

Half-Year Report of Audio Pixels Holdings Limited for the Half-Year Ended 30 June 2024

ACN 094 384 273

*This Half-Year Report is provided to the Australian Stock
Exchange (ASX) under ASX Listing Rule 4.2A.3.*

Current Reporting Period: Half-year ended 30 June 2024

Previous Corresponding Period: Half-year ended 30 June 2023

AUDIO PIXELS HOLDINGS LIMITED

Appendix 4D

Revenue and Net Profit/(Loss)

		Percentage Change %	Amount
Revenue/(Expense) from ordinary activities	down	267%	To (\$38,999)
(Loss) from ordinary activities after tax attributable to members	down	N/A	To (\$3,173,281)
Net (loss) attributable to members	down	N/A	To (\$3,173,281)

Dividends (Distributions)

	Amount per security	Franked amount per security
Final dividend	Nil¢	Nil¢
Interim dividend	Nil¢	Nil¢
Record date for determining entitlements to the dividend:		
• final dividend		N/A
• interim dividend		N/A

Brief Explanation of Revenue, Net Profit/(Loss) and Dividends (Distributions)

Refer to Directors' Report.

Net tangible assets

	Reporting period \$ per share	Previous period \$ per share
Net tangible asset per ordinary security	(0.29)	(0.08)

AUDIO PIXELS HOLDINGS LIMITED

Directors Report

The directors of Audio Pixels Holdings Limited (the Company) and its controlled entities (the Group) submit herewith the financial report for the half-year ended 30 June 2024. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

The names of the directors of the company during or since the end of the half year are:

Mr Fred Bart (Chairman)

Ms Cheryl Bart AO

Mr Mark Ureda – appointed 31 July 2023, retired 16 July 2024

Mr Shawn van Boheemen – appointed 16 July 2024

PRINCIPAL ACTIVITIES

During the reporting period there were no significant changes in the nature of the Company's principal activities which were predominately focused on the refinement of the fabrication processes required to mass produce a commercial version of the Company's proven ground-breaking MEMS based digital loudspeaker.

Audio Pixels is a world leader in the digital transformation of sound reproduction; combining the emergence of a multibillion-dollar MEMS device industry together with the multibillion-dollar loudspeaker market that has over the course of a century become an indispensable fixture of daily life throughout a myriad of industries and applications.

REVIEW OF OPERATIONS

Achievements during the reporting period were predominantly technical in nature, focused on advancing the Company's proven Digital Sound Reconstruction technologies into a mass-produced commercial product.

As has been extensively reported, the company's primary technical efforts and objectives during the period were focused on resolving and refining issues related to the fabrication process flow of our MEMS GEN-II wafers.

On 19 August 2024, the company announced that it had received and measured the sound pressure levels ("SPL" or "loudness") of our speaker chip from initial MEMS-GEN-II wafers. The results that validated our ambitious commercial objectives for our revolutionary Digital Sound Reconstruction (DSR) loudspeaker platform.

Achievement of this milestone coupled with the incomparable sound quality publicly demonstrated in May 2023 marks a very significant milestone to deliver the many benefits our digital sound reconstruction platform provides to the estimated 20-billion-unit annual market for both single and multichip applications.

As has been previously reported several proprietary design elements were incorporated into our MEMS-GEN-II chip design. These innovations were designed to complement the incomparable sound quality demonstrated in our Gen-I prototype chips, by providing a substantial increase to the chip's sound pressure (loudness).

AUDIO PIXELS HOLDINGS LIMITED

Directors Report

Measurements conducted on both 6” and 8” wafers in our cleanroom, fully validate the accuracy of our multiphysics simulation models. These measurements confirm the commercial performance objectives established for our DSR platform. While some engineering tasks remain to complete productization of the technology, the Company’s heavily patented DSR platform, which is substantially different to ANY other sound reconstruction solution in the market (whether analog, MEMS or otherwise); has now been confirmed to be capable of delivering a transcending audio experience to the overwhelming majority of consumer and pro applications for both micro and macro speakers.

The company and its vendor network have shifted focus to advance from sample wafers, to packaged chips as well as the upgrading the peripheral circuitry required to maximise product performance and effectively scale chip manufacturing. Initial packaged chips will serve to repeat (and publish) performance specifications when conducted in accordance with loudspeaker industry standards, as well as to serve our demonstration systems and customer engineering samples.

