BRAINCHIP HOLDINGS LTD
ACN 151 159 812

PROSPECTUS

THIS PROSPECTUS IS BEING ISSUED FOR THE OFFER OF 100 SHARES AT AN ISSUE PRICE OF $0.14 PER SHARE TO RAISE $14.00 (BEFORE COSTS).

THIS PROSPECTUS HAS BEEN PREPARED PRIMARILY FOR THE PURPOSE OF SECTION 708A(11) OF THE CORPORATIONS ACT TO REMOVE ANY TRADING RESTRICTIONS ON SHARES ISSUED PRIOR TO THE CLOSING DATE.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT SHOULD BE READ IN ITS ENTIRETY.

IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER WITHOUT DELAY.

THE SHARES OFFERED BY THIS PROSPECTUS ARE OF A SPECULATIVE NATURE.

IMPORTANT INFORMATION

This Prospectus is dated 1 September 2016 and was lodged with the ASIC on that date with the consent of all Directors. Neither ASIC nor ASX nor their respective officers take any responsibility for the contents of this Prospectus.

No Shares will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus (being the expiry date of this Prospectus). The Company will apply for Official Quotation by ASX of the Shares offered by this Prospectus.

A copy of this Prospectus is available for inspection at the registered office of the Company at Level 2, 6 Thelma Street, West Perth, Western Australia, during normal business hours. The Company will provide a copy of this Prospectus to any person on request. The Company will also provide copies of other documents on request (see Section 4.3). The Offer is only available to those who are personally invited to accept the Offer. Applications for Shares under the Offer can only be submitted on an original Application Form which accompanies this Prospectus.

The Shares offered by this Prospectus should be considered speculative. Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 2, including (but not limited to) risks in respect of:

- Technology, market and intellectual property risks: The Company's prospects depend on its ability to develop and protect technology that meets changing market needs and addresses the technological advances and competitiveness of other companies operating in the markets targeted by the Company.

- Future capital needs: Further funding will be required by the Company to support its ongoing activities and operations. There can be no assurance that such funding will be available on satisfactory terms or at all.

- Integration of Spikenet: The Company's prospects depend in part on the successful integration of the Spikenet Acquisition into the Company in an orderly and timely fashion.

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

Definitions of certain terms used in this Prospectus are contained in Section 6. All references to currency are to Australian dollars and all references to time are to WST unless otherwise indicated. Revenues and expenditures disclosed in this Prospectus are recognised exclusive of the amount of goods and services tax, unless otherwise disclosed.

CORPORATE DIRECTORY

Directors

Eric (Mick) Bolto	Non-Executive Chairman
Peter van der Made	Executive Director
Neil Rinaldi	Non-Executive Director
Adam Osseiran	Non-Executive Director

Company Secretary
Nerida Schmidt

Registered Office
Level 2, 6 Thelma Street
WEST PERTH WA 6005
Tel: + 61 8 9444 2555
Fax: + 61 8 9444 1600

ASX Code: BRN

Website: www.brainchipinc.com

Share Registry*
Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
PERTH WA 6000
Tel: +61 8 9323 2000
Fax: +61 3 9323 2033

Solicitors
Bellanhouse Legal
Ground Floor, 11 Ventnor Avenue
WEST PERTH WA 6005

* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.

TIMETABLE

Event	Date*
Lodgement of Prospectus with ASIC and ASX	1 September 2016
Opening Date of Offer	1 September 2016
Closing Date of Offer	2 September 2016
Anticipated date of Official Quotation of the Shares	5 September 2016

* These dates are indicative only and subject to change. Subject to the Corporations Act and the Listing Rules, the Directors reserve the right to vary these dates, including the Closing Date, without prior notice.

TABLE OF CONTENTS

1. Details of the Offer

1.1 Summary of the Offer

The Company is offering, pursuant to this Prospectus, 100 Shares at an issue price of $0.14 each to raise approximately $14.00 (before costs) (**Offer**).

The Offer will only be extended to specific parties on invitation of the Directors. Application Forms will only be provided by the Company to these parties.

