equity	-	-
Total research & development expenses	-	-
(c) A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting loss before tax	24,362,940	28,764,609
At statutory income tax rate of 30% (2023: 30%)	(7,308,882)	(8,629,383)
Foreign provision	49,579	116,432
Non-deductible expenses	186,311	(1,380,325)
Effect of lower/(higher) taxation rates of foreign subsidiaries	53,473	(255,981)
Other	1,976,192	4,006,052
Unrecognised tax losses and deferred income tax assets	5,111,572	6,259,637
Income tax expense/(benefit) reported in statement of profit or loss and other comprehensive income	68,245	116,432
Effective income tax rate	0.28%	0.17%
(d) Deferred tax relates to the following:		
Accrued expenses	112,996	145,901
Tax losses	30,897,818	26,965,468
Share-based compensation	7,775,829	7,297,683
Intangible assets	1,829,790	1,216,940
Other	349,894	228,764
Not recognised	(40,966,327)	(35,854,756)
Net deferred tax liability	-	-
Deferred tax income/(expense)	-	-
(e) Unrecognised losses		

At 31 December 2024, there are unrecognised deferred taxes on losses of \$30,897,818 (tax effected) (2023: \$26,965,468 (tax effected)), and other temporary differences of \$10,068,510 (2023: \$8,889,288) for the Group.

Notes to the consolidated financial statements

Note 10. Loss per share

	2024 US\$	2023 US\$
Net loss attributable to ordinary shareholders for basic and diluted earnings per share	(24,431,185)	(28,881,041)
	US cents per share	US cents per share
Basic and diluted loss per share	(1.24)	(1.57)
	Number	Number
Weighted average number of ordinary shares for basic loss per share ⁽²⁾	1,964,216,080	1,844,752,633
Effect of the dilution of share options and performance rights ⁽¹⁾	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	1,964,216,080	1,844,752,633

⁽¹⁾ At 31 December 2024, the Company had on issue 45,418,318 share options (2023: 63,451,314), 5,122,329 performance rights (2023: 4,234,609), 97,417,448 restricted stock units (2023: 39,049,960), and 2,093,022 service rights (2023: Nil) that are excluded from the calculation of diluted loss per share for the current period as they are considered anti-dilutive.

⁽²⁾ Weighted average number of ordinary shares has been adjusted by a factor of approximately 1.02 as a result of rights issued to institutional and sophisticated investors since 2017.

Note 11. 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.

	2024 US\$	2023 US\$
Non-current assets		
North America	1,043,470	2,033,021
Oceania	187,065	261,759
Europe, Middle East & Asia (EMEA)	185,508	329,458
Total	1,416,043	2,624,238
Revenue from external customers		
North America	106,943	132,933
Oceania	-	29,970
Europe, Middle East & Asia (EMEA)	291,068	69,101
Total	398,011	232,004

Notes to the consolidated financial statements

Note 11. Operating segments (continued)

Customers representing more than 10% of revenues in the current year amounted to \$203,301 (2023: \$115,813) comprising \$60,953 from USA based customers comprising product and development services revenue, and \$142,348 from EMEA based customers comprising development service revenue (2023: USA based customers comprising product and development service revenue).

Note 12. Cash and cash equivalents

	2024 US\$	2023 US\$
Cash at bank and in hand	19,987,439	14,301,026
Term deposits	12,983	42,355
Total	20,000,422	14,343,381
Reconciliation of the net loss after tax to net cash flows from operations	(24,431,185)	(28,881,041)
Loss after tax		
Non-cash adjustment to reconcile loss after tax to net cash flows:		
Depreciation	573,673	559,440
Amortisation	32,735	65,470
Impairment of intangible assets	576,037	-
Impairment of inventory	223,533	-
Grant revenue recognised	(508)	(12,027)
Share-based payments	5,450,349	11,354,234
(Gain)/loss from financial liabilities measured at fair value through the profit or loss	(13,575)	364,248
Interest expense	4,495	4,033
Foreign exchange loss/(gain) - unrealised	944,292	132,003
Working capital adjustments:		
Decrease in trade and other receivables	389,074	1,083,780
Decrease/(Increase) in inventory	18,704	(85,524)
Increase in prepayments	(132,279)	(105,582)
Decrease/(Increase) in other assets	27,002	(47,686)
Decrease in deferred revenue	(9,843)	(147,759)
Increase in defined benefits plan	17,800	16,327
(Decrease)/Increase in employee provisions	(96,770)	11,033
Increase/(Decrease) in trade and other payables	541,667	(1,843,339)
	(15,884,799)	(17,532,390)

Refer to Note 21 for changes in liabilities arising from financing activities.

Note 13. Trade and other receivables

	2024 US\$	2023 US\$
Current		
Trade receivables ⁽¹⁾	179,704	60,803
R&D refundable tax offset	743,839	1,347,203
Receivable from the issue of shares – refer Note 7	-	921,792
Derivative asset – refer Note 7	-	41,215
Other receivables	24,451	50,993
	947,994	2,422,006

⁽¹⁾ Trade receivables are non-interest bearing and generally on terms of 30-90 days. As at year end, there is no allowance for expected credit loss recorded.

