

28 October 2022

### Review of Operations

Achievements throughout the reporting period were focused on advancing the Company's technologies into a mass-produced product. The primary activities were focused on preparation for, and the visit by, a senior delegation from Earth Mountain ("EM"), for the purposes of advancing the transition from limited development-oriented production into a mass-produced commercial grade product.

Recent ease of travel restrictions by the Chinese Government has enabled EM personnel to travel to Israel for the first time since the outbreak of COVID-19 pandemic in early January 2019. The primary purpose of a two week visit beginning on 4 September 2022, was to permit relevant personnel to receive direct hands-on knowledge and training of:

- Various methods employed by the company to ensure quality production of both the MEMS wafers as well the chip assembly and packaging processes.
- Comprehensive understanding of integration into the electronic systems and functional software deployed by the company to operate the speaker chips.
- Receipt of functional demonstration systems including comprehensive training and understanding of the systems.

EM's CEO and CFO joined the technical team for the second week of EM's visit. The conversations focused on:

- Planning, coordination and prioritization of upcoming phases of cooperation
- Exploration of additional approaches EM can deploy to increase and accelerate production support of AP including but not limited to expansion of their facilities,

initiating local market representation, as well as possibilities to expand their investment

Internally, all other aspects of our product development continued, with particular period focus on:

- Advancing the transition of the 9 and 80-chip demonstration boards from development environments to customer deployable systems.
- Implementation of a number of algorithmic improvements made possible by our advanced simulation software, to further improve the sound quality throughout the groundbreaking measured audible spectrum of 20Hz-20KHz.

Productivity has now resumed in full force following an extended vacation period attributable to the National Holiday of the People's Republic of China as well as the subsequent Jewish New Year's holiday season. Activity focus continues to include fulfilling management's objective of providing AKP shareholders with a technological demonstration at the upcoming Extraordinary General Meeting.

### **Share Placement**

On 24 August 2022, the Company announced that it has received binding commitments via a non-underwritten placement of 714,286 ordinary shares at A\$14.00 per share from sophisticated and professional investors, to raise A\$10 million (Placement).

Petra Capital Pty Limited acted as Sole Lead Manager and Bookrunner to the capital raising. The placement was made under Listing Rule 7.1.

Under the Placement, 240,603 ordinary shares (A\$3,368,442) were settled on 30 August 2022, and issued on 31 August 2022 as per the Application for Quotation of Securities lodged with ASX.

Earth Mountain (Suzhou) Microelectronics Ltd (Earth Mountain), currently working with AKP to commercialise AKP's digital speakers has committed to take 308,325 ordinary shares (\$4,316,550) in the placement which are expected to settle in the current quarter once the necessary approvals from the Ministry of Commerce and the State Administration of Foreign Exchange are received.

4F Investments Pty Limited, a company associated with the Chairman, Fred Bart, has agreed to subscribe for 165,358 ordinary shares (A\$2,315,012) in the Placement, subject to shareholder approval at an Extraordinary General Meeting of the Company.

The Placement price of A\$14.00 per share represented a 17.5% discount to the last closing price and a 15.3% discount to the 5-day volumed weighted average trading price to 19 August 2022.

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### **Unsecured Loans**

In July 2022 the Company received a further \$500,000 unsecured loan from 4F Investments Pty Limited in July 2022, a company associated with the Chairman, Mr Fred Bart. The total unsecured loans outstanding at 30 September 2022 from 4F Investments Pty Limited were \$3.285m. The unsecured loan from another party of \$1m was repaid following the capital raising. The outstanding unsecured loan attracts an interest rate of 6% per annum and is repayable on the completion of the capital raising.

As part of the placement announced to the market on 24 August 2022 of \$10m at \$14.00 per share, 4F Investments Pty Limited agreed to subscribe for 165,358 ordinary shares at \$14.00 per share as part of this placement at a cost of \$2,315,012, subject to shareholder approval. 4F Investments Pty Limited has agreed that that it would offset \$2,315,012 against its unsecured loan of \$3,285,000, subject to shareholder approval, and the balance

of \$969,988 would be repaid in cash once the placement funds from Earth Mountain are received.

4F Investments Pty Limited will continue to receive 6.00% interest on the unsecured loan until shareholder approval is received. In respect of the balance of the unsecured loan of \$969,988, after shareholder approval, 4F Investments Pty Limited will continue to receive interest at 6.00 % per annum until repayment.

### **R & D Tax Offset**

During the quarter, the R & D Tax Offset in respect of Australian R & D eligible expenditure incurred during the year ended 31 December 2021 was received of \$159,791.