Shares issued under the Offer will be issued as fully paid ordinary shares and will rank equally in all respect with the existing Shares on issue. Refer to Section 4.1 for a summary of the rights and liabilities attaching to the Shares under the Offer.

1.2 Previous issue of Shares

On 30 June 2016, the Company announced that it had entered into a binding term sheet to acquire 100% of the issued share capital of Spikenet Technology SAS (**Spikenet**), a revenue-producing, France-based, artificial intelligence company and leader in computer vision technology (**Acquisition**).

On 1 September 2016, the Company announced that it had issued 10,405,488 Shares (**Consideration Shares**) to the vendors of Spikenet (**Vendors**) pursuant to a formal share sale agreement as part consideration for the Acquisition (**Share Sale Agreement**). The Consideration Shares were issued without disclosure under Part 6D.2 of the Corporations Act to the Vendors.

Pursuant to the Share Sale Agreement, some of the Vendors have agreed that their Consideration Shares (representing 7,570,607 Consideration Shares) will be voluntarily escrowed from the date of issue until the earlier of:

(a) 1 March 2017;

(b) the date on which both:

  (i) the offeror under a takeover offer in respect of all of the Shares announces that it has achieved acceptances in respect of more than 50% of the Shares; and

  (ii) the takeover bid has become unconditional; and

(c) the date on which the Company announces that the Shareholders have, at a court convened meeting of Shareholders, voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all of the Shares are to be either cancelled or transferred to a third party.

1.3 Purpose of the Prospectus

Generally, section 707(3) of the Corporations Act requires that a prospectus is issued in order for a person to whom securities were issued without disclosure under Part 6D of the Corporations Act to on-sell those securities within 12 months of the date of their issue.

Section 708A(11) of the Corporations Act provides an exemption from this general requirement where:

(a) the relevant securities are in a class of securities of the company that are already quoted on ASX;

(b) a prospectus is lodged with ASIC either:

  (i) on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or

  (ii) before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and

(c) the prospectus is for an offer of securities issued by the company that are in the same class of securities as the relevant securities.

The primary purpose of this Prospectus is to comply with section 708A(11) of the Corporations Act to remove any trading restrictions that may have attached to Securities issued by the Company prior to the Closing Date, including the Consideration Shares, so that the Vendors may, if they choose to and subject to voluntary escrow provisions, sell the Consideration Shares within the next twelve months without the issue of a prospectus.

Accordingly, the purpose of this Prospectus is to:

(a) make the Offer; and

(b) ensure that the on-sale of the Consideration Shares do not breach section 707(3) of the Corporations Act.

The Shares issued under the Offer will be issued under the Company's existing placement capacity under Listing Rule 7.1.

$14.00 will be raised under the Offer. The total estimated expenses of the Offer of $5,500 will be paid by the Company from its cash reserves.

1.4 Closing Date

The Closing Date for the Offer is 2 September 2016. The Company reserves the right, subject to the Corporations Act and the Listing Rules to extend the Closing Date without prior notice. If the Closing Date is varied, subsequent dates may also be varied accordingly.

1.5 Minimum subscription

There is no minimum subscription for the Offer.

1.6 Application Forms

The Offer is being extended to investors who are invited by the Company to subscribe for Shares and is not open to the general public. The Company may determine in its discretion whether to accept any or all Applications.

Applications must be made using the Application Form attached to this Prospectus. To the maximum extent permitted by law, the Directors will have discretion over which Applications to accept.

Completed Application Forms must be received by the Company prior to the Closing

Date. Application Forms should be delivered to BrainChip Holdings Limited, Level 2, 6 Thelma Street, West Perth, Western Australia, 6005, or sent by facsimile to (08) 9444 1600.

If you are in doubt as to the course of action, you should consult your professional advisor.

Acceptance of a completed Application Form by the Company creates a legally binding contract between the Applicant and the Company for the number of Shares accepted by the Company. The Application Form does not need to be signed to be a binding acceptance of the Shares under the Offer.

If the Application Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Application Form, is final.

1.7 Issue and dispatch

Subject to the Corporations Act and the Listing Rules, the Company intends to issue the Shares under the Offer on or about 5 September 2016.