Notes to the consolidated financial statements

Note 14. Right-of-use assets

	2024 US\$	2023 US\$
Cost	2,224,324	2,264,325
Accumulated depreciation	(1,329,468)	(929,684)
Total	894,856	1,334,641
<i>Movement in right-of-use assets</i>		
At 1 January	1,334,641	1,750,405
Depreciation	(422,530)	(418,279)
Foreign exchange movements	(17,255)	2,515
At 31 December	894,856	1,334,641

Note 15. Plant & equipment

Cost	1,150,237	1,089,288
Accumulated depreciation	(804,012)	(661,551)
Total	346,225	427,737
<i>Movement in plant & equipment assets</i>		
At 1 January	427,737	434,934
Additions	72,652	132,602
Depreciation	(151,143)	(141,161)
Foreign exchange movements	(3,021)	1,362
At 31 December	346,225	427,737

Note 16. Intangible assets

Patents & licenses with finite useful life – at cost	1,040,312	1,040,312
Accumulated amortisation	(464,275)	(431,540)
Impairment	(576,037)	-
Total	-	608,772
<i>Movement in patents & licenses</i>		
At 1 January	608,772	674,242
Amortisation	(32,735)	(65,470)
Impairment	(576,037)	-
At 31 December	-	608,772

Management identified certain impairment indicators, comprising high global interest rates and the challenge of inconsistent revenue streams which required an assessment of the recoverable amount of the Group's assets at 30 June 2024. Management completed a value-in-use calculation using a discounted cash flow model, based on a 5-year projection period approved by management, together with a terminal value.

Key assumptions used in the value-in-use calculations are those to which the recoverable amount of an asset or cash-generating unit is most sensitive. The following key assumptions were used in the discounted cash flow model:

- 21.8% pre-tax discount rate;
- BrainChip secures sale contracts resulting in a growth rate in revenue of 777% in 2025, recognising the small base reported at 30 June 2024. Subsequent annual revenue growth rates of 95% in 2026 and 100% in 2027 were used, followed by 3.5% per annum projected long term revenue growth rate used in calculating the terminal value; and

Notes to the consolidated financial statements

Note 16. Intangible assets (continued)

- Growth rates of operating costs and overhead used in calculating the terminal value of 27% in 2025 and 5% in both 2026 and 2027, followed by 3.5% per annum increase thereafter.

The discount rate reflects management's estimate of the time value of money and the Group's weighted average cost of capital, the risk-free rate and the volatility of the share price relative to market movements.

Upon completion of the assessment at the half-year, management determined that an impairment charge of \$576,037 be applied to the carrying amount of the intangible assets.

Note 17. Trade and other payables

	2024 US\$	2023 US\$
<i>Current</i>		
Trade creditors and accruals	1,373,294	803,952
Income tax payable to foreign authorities	-	49,690
	<u>1,373,294</u>	<u>853,642</u>

Note 18. Employee benefits liabilities

<i>Current</i>		
Annual leave liability	456,403	553,173
	<u>456,403</u>	<u>553,173</u>

The nature of the liability is described in Note 2(g).

Note 19. Lease liabilities

<i>Current</i>	454,956	446,751
<i>Non-current</i>	669,914	1,147,470
Total	<u>1,124,870</u>	<u>1,594,221</u>
<i>Movement in lease liabilities</i>		
At 1 January	1,594,221	1,936,093
Reduction in lease liabilities	(442,659)	(342,305)
Foreign exchange movements	(26,692)	433
At 31 December	<u>1,124,870</u>	<u>1,594,221</u>

Note 20. Financial liabilities

<i>Current</i>		
Advance from third parties	-	34,701
	<u>-</u>	<u>34,701</u>
<i>Non-current</i>		
Advance from third parties	45,455	68,213
Total	<u>45,455</u>	<u>68,213</u>

Notes to the consolidated financial statements

Note 20. Financial liabilities (continued)

	2024 US\$	2023 US\$
<i>Movement in Advance from third parties ⁽¹⁾</i>		
At 1 January	102,914	111,172
Additions	-	(12,027)
Forgiveness of liability, offset to non-current other assets	(47,165)	-
Reduction in financial liabilities	(508)	-
Foreign exchange movements	(9,786)	3,769
At 31 December	45,455	102,914

⁽¹⁾ 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.

Note 21. 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 31 December 2024. Changes in liabilities arising from financing activities are disclosed within individual notes:

	2024 US\$	2023 US\$
<i>Financial assets at amortised cost</i>		
Trade and other receivables	947,994	2,422,006
Total financial assets	947,994	2,422,006
<i>Current</i>	947,994	2,422,006
Total financial assets	947,994	2,422,006
<i>Financial liabilities at amortised cost</i>		
Trade and other payables	1,373,294	853,642
Financial liabilities		
- Advances from third parties	45,455	102,914
Total financial liabilities	1,418,749	956,556
<i>Current</i>	1,373,294	888,343
<i>Non-current</i>	45,455	68,213
Total financial liabilities	1,418,749	956,556

Notes to the consolidated financial statements

Note 22. Defined benefit plan

	2024 US\$	2023 US\$
<i>Non-current</i>		
Net employee defined benefit liabilities	172,214	185,767
	172,214	185,767

BrainChip SAS has a defined benefit pension plan which is governed by the employment laws of France. Pension plans that are defined benefit schemes (in which the Company guarantees an amount or defined level of benefits) are recognised on the balance sheet based on an actuarial valuation of the obligations at period-end.

This valuation uses the projected unit credit method, taking into account staff turnover and mortality probability.

The defined benefit plan is administered by the French regulatory authority and is legally separated from the Group. The authority is required by law to act in the best interests of the plan participants and is responsible for setting certain policies (e.g., investment, contribution and indexation policies) of the fund.

The defined benefit plan exposes the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk, and market (investment) risk.