Unsecured loans

During the half year ended 30 June 2024, 4F Investments Pty Limited (a company associated with Chairman - Fred Bart) provided an additional \$1,968,000 in unsecured loans, taking the face value of the loan balance to \$4,937,988 and carrying value to \$3,945,125. This unsecured loan facility attracts an interest rate of 12%p.a. and is repayable on the Company undertaking a capital raise. 4F Investments Pty Limited have agreed to extend the unsecured loan facility to 31 December 2025, and capitalise accrued interest until the loan is repaid.

Post 30 June 2024, 4F Investments Pty Limited has provided an additional \$645,000 in unsecured loans.

Future Developments

For the sake of clarity and compliance with ASX disclosure requirements, the following are the Company’s upcoming critical milestone which are focused on the demonstration of the commercialised version of the technology.

- Earth Mountain is forecasting that it will be able to begin delivery of MEMS GEN II sometime in Q4 of 2024, being the order of the pre-production chips.
- Upon arrival, the chips will undergo characterisation to ensure compliance with our specification. This is required not only for usage in demonstration systems, but to also enable Earth Mountain to calibrate mass production processes.
- Upon confirming compliance (within reason) the chips will be incorporated into existing GEN -I demonstration systems.

At the date of this report, Earth Mountain has not provided any update in relation to the Chinses Government approval to subscribe for 308,325 ordinary shares at \$14.00 per share amounting to A\$4,316,550 (US\$3m).

Directors Report

Working Capital

The Company has adequate funding to support its anticipated cash outflows for the 12 months post the signing of this financial report. This has been achieved through the following:

- Raising an additional \$6.45 million in cash through the issue of new convertible notes;
- 4F Investments Pty Limited has provided an additional \$645,000 in unsecured loans;
- Extending the maturity date of the \$4.05 million in existing Convertible Notes until 31 December 2025; and
- Extending the maturity date on the unsecured loan facility with 4F investments until 31 December 2025, with interest on this facility being capitalised until repayment of the loan facility.

Convertible Notes

Of the A\$5,000,000 of Convertible Notes issued during 2023, 2 note holders redeemed their notes on maturity (30 April 2024), and were repaid A\$450,000 in cash. The note issued to 4F Investments Pty Limited for A\$500,000 was cancelled and converted into the unsecured loan facility on 29 May 2024. On 5 September 2024 all remaining noteholders agreed to extend the maturity date of their notes until 31 December 2025. The balance of the notes on issue as at 30 June is \$4,050,000.

In order to meet ASX Listing Rule 6.1 requirements, the Company obtained noteholder approval on 5 September to include a conversion floor price of \$5 to the existing notes so the maximum dilutionary impact on conversion of the notes can be calculated.

On 5 September 2024 the Company announced it has issued an additional \$6,450,000 in Convertible Notes to sophisticated investors who are existing shareholders. The terms of the Convertible Note will include a maturity date of 31 December 2025, are unsecured, attract an interest rate of 12% per annum capitalised until the Note is fully repaid or converted into Shares. The Notes are convertible to ordinary shares at A\$9.04, or a lower price if the Company undertakes a placement of ordinary shares at any time prior to the expiry date. The Notes have conversion price floor of \$5.00.

As an incentive for participating in the Notes, the investors will receive 1,290,000 unlisted options (100,000 options per A\$500,000 invested) at a strike price of 20% higher than the conversion price of A\$9.04, namely A\$10.84. These unlisted options expire on 4 May 2027.

Summary

Further information concerning the operations and financial condition of the entity can be found in the financial report and in releases made to the Australian Stock Exchange (ASX) during the half year.

AUDIO PIXELS HOLDINGS LIMITED

Directors Report

Auditor's independence declaration

The auditor's independence declaration is included on page 7 of the half-year financial report.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in black ink, appearing to be 'F Bart', written in a cursive style.

Fred Bart

Director

Sydney, 14 October 2024

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**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF AUDIO PIXELS HOLDINGS LIMITED AND CONTROLLED
ENTITIES**

As lead engagement partner for the review of Audio Pixels Holdings Limited for the period ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.