Security holder statements will be dispatched, as soon as possible after the issue of the Shares under the Offer.

1.8 Application Monies held on trust

All Application Monies received for the Shares will be held on trust in a bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus until the Shares are issued. All Application Monies will be returned (without interest) if the Shares are not issued.

1.9 ASX quotation

Application will be made to ASX no later than 7 days after the date of this Prospectus for official quotation of the Shares under the Offer. If permission is not granted by ASX for the Official Quotation of the Shares offered by this Prospectus within 3 months after the date of this Prospectus (or such period as the ASX allows), the Company will repay, as soon as practicable, without interest, all Application Monies received pursuant to this Prospectus.

1.10 CHESS

The Company participates in the Clearing House Electronic Sub-register System, known as CHESS, operated by ASX Settlement Pty Limited (a wholly owned subsidiary of ASX), in accordance with the Listing Rules and ASX Settlement Operating Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of Shares.

If you are broker sponsored, ASX Settlement Pty Limited will send you a CHESS statement.

The CHESS statement will set out the number of Shares issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the Shares.

If you are registered on the Issuer Sponsored sub-register, your statement will be dispatched by Computershare Investor Services Pty Limited and will contain the number of Shares issued to you under this Prospectus and your security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Shareholding changes. Shareholders may request a statement at any other time; however, a charge may be made for additional statements.

1.11 Residents outside Australia

This Prospectus and an accompanying Application Form do not, and are not intended to, constitute an offer of Shares in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

1.12 Risk factors

An investment in Shares of the Company should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are detailed in Section 2.

1.13 Taxation implications

The Directors do not consider it appropriate to give Applicants advice regarding the taxation consequences of subscribing for Shares under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders or potential investors. As a result, Applicants should consult their professional tax adviser in connection with subscribing for Shares under this Prospectus.

1.14 Major activities and financial information

A summary of the major activities and financial information relating to the Company can be found in the Company's Annual Financial Report for the financial year ended 31 December 2015 lodged with ASX on 1 April 2016 and the Company's Half Yearly Report to 30 June 2016 lodged with ASX on 26 August 2016.

The Company has made continuous disclosure notices (i.e. ASX announcements) since the lodgement of its Annual Financial Report on 1 April 2016.

Copies of the Annual Financial Report and Half Yearly Report are available free of charge from the Company. The Directors strongly recommend that Applicants review these and all other announcements prior to deciding whether or not to participate in the Offer.

1.15 Privacy

Applicants will be providing personal information to the Company (directly or by the Company's share registry) on the Application Form. The Company collects, holds and will use that information to assess the Acceptance, service Shareholders' needs, facilitate distribution payments and corporate communications to Shareholders, and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for Securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

Shareholders can access, correct and update the personal information the Company holds about them by contacting the Company or its share registry at the relevant contact numbers set out in this Prospectus. Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules.

Applicants should note that if they do not provide the information required on Application Form, the Company may not be able to accept or process their Acceptance.

1.16 Effect of the Offer on control of the Company

The Company is of the view that the Offer will not affect the control (as defined by section 50AA of the Corporations Act) of the Company. No new investor or existing Shareholder will have a voting power greater than 20% as a result of the completion of the Offer.

1.17 Enquiries concerning Prospectus

Enquiries relating to this Prospectus should be directed to the Company Secretary by email on nschmidt@brainchip.com.au.

2. Risk factors

The Shares offered under this Prospectus should be considered speculative because of the nature of the business activities of the Company. Potential investors should consider whether the Shares offered are a suitable investment having regard to their own personal investment objectives and financial circumstances and the risk factors set out below. This list is not exhaustive and potential investors should read this Prospectus in its entirety and if in any doubt consult their professional adviser before deciding whether to participate in the Offer.

The principal risks include, but are not limited to, the following:

2.1 Specific risk factors

(a) **Integration of Spikenet**

The operating results of the Company will depend in part on the success of the management in integrating the Acquisition of Spikenet. There is no guarantee that the Company will be able to integrate this new Acquisition into the Company successfully, or that any economic benefits will be able to be realised from the integration. There is a risk that the Company's future profitability and prospects could be adversely impacted if successful integration is not achieved in an orderly and timely fashion.

