



28 February 2025

The Manager
Company Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir,

Preliminary Final Report – Listing Rule 4.3A

The Preliminary Final Report/ Appendix 4E for the year ended 31 December 2024 is attached.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Fred Bart', is written over a light blue horizontal line.

Fred Bart
Chairman



Appendix 4E Preliminary Final Report of Audio Pixels Holdings Limited for the year ended 31 December 2024

ACN 094 384 273

This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A.

Current Reporting Period: Financial Year ended 31 December 2024

Previous Corresponding Period: Financial Year ended 31 December 2023



Appendix 4E Results for Announcement to the Market

		Percentage Change		Amount
		%		\$
Revenue from ordinary activities	down	13.29	to	248,771
Loss from ordinary activities after tax attributable to members	down	44.09	to	(8,170,538)
Net (loss) attributable to members	down	52.45	to	(6,949,016)
		Amount per security		Franked amount per security
Final dividend		Nil		Nil
Interim dividend		Nil		Nil

Net Tangible asset deficiency as at 31 December 2024 (\$11,100,214)
(this NTA number includes lease liability balances)

Number of ordinary shares outstanding at year end 29,210,100

NTA per ordinary share at 31 December 2024 (38.00) cents

NTA per ordinary share at 31 December 2023 (9.81) cents

A review of operations is included on pages 4 to 6.

Review of operations

During the reporting period, the company's achievements were primarily technical, focused on advancing our proven Digital Sound Reconstruction (DSR) technology toward mass production and commercialisation.

Building on the success of our GEN-I development platform, we have been transitioning from a company wholly dedicated to R&D into an organization driven by commercial objectives and market opportunities.

Our efforts have been concentrated on delivering customer engineering samples in a manner that seamlessly scales to large-scale mass production. This process involves:

- Close collaboration with vendors to refine and optimize fabrication techniques used during prototyping.
- Redesign and fabrication of our embedded high-voltage mixed-signal controller (HVD) to meet commercial requirements.
- Enhancements to chip assembly and packaging, ensuring alignment with performance and cost targets for the final commercial product.

Additionally, we are placing strong emphasis on mitigating supply chain dependencies and expanding our intellectual property portfolio, ensuring the maximum possible protection for our industry-altering technology as it enters the market.

Management will continue to update stakeholders as specific milestones and developments are solidified.

Placement to EarthMountain

Earth Mountain committed in writing to take 308,325 ordinary shares (\$4,316,550) at \$14.00 per share in the placement announced on 24 August 2022 subject to receiving approvals from Jiangsu Province Branch of the Ministry of Commerce, National Development and Reform Commission and the State Administration of Foreign Exchange to settle their commitment. As at the date of this report and as advised by Earth Mountain in writing on 23 January 2024, EarthMountain had yet to receive the necessary approvals from the Jiangsu Province Branch of the Ministry of Commerce, National Development and Reform Commission and the State Administration of Foreign Exchange in China to settle their commitment. Due to the prolonged delay in EarthMountains committed placement stemming from continued regulatory obstacles in China, until such time as EarthMountain provide a meaningful and verifiable update, the Board can no longer consider that the placement funds will be received.

AUDIO PIXELS HOLDINGS LIMITED
ACN 094 384 273

Review of operations (cont)

Unsecured Loans

The total unsecured loans outstanding at 31 December 2024 from 4F Investments Pty Limited was \$5,188,353 (2023: \$2,469,988.) The outstanding unsecured loan attracts an interest rate of 12% per annum (accruing from 1 January 2024 until maturity). The first \$969,988 of the loan balance is repayable on receipt of the EarthMountain placement proceeds, with the balance of the loan repayable from the proceeds of a capital raise by the Company. If a capital raise is undertaken before the EarthMountain placement funds are received, the entire loan balance and accrued interest is repayable from the proceeds of the capital raise. The unsecured loan facility has a maturity date of 31 December 2025.