	2024 US\$	2023 US\$
<i>Movement in net defined benefit liability</i>		
At 1 January	185,767	151,551
<i>Included in profit or loss</i>		
Current services costs	17,800	16,327
Finance costs	4,495	4,033
<i>Included in OCI</i>		
Actuarial (gains)/losses	(22,497)	8,739
Foreign exchange movements	(13,351)	5,117
At 31 December	172,214	185,767

Defined benefit obligation

The following were the principal actuarial assumptions at the reporting date:

Discount rate	3.4%	3.2%
Future salary growth	2.0%	1.5%
Retirement at employee's initiative	45.0%	45.0%
Turnover rate (weighted average)	1.23%	1.0%

Assumptions regarding future mortality have been based on published statistics and mortality tables provided by the French government.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Increase US\$	Decrease US\$
Discount rate (+/-1% movement)	21,353	(17,569)
Future salary growth (+/-1.0 % movement)	(17,258)	21,356

Although the analysis does not take account of the full distribution of cashflows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Notes to the consolidated financial statements

Note 23. Contributed equity

	2024 US\$	2023 US\$
(a) Fully paid ordinary shares		
Issued and fully paid	167,800,215	145,626,256
	<u>167,800,215</u>	<u>145,626,256</u>

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.

	Number	US\$
(b) Movement in ordinary shares on issue		
At 1 January 2023	1,726,862,144	135,115,291
Issue of shares to the Trustee of the BrainChip Equity Plan	25,000,000	-
Shares allocated on exercise of LDA Capital put option premium	30,000,000	8,560,424
Shares allocated on exercise of LDA Capital put option premium	15,756,540	946,732
Issue of shares to third party on conversion of restricted stock units	8,196,001	-
Treasury shares issued on conversion of options	-	1,056,803
Share issue costs incurred	-	(52,994)
At 31 December 2023	<u>1,805,814,685</u>	<u>145,626,256</u>
Issue of shares to the Trustee of the BrainChip Equity Plan	20,000,000	-
Value of shares issued in December 2023 to LDA Capital – refer Note 7 (c)(i)	-	1,618,156
Shares allocated on exercise of LDA Capital put option premium – refer Note 7(c)(ii)	40,000,000	5,467,744
Value of existing shares held by LDA Capital transferred to underwriter and included as Placement shares ⁽¹⁾	-	1,275,145
Placement shares issued on completion of capital raise ⁽¹⁾	103,245,355	13,006,070
Shares issued on completion of Share Purchase Plan ⁽¹⁾	3,274,604	425,838
Issue of shares to third party on conversion of restricted stock units	133,332	-
Treasury shares issued on conversion of options	-	1,407,248
Share issue costs incurred	-	(1,026,242)
At 31 December 2024	<u>1,972,467,976</u>	<u>167,800,215</u>

- ⁽¹⁾ On 25th July 2024, BrainChip announced an equity capital raise to professional and sophisticated investors resulting in the issue of 103,245,355 Placement shares; a fully underwritten sale of 10,122,521 existing shares from LDA Capital included as Placement shares, and a non-underwritten Share Purchase Plan offered to eligible shareholders resulting in the issue of 3,274,604. Cash received totalled \$14,281,215 (A\$21,880,000) and a foreign exchange gain of \$61,922 was recognised due to the timing of the receipt of cash and the date the shares were issued.

Notes to the consolidated financial statements

Note 23. Contributed equity (continued)

	2024 Number	2023 Number
(c) Treasury shares		
Fully paid shares issued to the Trustee of the BrainChip Equity Plan ("LTIP")	6,082,693	11,459,234
	6,082,693	11,459,234

The BrainChip Equity Plan (previously named the 2018 Long Term Incentive Plan) (LTIP) was established on 2 August 2018. Certane CT Pty Ltd was appointed the Plan Trustee effective 16 August 2021. The Company issues shares to the Trust at no value to be held available for the conversion of vested options, performance rights and restricted stock units held by LTIP participants.

	2024 Number	2023 Number
(d) Movement in treasury shares		
At 1 January	11,459,234	3,393,490
Shares issued to the Trust from BrainChip Holdings Ltd	20,000,000	25,000,000
Shares Issued on exercise of share options	(15,925,000)	(9,964,167)
Shares issued by Trustee on conversion of performance rights	(742,958)	(418,270)
Shares Issued on conversion of restricted stock units	(8,708,583)	(6,551,819)
At 31 December	6,082,693	11,459,234

(e) Equity instruments issued as share based payments

Unissued ordinary shares in the form of options, restricted stock units, performance rights and services rights are issued to participants of the BrainChip Equity Plan or directly to third parties at the discretion of the Board. These unissued ordinary shares are summarised as follows:

	2024 Number	2023 Number
Unlisted options – refer note 26 (c)	45,418,318	63,651,314
Unlisted performance rights – refer note 26 (e)	5,122,329	4,234,609
Unlisted restricted stock units – refer note 26 (g)	97,417,448	39,049,960
Unlisted service rights – refer note 26 (i)	2,093,022	-
	150,051,117	106,935,883

Notes to the consolidated financial statements

Note 24. Reserves

Foreign currency reserve	36,811	256,801
Share-based payment reserve	50,169,446	44,719,097
Other equity reserve	-	247,872
Total	50,206,257	45,223,770

Movement in reserves

Consolidated	Foreign currency US\$	Share-based payment US\$	Other equity US\$	Total US\$
At 1 January 2023	118,591	33,364,863	247,872	33,731,326
Share-based payments	-	11,354,234	-	11,354,234
Translation of foreign operations	138,210	-	-	138,210
At 31 December 2023	256,801	44,719,097	247,872	45,223,770
Share-based payments	-	5,450,349	-	5,450,349
Translation of foreign operations	(219,990)	-	-	(219,990)
Transfer of reserves to accumulated losses	-	-	(247,872)	(247,872)
At 31 December 2024	36,811	50,169,446	-	50,206,257

Nature and purpose of reserves

Share-based payment reserve

The share-based payment reserve is used to record the value of share-based payments provided to Directors, employees and third parties as part of their remuneration.