Gery Bicos
Partner – Audit and Assurance
[Moore Australia Audit \(VIC\)](#)
Melbourne, Victoria
14 October 2024



Moore Australia Audit (VIC)
ABN 16 847 721 257
Chartered Accountants

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF AUDIO PIXELS HOLDINGS LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Audio Pixels Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 30 June 2024, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of material accounting policies and other explanatory information and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the condensed half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis of Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Half-year Financial Report section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Group incurred a consolidated loss of \$3,173,281 and reported negative cash outflows from operations of \$3,013,660 during the period and as of that date, the Group's current liabilities exceeded its current assets by \$8,386,339. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of the Directors for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2024 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Gery Bicos
Partner – Audit and Assurance
[Moore Australia Audit \(VIC\)](#)
Melbourne, Victoria
14 October 2024



Moore Australia Audit (VIC)
ABN 16 847 721 257
Chartered Accountants

AUDIO PIXELS HOLDINGS LIMITED

Directors' Declaration

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position as at 30 June 2024 and the performance for the half year ended on that date of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Fred Bart', with a stylized flourish at the end.

Fred Bart
Director
Sydney 14 October 2024

AUDIO PIXELS HOLDINGS LIMITED

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 30 June 2024

	Note	Consolidated Half-year ended 30 June 2024 \$	Consolidated Half-year ended 30 June 2023 \$
Income/(expense)	2(a)	(38,999)	23,307
Administrative expenses		(691,778)	(562,604)
Amortisation		-	(44,139)
Depreciation		(220,221)	(194,299)
Directors' benefits		(75,480)	(75,508)
Exchange (losses)/gains		(6,922)	1,207,330
Finance costs		-	(3,355,000)
Goodwill impairment		-	(2,399,168)
Intangible asset impairment		-	(110,686)
Interest expense		(865,783)	(354,633)
Gain on modification of convertible notes		370,333	
Gain/(loss) in fair value of derivative liability		201,000	(896,000)
Research and development		(1,776,504)	(1,753,285)
Share based payments		(68,927)	(672,951)
(Loss) before income tax expense	2	(3,173,281)	(9,187,636)
Income tax expense		-	-
(Loss) for the period	3	(3,173,281)	(9,187,636)
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Exchange differences arising on translation of foreign operations		(30,400)	(1,193,901)
<i>Items that will not be reclassified subsequently to profit and loss:</i>			
Capital contribution reserve		992,863	-
Other comprehensive (loss) for the period (net of tax)		962,463	(1,193,901)
Total Comprehensive (loss) for the period		(2,210,818)	(10,381,537)
(Loss) attributable to:			
Owners of the company		(3,173,281)	(9,187,636)
Total comprehensive (loss) attributable to:			
Owners of the company		(2,210,818)	(10,381,537)
(Loss) per share:			
Basic (cents per share)	4	(10.86 cents)	(31.6 cents)
Diluted (cents per share)	4	(10.86 cents)	(31.6 cents)

Notes to the financial statements are included on pages 15 to 25.

AUDIO PIXELS HOLDINGS LIMITED

Condensed Consolidated Statement of Financial Position as at 30 June 2024

	Note	Consolidated 30 June 2024 \$	Consolidated 31 Dec 2023 \$
Current Assets			
Cash and cash equivalents		573,628	2,279,051
Trade and other receivables		248,305	336,356
Prepayment		586,854	619,699
Total Current Assets		1,408,787	3,235,106
Non-Current Assets			
Right of use asset		63,547	151,430
Property, plant and equipment		607,093	614,153
Trade and other receivables		13,043	12,771
Total Non-Current Assets		683,683	778,354
Total Assets		2,092,470	4,013,460
Current Liabilities			
Trade and other payables		1,712,880	1,748,977
Lease liabilities		28,586	111,286
Convertible notes	9	3,781,353	4,921,037
Unsecured loans	10	3,945,125	2,469,988
Provisions		327,182	311,578
Total Current Liabilities		9,795,126	9,562,866
Non-Current liabilities			
Lease liabilities		30,129	45,051
Provisions		21,041	17,478
Total Non-Current Liabilities		51,170	62,529
Total Liabilities		9,846,296	9,625,395
(Deficiency in Net Assets)		(7,753,826)	(5,611,935)
Equity			
Issued capital	6	80,067,610	80,067,610
Reserves	7	(17,926,648)	(18,958,038)
Accumulated losses	3	(69,894,788)	(66,721,507)
Total Equity		(7,753,826)	(5,611,935)

Notes to the financial statements are included on pages 15 to 25.