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 plus accrued interest. The note issued to 4F Investments Pty Limited (a Company controlled by Fred Bart, Chairman) in October 2023 for \$500,000 was cancelled and converted into the unsecured loan facility on 29 May 2024, as it was issued to a related party without shareholder approval.

At 31 December 2024, the balance of the notes issued during 2023 is \$4,050,000.

These Convertible Notes were previously modified to mature on 31 January 2024, however were subsequently modified to mature on 30 April 2024, 31 August 2024 and 31 December 2024. The modifications have not changed any other terms, these notes 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, with a conversion price floor of \$5.00.

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 \$5.00 to the existing notes so the maximum dilutionary impact on conversion of the notes can be calculated.

These modifications to the Notes issued during 2023 referenced above were not deemed substantial and have been accounted for with a \$711,270 modification gain and \$237,000 derivative liability loss on modification of the Convertible Notes recorded during the year.

On 5 September 2024, 21 November 2024 and 9 December 2024, the Company announced it has issued an additional \$8,450,000 in Convertible Notes to sophisticated investors. 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.

AUDIO PIXELS HOLDINGS LIMITED
ACN 094 384 273

Review of Operations (cont)

As an incentive for participating in the Notes, the investors will receive 1,690,000 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.

Further information

The Company advises that two Annual General Meetings (AGMs) are forthcoming in connection with the 2023 and 2024 Appendix 4D's. The first AGM will address matters from the prior financial year, while the second will focus on the current year's financial results. Both meetings will be conducted in accordance with ASX Listing Rule 3.13.1, ensuring that all shareholders receive clear and timely information. Further details, including dates, venues, and agendas, will be provided in due course.

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 year.

AUDIO PIXELS HOLDINGS LIMITED
ACN 094 384 273

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024**

		Consolidated Year ended 31 December 2024 \$	Consolidated Year ended 31 December 2023 \$
Income	2(a)	<u>248,771</u>	<u>286,824</u>
Administrative expenses		(1,378,451)	(1,248,112)
Amortisation		-	(44,139)
Depreciation		(371,596)	(388,918)
Directors' fees and superannuation		(149,262)	(154,456)
Foreign exchange gains/(losses)		(18,426)	(96,037)
Finance costs		(2,462,138)	(4,373,002)
Goodwill impairment		-	(2,399,168)
Intangible asset impairment		-	(110,686)
Gain in fair value of derivative liability		136,000	373,000
Gain on modification of convertible notes		711,270	162,235
Loss on initial recognition of convertible notes		(71,000)	(2,678,000)
Marketing expenses		-	(3,000)
Research and development expenses		(4,644,969)	(3,433,939)
Share based payments		<u>(170,737)</u>	<u>(507,093)</u>
(Loss) before income tax	2(b)	(8,170,538)	(14,614,491)
Income tax benefit	3	<u>-</u>	<u>-</u>
(Loss) for the year		<u>(8,170,538)</u>	<u>(14,614,491)</u>
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences arising on translation of foreign operations		<u>(29,130)</u>	<u>(756)</u>
Items that will not be reclassified subsequently to profit and loss			
Capital Contribution Reserve		<u>1,250,652</u>	-
Other comprehensive profit for the year (net of tax)		<u>1,221,522</u>	<u>(756)</u>
Total comprehensive (loss) for the year		<u>(6,949,016)</u>	<u>(14,615,247)</u>

Notes to the financial statements are included on pages 12 to 34.

AUDIO PIXELS HOLDINGS LIMITED
ACN 094 384 273

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024
(CONTINUED)

	Note	Consolidated Year ended 31 December 2024 \$	Consolidated Year ended 31 December 2023 \$
(Loss) attributable to:			
Owners of the company		<u>(8,170,538)</u>	<u>(14,614,491)</u>
Total comprehensive (loss) attributable to:			
Owners of the company		<u>(6,949,016)</u>	<u>(14,615,247)</u>
Earnings per share			
Basic and diluted (cents per share)	8	(27.97)	(50.15)

Notes to the financial statements are included on pages 12 to 34.

