

BrainChip responds to Remuneration Report concerns

Company agrees with CEO to modify existing incentive arrangements

- **CEO to exchange existing grant of shares for premium priced options**
 - Lou DiNardo's shares were due to vest shortly
 - At significant personal cost, has agreed to replace zero cost shares with 10c options (a significant premium to current share price)
 - **Removes significant potential overhang**
 - US tax regulation effectively triggers immediate sale of a proportion of vested shares, to meet tax obligations
 - Revised arrangement removes this overhang
 - **Management salary reductions continue in operation**
 - As previously announced, key management continue to operate on a reduced salary until the Board believes it is appropriate to revert to their market based remuneration
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Sydney, Australia – 17 April 2019: BrainChip Holdings Ltd (**ASX: BRN**), the leading neuromorphic computing company, today announced that it intended to put additional resolutions to shareholders at the coming Annual General Meeting, to address investor concerns regarding the Company's remuneration approach.

The Board identified a principal concern of Shareholders at the 2018 AGM as being the award of incentive shares to management, and the potential impact of those awards on trading in the Company's shares. Despite those concerns, Shareholders agreed to those awards to the CEO at the 2018 AGM.

During the 2018 financial year (ending 31 December 2018) the first tranche of shares awarded to the CEO, Lou DiNardo, vested. Unfortunately, US tax regulation effectively triggers the need for an immediate sale of a proportion of shares as they vest, to meet the recipient's tax obligations. This occurred in December 2018, with the consequence of a large number of shares being sold by the Company's incentive scheme manager – which may not have been expected by the market at that time.

In recognition of the issues raised by Shareholders, and the consequences of the tax driven sale of shares by the Company's incentive scheme manager, the CEO and Board commenced a discussion around alternative possible arrangements.

The Company has now reached an agreement with the CEO to:

- a. cancel his existing 7,500,000 performance rights (which were due to vest in the coming months; and which would otherwise convert into shares in the



Company, with no additional payment required – as agreed by shareholders at the previous AGM); and

- b. in exchange, accept a grant of 7,500,000 options with a strike price of 10c (which is materially above the current market price).

This agreement comes at a material cost to the CEO – an additional payment to exercise the options of \$750,000 which he otherwise had no obligation to take on. The Board is grateful to the CEO for agreeing to the proposed arrangement.

In addition, the Company and shareholders benefit from the fact that there is no immediate trigger for a tax obligation through the issue of options, and hence no ‘forced’ selling into the market.

The Board will include resolutions to give effect to this arrangement in the Notice of Meeting for the AGM, which is to be issued in the coming days.

The Board also proposes to include in coming financial information a clear breakdown of the non-cash impacts of BrainChip’s incentive arrangements, so that they can be seen separately from the other ‘operating’ costs of the business which more closely reflect the actual cash costs of the operation.

In addition, certain key management personnel continue with their agreement to accept a temporary reduction in their salaries until such time as the Board considers the Company to be in a position to revert to their current market based remuneration.

The Board trusts that these responses will go some way to ameliorating the concerns raised by Shareholders in relation to the BrainChip’s incentive arrangements.

However, the Board also recognises that the Company’s primary objective over the coming year remains the implementation of Akida as a Neuromorphic System on a Chip. The Board and management continue to devote their energies to delivering on the promise of the technology, as seen in the recent announcement of the MoU with Socionext Americas, as the Company’s implementation partner in this endeavour.

About BrainChip Holdings Ltd (ASX: BRN)

BrainChip Holdings Ltd is a leading provider of neuromorphic computing solutions, a type of artificial intelligence that is inspired by the biology of the human neuron. The Company’s revolutionary new spiking neural network technology can learn autonomously, evolve and associate information just like the human brain. The proprietary technology is fast, completely digital and consumes very low power. The Company provides hardware focused solutions that address high-performance



requirements in civil surveillance, gaming, financial technology, cybersecurity, ADAS, autonomous vehicles, and other advanced vision systems.

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