AUDIO PIXELS HOLDINGS LIMITED

Condensed Consolidated Statement of Changes in Equity for the half-year ended 30 June 2024

	Issued Capital \$	Equity Settled Share Option Reserve \$	Foreign Currency Translation Reserve \$	Minority Acquisition Reserve \$	Capital Contribution Reserve \$	Accumulated Losses \$	Total \$
Consolidated							
Balance at 1 January 2024	80,067,610	12,925,519	(6,344,865)	(25,538,692)	-	(66,721,507)	(5,611,935)
Other comprehensive gain/(loss) for the period	-	-	(30,400)	-	992,863	-	962,463
(Loss) for the period	-	-	-	-	-	(3,173,281)	(3,173,281)
Total comprehensive (loss) income for the period	-	-	(30,400)	-	992,863	(3,173,281)	(2,210,818)
Recognition of share based payments	-	68,927	-	-	-	-	68,927
Balance at 30 June 2024	80,067,610	12,994,446	(6,375,265)	(25,538,692)	992,863	(69,894,788)	(7,753,826)
Balance at 1 January 2023	77,752,597	6,385,427	(6,344,109)	(25,538,692)	-	(52,107,016)	148,207
Other comprehensive (loss) for the period	-	-	(1,193,901)	-	-	-	(1,193,901)
(Loss) for the period	-	-	-	-	-	(9,187,636)	(9,187,636)
Total comprehensive (loss) income for the period	-	-	(1,193,901)	-	-	(9,187,636)	(10,381,537)
Share placement at \$14.00	2,315,013	-	-	-	-	-	2,315,013
Recognition of share based payments	-	5,565,950	-	-	-	-	5,565,950
Balance at 30 June 2023	80,067,610	11,951,377	(7,538,010)	(25,538,692)	-	(61,294,652)	(2,352,367)

Notes to the financial statements are included on pages 15 to 25.

AUDIO PIXELS HOLDINGS LIMITED

Condensed Consolidated Cash flow statement for the half-year ended 30 June 2024

	Consolidated Half-year ended 30 June 2024 \$	Consolidated Half-year ended 30 June 2023 \$
<i>Cash Flows From Operating Activities</i>		
Receipts from customers	-	20,854
Payments to suppliers and employees	(2,661,804)	(2,339,738)
Interest received	7,887	2,453
Interest paid	(359,743)	(145,047)
Net cash (used in) operating activities	(3,013,660)	(2,461,478)
<i>Cash Flows From Investing Activities</i>		
Payment for property, plant and equipment	(96,708)	(134,205)
Net cash (used in) investing activities	(96,708)	(134,205)
<i>Cash Flows From Financing Activities</i>		
Proceeds from convertible note	-	2,500,000
Proceeds from unsecured loans	1,968,000	1,250,000
Repayment of lease liabilities	(113,414)	(96,894)
Repayment of convertible notes	(450,000)	-
Net cash from financing activities	1,404,586	3,653,106
<i>Net (Decrease)/increase in Cash Held</i>	(1,705,782)	1,057,423
<i>Cash and cash equivalents at the beginning of the half-year</i>	2,279,051	1,339,961
<i>Effects of exchange fluctuations on the balances of cash held in foreign currencies</i>	359	27,235
<i>Cash and cash equivalents at the end of the half-year</i>	573,628	2,424,619

Notes to the financial statements are included on pages 15 to 25.

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2024**

1. Significant accounting policies

1 (a) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS34 “Interim Financial Reporting”. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report and any public announcements made by the company during the interim reporting period in accordance with continuous disclosure requirements under the *Corporations Act 2001*.

1 (b) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of the historical cost convention. Cost is based on the fair values of the consideration given in exchange for assets. Except where indicated otherwise, all amounts are presented in Australian dollars.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company’s 2023 annual financial report for the financial year ended 31 December 2023. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

1 (c) New Accounting Standards

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half year that are relevant to the consolidated entity include:

AASB 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates
AASB 2022-62	Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the consolidated entity’s accounting policies and has no effect on the amounts reported for the current or prior half-years.

