



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the shareholders of AUDIO PIXELS HOLDINGS LIMITED will be held at the following time and place:

Time: 1.30 pm (AEST)

Date: Tuesday 30 May 2023

**Place: Barnet Room, The Fullerton Sydney
No. 1 Martin Place, Sydney
NSW, 2000 Australia**

ORDINARY BUSINESS

Resolution 1. - Consideration of Financial Statements

"To receive and consider the Financial Report, Directors' Report and Auditor's Report for the financial year ended 31 December 2022."

Resolution 2. - Re-election of Mr Fred Bart as a Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Mr Fred Bart, who retires by rotation in accordance with the provisions of the Constitution of the Company, and, being eligible, be re-elected as a Director of the Company."

Resolution 3. - Remuneration Report

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"To approve the remuneration report for the financial period ended 31 December 2022."

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 3 by:

- Mr Fred Bart;
- Mrs Cheryl Bart;
- Ian Dennis, and
- any associate of that person (or those persons).

However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 4. - Approval of Issue of shares to 4F Investments Pty Limited

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That pursuant to and in accordance with ASX Listing Rule 10.11, that approval be given for the issue of 165,358 fully paid ordinary shares at \$14.00 per share to 4F Investments Pty Limited, a company controlled by the Chairman, Fred Bart for consideration of \$2,315,012.00."

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 4 by:

- Mr Fred Bart;
- 4F Investments Pty Limited
- Mrs Cheryl Bart, and
- any associate of that person (or those persons).

However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met;
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

ORDINARY BUSINESS

Resolution 5. - Approval of Issue of 173,000 unlisted options to employees in Israel

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That pursuant to and in accordance with ASX Listing Rule 10.14. that the Company issue 173,000 unlisted options exercisable at A\$16.20 to employees in Israel with an expiry date of 17 December 2023 under the Employee Share Option Plan."

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 5 by:

- any recipient of these options; and
- any associate of that person (or those persons).

However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met;
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 6. - Ratification of Share Placement and refreshing of 15% limit

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That for the purposes of ASX Listing Rule 7.4 and all other purposes this meeting approves and ratifies the allotment and issue by the Company of

- a) 240,603 fully paid ordinary shares in the Company to sophisticated and professional investor clients of Petra Capital Pty Ltd at an issue price of \$14.00 on 31 August 2022*
- b) and the further placement of 105,476 fully paid ordinary shares at an issue price of \$14.00 on 29 December 2022."*

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 6 by:

- Kirin Technologies Limited;
- Any person who participated in the placement, and
- any associate of that person (or those persons).

However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met;
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

ORDINARY BUSINESS

Resolution 7. - Approval of the issue of 500,000 unlisted options to 4F Investments Pty Limited

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That pursuant to and in accordance with ASX Listing Rule 10.11, that approval be given for the issue of 500,000 unlisted options exercisable at \$7.59 for a term of 3 years to 4F Investments Pty Limited as an incentive to the provision of additional facilities of up to \$1,500,00 and the extension of the existing unsecured loan facility of \$3,285,000."

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 7 by:

- Mr Fred Bart;
- 4F Investments Pty Limited
- Mrs Cheryl Bart, and
- any associate of that person (or those persons).

However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met;
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Further Information

Further Information on these resolutions is contained in the Explanatory Memorandum which accompanies this notice of Annual General Meeting.

DATED: 21 April 2023

By order of the Board



I A Dennis
Company Secretary

EXPLANATORY MEMORANDUM TO SHAREHOLDERS TO ACCOMPANY THE NOTICE OF ANNUAL GENERAL MEETING

This Memorandum has been prepared for the information of Shareholders of Audio Pixels Holdings Limited (referred to in this Memorandum as the “Company”) in connection with the business to be conducted at the Annual General Meeting of the Company to be held on Tuesday 30 May 2023 at 1.30 am (AEST).

Resolution 1. - Financial Report

The Corporations Act 2001 (Cth) (“Corporations Act”) requires the financial report (which includes the financial statements and directors’ declaration), the directors’ report and the auditor’s report for the last financial year to be laid before the Annual General Meeting. There is no requirement either in the Corporations Act or in the Constitution of the Company for shareholders to approve the financial report, the directors’ report or the auditor’s report. Shareholders will have reasonable opportunity at the meeting to ask questions and make comments on these reports and on the business and operations of the Company.

