

29 May 2024

Notification and Rectification of Breach of ASX Listing Rule 10.11

Audio Pixels Holdings Limited (ASX:AKP)/(The Company) advises that it inadvertently agreed to issue shares to a Company controlled by the Chairman, Fred Bart under a Convertible Note Agreement without obtaining security holder approval as required by ASX Listing Rule 10.11.

\$500,000 as consideration for the convertible note was received from 4F Investments Pty Limited (a Company controlled by Fred Bart) on 27 October 2023, and the convertible note was issued on the same terms and conditions as the other convertible notes on issue at the time.

ASX Listing Rule 10.11 states an entity must not issue or agree to issue equity securities to a related party without the approval of shareholders, unless one of the exceptions to the Listing Rule applies. The Company misinterpreted Exception 7 to Listing Rule 10.12 “conversion of convertible securities” and believed these Convertible Notes were exempt. The Company has learned that its interpretation was incorrect and it has been in breach of Listing Rule 10.11.

AKP acknowledges the error and apologises for the breach. Following consultation with the ASX, the Company is taking the following remedial actions:

1. The convertible note issued to 4F Investments Pty Limited will be cancelled; and
2. The \$500,000 in funds provided by 4F Investments for the convertible note will be converted into an unsecured loan, on the same terms as the existing unsecured loan facilities provided by 4F Investments Pty Limited to the Company. This includes an interest rate of 12% p.a. payable quarterly in arrears and repayable on the completion of a successful capital raise by the Company. The interest rate payable on the unsecured loan facility is the same as the interest rate payable on the Convertible Notes.

To mitigate a breach of Listing Rule 10.11 reoccurring, the Company will ensure no shares are issued or agreed to be issued to parties identified under Listing Rule 10.11 without shareholder approval, and no convertible note funding will be accepted from a related party until shareholder approval has been received.

AKP reassures its security holders that the breach was inadvertent. AKP has been transparent in its disclosures of the Convertible Notes by including details in the Annual Report and Half Year Report and confirms that no director gained any financial advantage.

Released with the authority of the Board.

Shawn van Boheemen
Company Secretary