AUDIO PIXELS HOLDINGS LIMITED
ACN 094 384 273

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
31 DECEMBER 2024

	Note	Consolidated 31 December 2024 \$	Consolidated 31 December 2023 \$
CURRENT ASSETS			
Cash and cash equivalents		5,452,690	2,279,051
Financial assets held at fair value through P&L		1,000,000	-
Trade and other receivables		256,965	336,356
Prepayments		<u>618,039</u>	<u>619,699</u>
TOTAL CURRENT ASSETS		<u>7,327,694</u>	<u>3,235,106</u>
NON-CURRENT ASSETS			
Right of use asset		52,915	151,430
Property, plant and equipment		698,679	614,153
Trade and other receivables		<u>13,994</u>	<u>12,771</u>
TOTAL NON-CURRENT ASSETS		<u>765,588</u>	<u>778,354</u>
TOTAL ASSETS		<u>8,093,282</u>	<u>4,013,460</u>
CURRENT LIABILITIES			
Trade and other payables		1,901,620	1,748,977
Lease liabilities		31,544	111,286
Unsecured loans	4	5,188,353	2,469,988
Convertible notes	5	11,457,305	4,921,037
Provisions		<u>571,280</u>	<u>311,578</u>
TOTAL CURRENT LIABILITIES		<u>19,150,102</u>	<u>9,562,866</u>
NON-CURRENT LIABILITIES			
Lease liabilities		17,106	45,051
Provisions		<u>26,288</u>	<u>17,478</u>
TOTAL NON-CURRENT LIABILITIES		<u>43,394</u>	<u>62,529</u>
TOTAL LIABILITIES		<u>19,193,496</u>	<u>9,625,395</u>
NET (LIABILITIES)/ASSETS		<u>(11,100,214)</u>	<u>(5,611,935)</u>
EQUITY			
Issued capital		80,067,610	80,067,610
Reserves		(16,275,779)	(18,958,038)
Accumulated losses		<u>(74,892,045)</u>	<u>(66,721,507)</u>
Equity attributable to owners of the company		<u>(11,100,214)</u>	<u>(5,611,935)</u>
TOTAL DEFICIENCY IN EQUITY		<u>(11,100,214)</u>	<u>(5,611,935)</u>

Notes to the financial statements are included on pages 12 to 34.

AUDIO PIXELS HOLDINGS LIMITED
ACN 094 384 273

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR
ENDED 31 DECEMBER 2024

<u>31 December 2024 – Consolidated</u>	Issued Capital	Equity Settled Option Reserve	Exchange translation reserve	Minority Acquisition Reserve	Capital Contribution Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$	\$	\$
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 (loss)/gain for the year	-	-	(29,130)	-	1,250,652	-	1,221,522
(Loss) for the year	-	-	-	-	-	(8,170,538)	(8,170,538)
Total comprehensive (loss)/gain for the year	-	-	(29,130)	-	1,250,652	(8,170,538)	(6,949,016)
Recognition of share based payments	-	170,737	-	-	-	-	170,737
Options Issued	-	1,290,000	-	-	-	-	1,290,000
Balance at 31 December 2024	80,067,610	14,386,256	(6,373,995)	(25,538,692)	1,250,652	(74,892,045)	(11,100,214)

<u>31 December 2023 – Consolidated</u>	Issued Capital	Equity Settled Option Reserve	Exchange translation reserve	Minority Acquisition Reserve	Capital Contribution Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$	\$	\$
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 year	-	-	(756)	-	-	-	(756)
(Loss) for the year	-	-	-	-	-	(14,614,491)	(14,614,491)
Total comprehensive (loss) for the year	-	-	(756)	-	-	(14,614,491)	(14,615,247)
Share placements at \$14.00	2,315,013	-	-	-	-	-	2,315,013
Recognition of share based payments	-	507,093	-	-	-	-	507,093
Options Issued	-	6,032,999	-	-	-	-	6,032,999
Balance at 31 December 2023	80,067,610	12,925,519	(6,344,865)	(25,538,692)	-	(66,721,507)	(5,611,935)

Notes to the financial statements are included on pages 12 to 34.