Resolution 2. - Re-election of Mr Fred Bart as a Director

Chairman and Chief Executive Officer of the Company. A director since 5 September 2000. He has been Chairman and Managing Director of numerous private companies since 1980, specialising in manufacturing, property and marketable securities. He is a member of the Audit Committee and a member of the Nomination and Remuneration Committee.

He is also Chairman of Noxopharm Limited and a director of Weebit Nano Limited.

Resolution 3. - Remuneration Report

The Annual Report for the financial period ended 31 December 2022 contains a Remuneration Report which sets out the remuneration policy of the Company and the remuneration arrangements in place with the Directors.

Under the provisions of the Corporations Act 2001, the shareholder vote is advisory only and will not require the Company to alter any arrangements detailed in the Remuneration Report, should the resolution not be passed. Notwithstanding the legislative effect of this requirement, the Board has determined that it will take the outcome of the vote into consideration when considering the remuneration policy.

Resolution 4. - Approval for the issue of 165,358 fully paid ordinary shares to 4F Investments Pty Limited at \$14.00 per share

4F Investments Pty Limited, a company controlled by the Chairman, Mr Fred Bart advanced a total of \$3,285,000 at 31 August 2022 as an unsecured loan to the company at 6.0% per annum. 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 up to 165,358 fully paid ordinary shares at \$14.00 per share as part of this placement at a cost of \$2,315,012.

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 at a future date when the placement monies of US\$3m (A\$4,316,550) are received from EarthMountain (Suzhou) Microelectronics Ltd (“Earth Mountain”) in respect of the placement announced on 31 August 2022 at \$14.00 per share.

4F Investments Pty Limited will continue to receive 6.00% per annum interest until 28 February 2023 and 12% per annum from 1 March 2023 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 28 February 2023 and 12% per annum from 1 March 2023 until full repayment.

In accordance with ASX Listing Rule 10.13.4 and 10.13.9, the proposed issue of the 165,358 fully paid ordinary shares at an issue price of \$14.00 to 4F Investments Pty Limited are fully paid ordinary shares at the same price and conditions as the non-underwritten placement to institutional and sophisticated investors announced on 24 August 2022.

4F Investments Pty Limited is a company ultimately owned and controlled by Mr Fred Bart who is the Chairman of Audio Pixels Holdings Limited and is a related party.

In accordance with ASX Listing Rule 10.13.5, the 165,358 new fully paid ordinary shares resulting from the issue will be issued to 4F Investments Pty Limited within one month of shareholder approval as the Extraordinary General Meeting.

In accordance with ASX Listing Rule 10.13.7, the funds from the placement of \$2,315,012 will be applied towards working capital and further development of the digital speaker.

Listing Rule 10.13.8 is not applicable as the proposed issue of 165,358 fully paid ordinary shares is not intended to remunerate or incentivise Fred Bart as a director.

EXPLANATORY MEMORANDUM TO SHAREHOLDERS TO ACCOMPANY THE NOTICE OF ANNUAL GENERAL MEETING

Independent Directors Recommendation

Mr Ian Dennis, having no interest in the outcome of the Resolution 4 recommends that Shareholders vote in favour of the Resolution as it is on the same terms and conditions as the placement to institutional and sophisticated investors announced on 24 August 2022.

Summary of Listing Rule 10.11

Audio Pixels Holdings Limited is proposing to issue 165,358 fully paid ordinary shares at an issue price of \$14.00 to 4F Investments Pty Limited, a company controlled by the Chairman, Fred Bart who is a related party at the same price as the non-underwritten placement to institutional and sophisticated investors announced on 24 August 2022 ("Transaction").

Listing Rule 10.11 provides that a listed company must not issue or agree to issue equity securities to any of the following person without the approval of the holders of its ordinary shares:

- 10.11.1 a related party;
- 10.11.2 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%) holder in the entity ;
- 10.11.3 a person who is. Or was at any time in the 6 months before the issue or agreement, a substantial (10% +) holder in the entity and who has nominated a director to the board of the entity;
- 10.11.4 an associate of a person referred to in Listing Rule 10.11.1 to 10.11.3 or
- 10.11.5 a person whose relationship with the company or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by shareholders.

Unless it obtains the approval of its shareholders.

