

28 April 2023

Activity Statement for the Quarterly Cash Report to 31 March 2023

In our Preliminary Final Report published on 28 February 2023 and our Full Year Statutory accounts published on 31 March 2023, we provided comprehensive updates as to the ongoing activities involved in advancing the Company's Digital Sound Reconstruction technology platform into a mass-production product. The primary highlights in these reports were:

Our current DSR Chip which is based on the prototyping platform (MEMS GEN-I), was measured to reproduce the full audible range of frequencies from 20Hz to 20KHz (and beyond) with a near flat frequency response, making it the world's smallest full range loudspeaker.

During this update period, these measurements have been further validated utilizing the Company's newly installed anechoic chamber as well as by an independent third party.

After long delays related to facility closures throughout China, production of MEMS-GEN-II (the commercial version of our MEMS chip) commenced in February 2023. As was explained in the aforementioned Reports, MEMS-GEN-II incorporates certain structural modifications that provide a significant boost to the sound pressure levels (SPL or "loudness") of the chip and permit a software-only solution, that is able to contend with most adverse acoustic effects that may result from inconsistencies in the manufacturing process (until such time that such inconsistencies have been optimized out of the production process).

We have now been permitted to reveal that EarthMountain has been producing our wafers in three independent fabrication facilities; 2 of which are 8" fabs. EarthMountain's rather massive investment and extensive collaboration with the company to employ 3 concurrent fabrication facilities is designed for expansion of production capacity, to create fabrication redundancy as well as to reduce production costs.

EarthMountain recently advised that while there are certain unknowns in MEMS fabrication, their pace of progress should permit them to commence delivery of assembled and fully tested chips prior to the end of June 2023 (previously May 2023).

In preparation of delivery of the production version of the chips, the Company has been heavily focused on improving its test and inspection systems, all functional electronics, algorithms, and software, the creation of customer reference designs, as well as a number of improvements to the existing demonstration systems.

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Placement to EarthMountain

EarthMountain's management informed AKP in writing on the 27 April 2023, that due to the delays in the original investment application to the Jiangsu Government bodies for an investment of US\$3m (A\$4,316,550) in the AKP placement of A\$14.00 announced by the Company on 24 August 2022, that it had decided to withdraw the original application and are in the process of revising the application for re-submission to the relevant Jiangsu Government bodies for approval.

Earth Mountain was not able to advise a definitive time frame for the approval process, however, the Company will update the market once EM provides relevant information and in any case by 31 May 2023.

Payments to related entities

The amounts included in Item 6.1 of \$45,438 include directors' fees and superannuation paid to entities associated with non-executive directors of \$37,938 and consulting fees paid to entities associated with a non-executive director of \$7,500. No interest was paid in cash on these unsecured loans during the quarter and interest continues to accrue at 12% until the loan is repaid.

Unsecured loans

During the quarter ended 31 March 2023, 4F Investments Pty Limited (a company associated with Chairman -Fred Bart) provided new unsecured loans on \$750,000 at an interest rate of 12%. Since 31 March 2023, 4F Investments Pty Limited has provided a further loan of A\$500,000 on 26 April 2023 bringing the total unsecured loan to A\$4,535,000.

Annual General Meeting

The Annual General Meeting will be held on Tuesday 30 May 2023 at 1.30 pm at the Fullerton Hotel in Sydney as per the Notice of Annual General Meeting issued to the ASX on 11 April 2023.

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

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")

31 MARCH 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3. months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	21	21
1.2 Payments for		
(a) research and development	(1,002)	(1,002)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(2)	(2)
(d) leased assets	-	-
(e) staff costs	(133)	(133)
(f) administration and corporate costs	(179)	(179)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(1,296)	(1,296)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(100)	(100)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3. 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)	-	-
2.6	Net cash from / (used in) investing activities	(100)	(100)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5	Proceeds from borrowings	750	750
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Repayment of lease liabilities	(49)	(49)
3.10	Net cash from / (used in) financing activities	701	701

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,340	1,340
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,296)	(1,296)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(100)	(100)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3. months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	701	701
4.5	Effect of movement in exchange rates on cash held	23	23
4.6	Cash and cash equivalents at end of period	668	668

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	668	709
5.2	Call deposits	-	631
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	668	1,340

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	45
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 \$37,938 and consulting fees paid to entities associated with non-executive directors of \$7,500.		

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<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	4,785	4,035
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	4,785	4,035
7.5	Unused financing facilities available at quarter end		750
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>The Company has an unsecured loan facility agreement with 4F Investments Pty Limited (a company associated with Fred Bart - Chairman) of \$4.785m at 31 March 2023 and at the date of this report. The interest rate on the unsecured loan facility is 12% and it expires on completion of the capital raising of A\$4,316,550 (US\$3m from Earth Mountain or other 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, subject to shareholder approval at the Annual General Meeting to be held on 30 May 2023, and the balance would be repaid in cash once the placement funds from Earth Mountain or another placement are received.</p> <p>4F Investments Pty Limited will continue to receive 12.00% interest on the unsecured loan until shareholder approval is received. In respect of the balance of the unsecured loan, after shareholder approval, 4F Investments Pty Limited will continue to receive interest at 12.00 % per annum until repayment.</p> <p>Since 31 March 2023, 4F Investments has advanced a further \$500,000 on 26 April 2023 under the loan facility agreement.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,296)
8.2	Cash and cash equivalents at quarter end (item 4.6)	668
8.3	Unused finance facilities available at quarter end (item 7.5)	750
8.4	Total available funding (item 8.2 + item 8.3)	1,418
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.09
	<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 still expecting to receive the placement proceeds of A\$4,316,550 in respect of the placement to Earth Mountain of 308,325 ordinary shares at \$14.00 announced on 24 August 2022 as detailed in the current activities report for the quarter.

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 in respect of the placement to Earth Mountain of 308,325 shares at \$14.00 announced on 24 August 2022 as detailed in the current activities report for the quarter.

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 April 2023

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.