AUDIO PIXELS HOLDINGS LIMITED

Notes to the Condensed Consolidated Financial Statements for the half-year ended 30 June 2024

1. Significant accounting policies (cont)

1 (c) New Accounting Standards (cont)

New and revised AASB Standards in issue but not yet effective

At the date of authorisation of the financial statements, the consolidated entity has not applied the new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective.

1 (d) Prior Period Comparatives

Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements. Where the presentation or classification of items in the financial statements is amended, the comparative amounts have been reclassified to conform with current period presentation.

1 (e) Critical accounting judgements

In the application of the consolidated entity's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making these judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Convertible Note and Option Valuation

The convertible notes and associated options were externally valued during the reporting period. These valuations involved a number of estimates used in the valuation models, including the risk free interest rate and share volatility. The risk free interest rate is estimated based on the comparable yield on Commonwealth Bonds matching the assumed life of the convertible note and options. The share volatility is based on the historical volatility of the consolidated entity's shares and comparable entities. These valuation estimates can change over time, impacting the valuations of the convertible notes and options.

During the period, the term on certain convertible notes were modified and the modification was determined to be substantial based on the change in net present value of the modified debt based on the original effective interest rate. The modification resulted to a derecognition of the existing debt liability and a recognition creation of a new liability based on the fair value at the point in time. The associated modification gain was recognised in the profit or loss during the period.

The options were valued at the end of the reporting period using the Black-Scholes options pricing model using a risk free interest rate of 4% and share volatility of 60%.

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2024**

1. Significant accounting policies (cont)

1 (f) Going Concern

The financial report has been prepared on the going concern basis which assumes the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The consolidated entity incurred a consolidated loss of \$3,173,281 (2023 half-year: \$9,187,636) and reported net cash outflows from operating activities of \$3,013,660 (2023 half-year: \$2,461,478) during the half-year ended 30 June 2024. As at 30 June 2024, the consolidated entity had cash of \$573,628 (31 December 2023: \$2,279,051) of which \$61,398 (31 December 2023: \$61,131) is restricted as it secures future lease payments.

As at 30 June, the consolidated entity's current liabilities exceeded its current assets by \$8,386,339 (31 December 2023: \$6,327,760). Of this current deficiency the consolidated entity has successfully been able to extend the maturity date of the convertible notes with a carrying value of \$3,781,353 to 31 December 2025 and the unsecured loan with a carrying value of \$3,945,125 to 31 December 2025 (unless a capital raise is undertaken which will then require repayment from the proceeds of that raise).

Additionally, after the period-end, the consolidated entity successfully secured \$6,449,985 million in additional funding through the issuance of convertible notes under terms similar to previous issuances, as outlined below, which further addresses the shortfall. These carry similar terms with the pre-existing issues with the exception that interest is capitalised until maturity on 31 December 2025 and with a conversion floor price of \$5.

The Group has prepared a cash flow forecast which extends 12 months from the date of signing these financial statements and indicates that the Group will have sufficient funds to meet its expenditure commitments for this period based on that forecast. Within this forecast are key uncertainties and assumptions, namely:

- Base development spend to take the Company through to its next milestone pre-commercialisation;
- Assume no outflows associated with any contingent liabilities and/or spend with the company's chip supplier for the fully tested packaged production chips; and
- Nominal expenditure profile for the period.

In the opinion of the directors, the ability of the consolidated entity to continue as a going concern is dependent upon:

- The receipt of the 40,000 pre-production chips to specification from Earth Mountain to enable testing and subsequent demonstration of the product;
- The successful completion of the current testing phase of the technology, enabling the consolidated entity to successfully demonstrate the technology's capabilities and negotiate commercial contracts with interested parties; and
- Further spend on development of the current chip to enable full scale commercialisation not currently included in the forecast.

AUDIO PIXELS HOLDINGS LIMITED

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2024**

1. Significant accounting policies (cont)

1 (f) Going Concern (cont)

If the consolidated entity is unable to achieve successful outcomes in relation to the above matters, uncertainty would exist that may cast doubt as to the ability of the consolidated entity to continue as a going concern and therefore, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

No adjustments have been made to the financial report relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Further testing and enhancement of the technology is continuing as the consolidated entity works towards achievement of the demonstrator milestone to begin the transition to volume production. Once this occurs the consolidated entity plans to commit further spend for fully tested packaged production chips.