The Transaction falls within Listing Rule 10.11.1 as Fred Bart is a related party due to the fact that he is director and Listing Rule 10.11.3 as the Fred Bart Group is a substantial shareholder with 20.04% of the issued capital of the company and involves the issue of securities. It therefore requires the approval of the shareholders of Audio Pixels Holdings Limited.

Resolution 4 seeks the required shareholder approval to the Transaction under and for the purposes of Listing Rule 10.11.

If Resolution 4 is passed, Audio Pixels Holdings Limited will be able to proceed with the Transaction and issue 165,358 fully paid ordinary shares in the Company to 4F Investments Pty Limited at \$14.00 per share.

If Resolution 4 is not passed, Audio Pixels Holdings Limited will not be able to proceed with the Transaction and not be able to issue the 165,358 fully paid ordinary shares in the Company at \$14.00 per share. 4F Investments Pty Limited will then will be owed \$2,315,012 as an unsecured loan to Audio Pixels Holdings Limited at 6% interest.

Resolution 5. - Approval for the issue of 173,000 unlisted options at an exercise price of A\$16.20

Background

173,000 unlisted options issued to eight staff members employed by the wholly owned subsidiary, Audio Pixels Limited in Israel under the Employee Share Option Plan on 17 December 2018 at an exercise price of A\$16.20 for a term of three years expiring on 21 December 2021 with ASX reference AKPAB. Six of these employees are electrical and software technical staff and two are administrative staff all based in Israel and employed by the wholly owned subsidiary, Audio Pixels Limited.

None of these 173,000 unlisted options are to be issued to directors and/ or a director's associate.

The Company has made announcements to the ASX on 17 December 2021, 9 May 2022 and 6 December 2022 extending the exercise date of these options up to 17 December 2023 with all other terms remaining the same. The Company was advised by ASX on 7 December 2022 that these three option extensions were in breach of Listing Rule 6.23.3 and these 173,000 options should have expired on the original expiry date of 21 December 2021.

As none of these 173,000 unlisted options had been exercised, the Company requested ASX on 29 December 2022 that they be cancelled effective on the original expiry date of 21 December 2021.

The directors of the Company want to ensure that none of the eight staff members in Israel are disadvantaged in anyway by this inadvertent breach of the listing rules and now seek shareholder approval to issue 173,000 new unlisted options at the same original exercise price of A\$16.20 with a term of one year expiring on 17 December 2023, subject to shareholder approval under the Employee Share Option Plan. These 173,000 options to the eight staff members will be fully vested. The directors recommend that shareholders vote in favour of the issue of the 173,000 unlisted options.

Normally the issue of unlisted options to employees who are not related parties does not require shareholder approval, however given the facts as set out above, ASX has requested that shareholder approval be obtained under Listing Rule 10.14.3.

EXPLANATORY MEMORANDUM TO SHAREHOLDERS TO ACCOMPANY THE NOTICE OF ANNUAL GENERAL MEETING

The following information is provided under Listing Rule 10.15 to approve the issue of securities to persons under an employee incentive scheme under rule 10.14:

- 10.15.1 The persons receiving the options are all employees and/ or consultants employed by Audio Pixels Limited in Israel. No director is receiving options.
- 10.15.2 ASX has formed the option that the securities category is 10.14.3.
- 10.15.3 173,000 unlisted employee options at an exercise price of A\$16.20 expiring on 17 December 2023 which are fully vested.
- 10.15.4 No person receiving the unlisted options are directors or associates.
- 10.15.5 The exact number of securities were previously issued on 17 December 2018 at an exercise price of A\$16.20 to the same employees and were never exercised.
- 10.15.6 The securities being issued are fully vested unlisted options under the Employee Share Option Plan which was approved by shareholders on 13 January 2011.
- The unlisted options are being provided as an incentive to employees.
- The Company attributes a value of A\$0.40 per option using the Black Scholes Pricing Analysis with a volatility of 55% and interest rate of 3.2%.
- 10.15.7 The date of issue will be within one month of the date of the meeting approving the issue of the unlisted options.
- 10.15.8 The securities being the unlisted options will have an exercise price of A\$16.20.
- 10.15.9 A summary of the material terms of the Employee Share Option Plan ("Plan") are outlined in Annexure A.
- 10.15.20 There are no loans to any persons in relation to these unlisted securities

If Resolution 5 is passed, Audio Pixels Holdings Limited will be able to proceed with the Transaction and issue 173,000 unlisted options to employees based in Israel.