(b) **Technology risks**

The technologies for artificial neural networks (**ANN**) are still an immature market in a commercial sense. Adaptations of ANN into software and hardware are relatively new and there is little in the way of commercial implementations as a technology platform, rather specific applications have been developed in large scale computing environments. The risk in relation to this is that as there is a lack of a clear dominant technology, the 'best' technology may not be the most commercially successful one.

The Company may need to be able to scale up to large implementations but also remain effective at a small scale, or in the future, to scale down further. With increasing focus on mobility and the potential of 'Internet of Things' connected devices and goods, reducing the scale of the Company's ANN technology may well need to occur in order for the Company to meet future market needs. If this 'scale down' cannot be achieved it may place future adoption of the technology at risk.

(c) **Intellectual property risks**

The Company has lodged full patents only in the US and has not pursued a Patent Cooperation Treaty – which allows the filing of National Phase patent applications within 30 months in jurisdictions other than where the original patent application was filed - application to lodge National Phase patents within jurisdictions other than the US. Due to the priority dates for the granted patent and the subsequent application, it is not possible to obtain patents in any jurisdiction other than the US for the existing patents. This creates a risk for the Company in its inability to enforce any infringements against their patents outside the US.

The Company has lodged and been granted an Innovation Patent in Australia. Innovation patents are 'second tier' patents which have not been examined by IP Australia for validity. The risk for the Company is that this patent will only be enforceable in court in Australia once it has been examined and accepted by IP Australia, a process which can take some time and incur additional costs.

The granting of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop competing intellectual property that circumvents such patents. The Company's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties.

The Company's prospects will also depend on its ability to develop and protect technology that meets changing market needs and addresses the technological advances and competitiveness of other companies operating in the markets targeted by the Company.

(d) **Competition and new technologies**

While the Company may have a technology that is at the leading edge of ANN thinking, this does not preclude other alternative ideas of technologies being developed and overtaking the Company's technology in performance or utility. This is a risk as there is significant investment by large technology or semiconductor businesses in the area of machine learning. This investment in machine learning by existing companies may promote development of improved technologies which could provide a significant commercial threat to the Company's commercialisation pathway.

The cost and time for a competitor to develop a competing technology may not be significant (particularly for a larger competitor with access to funding and resources), and may be substantially less than the market capitalisation of the Company. This may result in a heightened risk of competition to the Company. If a person or entity successfully develops and commercialises a competing product, this may have a materially adverse effect on the value and prospects of the Company and consequently on the value of your investment.

(e) **Market risks**

Due to the early stage nature of ANN in the marketplace, there is no single paradigm on what the best method is for achieving commercial success. The risks involved are intimately intertwined with that of the technology being at an early stage and the potential for significant investment into less effective technologies by large businesses and governments. That is, the risk of less effective technologies creating a business environment where the Spiking Neuron Adaptive Processor (**SNAP**) technology is only a 'bit player' with niche applications.

(f) **Inability to secure a technology partner**

The Company is looking to develop and subsequently license the SNAP technology designs to potential technology partners. The Company anticipates that these technology partners will design and manufacture chips utilising the SNAP technology which will then lead to revenue through the licence and royalty fees. Where the Company is unable to enter into arrangements with a technology partner this will affect the Company's ability to achieve its operation intentions.

(g) **Foreign currency and exchange rate fluctuations**

A significant portion of the Company's operating expenses and costs are denominated in US dollars. Any revenue received by the Company from the successful implementation of its business plan in the future would likely largely be denominated in US dollars. The Company also holds a portion of its cash balance in US dollars at any given time.

The Company is raising funds in Australian dollars. Any adverse movements in the Australian dollar against the US dollar may affect the Company's current budget and lead to the Company requiring additional funding.

Although steps may be undertaken to manage currency risk (e.g. via hedging strategies), adverse movements in the Australian dollar against the US dollar may have an adverse impact on the Company, and lead to the Company requiring additional funding. The Company does not currently hedge against this currency risk.

