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BrainChip Establishes a Sound Foundation for Commercialization and Growth in 2017

Highlights from 2016 include:

- Completed the acquisition of Spikenet Technology, a France-based Artificial Intelligence company serving video and image analytics requirements;
- Advanced customer relationships in Civil Surveillance including Law Enforcement, Airport Security and School Protection;
- Advanced customer relationships in Commercial Surveillance including Gaming and Retail applications;
- Raised over USD \$7M in two rounds of fund raising to support product development and expansion of the Company's sales and marketing effort;
- Established partnership agreements with global leaders in the engineering and technology sectors including Advisian and Cisco Internet of Everything Innovation Centre (CIIC);
- Added senior management including a new veteran CEO, Vice President of Finance and Administration and the first Non-Executive Director in Silicon Valley;
- Established clear target markets and product development plans to support commercialization and growth in 2017.

BrainChip Holdings Ltd. (ASX: BRN), ("**BrainChip**" or "**the Company**"), is a leading developer of software and hardware accelerated solutions for Advanced Artificial Intelligence and Machine Learning applications. The Company has developed a revolutionary new Spiking Neuron Adaptive Processor (SNAP) technology that has the ability to learn autonomously, evolve and associate information just like the human brain. The technology is fast, completely digital, and consumes very low power. Target markets include Civil and Commercial Surveillance as well as Machine Vision.

The Company is pleased to provide an operational update for the full year ended 31 December 2016.



Operational overview

Spikenet Technology SAS Acquisition

BrainChip's acquisition of Spikenet Technology SAS, based in Toulouse France, provides the Company with software and algorithms for video and image processing. Spikenet has a mature software neural network for specific applications and a user interface that allows customers to quickly deploy high-performance solutions in civil and commercial surveillance as well as machine vision applications. The company has well-established relationships with many customers across a wide range of applications. The integration of this software and algorithms with the SNAP processor is proceeding according to plan and the Company expects to introduce a PCIe card later in 2017. The FPGA based card will provide a hardware-accelerated solution with greater density than can be accomplished with a software only solution and deliver better overall value for new and existing customers that require processing of many video streams simultaneously.

The market for image and video processing in commercial and civil surveillance as well as machine vision is large and growing. The demand for real-time processing of multiple video streams in law enforcement, airport and school security is daunting. BrainChip's hardware accelerated SNAP solution is uniquely positioned to meet these requirements.

Commercial Surveillance

In September, BrainChip signed its first commercial agreement with one of the world's largest casino operators, an independently managed property in the MGM Resorts International group. The casino is using BrainChip's Game Outcome solution that is based on the software based SNvision platform. The solution uses existing cameras and infrastructure to autonomously recognize cards and detect dealer errors. The Company continues to support the rollout of its Game Outcome solution within the MGM group and pursue additional opportunities. The advance of a hardware-accelerated solution will allow casino operators to further leverage existing infrastructure with lower cost and increased performance

Subsequent to the end of the financial year, BrainChip secured a commercial contract with a second casino operator, Mohegan Sun, to install Game Outcome for monitoring and providing alerts for gaming operators to oversee the outcome of card games. Game Outcome utilizes BrainChip's Spiking Neuron Adaptive Processor (SNAP) technology to



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determine cards and outcomes in real-time. The initial rollout of Game Statistics, which occurred early in 2017, has been successful. Mohegan Sun, which is located in the US state of Connecticut, is one of the largest independent casinos in North America with three gaming floors covering more than 300,000 square feet and two luxury hotel towers with 1,563 rooms.

The Company estimates that there over 2,600 casinos worldwide with over 50,000 gaming tables. The business model is based on dollars per day per table thereby providing the opportunity for a substantial ongoing revenue base.

Partnerships and Collaboration

BrainChip secured two partnership agreements with global leaders in the engineering and technology sectors in FY2016. These partnerships provide large markets for BrainChip's technology and reflect a strong validation of the SNAP technology.

The first agreement is a strategic alliance with Advisian, a subsidiary of global engineering consultancy, WorleyParsons Limited (ASX: WOR). The aim of the alliance is to explore potential service solutions utilising the SNAP technology that can be offered to Advisian's clients in the resources industry. The companies are exploring near-term challenges facing the industrial and infrastructure market that would benefit from the ability learn autonomously and provide image and video analytics.