If Resolution 5 is not passed, Audio Pixels Holdings Limited will not be able to proceed with the Transaction and not be able to issue the 173,000 unlisted options to employees based in Israel.

Details of any securities issued under the scheme will be published in the annual report of the entity relating to the period in which they were issued, along with a statement that approval for the issue was obtained under listing rule 10.14.

Any additional persons covered by listing rule 10.14 who become entitled to participate in an issue of securities under the scheme after the resolution is approved and who were not named in the notice of meeting will not participate until approval is obtained under that rule.

Resolution 6 - Ratification of Share Placements

The resolution refers to ASX Listing Rule 7.4 and the Company's previous issues at \$14.00 of 240,603 fully paid ordinary shares on 31 August 2022 and 105,476 fully paid ordinary shares on 29 December 2022 within the 15% allowable issue under ASX Listing Rule 7.1. There were no other material terms under the agreements to issue shares. This rule enables the Company to restore its ability to issue securities within the 15% limit prescribed by Listing Rule 7.1 by obtaining Member ratification of an issue previously made within that limit provided that the issue did not breach ASX Listing Rule 7.1. The Company confirms that the issue of the 346,079 ordinary shares did not breach ASX Listing Rule 7.1.

Summary of Listing Rule 7.4

An issue of, or agreement to issue, securities made without approval under rule 7.1 is treated as having been made with approval for the purposes of rule 7.1 if each of the following apply

7.4.1 The issue or agreement did not breach rule 7.1.

7.4.2 The holders of the entity's ordinary securities subsequently approve it.

If shareholders approve Resolution 6, the 15% placement capacity will be restored in full enabling the Company to issue up to 15% of its securities without shareholder approval. If shareholders do not approve Resolution 6, then the Company will not be able to issue the remaining part of the 15% shares until 12 months after the date of issue of the securities.

EXPLANATORY MEMORANDUM TO SHAREHOLDERS TO ACCOMPANY THE NOTICE OF ANNUAL GENERAL MEETING

The following information is provided to Shareholders for the purposes of ASX Listing Rule 7.5:

- (1) On 31 August 2022 the Company issued 240,603 new ordinary shares at \$14.00 each, raising a total of \$3,368,442 (before costs);
- (2) The 240,603 new ordinary shares were issued to sophisticated and professional investor clients of Petra Capital Pty Ltd who were existing long term shareholders, not a related party of the entity, not a member of the entity's key management personnel, not substantial shareholders in the entity, not an adviser to the entity, not an associate of any of the above, the issue represented less than 1% of the entity's issued capital and were prepared to purchase shares at the issue price in the time frame for the placement;
- (3) The shares are fully paid ordinary shares that rank equally in all respects with the Company's existing ordinary shares;
- (4) On 29 December 2022 the Company issued 105,476 new ordinary shares to a sophisticated and professional investor at \$14.00 each, raising \$1,476,664 (before costs). The name of the investor was Kirin Technologies Limited;
- (5) The shares are fully paid ordinary shares that rank equally in all respects with the Company's existing ordinary shares;
- (6) The net funds raised from the placements were applied by the Company towards working capital and will also be applied to future research and development.

Resolution 7 - Approval of the issue of 500,000 unlisted options to 4F Investments Pty Limited

On 28 March 2023, 4F Investments Pty Limited, a company associated with the Chairman, Mr Fred Bart, has agreed to provide an additional unsecured funding facility of up to \$1,500,000 at an interest rate of 12% per annum, repayable on completion of the next capital raising. 4F Investments Pty Limited advanced \$150,000 on 27 February 2023, \$100,000 on 16 March 2023 and \$500,000 on 28 March 2023 amounting to \$750,000.

4F Investments Pty Limited is a company ultimately owned and controlled by Mr Fred Bart who is the Chairman of Audio Pixels Holdings Limited and is a related party.

This new facility of \$1,500,000 is in addition to the existing unsecured loan of \$3,285,000 which was originally at 6% interest. However, as a result of the extended delays in receiving the Earth Mountain placement proceeds of US\$3m, the interest rate has been increased to 12% per annum from 1 March 2023 as part of the agreement to provide the new loan facility. This interest rate is better than other offers of unsecured loans and convertible notes received from other unrelated parties.