(h) **Additional requirements for capital**

Additional funding will be required by the Company to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur. Further additional financing will be required if the Board determines to accelerate the development of the Company's technology.

The Company may seek to raise further funds through equity or debt financing, joint ventures, licensing arrangements, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of their activities and potential research and development programmes. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

(i) **Unforeseen expenditure risk**

Expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

2.2 General risk factors

The future prospects of the Company's business may be affected by circumstances and external factors beyond the Company's control. Financial performance of the Company may be affected by a number of business risks that apply to companies generally and may include economic, financial, market or regulatory conditions.

(a) **Economic**

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's business activities and potential research and development programmes, as well as on their ability to fund those activities.

(b) **Force Majeure**

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(c) **Insurance risks**

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, such insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company effected.

(d) **Litigation risks**

The Company is exposed to possible litigation risks including, but not limited to, intellectual property and patent claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. The Company is not currently engaged in any litigation.

(e) **Regulatory risks**

The Company incurs ongoing costs and obligations associated with compliance with necessary regulations. Any failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's proposed business operations. In addition, changes in regulations could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company's ability to operate in the future will depend in part on whether it is able to effectively commercialise its potential interests in products. This will depend on successful completion of product development activities, obtaining regulatory approval and on there being commercial demand for such products which cannot be guaranteed.

(f) **Dependence on outside parties**

The Company may pursue a strategy that forms strategic business relationships with other organisations in relation to potential products and services. There can be no assurance that the Company will be able to attract such prospective organisations and to negotiate appropriate terms and conditions with these organisations or that any potential agreements with such organisations will be complied with.

(g) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on the Company's senior management, key personnel and developers. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment or if one or more of the Directors leaves the Board.

(h) **Market conditions**

Share market conditions may affect the value of the Company's quoted Securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

(i) general economic outlook;

(ii) introduction of tax reform or other new legislation;

(iii) interest rates and inflation rates;

(iv) changes in investor sentiment toward particular market sectors;

(v) the demand for, and supply of, capital; and

(vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and biotechnology stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return to Security holders arising from the Offer or otherwise.

2.3 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by prospective investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for the Shares.

3. Effect of the Offer

3.1 Capital structure on completion of the Offer

	Shares[1]	Options[2]	Performance Rights[3]
Balance at the date of this Prospectus	743,950,326	24,550,000	87,000,000
To be issued under the Offer	100	Nil	Nil
Balance after the Offer	**743,950,426**	**24,550,000**	**87,000,000**

Notes:

1. Of the Shares currently on issue, 464,174,644 Shares are subject to various ASX escrow periods and 13,070,607 are subject to various voluntary escrow periods. See Appendix 3B lodged 1 September 2016.
2. The unquoted Options consist of:
   (i) 11,000,000 unquoted Options exercisable at $0.225 each and expiring 30 November 2018;
   (ii) 6,250,000 unquoted Options exercisable at $0.157 each and expiring 10 September 2019;
   (iii) 5,550,000 unquoted Options exercisable at $0.24 each and expiring 21 December 2020;
   (iv) 250,000 unquoted Options exercisable at $0.36 each and expiring 21 December 2020; and
   (v) 1,500,000 unquoted Options exercisable at $0.23 each and expiring 1 February 2021.
3. The unquoted Performance Rights consist of:
   (i) 13,500,000 unquoted Class A Performance Rights;
   (ii) 13,500,000 unquoted Class B Performance Rights;
   (iii) 13,500,000 unquoted Class C Performance Rights; and
   (iv) 46,500,000 unquoted Class D Performance Rights.

3.2 Financial effect of the Offer

After paying the expenses of the Offer of approximately $5,500, there will be no proceeds from the Offer. The expenses of the Offer (exceeding $14) will be met from the Company's existing cash reserves. The Offer will have an effect on the Company's financial position of reducing the cash balance by $5,486, being receipt of funds of $14, less expenses of the Offer of $5,500.

Please refer to Section 4.14 for further details on the estimated expenses of the Offer.