Consolidated Half-year to 30 June 2024 \$	Consolidated Half-year to 30 June 2023 \$

2. (Loss) for the period

(Loss) from ordinary activities before income tax includes the following items of revenue and expense:

(a) Income

Rental income	-	20,854
Interest income	7,887	2,453
ATO – R&D tax incentive over accrual	(46,886)	-
Total income	(38,999)	23,307

(b) Expenses

Amortisation	-	44,139
Interest expense	865,783	354,633
Goodwill and intangible asset impairment	-	2,509,854
Depreciation of property, plant and equipment and right of use assets	220,221	194,299

AUDIO PIXELS HOLDINGS LIMITED

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2024**

	Consolidated Half-year to 30 June 2024 \$	Consolidated Half-year to 30 June 2023 \$
3. (Accumulated losses)		
Balance at beginning of financial period	(66,721,507)	(52,107,016)
Net (loss) for the period	<u>(3,173,281)</u>	<u>(9,187,636)</u>
Balance at end of financial period	<u><u>(69,894,788)</u></u>	<u><u>(61,294,652)</u></u>

	2024 ¢ per share	2023 ¢ per share
4. (Loss) Per Share		
Basic EPS	(10.86 cents)	(31.60 cents)
Diluted EPS	(10.86 cents)	(31.60 cents)

Basic (Loss) per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	Half-year to 30 June 2024 \$	Half-year to 30 June 2023 \$
(Loss) (a)	<u><u>(3,173,281)</u></u>	<u><u>(9,187,636)</u></u>
	2024 No.	2023 No.
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<u><u>29,210,100</u></u>	<u><u>29,073,097</u></u>

AUDIO PIXELS HOLDINGS LIMITED

Notes to the Condensed Consolidated Financial Statements for the half-year ended 30 June 2024

4. (Loss) Per Share (cont)

- (a) Earnings used in the calculation of basic earnings per share is the same as net (loss) in the Statement of Profit and Loss and Other Comprehensive Income.
- (b) There are potential ordinary shares to be issued in relation to the issue of 35,000 unlisted employee options on 16 April 2021 at an exercise price of \$27.70. These options expire on 16 April 2025.
- (c) There are potential ordinary shares to be issued in relation to the issue of 30,000 unlisted employee options issued on 1 December 2022 at an exercise price of \$14.00. These options expire on 1 December 2025.
- (d) There are potential ordinary shares to be issued in relation to the issue of 110,000 unlisted employee options issued on 1 December 2022 at an exercise price of \$14.00. These options expire on 1 December 2026.
- (e) There are potential ordinary shares to be issued in relation to the 500,000 unlisted options issued to 4F Investments Pty Limited at an exercise price of \$7.59 issued on 31 May 2023 for a term of 3 years expiring on 30 May 2026.
- (f) There are potential ordinary shares in relation to the 900,000 options yet to be issued at an exercise price of \$10.84 for a term of three years expiring on 4 May 2026.
- (g) The unlisted options have not been included in dilutive EPS, as they are anti-dilutive.

5. Segment information

The Company acted as the parent company for its subsidiaries in the half year period ended 30 June 2024. The company owns a 100% equity interest in Audio Pixels Technologies Pty Limited of Australia and Audio Pixels Limited of Israel. These subsidiaries are involved in the development of digital speakers. Accordingly, the directors are of the opinion that the consolidated entity operates in one segment.

AUDIO PIXELS HOLDINGS LIMITED

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2024**

6. Share capital

	30 June 2024 \$	31 December 2023 \$
Issued and paid up capital		
Fully paid Ordinary Shares		
Balance at the beginning of the financial period	80,067,610	77,752,597
Placement at \$14.00 per share		
- 30 May 2023	-	2,315,013
Balance at the end of the financial period	80,067,610	80,067,610
Fully paid Ordinary Shares	Number	Number
Balance at the beginning of the financial period	29,210,100	29,044,742
Placement at \$14.00 per share		
- 30 May 2023	-	165,358
Balance at the end of the financial period	29,210,100	29,210,100

7. Reserves

	30 June 2024 \$	31 December 2023 \$
Minority acquisition reserve	(25,538,692)	(25,538,692)
Equity settled share option reserve	12,994,446	12,925,519
Foreign currency translation reserve	(6,375,265)	(6,344,865)
Capital contribution reserve	992,863	-
	<u>(17,926,648)</u>	<u>(18,958,038)</u>

8. Related party transactions

During the period, the Company paid a total of \$54,668 (six month period ended 30 June 2023 - \$54,789) to 4F Investments Pty Limited, a company associated with Mr Fred Bart in respect of directors' fees and superannuation for Mr Fred Bart and Mrs Cheryl Bart.