As an incentive to the provision of this additional facility of \$1,500,000 and the continuation of the existing unsecured loans of \$3,285,000 (whilst waiting for the Earth Mountain placement proceeds of US\$3m to settle \$969,988 in cash and the Annual General Meeting to request shareholder approval for a placement of 165,358 shares to 4F Investments Pty Limited which would net settle \$2,315,012 of the facility), the Company has agreed to provide an incentive of 500,000 unlisted options in the company to 4F Investments Pty Limited. The exercise price of these options is the 5-day VWAP when the first \$150,000 was advanced on 27 February 2023 which equates to an exercise price of \$7.59 for a term of 3 years. These 500,000 unlisted options would be issued and vest immediately after shareholder approval was received as they only relate to the loan facility and are not employment related.

In accordance with ASX Listing Rule 10.13.5, the 500,000 unlisted options resulting from the approval of Resolution 7 will be issued to 4F Investments Pty Limited within one month of shareholder approval as the Extraordinary General Meeting.

Listing Rule 10.13.8 is not applicable as the proposed issue of 500,000 unlisted options is not intended to remunerate or incentivise Fred Bart as a director as the proposed issue of the options is an inducement to 4F Investments Pty Limited providing additional facilities and extending the existing unsecured loan facilities.

Independent Directors Recommendation

Mr Ian Dennis, having no interest in the outcome of the Resolution 7 recommends that Shareholders vote in favour of the Resolution as it is on commercial terms and conditions more favourable to the Company than other offers of unsecured loans and convertible notes from other unrelated parties.

Summary of Listing Rule 10.11

Audio Pixels Holdings Limited is proposing to issue 500,000 unlisted options at an exercise price of \$7.59 for a term of three years to 4F Investments Pty Limited, a company controlled by the Chairman, Fred Bart who is a related party as an incentive for agreeing to provide additional unsecured loan facilities to the Company of \$1,500,000 and extend the term of the existing fully drawn unsecured loan ("Transaction").

EXPLANATORY MEMORANDUM TO SHAREHOLDERS TO ACCOMPANY THE NOTICE OF ANNUAL GENERAL MEETING

Listing Rule 10.1 provides that a listed company must not acquire or agree to acquire a substantial asset from, or dispose of or agree to dispose of a substantial asset to:

- 10.11.1 a related party;
- 10.11.2 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the entity;
- 10.11.3 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the entity and who has nominated a director to the board of the entity;
- 10.11.4 an associate of a person referred to in Listing Rule 10.11.1 to 10.11.3 or
- 10.11.5 a person whose relationship with the company or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by shareholders.

unless it obtains the approval of its shareholders.

The Transaction falls within Listing Rule 10.11.1 as Fred Bart is a related party due to the fact that he is director and Listing Rule 10.11.3 as the Fred Bart Group is a substantial shareholder with 20.04% of the issued capital of the company and involves the issue of securities. It therefore requires the approval of the shareholders of Audio Pixels Holdings Limited.

Resolution 7 seeks the required shareholder approval to the Transaction under and for the purposes of Listing Rule 10.11.

If Resolution 7 is passed, Audio Pixels Holdings Limited will proceed to issue 500,000 unlisted options at an exercise price of \$7.59 for a term of three years to 4F Investments Pty Limited.

If Resolution 4 is not passed, Audio Pixels Holdings Limited will not issue the 500,000 unlisted options to 4F Investments Pty Limited.

Terms of the Securities to be issued

The exercise price of these options is the 5-day VWAP when the first \$150,000 was advanced on 27 February 2023 which equates to an exercise price of \$7.59;

The 500,000 options are unlisted;

The term of the unlisted options is 3 years;

The 500,000 unlisted options would be issued and vest immediately after shareholder approval was received as they only relate to the loan facility and are not employment related:

In accordance with ASX Listing Rule 10.13.5, the 500,000 unlisted options resulting from the approval of Resolution 7 will be issued to 4F Investments Pty Limited within one month of shareholder approval as the Extraordinary General Meeting.