4. Additional information

4.1 Rights and liabilities attaching to Shares

A summary of the rights attaching to Shares in the Company is below. This summary is qualified by the full terms of the Constitution (a full copy of the Constitution is available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, the Shareholder should seek legal advice.

(a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company, provided that all calls or other sums presently payable by the Shareholder in respect of Shares have been paid.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of Shareholders or classes of shareholders:

(i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;

(ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote (however, where a member appoints two proxies, neither proxy may vote for that member on a show of hands); and

(iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit.

(d) Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Shareholders, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

(e) Shareholder liability

As the Shares under the Prospectus are fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) Transfer of Shares

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(g) Future increase in capital

The issue of any new Shares is under the control of the Board of the Company as appointed from time to time. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing Share or class of shares), the Directors may issue Shares and other Securities as they shall, in their absolute discretion, determine.

(h) Variation of rights

Subject to Sections 246B to 246E of the Corporations Act, if at any time the share capital is divided into different classes of shares, the rights attached to any class may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(i) Alteration of Constitution

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of votes validly cast for Shares at the general meeting. In addition, at least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

4.2 Company is a disclosing entity

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purpose of ASX making the information available to the stock market conducted by ASX. In particular, the Company has an obligation under the Listing Rules (subject to certain limited exceptions), to notify ASX once it is, or becomes aware of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Securities.

The Company is also required to prepare and lodge with the ASIC yearly and half-yearly financial statements accompanied by a Directors' statement and report, and an audit review or report.

Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office (see Section 4.3 below).

4.3 Copies of documents

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of the ASIC. The Company will provide free of charge to any person who requests it during the period of the Offer, a copy of:

(a) the Annual Report for the period ending 31 December 2015 (**Annual Report**) as lodged with ASX on 1 April 2016;

(b) the Half Yearly Report for the period ending 30 June 2016 (**Half Yearly Report**) as lodged with ASX on 26 August 2016; and

(c) the continuous disclosure notices given by the Company to notify ASX of information relating to the Company since the Company lodged its Annual Report and before the date of issue of this Prospectus which are as follows:

Date Lodged	Subject of Announcement
1/09/2016	Completes Spikenet Acquisition
26/08/2016	Half Yearly Report and Accounts
5/08/2016	Signs commercial Marketing Agreement with Global IP Supplier
1/08/2016	Company Update to accompany Quarterly Report
1/08/2016	Appendix 4C - quarterly
20/07/2016	Appointment of Heidrick & Struggles to Recruit New CEO
11/07/2016	ASX Correction Statement
30/06/2016	Acquires French based Computer Vision Technology Company

Date Lodged	Subject of Announcement
28/06/2016	Trading Halt
21/06/2016	Change in substantial holding
21/06/2016	Notice of Change of Interests of Substantial Holder from MLX
16/06/2016	Appendix 3B
2/06/2016	Final Placement of Rights Issue Shortfall Shares
30/05/2016	Response to ASX Price and Volume Query
27/05/2016	Change in substantial holding
25/05/2016	Change in substantial holding from MLX
25/05/2016	Appendix 3B
25/05/2016	Results of Meeting
20/05/2016	Foster Stockbroking Initiates Broker Research
13/05/2016	Close of Rights Issue
4/05/2016	Rights Issue Underwritten for $1.75m and Shareholder Support
29/04/2016	Extension of Closing Date of Entitlement Offer
29/04/2016	Virtual Roadshow Presentation
28/04/2016	Company Update
28/04/2016	Appendix 4C - quarterly
22/04/2016	Dispatch of Prospectus and Entitlement and Acceptance Form
22/04/2016	Annual Report to shareholders
22/04/2016	Notice of Annual General Meeting/Proxy Form
21/04/2016	Appoints Foster Stockbroking as Corporate Advisor
21/04/2016	Investor Presentation
15/04/2016	Joint Development and Marketing Agreement with Inilabs GmbH
15/04/2016	Letter to Ineligible Shareholders
15/04/2016	Letter to Eligible Shareholders
14/04/2016	Letter to Optionholders
14/04/2016	Appendix 3B