AUDIO PIXELS HOLDINGS LIMITED

ACN 094 384 273

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	Consolidated Year ended 31 December 2024 \$	Consolidated Year ended 31 December 2023 \$
Cash flows from operating activities			
Receipts from rent		-	22,939
Receipts from government grants		206,563	196,572
Payments to suppliers and employees		(5,590,531)	(4,840,177)
Interest paid		(639,693)	(456,397)
Interest received		<u>75,538</u>	<u>12,521</u>
Net cash used by operating activities		<u>(5,948,123)</u>	<u>(5,064,542)</u>
Cash flows from investing activities			
Payment for property, plant and equipment		(288,035)	(308,348)
Purchase of financial assets		<u>(1,000,000)</u>	-
Net cash (used by) investing activities		<u>(1,288,035)</u>	<u>(308,348)</u>
Cash flows from financing activities			
Proceeds from unsecured loans		2,613,000	1,500,000
Repayment of convertible notes	5	(450,000)	-
Proceeds from convertible notes	5	8,450,000	5,000,000
Repayment of lease liabilities		<u>(139,929)</u>	<u>(197,065)</u>
Net cash provided by financing activities		<u>10,473,071</u>	<u>6,302,935</u>
Net increase in cash and cash equivalents held		3,236,913	930,045
Cash and cash equivalents at the beginning of the financial year		2,279,051	1,339,961
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		<u>(63,274)</u>	<u>9,045</u>
Cash and cash equivalents at the end of the financial year		<u>5,452,690</u>	<u>2,279,051</u>

Notes to the financial statements are included on pages 12 to 34.

AUDIO PIXELS HOLDINGS LIMITED

ACN 094 384 273

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

1. Summary of Material Accounting Policies

1(a) Statement of compliance

The preliminary financial report has been prepared in accordance with ASX Listing Rule 4.3A and disclosure requirements of ASX Appendix 4E.

The accounting policies and methods of computation adopted in the preparation of the preliminary financial report are consistent with those adopted and disclosed in the consolidated entity's 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.

All amounts are stated in Australian dollars (\$).

1(b) Adoption of new and revised Standards

New and amended IFRS Standards that are effective for the current year

In the current year, the consolidated entity has applied a number of amendments to AASB Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2024.

As of the date of lodgement of this 4E preliminary financial report, the consolidated entity has not yet adopted any of these new and revised Australian Accounting Standards, Interpretations, and amendments which are not yet effective and the directors do not expect this non-adoption to have any material impact.

AUDIO PIXELS HOLDINGS LIMITED
ACN 094 384 273

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

1(c) 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.

As at 31 December 2024, the consolidated entity's current liabilities exceeded its current assets by \$11,822,408 (2023: \$6,327,760). In addition, the consolidated entity incurred a consolidated loss of \$8,170,538 (2023: \$14,614,491) and used net cash in operating activities of \$5,948,123 (2023: \$5,064,542). As at 31 December 2024, the consolidated entity had cash of \$5,452,690 (2023: \$2,279,051) of which \$61,398 (2023: \$61,343) is restricted as it secures future lease payments. Together, these are indicators that a material uncertainty exists.

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 which excludes the repayment of convertible notes and unsecured loans with carrying value of \$16,645,658 on 31 December 2025. Within this forecast are key material uncertainties and assumptions, namely:

- Base development spend to take the Company through to its next milestone pre-commercialisation.
- Assumes no cash outflows associated with any contingent liabilities and/or spend with the company's chip supplier for the fully tested packaged production chips.
- Nominal expenditure profile for the period; and
- Possible further extensions of the unsecured loans and convertible notes.

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

- The ability of the Company to negotiate with the related party and convertible noteholders to further defer the maturity of the loans with carrying value of \$16,645,658 beyond 31 December 2025.
- 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

1(c) Going Concern (cont)

If the consolidated entity is unable to achieve successful outcomes in relation to the above matters, a material 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.