Terms of the Material Agreement to Issue 500,000 unlisted options

As an incentive to the provision of this additional facility of \$1,500,000 and the continuation of the existing unsecured loans of \$3,285,000 (whilst waiting for the Earth Mountain placement proceeds of US\$3m to settle \$969,988 in cash and the Annual General Meeting to request shareholder approval for a placement of 165,358 shares to 4F Investments Pty Limited which would net settle \$2,315,012 of the facility), the Company has agreed to provide an incentive of 500,000 unlisted options in the company to 4F Investments Pty Limited on the terms provide above.

ANNEXURE A

EMPLOYEE SHARE OPTION PLAN

1. OUTLINE OF THE PLAN

1.1 Introduction

The Plan will permit the Company, at the discretion of the Board, to issue traditional options with an Exercise Price.

Below is a brief outline of how the Board proposes to implement its initial grant of Options under the Plan Rules. Where participation is to be made available to staff who reside outside Australia, there may have to be modifications to the terms of grant to meet or better comply with the requirements of local laws or practice.

The Plan Rules are summarised in Section 2 below. Most words with initial capitals are defined in the Rules.

1.2 Employee Share Option Plan

Participation

Carefully designed equity plans are widely considered to be effective in providing long-term incentives to Employees (which, for the purposes of the Plan, includes directors, employees, consultants and contractors) to optimise their performance. They can also encourage retention by giving these Employees the opportunity to participate in the creation of a valuable personal asset - a financial stake in the Company, with what the Board believes are good growth prospects.

As part of Company strategy, the Board wishes to be in a position to grant Options over the Company's Shares to those Employees who, in the opinion of the Board, are able, by virtue of their scientific expertise or their management position, experience and skill, to influence the generation of shareholder wealth. It also wishes to grant Options to selected support staff to encourage them to develop a shareholder mindset.

Grant Price

No consideration will be payable for a grant of Options.

Exercise Price

The Exercise Price of an Option shall be at the discretion of the Board, equal to or greater than the Market Price on the Issue Date. Market Price in relation to a Share, on a particular day means:

- (a) if there was at least one transaction on the Exchange during the 5 business days before that day, the volume weighted average of the prices at which a Share was traded on the Exchange during the 5 business days before that day; or
- (b) if there were no transactions on the Exchange in that 5 business days in Shares, the last price at which an offer was made on the Exchange in that period to buy a Share.

Exercise Period

The Options granted to an Eligible Person on a particular Grant Date will be determined by the Board.

Each Option will have a maximum life of four years from the Grant Date.

If an Employee in respect of whom Options have been granted ceases employment for any reason, the Option grant will lapse in respect of any tranche of which the Exercise Date is after the date of cessation.

General

The Plan and the terms of the initial grant of Options have been designed with the benefit of independent specialist advice.

However, the Board will review all design aspects in respect of future grants and make changes if, in its opinion, this is necessary or desirable to achieve the Company's objectives.

While shareholder approval of employee share plans is not now required under the ASX Listing Rules (except insofar as they involve grants to Directors or their associates), in the Board's opinion any equity plans adopted by the Company should be fully explained to the shareholders and be conditional on the approval of shareholders in general meeting.

Any offers made to Directors require shareholder approval under the Listing Rules of the ASX. Directors will be excluded from voting on any matter which affects the grant of options to themselves in accordance with Listing Rules.

A full copy of the Plan Rules are available on the Company web site.

2. SUMMARY OF EMPLOYEE SHARE OPTION PLAN RULES

A summary of the Rules for the Plan, together with comments on the initial grant, is set out below. The Rules are flexible and will allow the Board to make various types of grants. The specific terms of a particular grant will usually be contained in the Invitation sent to the Employee and in associated documentation.

- (a) **Plan Rules** - the Employee Share Option Plan Rules establish the Plan.
- (b) **Eligible Persons** - Employees, including Executive and Non-Executive Directors of the Company and any Subsidiaries participating in the Plan, and consultants and independent contractors to a Participating Company, who are declared by the Board to be eligible.
- (c) **Options to Acquire Shares** - grants will be of Options to acquire Shares by payment of an Exercise Price (as described in 1.2 above).

ANNEXURE A

EMPLOYEE SHARE OPTION PLAN

- (d) **Invitation to Participate** - under the Plan Rules the Board may invite selected Eligible Persons to apply for Options to acquire a specified number of Shares in the Company.

At the request of an Eligible Person and with the approval of the Board, to the extent the Eligible Person does not personally apply for the full number of Options referred to in an Invitation, some or all of the balance of the Options may be granted to an Associate of the Eligible Person.