Date Lodged	Subject of Announcement
14/04/2016	Prospectus - Non Renounceable Rights Issue
14/04/2016	Non-Renounceable Issue
11/04/2016	Appendix 3Y - Change in Directors Interests - Osseiran
11/04/2016	Appendix 3B - Conversion of Class C Performance Rights
1/04/2016	Appendix 4G
1/04/2016	Corporate Governance Statement
1/04/2016	Annual Report to Shareholders

The following documents are available for inspection throughout the period of the Offer during normal business hours at the registered office of the Company:

(a) this Prospectus;

(b) the Constitution; and

(c) the consents referred to in Section 4.15 and the consents provided by the Directors to the issue of this Prospectus.

4.4 Information excluded from continuous disclosure notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules, and which is required to be set out in this Prospectus.

4.5 Determination by the ASIC

The ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the Shares under this Prospectus.

4.6 Market price of Shares

The highest and lowest market sale prices of the Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: $0.17 per Share on 13 July 2016

Lowest: $0.12 per Share on 24 June 2016

The latest available market sale price of the Shares on ASX prior to the date of lodgement of this Prospectus with the ASIC was $0.12 per Share on 31 August 2016.

4.7 Dividend policy

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

4.8 Substantial Shareholders

Based on available information as at the date of this Prospectus, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Substantial Shareholder	Number of Shares	Voting power
Peter van der Made	126,805,508	17.04%
Anil Mankar and Meena Mankar as trustee of the Mankar Family Trust	109,135,000	14.67%
Robert Mitro	111,202,500	14.95%
APAC Resources Limited	59,276,889	7.97%
Metals X Limited	52,088,889	7.00%
Nerona Pte Ltd	45,555,500	6.12%

4.9 Directors' interests

Except as disclosed in this Prospectus, no Director and no firm in which a Director or proposed director is a partner:

(a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Shares offered under this Prospectus or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Shares offered under this Prospectus; or

(b) has been paid or given or will be paid or given any amount or benefit to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Shares offered under this Prospectus.

4.10 Directors' interests in Company Securities

The Directors have the following relevant interests in the Securities as at the date of this Prospectus:

Directors	Shares	Options[1]	Performance Rights
Eric (Mick) Bolto	-	5,000,000	-
Peter van der Made	126,805,508	-	54,000,000[2]
Neil Rinaldi	7,803,335	4,000,000	-
Adam Osseiran	8,438,500	2,000,000	900,000[3]

Notes:

1. These unquoted Options are exercisable at $0.225 each on or before 30 November 2018.

2. Mr van der Made holds 13,500,000 Class A Performance Rights, 13,500,000 Class B Performance Rights, 13,500,000 Class C Performance Rights and 13,500,000 Class D Performance Rights. Mr van der Made also currently holds an interest in 1,800,000 Class B Performance Rights, 300,000 Class C Performance Rights and 1,800,000 Class D Performance Rights that will revert to him if they are not issued to new or existing employees by 30 June 2018 as explained in the Company's Annual Report for the financial year ended 31 December 2015.

3. Dr Osseiran holds 900,000 Class D Performance Rights.

4.11 Remuneration of Directors

The Constitution provides that the Company may remunerate the Directors. The remuneration shall, subject to any resolution of a general meeting, be fixed by the Directors. A Director may also be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

The Directors have received the following remuneration for the preceding two financial years (figures in US$):

		Salary & fees	Share based payments	Super-annuation	Short term annual leave	TOTAL
Eric Bolto[1]	2015	24,750	548,068	-	-	**572,818**
	2014	-	-	-	-	-
Neil Rinaldi[2]	2015	103,430	438,455	8,039	21,539	**571,463**
	2014	165,405	-	15,469	-	**180,874**
Adam Osseiran[3]	2015	11,492	219,227	-	-	**230,719**
	2014	-	-	-	-	-
Peter van der Made[4]	2015	201,859	-	-	-	**201,859**
	2014	15,054	-	-	-	**15,054**

Notes:

1. Mr Bolto was appointed as Non-Executive Chairman on 3 August 2015.

2. Mr Rinaldi ceased being an Executive Director on 10 September 2015 and continued as a Non-Executive Director.

3. Dr Osseiran was appointed as Non-Executive Director on 10 September 2015.

4. Mr van der Made was employed as a member of the key management personnel (**KMP**) of BrainChip Inc. on 1 December 2014. He is reported as a KMP until his appointment as Executive Director of the Company on 10 September 2015. During 2015 Mr van der Made received remuneration of US$136,347 as a KMP and US$65,512 as Executive Director.

