



Quarterly Report

For the three months ending:

CORPORATE

Cash

Issued Shares

Options

Stock Code

Telephone:

Facsimile:

Email:

Web:



30 October 2015

For ASX Release

BrainChip Holdings Limited (“BrainChip” or “The Company”) is pleased to provide shareholders with the following quarterly report for the period ending 30th September 2015.

Highlights

- Successful relisting following merger with Aziana Limited.
- Ongoing discussions with several Fortune 500 companies regarding SNAP.
- Engineering work to deliver on key milestones is advancing according to our previously stated timeline.
- Peter van der Made appointed as Interim CEO following the resignation of Robert Mitro for health reasons.
- 4 patents lodged with USPTO.
- Expansion of the California engineering team has started.
- Continued interest in legacy mineral assets from several unrelated parties.

On September the 22nd BrainChip was re-admitted to the official list by the ASX and resumed trading following the merger with Aziana Limited.

Operationally BrainChip has had a very active quarter both from a technology advancement and business development standpoint. The Company is pleased to report that interest in SNAP, our proven and patented autonomous learning technology, is increasing.

The unique features SNAP can deliver offer extremely valuable and disruptive benefits to our potential technology partners. In the future we see SNAP based products that exhibit disruptive qualities including autonomous learning capabilities coupled with extremely fast processing power and very low power consumption, will result in new and enhanced products that can generate significant sales revenue for our potential customers. Discussions with numerous companies have and continue to take place. In several cases follow-up meetings have been held with companies we consider being our best candidates as “early movers” in adopting SNAP for their specific applications.

These follow up meetings give us confidence that our previously stated expectation of licensing SNAP and achieving early revenue during our first twelve months as a listed company remains on track.

On 6/10/2015 we reported that Mr Robert Mitro tendered his resignation as CEO and Executive Director due to health reasons. The Board and Management of BrainChip would like to extend our gratitude to Robert for his assistance in negotiating and formalizing the merger between BrainChip and Aziana. Robert remains supportive of the team and is assisting with the recruitment of a new US based CEO.

We are very pleased that Peter van der Made, CTO and inventor of SNAP has been appointed to the role of interim CEO. Peter is ideally positioned to run the company whilst a search for a permanent CEO takes place. Peter has had a successful 40-year career in the technology sector and brings a depth of market experience to the role that will benefit the company over the coming months. The combined skillsets of the individual board and management team cover the broad range of attributes we believe will bring success to the company for the benefit of all shareholders.

On that note we were pleased to report that Anil Mankar was appointed to the position of COO. Anil has been a valued member of the BrainChip team since 2014 and is well suited to his new role. Anil has had a successful 35-year career in US public and private corporations within the semiconductor industry. He has been integral to the hiring of the engineering team in California that we are expanding in our efforts to accelerate the commercialization of SNAP.

Ongoing engineering efforts to commercialize SNAP are advancing. We are very pleased to report that Milestone 2, the porting of the previously announced software simulation of SNAP into a hardware only solution, has been achieved and was announced today.

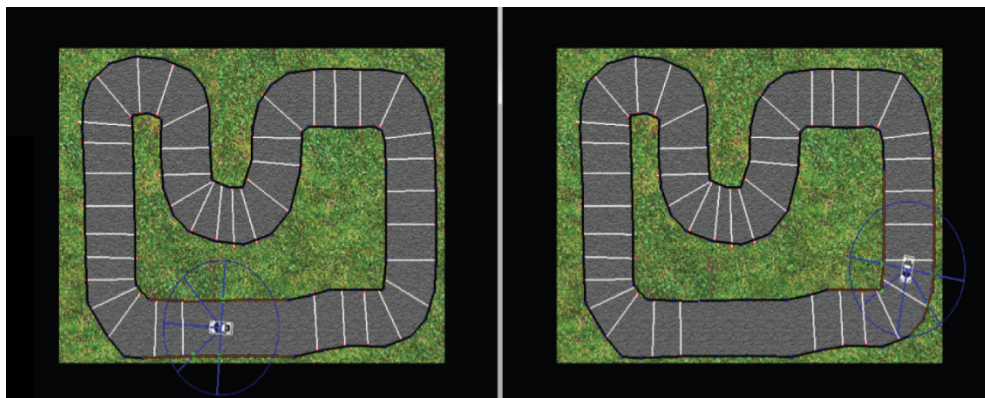


Figure 1: Milestone 1 racetrack that comparing SNAP to a Genetic Algorithm solution

The achievement of this milestone is a very significant event for BrainChip and our shareholders. Not only does it demonstrate the advanced and disruptive nature of the technology but it also serves as evidence that the Engineering team in California have the ability to deliver results. This gives us further confidence looking forward that we are able to deliver on our promises inline with internal and external expectations.

Milestone 2, the porting of the previously announced software simulation of SNAP to a hardware only solution serves to highlight the massive processing power differential between SNAP and the comparative Genetic Algorithm solutions. Not only does our current technology outperform traditional solutions by orders of magnitude, but it is forecast to greatly increase its outperformance once scaled to a larger Spiking Neural Network (SNN). An SNN with 18,255 neural elements is forecast to be 21,578 times faster than a Central Processing Unit (CPU) - see table below. SNAP's patented and proprietary Neural elements are defined as a mix of synapses and neurons. All elements are updated at the same speed and at the same time.