“Associate” for this purpose has the meaning given in section 139GE of the Tax Act. Broadly, this term includes a relative of the Eligible Person, a partner of the Eligible Person or a partnership in which the Eligible Person is a partner, a spouse or child of the partner, a trust under which the Eligible Person or an Associate can benefit and a company over which the Eligible Person or an Associate has control, or in which the Eligible Person directly or indirectly holds a Share or a Right to acquire a Share.

- (e) **Options are Non-transferable** - an Option granted to a Participant (including an Associate) is not transferable, except with the Board’s approval, or by force of law on death or legal incapacity.
- (f) **Exercise Price** - the Exercise Price will be an amount determined by the Board from time to time, fixed at the date of grant or determined by application of methodology approved by the Board, equal to or greater than Market Price on the Issue Date.
- (g) **Vesting and Exercise of Options** - Options to acquire Shares will have a life determined by the Board.

The Board may prescribe the date or the method of calculating the date on which a tranche of Options becomes exercisable.

An Option will lapse if it is not exercised within the life of the Option.

- (h) **Cessation of Employment** - if the Eligible Person in respect of whom Options are issued (whether to that person or an Associate) ceases employment with any Participating Company the Participant may exercise vested Options (see Item (g) above) within the stated periods after the cessation, including retirement, redundancy, permanent disability or death, the options may be exercised within 12 months.

other cases - if and as determined by the Board

These dates may be varied by the Board.

Any Options remaining unexercised at the end of the relevant period thereupon lapse.

All Options that are not vested lapse at Cessation of Employment.

There may also be an exercise of Options, whether or not they are vested, on a takeover, scheme of arrangement or winding-up.

- (i) **Payment for Shares** - any costs associated with Shares issued or purchased for the purposes of the Plan will be paid by the Company. Any Exercise Price payable on the exercise of an Option will be paid by the Participant.

This addresses “financial assistance” provided by the Company for the acquisition of its own Shares. For example, in the future the Company may set up a trust to purchase Shares on the market for subsequent transfer to Participants in the Plan on exercise of particular Options, rather than issuing new Shares.

- (j) **Reconstructions, bonus and Rights issues** - the Exercise Price (if there is one) for an Option will be adjusted in the manner contemplated by the ASX Listing Rules to take account of capital reconstructions and bonus issues.

If there is a Rights issue to all shareholders before an Option under the Plan is exercised, the Exercise Price (if any) or the number of Shares subject to the Option will be appropriately adjusted in accordance with the formula provided by the ASX Listing Rules.

- (k) **Amendments to Plan Rules** - subject to the provisions of the Stock Exchange, the Board may amend the Plan Rules.

Broadly, however, the Rules may not be amended if, in the Board’s opinion, the amendment would materially reduce the Rights of a Participant in respect of Options already granted.

Exceptions to this permit amendment for the purpose of complying with State or Commonwealth legislation, the Company’s Constitution or the Listing Rules. Also, to address possible adverse tax implications for Participants generally or any Group Company.





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Need assistance?

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+61 3 9415 4000 (outside Australia)

 **Online:**
www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by 1.30 pm (AEST) Sunday, 28 May 2023.

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com/au and select "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



Control Number: 999999

SRN/HIN: I9999999999

PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Audio Pixels Holdings Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Audio Pixels Holdings Limited to be held in the Barnet Room, The Fullerton Sydney, No 1 Martin Place, Sydney NSW 2000 on Tuesday, 30 May 2023 at 1.30 pm (AEST) and at any adjournment or postponement of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 3, 4 and 7 (except where I/we have indicated a different voting intention in step 2) even though Resolutions 3, 4 and 7 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 3, 4 and 7 by marking the appropriate box in step 2.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
Resolution 2 Re-election of Mr Fred Bart as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Approval of Issue of shares to 4F Investments Pty Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Approval of Issue of 173,000 unlisted options to employees in Israel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Ratification of Share Placement and refreshing of 15% limit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 Approval of the issue of 500,000 unlisted options to 4F Investments Pty Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1 Securityholder 2 Securityholder 3 / /
 Sole Director & Sole Company Secretary Director Director/Company Secretary Date

Update your communication details (Optional)

Mobile Number Email Address By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