1(d) Revenue Recognition

Interest revenue is recognised using the effective interest rate method.

Other income is largely comprised of the Research and development (R&D) tax incentive. This refundable research and development tax offset is accrued when it can be reliably measured, and it is probable the Company will receive the claim based on the AusIndustry and Australian Taxation Office R&D guidelines. For the year ended 31 December 2024, the research and development tax offset is accounted for as a government grant in accordance with AASB 120 - Government Grants by recognising a credit in profit or loss as other income with the expected collection as an other receivable.

1(e) Financial assets

Classification

The consolidated entity classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- Those to be measured at amortised cost.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)

1(e) Financial assets (cont)

The classification depends on the consolidated entity's business model for managing financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the consolidated entity has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The consolidated entity reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the consolidated entity measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the consolidated entity's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the consolidated entity classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through profit or loss (FVPL):** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)

1(e) Financial Assets (cont)

Impairment

The consolidated entity assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, and lease receivables, the consolidated entity applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

1(f) Financial Liabilities

Financial Liabilities

Financial liabilities are recognised in the consolidated entity's statement of financial position when the consolidated entity becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest rate method. The unsecured loans are held at amortised cost.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)

1(f) Financial Liabilities (cont)

Derecognition of financial liabilities

The consolidated entity derecognises financial liabilities when, and only when, the consolidated entity's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in the profit and loss.

When the consolidated entity exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the consolidated entity accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

1(g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments maturing within less than 3 months at the date of acquisition, net of outstanding bank overdrafts.

1(h) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of short term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

Defined contribution plans – Contributions to defined contribution superannuation plans are expensed when incurred.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)

1(i) Foreign currency

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at historic cost that are denominated in foreign currencies are translated using historic rates.

Exchange differences are recognised in profit and loss in the period they arise.

Foreign operations

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit and loss on disposal of the foreign operation.

1(j) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)

1(k) Impairment of assets

At each reporting date, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

The recoverable amount of the tangible asset was assessed during the year with no impairment recorded.

1(l) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

All intragroup assets and liabilities, equity, expenses and cash flows relating to transactions between members of the consolidated entity are eliminated in full on consolidation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)

1(m) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sales in the present condition. Management must be committed to the sale, which should be expected to qualify as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

The following estimated useful lives are used in the calculation of depreciation:

Computers and related equipment	5 to 15 years
Leasehold improvements	3 to 4 years
Office furniture and equipment	5 to 14 years

1(n) Share based payments

Equity-settled share-based payments are measured at fair value at the date of the grant. Fair value is measured by use of a Black-Scholes Option Pricing model. The expected life used in the model has been adjusted, based on management best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)

1(o) 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.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(a) Deferred Tax

The directors made a critical judgement in relation to not recognising the deferred tax balances described in Note 3(a). Given the current stage of development, the directors do not currently consider it's probable that sufficient taxable amounts will be available against which deductible temporary differences can be utilised.

(b) Functional Currency

The directors made a critical judgement in relation to the functional currency of Audio Pixels Holdings Limited taking into account the activities of the consolidated entity. The directors consider AUD to be the appropriate functional currency, as financing activities are of most relevance to the current year and these will occur in AUD.

(c) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)

1(o) Critical accounting judgements (cont)

The convertible note valuations at the end of the reporting period included estimates of the risk free interest rate of 3.8% and share volatility 60%.

At recognition date the value adopted for the debt portion of the convertible note was calculated with reference to the transaction price of the convertible note, and the fair value of the embedded conversion option and other financial instruments issued in conjunction with the convertible note.

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 resulting derecognition of the original convertible notes and recognition of the modified notes at fair value, and the associated gains/(losses) were calculated using the valuation inputs of the other convertibles notes issued at that time as a key input.

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 3.8% and share volatility of 60%.

The directors consider the estimates used in the valuations to be appropriate.