Scaled size	SW time/C	SNAP incr.	HW time/C
25	0.0074	30	0.00025
75	0.0222	89	0.00025
225	0.0666	266	0.00025
675	0.1998	799	0.00025
2025	0.5994	2398	0.00025
6075	1.7982	7193	0.00025
18225	5.3946	21578	0.00025

Figure 2: Table illustrating, from left column, network size, software time per cycle, SNAP increase vs software and SNAP (Hardware) cycle time.

Whilst this processing outperformance is considered to be a very significant disruptor in the industry it is by no means the only key disruptor that makes SNAP an attractive solution to our potential partners. The energy efficiency of SNAP based solutions and products may also prove to be a significant catalyst for BrainChip in its efforts to license SNAP, particularly in electronics that is powered by batteries.

During the quarter we continued our efforts to develop our patent library. Three new patents and one continuation patent were filed with the USPTO for review.

BrainChip holds several Madagascar based mineral assets as a result of the merger with Aziana Limited. In our efforts to dispose of these assets we held numerous meetings during the quarter and subsequent to quarter end with a number of parties. We remain in active discussion with three groups as a result of these meetings and will inform the market of any developments.

As a board we look forward to providing you with updates related to the technical advancement of our exciting autonomous learning technology, SNAP, and its commercialization.

For further information:

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Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

BrainChip Holdings Ltd (formerly Aziana Limited)

ABN

64 151 159 812

Quarter ended ("current quarter")

30 September 2015

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(71)	(461)
(b) development	-	-
(c) production	-	-
(d) administration	(705)	(1,231)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	11
1.5 Interest and other costs of finance paid	-	(9)
1.6 Income taxes paid	-	-
1.7 Other (Royalty Income)	21	21
Net Operating Cash Flows	(748)	(1,669)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(3)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	20	243
1.10 Loans to other entities	-	(250)
1.11 Loans repaid by other entities	-	-
1.12 Other (BrainChip Option fee)	-	(400)
Net investing cash flows	20	(410)
1.13 Total operating and investing cash flows (carried forward)	(728)	(2,079)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(728)	(2,079)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	3,151	3,534
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	355	800
1.17	Repayment of borrowings	(50)	(50)
1.18	Dividends paid	-	-
1.19	Share issue costs paid	(285)	(296)
1.20	Other (provide details if material)	-	-
	Net financing cash flows	3,171	3,988
	Net increase (decrease) in cash held	2,443	1,909
1.21	Cash at beginning of quarter/year to date	211	766
1.22	Cash acquired upon consolidation of BrainChip Inc	261	261
1.23	Exchange rate adjustments to item 1.20	-	(21)
1.24	Cash at end of quarter	2,915	2,915

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.25	Aggregate amount of payments to the parties included in item 1.21	368
1.26	Aggregate amount of loans to the parties included in item 1.10	-

1.27 Explanation necessary for an understanding of the transactions

Payments include director's salaries, and payments for corporate services and a placement fee provided by a related entity (this entity ceased being a related party on 10 September 2015)

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

13,161,144 shares were issued upon the conversion of a \$250,000 loan plus interest \$13,232 payable to MetalsX; 353,605,500 shares, 189,000,000 Performance rights and 6,250,000 unquoted options were issued in association with the acquisition of BrainChip Inc; A further 5,414,014 shares were issued in settlement of convertible notes valued at \$500,000 (D'Yquem Investments) and \$300,000 Tripartite Advance lenders.

+ See chapter 19 for defined terms.

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2
4.2 Development	-
4.3 Production	-
4.4 Administration	1,016
Total	1,018

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,861	157
5.2 Deposits at call	54	54
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.24)	2,915	211

+ See chapter 19 for defined terms.

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum tenements acquired or increased			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

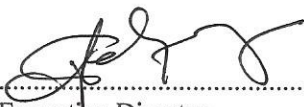
	Total number	Number quoted	Issue price per security (\$)	Amount paid up per security (\$)
7.1	Preference + securities (description)			
7.2	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities			
	637,875,252	239,700,608		
7.4	Changes during quarter			
	(a) Increases through issues			
	-	-	-	-
	-	-	\$0.150 ⁽¹⁾	-
	-	-	\$0.157	\$3,150,000
	-	-	-	-
	-	-	\$0.157 ⁽²⁾	-
	-	-	\$0.157 ⁽²⁾	-
	(b) Decreases through returns of capital, buy-backs			
7.5	+Convertible debt securities (description)			
7.6	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through securities matured, converted			
7.7	Options (description and conversion factor)			
			<i>Exercise price</i>	<i>Expiry date</i>
7.8	Issued during quarter			
	-	-	\$0.157	10 Sept 2019
	-	-		
	6,250,000	6,250,000		
	189,000,000	189,000,000		
7.9	Exercised during quarter			
	-	-		
	36,000,000	36,000,000		
7.10	Expired during quarter			
7.11	Debentures (totals only)			
7.12	Unsecured notes (totals only)			

⁽¹⁾ Based on assumed price at the date of settlement

⁽²⁾ Deemed issue price for shares issued to repay loans from various parties.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:  Date: 30 October 2015.....
Executive Director

Print name: Mr Peter van der Made.....

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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