The second agreement is with the Cisco Internet of Everything Innovation Centre (CIIC). CIIC is an industry and research collaboration centre at Curtin University that was set up by Cisco, Woodside Petroleum Limited (ASX: WPL) and Curtin University. The collaboration agreement between BrainChip and CIIC, which was announced on 1 December 2016, will apply SNAP technology to traffic monitoring and analysis. Phase one of the trial has commenced with resources allocated. SNAP has a clear competitive edge over current automated traffic systems, which typically have to use a multistage process to collect, store and analyse data. In contrast, SNAP can perform the data capture and analysis on a single chip or circuit board with little instruction. This makes a SNAP-based solution significantly more cost effective and faster to implement and maintain.

BrainChip and CIIC plans to also use SNAP in an in-vehicle camera solution demonstration where the system will recognise the vehicles position and speed; identify road signs, pedestrians and other road hazards; and analyse driving data to generate reports.



Corporate overview

The Company has invested in resources in 2016 to better position it for its next phase of growth. This included the appointment of Louis DiNardo as BrainChip's Chief Executive Officer in October 2016. Mr. DiNardo brings a strong track record of growing both public and private technology businesses and also has extensive experience in venture capital. Mr. DiNardo was previously the President and CEO of Exar Corporation where he was credited for turning around the underperforming NYSE-listed mid-cap semiconductor company, helping the Company to achieve 16 consecutive quarters of revenue and EPS growth. Louis was subsequently appointed to the Board of Directors of BrainChip in December 2016.

In addition to the appointment of Mr DiNardo, BrainChip has added additional talent with the appointment of Ms. Julie H Stein to the Company's Board of Directors and Ms. Cossette Drossler as Vice President of Finance and Administration. Ms. Stein brings extensive experience in capital markets, fundraising, branding and marketing. She started her career at Goldman Sachs in 1981 before joining the investment bank Salomon Brothers. In 1992 she founded SKS Investments and successfully executed a series of joint ventures with major global institutional investors. Ms. Drossler brings more than 30 years' experience as a finance and accounting executive and is responsible for all aspects of Finance, Legal and Human Resource matters within the Company.

BrainChip continues to receive strong interest from investors which has resulted in the Company raising a total of \$9.43m in 2016 through a combination of a rights issue to eligible shareholders and placements to institutional investors and high net worth individuals.

Outlook

BrainChip has made significant progress in financial year 2016, which has put the Company in a position to deliver on its next set of commercialization milestones in 2017. The Company has engagements for its software products in civil, commercial surveillance and machine vision applications including law enforcement, airport security, retail, gaming, surveillance and machine vision for manufacturing operations. The potential to offer existing customers a hardware accelerated solution presents an



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exciting opportunity for the Company and BrainChip expects to be able to demonstrate and offer this to customers in 2017.

“The coming year is set to be an exciting one for the Company with a strong pipeline of potential customers who are already trialling or investigating the use of our technology across a wide range of industries including airports, schools, traffic management, gaming and manufacturing,” said BrainChip CEO Louis DiNardo.

“This, coupled with the addition of exceptional new products, means the Company is positioned extremely well to achieve our next phase of growth in 2017.”



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About BrainChip Holdings Ltd (ASX:BRN)

BrainChip is a leading provider of software and hardware accelerated solutions for Advanced Artificial Intelligence and Machine Learning applications. The Company's Spiking Neural Adaptive Processor (SNAP) can learn autonomously with a small sample set and provide real-time information, data analytics and knowledge in image and video processing applications, high frequency data streams for financial analysis and event, speech, and speaker recognition from audio sources. BrainChip's SNAP technology can quickly learn, recognize, and track events in real time from multiple sources and identify repeating patterns in complex data streams.

The Company currently provides software and hardware accelerated solutions that address high-performance requirements in Civil Surveillance, Facial Recognition, and Visual Inspection systems. Future solutions include audio analytics and deep learning for financial and other data intensive applications. www.brainchipinc.com.

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