4.12 Related party transactions

There are no related party transactions involved in the Offer.

4.13 Interests of other persons

Except as disclosed in this Prospectus, no expert, promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity:

(a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Offer or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or

(b) has been paid or given or will be paid or given any amount or benefit in connection with the formation or promotion of the Company or the Offer.

Bellanhouse Legal will be paid approximately $3,000 (plus GST) in fees for legal services in connection with the Offer.

4.14 Expenses of Offer

Estimated expenses of the Offer	$
ASIC lodgement fee & ASX quotation fee	2,500
Legal and preparation expenses	3,000
TOTAL	**5,500**

4.15 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of Shares under this Prospectus), the Directors, any persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

(a) has not authorised or caused the issue of this Prospectus or the making of the Offer;

(b) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and

(c) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Bellanhouse Legal has given its written consent to being named as the solicitors to the Company in this Prospectus. Bellanhouse Legal has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

5. Authorisation

This Prospectus is authorised by each of the Directors of the Company.

This Prospectus is signed for and on behalf of Company by:

Eric (Mick) Bolto
Chairman
BrainChip Holdings Ltd

Dated: 1 September 2016

6. Glossary of Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

$ means Australian dollars.

Acceptance means a valid Application for Shares made pursuant to this Prospectus on an Application Form.

Acquisition has the meaning given in Section 1.2.

Applicant means a person who submits an Application Form.

Application means a valid application for Shares made on an Application Form.

Application Form means the Application Form provided by the Company with a copy of this Prospectus.

Application Monies means the amount of money in dollars and cents payable for Shares at the Offer price per Share pursuant to the Offer.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

Board means the Directors meeting as a board.

Business Day means Monday to Friday inclusive, other than a day that ASX declares is not a business day.

CHESS means ASX Clearing House Electronic Sub-registry System.

Class A Performance Rights means the performance rights granted in the Company and described in section 15.5 of the Company's prospectus dated 18 August 2015.

Class B Performance Rights means the performance rights granted in the Company and described in section 15.5 of the Company's prospectus dated 18 August 2015.

Class C Performance Rights means the performance rights granted in the Company and described in section 15.5 of the Company's prospectus dated 18 August 2015.

Class D Performance Rights means the performance rights granted in the Company and described in section 15.5 of the Company's prospectus dated 18 August 2015.

Closing Date has the meaning given in Section 1.4.

Company means BrainChip Holdings Ltd ACN 151 159 812.

Consideration Share has the meaning given in Section 1.2.

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means *Corporations Act 2001* (Cth).

Directors mean the directors of the Company as at the date of this Prospectus.

Issuer Sponsored means Shares issued by an issuer that are held in uncertified form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

Listing Rules means the official listing rules of ASX and any other rules of ASX which are applicable while any Shares are admitted to the Official List, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

Offer has the meaning given in Section 1.1.

Official List means the official list of ASX.

Official Quotation means quotation of Shares on the Official List.

Option means the right to acquire one Share in the capital of the Company.

Performance Right means the Class A Performance Rights, Class B Performance Rights, Class C Performance Rights and Class D Performance Rights.

Prospectus means this prospectus dated 1 September 2016.

Section means a section of this Prospectus.

Securities means any securities, including Shares, Options or Performance Rights, issued or granted by the Company.

Share means an ordinary fully paid share in the capital of the Company.

Shareholder means a holder of Shares.

Spikenet means Spikenet Technology SAS (a company registered with the Toulouse Trade and Company Register under number 423 942 341).

US$ means United States dollars.

Vendors has the meaning given to it in Section 1.2.

WST means Western Standard Time, being the time in Perth, Western Australia.