During the half-year period ended 30 June 2024, the company recharged rental expenses of \$19,488 (six month period ended 30 June 2023 - \$9,368) to 4F Investments Pty Limited, a company controlled by Fred Bart and \$23,889 (six month period ended 30 June 2023 - \$11,485) to another tenant who is a shareholder in the company.

AUDIO PIXELS HOLDINGS LIMITED

Notes to the Condensed Consolidated Financial Statements for the half-year ended 30 June 2024

8. Related party transactions (cont)

The company has an unsecured loan facility with 4F Investments Pty Limited, a company associated with Mr Fred Bart, totalling \$4,937,988 at an interest rate of 12% The loan is repayable in two components as follows:

- a) \$969,988 is due for repayment on receipt of the placement monies of A\$4,316,550 (US\$3m) from Earth Mountain, or another capital raising;
- b) The balance is payable on completion of a capital raise by the Company.

Interest on the 4F Investments unsecured loan facility has been accrued in the financial statements at 30 June 2024 of \$189,826 (six month period ended 30 June 2023 - \$68,116). 4F Investments Pty Limited have agreed to extend the expiry date of the unsecured loan agreement until 31 December 2025, with all accrued interest to be capitalised until the end of the loan term.

On 29 May 2024 the Convertible Note issued to 4F Investments Pty Limited in May 2023 was cancelled and the principal amount of \$500,000 was transferred into the unsecured loan facility.

9. Convertible notes

Of the \$5,000,000 of convertible notes issued May 2023 and November 2023, the following changes occurred during the current reporting period:

- a) On 29 February all but two noteholders agreed to extend the maturity date of their notes to 30 September 2024, with the Company having the option to extend this maturity date to 31 March 2025.
- b) On 30 April 2024, two notes matured and the noteholders were paid \$450,000, being the face value of their notes in cash, along with accrued interest.
- c) On 29 May 2024, the Company announced it had cancelled the convertible note issued to 4F Investments Pty Limited (a company associated with Fred Bart) with the \$500,000 face value transferred to the unsecured loan facility between the Company and 4F Investments Pty Ltd.

The face value of the convertible notes outstanding as at 30 June 2024 is \$4,050,000.

These Convertible Notes mature on 30 September 2024 (with an option at the Company's request to extend this to 31 March 2025), are unsecured, unlisted and attract an interest rate of 12% per annum payable quarterly in arrears and convertible into ordinary shares at \$9.04, based on the five-day volume weighted average share price of Audio Pixels Holdings Limited on the date of the agreement, unless a share capital raise is undertaken at a lower price.

AUDIO PIXELS HOLDINGS LIMITED

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2024**

9. Convertible notes (cont)

The convertible note subscribers also received a total of 500,000 unlisted options (100,000 options per A\$500,000 invested) at a strike price of 20% higher than the conversion price of \$9.04, being \$10.84. These unlisted options have a term of 3 years expiring on 4 May 2026.

	30 June 2024 \$	31 December 2023 \$
Borrowings - Convertible notes		
Carrying amount at start of period	4,639,037	-
Face value of notes issued	-	5,000,000
Convertible notes conversion feature on issue	-	(655,000)
Value of options issued taken to equity settled share option reserve	-	(2,678,000)
	<u>4,639,037</u>	<u>1,667,000</u>
Add – accrued interest expense	381,649	456,272
Add – Loss on initial recognition of convertible notes	-	2,678,000
Less – Net gain arising on the modification of convertible notes	(370,333)	(162,235)
Less – convertible notes redeemed/cancelled	<u>(950,000)</u>	<u>-</u>
Current Liability at end of period	<u>3,700,353</u>	<u>4,639,037</u>
Derivative liability		
Carrying value at start of the period	282,000	-
Fair value of the convertible note feature at issue	-	655,000
Fair value movement to the end of the reporting period	<u>(201,000)</u>	<u>(373,000)</u>
Derivative liability	<u>81,000</u>	<u>282,000</u>
Total borrowings	<u>3,781,353</u>	<u>4,921,037</u>
Face value of convertible notes	<u><u>4,050,000</u></u>	<u><u>5,000,000</u></u>