(d) Share-based Payments

The Group measures the cost of equity-settled share-based payment transactions with key management personnel and employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black Scholes model considering the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payment transactions include the share price on date of grant, the volatility applied, and the expected timeframe to exercise the option. Judgement was applied for these estimate and assumptions based on the facts and circumstances that existed on grant date. The accounting estimates and assumptions relating to equity-settled share-based payment transactions would have no significant impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

AUDIO PIXELS HOLDINGS LIMITED
ACN 094 384 273

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)

	Consolidated Year ended 31 December 2024 \$	Consolidated Year ended 31 December 2023 \$
2. (Loss) from operations		
(a) Income		
Interest received – other entities	83,143	12,521
Fair value gain on financial assets	887	-
Recharge rental income	-	20,854
Government grant – R & D tax incentive	<u>164,741</u>	<u>253,449</u>
Total revenue	<u>248,771</u>	<u>286,824</u>
(b) Expenses		
Amortisation	-	44,139
Depreciation of property, plant and equipment	249,851	183,217
Depreciation of right-of-use assets	121,745	205,701
Interest expense	2,462,138	4,373,002
Employee benefits expense:		
Salary and other employee benefits	2,795,293	2,710,730
Share based payments	170,737	507,093
Superannuation	<u>43,099</u>	<u>40,728</u>
	<u>3,009,129</u>	<u>3,258,551</u>

3. Income taxes

(a) Income tax recognised in profit or loss

The Company is in a loss-making position and therefore does not pay income tax in both Australia and Israel. Therefore income tax payable is nil (2023: nil).

The Company does not recognise any deferred tax assets on balance sheet as management does not believe that there will be sufficient taxable profits in the foreseeable future that deferred tax assets can be utilised against. The amount of unrecognised deferred tax assets at reporting date is \$8,716,665 (2023: \$7,138,422). \$2,545,804 (2023: \$2,213,840) of this unrecognised deferred tax relates to the parent company in Australia and \$6,170,861 (2023: \$4,924,582) relate to the subsidiary in Israel. These unrecognised deferred tax assets are able to be carried forward indefinitely.

A corporate tax rate of 25% is payable by Australian corporate entities on taxable profits under Australian tax law and 23% (2023: 23%) under Israeli law. There has been no change in the corporate tax rate when compared with the previous reporting period.

AUDIO PIXELS HOLDINGS LIMITED
ACN 094 384 273

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)**

	31 December 2024 \$	31 December 2023 \$
4. Unsecured loans		
Face value of unsecured loans	5,582,988	2,469,988
Discount taken to capital contribution reserve	(1,250,652)	-
Add finance charges amortisation	856,017	-
Carrying value of unsecured loans	<u>5,188,353</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 \$5,188,353 at an interest rate of 12% at 31 December 2024. 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 upon the Company undertaking a capital raising.
- b) The balance is repayable on the Company undertaking a capital raising.

During the year ended 31 December 2024, the company paid \$74,709 (2023: \$208,997) on the unsecured loan to 4F Investments Pty Limited. Interest has been accrued in the financial statements at 31 December 2024 of \$520,542 (2023: \$74,709).

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.

5. Convertible notes

	31 December 2024 \$	31 December 2023 \$
Borrowings - Convertible notes		
Carrying amount at start of period	4,639,037	-
Face value of notes issued	8,450,000	5,000,000
Face value of notes redeemed	(450,000)	-
Convertible notes conversion feature on issue	(573,000)	(655,000)
Value of options issued taken to equity settled share option reserve	<u>(1,290,000)</u>	<u>(2,678,000)</u>
	10,276,037	1,667,000
Add Convertible note finance charges	1,102,538	456,272
Add – loss on initial recognition of convertible notes (equity component)	71,000	2,678,000
Less – net gain arising on the modification of convertible notes	<u>(711,270)</u>	<u>(162,235)</u>
Current Liability at end of period	<u>10,738,305</u>	<u>4,639,037</u>