Other equity reserve

This reserve arises from the issue of shares in BrainChip Holdings Ltd to extinguish the liability owing to Convertible Securities holders in BrainChip Inc., on 10 September 2015. This reserve has been transferred to accumulated losses in the current year.

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Note 25. Accumulated losses

	2024 US\$	2023 US\$
At 1 January	(174,015,705)	(145,128,211)
Re-measurement losses on defined benefit plans	19,066	(6,453)
Net loss in current period attributable to members of the Company	(24,431,185)	(28,881,041)
Transfer of reserves to accumulated losses	247,872	-
At 31 December	(198,179,952)	(174,015,705)

Notes to the consolidated financial statements

Note 26. Share-based payments

	2024 US\$	2023 US\$
(a) Share-based payment expense:		(2)
Equity instruments issued to third parties	110,922	2,393,227
Equity instruments issued under the BrainChip Equity Plan	9,424,480	8,961,007
Vesting credit recognised ⁽¹⁾	(4,085,053)	-
Total share-based payment expense	5,450,349	11,354,234

(1) Management assessed the likelihood of achievement of certain performance conditions and recognised a vesting credit in the current year where it is not considered probable that the vesting conditions will be met.

(2) The comparative information has been restated to be in line with the current year disclosure.

(b) BrainChip Equity Plan

The BrainChip Equity Plan (LTIP) (previously named the 2018 Long Term Incentive Plan) was adopted by shareholders in May 2018. Options issued under the 2015 LTIP remain exercisable until their expiry.

The objective of the LTIP is to attract and retain key employees and consultants. It is considered that the LTIP, through the issue of equity instruments, will provide selected employees and consultants with the opportunity to participate in the future growth of the Company. Equity instruments offered under the LTIP must be offered at no more than a nominal value and under terms to be determined by the Board from time to time. It is not the intention of the Company to apply for quotation of any of the equity instruments which are issued under the LTIP.

(c) 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 year:

	2024 Number	2024 WAEP US\$	2023 Number	2023 WAEP US\$
At 1 January	63,451,314	0.163	71,493,281	0.153
Granted during the period	7,036,661	0.177	2,372,200	0.263
Exercised during the period	(15,925,000)	(0.095)	(9,964,167)	(0.113)
Forfeited during the period	(5,801,324)	(0.193)	(450,000)	(0.318)
Lapsed during the period	(143,333)	(0.389)	-	-
Expired during the period	(3,200,000)	(0.169)	-	-
At 31 December	45,418,318	0.183	63,451,314	0.163
Exercisable (vested and unrestricted) at the end of the period	36,124,114	0.168	44,637,446	0.138

The weighted average remaining contractual life for the share options outstanding at year end is 6.133 years (2023: 6.828 years).

The weighted average fair value of options granted during the year was \$0.130 (2023: \$0.553).

The range of exercise prices for options at year end was \$0.038 to \$0.663 (2023: \$0 to \$0.711).

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

Notes to the consolidated financial statements

Note 26. Share-based payments (continued)

(c) Share options granted under the BrainChip Equity Plan:

Set out below are summaries of options on issue under the BrainChip Equity Plan:

Grant date	Expiry date	Exercise price	Balance at start of year	Granted	Exercised	Expired/ forfeited/ lapsed	Balance at end of year
31/05/2017 ⁽³⁾	31/1/2024	0.138	2,000,000	-	-	(2,000,000)	-
31/05/2017 ⁽⁴⁾	1/2/2024	0.182	1,000,000	-	-	(1,000,000)	-
31/05/2017 ⁽⁴⁾	1/2/2025	0.182	1,550,000	-	(100,000)	-	1,450,000
31/05/2017 ⁽⁴⁾	1/2/2026	0.182	1,000,000	-	-	-	1,000,000
5/03/2018 ⁽⁶⁾	13/3/2028	0.147	1,603,000	-	-	-	1,603,000
5/03/2018 ⁽¹⁾	13/3/2028	0.171	200,000	-	-	-	200,000
30/04/2018 ⁽¹⁾	8/6/2028	0.136	443,138	-	-	-	443,138
11/03/2019 ⁽⁵⁾	13/3/2029	0.047	17,500,000	-	(7,000,000)	-	10,500,000
18/03/2019 ⁽⁶⁾	18/3/2029	0.042	207,976	-	-	-	207,976
13/06/2019 ⁽¹⁾	30/5/2029	0.037	2,700,000	-	(700,000)	-	2,000,000
23/09/2019 ⁽¹⁾	23/9/2029	0.031	125,000	-	(125,000)	-	-
10/8/2020 ⁽⁷⁾	6/8/2030	0.125	7,550,000	-	(700,000)	-	6,850,000
26/8/2020 ⁽¹⁾	17/8/2030	0.144	10,800,000	-	(7,300,000)	(3,500,000)	-
7/10/2020 ⁽¹⁾	7/10/2030	0.250	600,000	-	-	-	600,000
3/12/2020 ⁽¹⁾	3/12/2030	0.256	2,550,000	-	-	(325,000)	2,225,000
07/12/2020 ⁽¹⁾	7/12/2030	0.262	2,900,000	-	-	-	2,900,000
09/04/2021 ⁽¹⁾	9/4/2031	0.446	280,000	-	-	-	280,000
09/04/2021 ⁽¹⁾	9/4/2031	0.411	2,700,000	-	-	(200,000)	2,500,000
04/06/2021 ⁽¹⁾	04/6/2031	0.460	1,000,000	-	-	-	1,000,000
23/11/2020 ⁽⁸⁾	27/5/2031	0.279	2,500,000	-	-	-	2,500,000
10/08/2021 ⁽¹⁾	10/8/2031	0.400	540,000	-	-	(150,000)	390,000
20/04/2022 ⁽²⁾	21/4/2032	0.711	450,000	-	-	-	450,000
28/04/2022 ⁽⁹⁾	28/4/2032	0.659	280,000	-	-	(83,000)	197,000
18/09/2022 ⁽²⁾	19/9/2032	0.618	300,000	-	-	-	300,000
23/12/2022 ⁽²⁾	23/12/2032	0.453	300,000	-	-	(300,000)	-
21/04/2023 ⁽¹⁰⁾	21/4/2033	0.278	1,762,200	-	-	(452,302)	1,309,898
14/12/2023 ⁽²⁾	14/12/2032	0.243	130,000	-	-	(130,000)	-
18/08/2023 ⁽²⁾	17/8/2033	0.214	480,000	-	-	-	480,000
20/05/2024 ⁽⁹⁾	20/5/2034	0.177	-	2,345,553	-	(334,785)	2,010,768
20/05/2024 ⁽¹¹⁾	20/5/2034	0.177	-	4,691,108	-	(669,570)	4,021,538
			63,451,314	7,036,661	(15,925,000)	(9,144,657)	45,418,318