AUDIO PIXELS HOLDINGS LIMITED

Notes to the Condensed Consolidated Financial Statements for the half-year ended 30 June 2024

10. Unsecured loans

	30 June 2024 \$	31 December 2023 \$
4F Investments Pty Limited – related party of director:		
Face value of unsecured loans	4,937,988	2,469,988
Discount taken to capital contribution reserve	(992,863)	-
Carrying value of unsecured loans	<u>3,945,125</u>	<u>2,469,988</u>

The company has an unsecured loan facility with 4F Investments Pty Limited, a company associated with Mr Fred Bart, totalling \$4,937,988 at an interest rate of 12% at 30 June 2024. The loan is repayable in two components as follows:

- \$969,988 is due for repayment on receipt of the placement monies of A\$4,316,550 (US\$3m) from Earth Mountain or upon the Company undertaking a capital raising.
- The balance is repayable on the Company undertaking a capital raising.

During the half year ended 30 June 2024, the company paid \$74,709 (six month period ended 30 June 2023 – \$141,439) on the unsecured loan to 4F Investments Pty Limited. Interest has been accrued in the financial statements at 30 June 2024 of \$189,826 (six month period ended 30 June 2023 - \$68,116) has been accrued in the financial statements.

4F Investments Pty Limited have agreed to extend the expiry date of the unsecured loan agreement until 31 December 2025, with all accrued interest to be capitalised until the end of the loan term.

11. Subsequent events

Mark Ureda resigned as a non-executive director on 16 July 2024, with Shawn van Boheemen appointed as a non-executive director on the same date.

On 5 September 2024 the Company announced it had raised an additional \$6.45 million in funding through the issue of convertible notes to sophisticated investors who are also existing shareholders of the Company.

The terms of the Convertible Notes include a maturity date of 31 December 2025, are unsecured, attract an interest rate of 12% per annum capitalised until the Note is fully repaid or converted into Shares. The Notes are convertible to ordinary shares at A\$9.04, or a lower price if the Company undertakes a placement of ordinary shares at any time prior to the expiry date. The Notes have conversion price floor of \$5.00.

The subscribers to the Notes will receive 1,290,000 unlisted options (100,000 options per A\$500,000 invested) at a strike price of 20% higher than the conversion price of A\$9.04, namely A\$10.84. These unlisted options expire on 4 May 2027.

AUDIO PIXELS HOLDINGS LIMITED

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2024**

11. Subsequent events (cont)

The existing Note holders all agreed to extending the maturity date of their notes until 31 December 2025, in line with the new notes issued.

The existing Note holders also agreed to the inclusion of a conversion floor price of \$5.00 be included in the terms of their Notes to meet ASX listing rule 6.1 and Guidance Note 21 requirements in relation to convertible notes with a variable conversion price.

Apart from above, the Directors are not aware of any significant subsequent events since the end of the financial period and up to the date of this report.

12. Contingent Liabilities and Commitments

At 30 June 2024 the subsidiary company, Audio Pixels Limited of Israel has entered into agreements with strategic suppliers for delivery of certain components which on delivery of components meeting the required specifications of the Consolidated entity will result in final payments being due of \$651,538 (31 December 2023 - \$761,227).

As at the date of this report no legal proceedings have been commenced against any entity within the consolidated entity.

AUDIO PIXELS HOLDINGS LIMITED

Information on Audit or Review

This half yearly report is based on accounts to which one of the following applies.

- | | |
|---|---|
| <input type="checkbox"/> The accounts have been audited. | <input checked="" type="checkbox"/> The accounts have been subject to review. |
| <input type="checkbox"/> The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> The accounts have not yet been audited or reviewed. |

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

Not applicable

Description of dispute or qualification if the accounts have been audited or subjected to review.

Not applicable

AUDIO PIXELS HOLDINGS LIMITED

Corporate Directory

Directors

Fred Bart (Chairman)
Cheryl Bart AO
Mark Ureda (resigned 16 July 2024)
Shawn van Boheemen (appointed 16 July 2024)

Company Secretary

Shawn van Boheemen

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