

## **December 2024 Quarterly Activities Report and Appendix 4C**

### **Operations update**

The Company's achievements during this reporting period were primarily technical, focusing on advancing our proven Digital Sound Reconstruction technologies toward mass production as a commercial product.

As previously reported, efforts with our primary MEMS vendor have been directed toward achieving the critical "Process Freeze" milestone. This involves the systematic application of iterative methodologies to address and refine any variability within the fabrication process. The objective is to establish a standardised, integrated process that ensures consistent, repeatable, and scalable production of our product(s).

Key activities during this reporting period include:

- Collaborating with MEMS Vendors: Iterating and refining the fabrication processes developed during MEMS-GEN-II's R&D phase in an effort to attain the critical Process Freeze milestone.
- Redesigning and Fabricating Controllers: Advancing efforts to develop and produce our embedded GEN-II high-voltage mixed-signal controller (HVD-GEN-II).
- Enhancing Chip Assembly and Packaging: Incorporating specific design and structural and assembly improvements to optimise performance, reliability and cost.
- Addressing Supply Chain Risks: Implementing measures to mitigate dependencies and ensure a robust supply chain.
- Expanding Intellectual Property: Strategically expanding and enhancing our vast IP portfolio to include a number of groundbreaking additional innovations made possible by our Gen-II product design.

As previously explained, achieving a reliable, consistent, high-yield, and cost-effective fabrication process for MEMS devices involves developing and refining hundreds of intricate process steps. The iterative process entailed is often unpredictable, as even the smallest variation in a single step can significantly impact results of subsequent steps. This inherent variability introduces difficulties controlling and forecasting efforts and timelines required to attain the critical Process Freeze milestone. Nevertheless, management remains confident in its ability to bring the first commercial product to market within this calendar year.

Management remains committed to providing timely updates to the market as these activities progress and reach concrete milestones.

### **Payments to related parties**

The amounts included in Item 6.1 of \$43,633 include directors' fees and superannuation paid to non-executive directors or entities associated with non-executive directors of \$36,043. Interest was paid in cash on the convertible note to 4F Investments Pty Limited (a company associated with Fred Bart) during the quarter amounting to \$7,591.

### **Unsecured loans**

No additional unsecured loan funds were received during the quarter from 4F Investments Pty Limited (a company associated with the Chairman - Fred Bart) The principal balance of the unsecured loan between 4F Investments Pty Limited and the Company remains at \$5,582,988. This unsecured loan facility attracts an interest rate of 12% (capitalised until repayment of the loan facility) and is repayable when the Company undertakes a capital raise.

### **Convertible Notes**

On 21 November and 9 December 2024, the Company announced that it has issued an additional \$2,000,000 in Convertible Notes to sophisticated investors. The terms of the Convertible Note include a maturity date of 31 December 2025, are unsecured, attract an interest rate of 12% per annum capitalised until the Notes are 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 400,000 unlisted options (100,000 options per A\$500,000 invested) at a strike price 20% higher than the conversion price of A\$9.04, namely A\$10.84. These unlisted options expire on 4 May 2027.

The issue of these additional notes provides additional working capital for the Company to meet its commercial objectives. The total face value of Convertible Notes outstanding is currently \$12.5M.

### **ASX Suspension**

The Company's shares remain in suspension from trading on the ASX. The Company has applied to have the suspension lifted and has been working closely with ASX to answer its ongoing queries in relation to this.

In order to lift the suspension, the ASX has requested the Company hold its AGM for 2023 and confirm compliance with various listing rules (3.1, 12.1, 12.2, 12.5 and 14.5), which the Company has responded to the ASX in relation to the listing rule compliance queries. The Company is continuing to work with the ASX on reinstatement of quotation. The Company will be releasing a notice of meeting in relation to the 2023 AGM shortly.

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

31 January 2025

## 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 DECEMBER 2024

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(1,522)	(4,157)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(82)	(332)
(f) administration and corporate costs	(68)	(1,116)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	62	76
1.5 Interest and other costs of finance paid	(126)	(639)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	207
1.8 Other	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,736)</b>	<b>(5,961)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(165)	(275)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(165)</b>	<b>(275)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	2,000	8,450
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	-	2,613
3.6	Repayment of borrowings	-	(450)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Repayment of lease liabilities	34	(140)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>2,034</b>	<b>10,473</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	6,396	2,279
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1736)	(5,961)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(165)	(275)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,034	10,473
4.5	Effect of movement in exchange rates on cash held	(76)	(63)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>6,453</b>	<b>6,453</b>

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	2,453	6,396
5.2	Call deposits	4,000	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6,453</b>	<b>6,396</b>

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	44
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 \$36,043 and interest paid to 4F Investments Pty Ltd (a company controlled by Fred Bart) of \$7,591.		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	5,583	5,583
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	5,583	5,583
7.5	<b>Unused financing facilities available at quarter end</b>		-
7.6	<p>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> <p>This is an unsecured loan facility provided by 4F Investments Pty Ltd (a company controlled by Fred Bart). Interest is payable at 12%p.a. capitalised until maturity. Maturity date 31 December 2025.</p>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,736)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,453
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	6,453
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	3.72
	<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:	
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:	
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:	
	<i>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.</i>	

## **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: 31 January 2025

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.