(1) Issued to employees and consultants vesting equally over 4 years on each grant date anniversary.

(2) Issued to employees and consultants vesting equally over 3 years on each grant date anniversary.

(3) Issued to Directors, of which 25% of the options vest on each anniversary date of the offer date (1 February 2017) and expire five years from each vesting date.

(4) Issued to Directors of which 25% of the options vest on each anniversary date of the offer date (7 July 2017) expire five years from each vesting date.

(5) 7,500,000 options vest on the first grant date anniversary, with 1/36th monthly thereafter; 2,500,000 options will vest each grant date anniversary.

(6) 7,500,000 options vest on the first grant date anniversary, with 1/36th monthly thereafter; 3,000,000 options will vest each anniversary of the grant date.

(7) Options vest on the 4th anniversary of the grant date.

(8) 2,500,000 unlisted options were issued to a Non-executive director, of which 25% of the options vest on each anniversary date of the offer date (23 November 2020) and expire 27 May 2031.

(9) Options vest on 28 Feb 2025 upon the achievement of performance criteria.

(10) Options vest on 28 Feb 2026 upon the achievement of performance criteria

(11) Options vest on 28 Feb 2027 upon the achievement of performance criteria

Notes to the consolidated financial statements

Note 26. Share-based payments (continued)

(d) Options pricing model

The fair value of the equity-settled share options granted under the LTIP is estimated on the date of the offer of the grant using a Black Scholes Option Pricing model. Share options granted with market conditions ("MC") are valued using a Monte-Carlo simulation. The following table lists the inputs to the models used for the valuation of options during the current and prior years:

	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
2024							
Employees	6,473,724	0.152	0.167	0.177	100.0	4.41	10.0
Empl – MC1	187,645	0.056	0.167	0.177	100.0	4.41	10.0
Empl – MC2	375,292	0.083	0.167	0.177	100.0	4.41	10.0
2023							
Employees	1,762,200	0.251	0.278	0.278	100.0	3.49	10.0
Employees	130,000	0.209	0.233	0.243	100.0	4.10	10.0
Employees	480,000	0.194	0.214	0.214	100.0	4.22	10.0

The expected dividend yield for all options granted during the period was nil. The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

(e) Performance rights granted as share-based payments

The following table summarises the movement in Performance Rights issued as share-based payments:

	2024 Number	2023 Number
At 1 January	4,234,609	2,864,812
Issued during the year	2,777,022	3,155,185
Converted during the year	(742,958)	(418,270)
Cancelled during the year	(1,146,344)	(1,367,118)
At 31 December	5,122,329	4,234,609

(f) Performance rights valuation model

The fair value of the performance rights granted under the LTIP is estimated using the share price and the exchange rate on the date of the offer of the grant. Performance rights granted with market conditions ("MC") are valued using a Monte-Carlo simulation. The following table lists the fair value of performance rights issued during the current and prior years:

	Number granted	Grant date	Fair value US\$
2024			
Employees	2,094,859	20/5/2024	0.167
Employees – MC 1	60,721	20/5/2024	0.101
Employees – MC 2	121,442	20/5/2024	0.110
2023			
Employees	1,492,591	20/4/2023	0.277
Directors	1,662,594	26/5/2023	0.278

Notes to the consolidated financial statements

Note 26. Share-based payments (continued)

(g) Restricted Stock Units granted as share-based payments

The following table summarises the movement in RSUs issued as share-based payments:

	2024 Number	2023 Number
At 1 January	39,049,960	21,495,446
Issued during the year under LTIP	81,574,600	27,550,530
Converted under LTIP	(8,708,583)	(6,551,819)
Cancelled under LTIP	(15,629,165)	(3,769,690)
Issued during the year to third parties (non-LTIP)	1,397,302	8,521,494
Converted during the year to third parties (non-LTIP)	(133,332)	(8,196,001)
Cancelled during the year to third parties (non-LTIP)	(133,334)	-
At 31 December	97,417,448	39,049,960

(h) Restricted Stock Units valuation model

The fair value of the restricted stock units granted is estimated using the share price and exchange rate on the date of the offer of the grant. RSUs granted with market conditions ("MC") are valued using a Monte-Carlo simulation. The RSUs are subject to various vesting periods effective from date of grant. The following table lists the fair valuation of the RSUs issued during the current and prior years:

	Number granted	Grant date	Fair value US\$
2024			
Employees	6,483,210	30/4/2024	0.189
Employees	54,674,470	20/5/2024	0.167
Employees – MC1	1,572,775	20/5/2024	0.083
Employees – MC2	3,117,550	20/5/2024	0.110
Contractors	1,397,302	20/5/2024	0.167
Directors	4,566,595	22/5/2024	0.170
Employees	260,000	3/7/2024	0.144
Employees	3,750,000	14/8/2024	0.116
Employees	6,000,000	12/9/2024	0.110
Contractor	400,000	24/9/2024	0.116
Employees	750,000	29/11/2024	0.166
2023			
Employees	600,000	27/1/2023	0.466
Employees	13,138,711	21/4/2023	0.278
Employees	1,359,675	12/5/2023	0.292
Directors	3,102,144	26/5/2023	0.278
Employees	150,000	31/5/2023	0.295
Employees	1,600,000	23/6/2023	0.231
Employees	150,000	29/6/2023	0.241
Employees	600,000	2/10/2023	0.114
Employees	850,000	14/11/2023	0.127
Employees	6,000,000	29/11/2023	0.152

Notes to the consolidated financial statements

Note 26. Share-based payments (continued)

(i) Service rights granted as share-based payments

The following table summarises the movement in Service Rights issued as share-based payments:

	2024 Number	2023 Number
At 1 January	-	-
Issued during the year	2,093,022	-
At 31 December	2,093,022	-

(j) Service rights valuation model

The fair value of the service rights granted under the BrainChip Equity Plan is estimated using the share price and the exchange rate on the date of the offer of the grant. The following table lists the fair value of service rights issued during the current and prior years:

	Number Issued	Grant date	Fair value US\$
2024			
Directors	2,093,022	26/5/2024	0.170

Note 27. Contingent assets & liabilities

The Group had no contingent assets or liabilities at 31 December 2024 (31 December 2023: \$Nil).

Note 28. Events after the balance sheet date

Subsequent to the end of the year, the following events occurred:

Since 1 January 2025 and to the date of this report, 1,450,000 options, 204,813 PRs and 476,465 RSUs held by BrainChip Equity Plan participants converted to shares upon vesting. The Company also granted 270,000 options and 87,500 RSUs to new participants.

No other matters or circumstances have arisen since the end of the financial 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 years

Note 29. Auditor's remuneration

	2024 US\$	2023 US\$
<i>Amounts received or due to be receivable by HLB Mann Judd for:</i>		
An audit or review of the financial reports of the entity	59,644	59,260
	59,644	59,260
<i>Amounts received or due and receivable by non-HLB Mann Judd (WA Partnership) for:</i>		
An audit or review of the financial report of the entity	10,819	11,096
	10,819	11,096

Notes to the consolidated financial statements

Note 30. Related party disclosures

Parent entity

The ultimate legal parent entity of the Group is BrainChip Holdings Ltd.

Subsidiaries

The consolidated financial statements include the financial statements of BrainChip Holdings and the subsidiaries listed in the following table:

	Country of incorporation	Beneficial interest 2024	2023
<i>Subsidiaries of BrainChip Holding Ltd</i>			
BrainChip Inc.	USA	100%	100%
BrainChip Research Institute Pty Ltd	Australia	100%	100%
<i>Subsidiaries of BrainChip Inc.</i>			
BrainChip SAS	France	100%	100%
BrainChip Systems India Private Limited ⁽ⁱ⁾	India	100%	100%

⁽ⁱ⁾ BrainChip Holdings Ltd holds 1%, and BrainChip Inc. holds 99%, of the shares of BrainChip Systems India Private Limited, effective from 22 July 2020.

Other entities

The consolidated financial statements include the BrainChip Equity Plan (previously the BrainChip Long Term Incentive Plan Trust), an entity executed on 2 August 2018 and controlled by BrainChip Holdings. The Company appointed Certane CT Pty Limited as the Plan Trustee on 3 August 2021.

Key management personnel compensation:

	2024 US\$	2023 US\$
Short-term employee benefits	2,319,128	1,963,990
Share-based payment expense	4,162,760	4,273,463
Share-based payment vesting credit	(2,077,245)	-
	4,404,643	6,237,453

Key Management Personnel received restricted stock units and service rights to the value of \$4,162,760 (31 December 2023: \$4,273,463). Management assessed the likelihood of achievement of the performance conditions related to the maximum award of grants for executive KMP that vest on 28 February 2025 and determined that a vesting credit of \$2,077,245 should be recognised in the current year.

Related party transactions with KMPs of the Group:

Mr Viana – business development consulting services

Mr Antonio J. Viana entered into an agreement with BrainChip Inc on 1 November 2021 to provide business development consultancy services on a rolling 6-month period, renewed up to four years. The consideration, as approved by shareholders at the 2022 AGM, was valued at \$6,000 per month and was satisfied by the issue of 1 million RSUs, vesting 25% annually upon the anniversary of the agreement.

In light of key executive appointments made by the Company in 2023, Mr Hehir as CEO of the Company determined that the business development consultancy services provided by Mr Viana were no longer required. The consultancy agreement was terminated effective 31 December 2023. Consistent with the terms of the agreement Mr Viana received 250,000 RSUs on 1 November 2024.

Notes to the consolidated financial statements

Note 30. Related party disclosures (continued)

Related party transactions with KMPs of the Group (continued)

Mr van der Made – Scientific Advisory Board consulting services

Mr Peter van der Made was engaged to provide consulting services to BrainChip as a member of the Scientific Advisory Board on 22 July 2024 for a period of 12 months commencing 25 July 2024. Consideration awarded to Mr van der Made for such services is A\$2,500 per quarter.

There were no other related party transactions with KMPs of the Group.

Transactions with other related parties:

There were no transactions with other related parties.