### **Payments to related entities**

The amounts included in Item 6.1 of \$45,437 include directors' fees and superannuation paid to entities associated with non-executive directors of \$37,937 and consulting fees paid to entities associated with a non-executive director of \$7,500. Interest of \$61,742 was paid in cash during the quarter to 4F Investments Pty Limited (a company associated with Fred Bart, Chairman).

This announcement has been authorised for release to ASX by Fred Bart, Chairman.



### **About Audio Pixels Holdings Limited**

Audio Pixels Limited, founded in 2006, is a wholly owned subsidiary of Audio Pixels Holdings Limited, listed in Australia under the stock code of AKP (Level 1 ADR's on OTC: ADPXY). Backed by exceptional multidisciplinary scientific research, design, and production capabilities, Audio Pixels has become a world leader in digital loudspeaker technologies. Audio Pixels' patented technologies employ entirely new techniques to generate sound waves directly from a digital audio stream using micro-electromechanical structures (MEMS). Its revolutionary technological platform for reproducing sound enables the production of an entirely new generation of speakers that will exceed the performance specifications and design demands of the world's top consumer electronics manufacturers. For more information, visit [www.audiopixels.com.au/](http://www.audiopixels.com.au/).

### **Forward-looking statements**

This release may contain certain forward-looking statements with respect to the financial condition, results of operations and business of AKP and certain of the plans and objectives of AKP with respect to these items. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

AUDIO PIXELS HOLDINGS LIMITED

**ABN**

98 094 384 273

**Quarter ended ("current quarter")**

30 SEPTEMBER 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9. months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	23	102
1.2 Payments for		
(a) research and development	(997)	(2,872)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(2)	(2)
(d) leased assets	-	-
(e) staff costs	(108)	(428)
(f) administration and corporate costs	(239)	(539)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(70)	(116)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	160	160
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,233)</b>	<b>(3,695)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(8)	(29)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9. months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(8)</b>	<b>(29)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,368	3,368
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(185)	(185)
3.5	Proceeds from borrowings	500	2,885
3.6	Repayment of borrowings	(1,000)	(1,000)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Repayment of lease liabilities	(54)	(206)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>2,629</b>	<b>4,862</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	532	750
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,233)	(3,695)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8)	(29)

Appendix 4C  
Quarterly cash flow report for entities subject to Listing Rule 4.7B

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9. months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,629	4,862
4.5	Effect of movement in exchange rates on cash held	52	84
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,972</b>	<b>1,972</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	846	532
5.2	Call deposits	1,126	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,972</b>	<b>532</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	107
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

The amount included in Item 6.1. includes directors fees and superannuation paid to entities associated with the non-executive directors of \$37,937 and consulting fees paid to entities associated with non-executive directors of \$7,500. Interest of \$61,742 was paid in cash during the quarter to 4F Investments Pty Limited (a company associated with Fred Bart-Chairman).



<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	3,285	3,285
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>3,285</b>	<b>3,285</b>
<b>7.5 Unused financing facilities available at quarter end</b>		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>In July 2022, 4F Investments Pty Limited (a company associated with Fred Bart - Chairman) provided an additional loan facility of \$500,000 on the same terms and conditions as the previous loans which expire on completion of the capital raising.</p> <p>The Company has an unsecured loan facility agreement with 4F Investments Pty Limited (a company associated with Fred Bart - Chairman) of \$3.285m at 30 September 2022 and at the date of this report. The interest rate on the unsecured loan facility is 6% and it expires on completion of the capital raising.</p> <p>As part of the placement announced to the market on 24 August 2022 of \$10m at \$14.00 per share, 4F Investments Pty Limited agreed to subscribe for 165,358 ordinary shares at \$14.00 per share as part of this placement at a cost of \$2,315,012, subject to shareholder approval. 4F Investments Pty Limited has agreed that it would offset \$2,315,012 against its unsecured loan of \$3,285,000, subject to shareholder approval, and the balance of \$969,988 would be repaid in cash once the placement funds from Earth Mountain are received.</p> <p>4F Investments Pty Limited will continue to receive 6.00% interest on the unsecured loan until shareholder approval is received. In respect of the balance of the unsecured loan of \$969,988, after shareholder approval, 4F Investments Pty Limited will continue to receive interest at 6.00 % per annum until repayment.</p> <p>The unsecured loan of \$1m from Link Enterprises Group was repaid during the quarter from proceeds of the capital raising.</p>		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,233)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,972
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	1,972
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>1.6</b>
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes. The Company is expecting to receive the placement proceeds of A\$4,316,550 during the current quarter in respect of the placement to Earth Mountain of 308,325 ordinary shares at \$14.00 announced on 24 August 2022.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes. The Company is expecting to receive the placement proceeds of A\$4,316,550 during the current quarter in respect of the placement to Earth Mountain of 308,325 shares at \$14.00 announced on 24 August 2022.

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 October 2022

Authorised by: By the Board  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g. Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.