Loans to/from related parties:

There were no outstanding loans arising to or from related parties (31 December 2023: \$Nil).

Note 31. Parent entity information

	2024 US\$	2023 US\$
<i>Information relating to BrainChip Holdings Ltd:</i>		
Current assets	17,362,460	12,966,270
Non-current assets	-	4,567,848
Total assets	17,362,460	17,564,118
Current liabilities	854,766	754,973
Total liabilities	854,766	754,973
Net assets	16,507,694	16,809,145
Issued capital	193,419,222	171,329,522
Other contributed equity	2,025,617	2,025,617
Share-based payment reserve	67,812,007	63,553,068
Option premium reserve	480,731	480,731
Other reserves	-	(251,028)
Accumulated losses	(247,229,883)	(220,328,765)
Net equity	16,507,694	16,809,145
Net loss of the parent entity ⁽¹⁾	26,650,090	28,195,304
Total comprehensive loss of the parent entity	26,650,090	28,195,304

⁽¹⁾ At the reporting date investments and loans receivable from controlled entities net of provision for impairment totalled \$Nil (2023: \$4,518,730). Impairment expense of \$20,324,078 (2023: \$16,113,586) was recognised for the year ended 31 December 2024.

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries: Nil

Contingent liabilities of the parent entity: Nil

Contractual commitments by the parent entity for the acquisition of property, plant or equipment: Nil

Consolidated entity disclosure Statement

Basis of preparation

The consolidated entity disclosure statement (CEDS) has been prepared in accordance with the Corporations Act 2001 and includes information for each entity that was part of the Group as at the end of the financial year in accordance with AASB 10 Consolidated Financial Statements.

Determination of tax residency

Section 295 (3A)(vi) of the Corporations Act 2001 defines tax residency as having the meaning in the Income Tax Assessment Act 1997. The determination of the tax residency involves judgement as there are different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the Group has applied the following interpretations:

Australian tax residency

The Group has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance.

Foreign tax residency

Where appropriate, independent tax advisers have been engaged to assist in the determination of tax residence to ensure applicable foreign tax legislation has been complied with.

Name of entity	Entity type	Trustee, partner or JV participant	Country of incorporation	Ownership interest	Australian resident?	Foreign jurisdiction(s)
BrainChip Holdings Ltd	Body Corporate	n/a	Australia	n/a	Yes ⁽¹⁾	USA ⁽¹⁾
BrainChip Inc.	Body Corporate	n/a	USA	100%	No	USA
BrainChip Research Institute Pty Ltd	Body Corporate	n/a	Australia	100%	Yes	n/a
BrainChip SAS	Body Corporate	n/a	France	100%	No	France
BrainChip Systems India Private Limited	Body Corporate	n/a	India	100%	No	India
BrainChip Equity Plan ⁽²⁾	Trust	Yes	Australia	0%	Yes	n/a

⁽¹⁾ Dual tax resident under the domestic tax laws of Australia and the USA. The relevant Tax Treaty does not have a tie breaker rule on residency.

⁽²⁾ BrainChip Equity Plan is controlled by BrainChip Holdings Ltd. Certane CT Pty Ltd is the appointed Trustee.

Directors' declaration

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

In the opinion of the Directors:

- (a) the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- (b) the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2(b) to the financial statements;
- (c) The attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2024 and of its performance for the financial year ended on that date;
- (d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (e) the information disclosed in the attached consolidated entity disclosure statement is true and correct.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Board.



Antonio J. Viana

Chair

California, U.S.A., 27 February 2025

INDEPENDENT AUDITOR'S REPORT

To the Members of BrainChip Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of BrainChip Holdings Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2024, 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 year then ended, notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2024 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

hlb.com.au

HLB Mann Judd ABN 22 193 232 714

A Western Australian Partnership

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 is a member of HLB International, the global advisory and accounting network.

Key Audit Matter

How our audit addressed the key audit matter

Financial instruments

Refer to Note 7,23

During the period, the Group continued to drawdown on their Put Option Agreement with LDA Capital Limited and LDA Capital LLC (together LDA Capital).

The accounting treatment, classification and valuation of the financial instruments was complex due to the significant judgements involved in identifying and valuing the possible derivative asset and derivative liability at balance date

Our procedures included, but were not limited to the following:

- Examining the original and extension agreements to understand the key terms and conditions;
- Evaluating the Group's accounting treatment of the financial instruments in accordance with the applicable Australian Accounting Standards;
- Assessing the adequacy of management's expert who was engaged to perform the valuations and assess the accounting treatment;
- Testing the calculation of the fair value movements on the financial instruments; and
- Assessing the adequacy of the presentation and disclosure in the financial statements, including whether the classification and disclosures were presented in accordance with the applicable Australian Accounting Standards.

Intangible assets

Refer to Note 16

In accordance with AASB 136 *Impairment of Assets*, the Group was required to assess at balance date whether there was any indication that the intangible assets may have been impaired. If any such indication existed, the Group was required to estimate the recoverable amount of the asset.

As a result of this assessment, the Group determined that their intangible assets were impaired.

We focused on this area as the intangible assets represent significant assets of the Group. We planned our work to address the audit risk that the intangible assets may have been impaired.

Our procedures included, but were not limited to the following:

- We reviewed management's assessment of whether any impairment indicators existed that would require the assets to be tested for impairment, as well as performing our own assessment;
- We critically evaluated the assumptions used in management's value-in-use model;
- We reviewed the mathematical accuracy of the value-in-use model;
- We performed sensitivity analyses around the key inputs used in the model;
- We ensured that the Group's impairment expense had been recognised appropriately; and
- We ensured that the disclosures required by AASB 138 were made in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- (a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- (b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- (a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- (b) the consolidated entity disclosure statement that is true and correct and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the Directors' Report for the year ended 31 December 2024.

In our opinion, the Remuneration Report of BrainChip Holdings Limited for the year ended 31 December 2024 complies with Section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
27 February 2025


B G McVeigh
Partner

Additional shareholder information

As at 11 February 2025

(a) Top 20 Shareholders	Number of Shares	%
MR PETER ADRIAN VAN DER MADE	156,805,823	7.950
CITICORP NOMINEES PTY LIMITED	125,072,112	6.341
BNP PARIBAS NOMINEES PTY LTD <CLEARSTREAM>	119,036,145	6.035
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	102,541,192	5.199
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	97,807,386	4.959
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	73,646,613	3.734
BNP PARIBAS NOMS PTY LTD	40,352,914	2.046
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	12,144,061	0.616
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	11,603,749	0.588
CERTANE CT PTR LTD<BRAINCHIP LTIP ALLOC A/C>	11,534,497	0.585
FINCLEAR PTY LTD <SUPERHERO SECURITIES A/C>	9,138,478	0.463
NATIONAL NOMINEES LIMITED	7,676,496	0.389
Mr LINPING FU	7,000,000	0.355
CROSSFIELD INTECH NOMINEES PTY LTD <LIEBESKIND FAMILY S/FUND A/C>	6,575,757	0.333
UBS NOMINEES PTY LTD	6,486,010	0.329
MR PAUL GLENDON HUNTER	6,250,000	0.317
MRS REBECCA OSSEIRAN-MOISSON <OSSEIRAN FAMILY A/C>	6,155,672	0.312
MR DAVID JAMES EVANS	5,555,555	0.282
MR JEFFREY BRIAN WILTON	5,550,000	0.281
MR HUGH KENT ELLIOT & MS PENELOPE ANN ELLIOT <THE STARDUST SUPER FUND A/C>	5,000,000	0.253
Total Shares - Top 20 Holdings	815,932,460	41.367
Total Shares	1,972,467,976	

(b) (i) Distribution of quoted fully paid ordinary shares

Size of parcel	Number of share holders	Number of shares	%
1 to 1,000	7,684	4,930,730	0.25
1,001 to 5,000	17,079	45,202,320	2.29
5,001 to 10,000	6,436	50,145,267	2.54
10,001 to 100,000	10,366	332,602,017	16.86
100,001 and over	1,909	1,539,587,642	78.06
Total	43,474	1,972,467,976	100.0

There are 12,199 holders with less than a marketable parcel of ordinary shares based on the Company's closing market price of A\$0.30 on 11 February 2025.

Additional shareholder information

As at 11 February 2025

(ii) Distribution of unquoted securities

Size of parcel	Number of Option holders	Number of options	Number of performance rights holders	Number of performance rights	Number of restricted stock unit holders	Number of restricted stock units	Number of service right holders	Number of service rights
1 to 1,000	-	-	-	-	-	-	-	-
1,001 to 5,000	-	-	-	-	-	-	-	-
5,001 to 10,000	-	-	-	-	-	-	-	-
10,001 to 100,000	1	100,000	1	69,125	1	87,500	-	-
100,001 and over	33	44,138,318	5	4,848,391	49	95,363,681	3	2,093,022
Total	34	44,238,318	6	4,917,516	50	95,451,181	3	2,093,022

(c) Substantial Shareholders	%	Number of shares
MR PETER AJ VAN DER MADE	7.950	156,805,823

(d) Voting Rights

The voting rights for each class of security on issue are:

Ordinary fully paid shares

Each ordinary shareholder is entitled to one vote for each share held.

Options

The holders of options have no voting rights. Upon exercise of the option, the holders will be holders of fully paid ordinary shares and therefore will have voting rights as afforded to shareholders of these securities.

Performance Rights

The holders of performance rights have no voting rights. Upon vesting of the performance rights, the holders will be holders of fully paid ordinary shares and therefore will have voting rights as afforded to shareholders of these securities.

Restricted Stock Units

The holders of restricted stock units have no voting rights. Upon vesting of the restricted stock units, the holders will be holders of fully paid ordinary shares and therefore will have voting rights as afforded to shareholders of these securities.

Service Rights

The holders of service rights have no voting rights. Upon vesting of the service rights, the holders will be holders of fully paid ordinary shares and therefore will have voting rights as afforded to shareholders of these securities.

Corporate directory

Board of Directors

Antonio J. Viana	Non-Executive Director and Chair
Sean Hehir	Executive Director, Chief Executive Officer
Peter van der Made	Non-Executive Director
Geoffrey Carrick	Non-Executive Director
Pia Turcinov	Non-Executive Director
Duy-Loan Le	Non-Executive Director

Company Secretary

Kim Larkin

Registered Office

Level 8, 210 George Street Sydney NSW 2000 Australia

Telephone: +61 2 9290 9606

Facsimile: +61 2 9279 0664

Postal Address

PO Box 3993, Sydney NSW 2001 Australia

Website

<http://www.brainchip.com>

Auditors

HLB Mann Judd (WA) Partnership

Level 4, 130 Stirling Street, Perth WA 6000

Telephone: +61 8 9227 7500

Share Registry

Boardroom Pty Ltd

Level 8, 210 George Street Sydney NSW 2000

Telephone: +61 2 9290 9600

Facsimile: +61 2 9290 9664

Online: www.clientonline.com.au

Securities Exchange

Australian Securities Exchange Limited

Exchange Centre, 20 Bridge St, Sydney NSW 2000

Code: BRN

OTCQX Best Market – OTC Markets Groups

Codes: BRCHF, BCHPY

ABN: 64 151 159 812