AUDIO PIXELS HOLDINGS LIMITED
ACN 094 384 273

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)**

5. Convertible notes (cont)

	31 December 2024	31 December 2023
	\$	\$
Derivative liability		
Carrying value at start of the period	282,000	-
Fair value of the convertible note conversion feature at issue	573,000	655,000
Fair value movement to the end of the reporting period	(373,000)	(373,000)
Fair value movement on modification of the convertible notes	<u>237,000</u>	<u>-</u>
Derivative liability	<u>719,000</u>	<u>282,000</u>
Total current liability	<u>11,457,305</u>	<u>4,921,037</u>
Face value of convertible notes	<u>12,500,000</u>	<u>5,000,000</u>

Of the \$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 (a Company controlled by Fred Bart, Chairman) for \$500,000 was cancelled and converted into the unsecured loan facility on 29 May 2024, as it was issued to a related party without shareholder approval. 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 31 December 2024 is \$4,050,000.

In order to meet ASX Listing Rule 6.1 requirements, the Company obtained noteholder approval on 5 September 2024 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, 21 November 2024 and 9 December 2024, the Company announced it has issued an additional \$8,450,000 in Convertible Notes to sophisticated investors. 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 A\$5.00.

As an incentive for participating in the Notes, the investors will receive 1,690,000 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
ACN 094 384 273

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)**

5. Convertible notes (cont)

During the period, the term on certain convertible notes were modified and the modification was not determined to be substantial based on the change in net present value of the modified debt based on the original effective interest rate. The resulting derecognition of the original convertible notes and recognition of the modified notes at fair value, and the associated gains/(losses) were calculated using the valuation inputs of the other convertibles notes issued at that time as a key input.

6. Employee Share Option Plan

The consolidated entity has an ownership-based compensation scheme for employees (including directors) of the company. In accordance with the provisions of the scheme, as approved by shareholders at a previous annual general meeting, employees with more than three months service with the company may be granted options to purchase ordinary shares at exercise prices determined by the directors based on market prices at the time the issue of options were made.

Each share option converts to one ordinary share in Audio Pixels Holdings Limited. No amounts are paid or payable by the recipient on receipt of the options. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of expiry.

The number of options granted is determined by the directors and takes into account the company's and individual achievements against both qualitative and quantitative criteria.

On 13 January 2011, shareholders approved the adoption of an Employee Share Option Plan.

(a) Unlisted Options issued under the Employee Share Option Plan

	2024		2023	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Balance at the beginning of the financial year (i)	287,000	19.82	287,000	19.82
Granted during the year (ii)	-	-	173,000	16.20
Exercised during the year (iii)	-	-	-	-
Lapsed during the year (iv)	(25,000)	14.00	(173,000)	16.20

AUDIO PIXELS HOLDINGS LIMITED
ACN 094 384 273

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)**

6. Employee Share Option Plan (cont)

Balance at the end of the financial year (v)	262,000	20.39	287,000	19.82
Exercisable at the end of the year	133,200	26.54	101,260	27.70

(i) Balance at the beginning of the year

	Number	Grant date	Expiry date	Exercise Price	Fair value at grant date
2024	122,000	16/4/21	16/4/25	\$27.70	\$1,241,960
	30,000	1/12/22	1/12/26	\$14.00	\$124,800
	135,000	1/12/22	1/2/27	\$14.00	\$662,850
	<u>287,000</u>				
2023	122,000	16/4/21	16/4/25	\$27.70	\$1,241,960
	30,000	1/12/22	1/12/26	\$14.00	\$124,800
	135,000	1/12/22	1/2/27	\$14.00	\$662,850
	<u>287,000</u>				

Staff options carry no rights to dividends and no voting rights.

(ii) Granted during the year

	Number	Grant date	Expiry date	Exercise Price	Fair value at grant date
2024					
Staff options	-	-	-	-	-
2023					
Staff options	30,000	1/12/22	1/12/25	14.00	\$124,800
Staff options	<u>135,000</u>	<u>1/12/22</u>	<u>1/12/26</u>	<u>14.00</u>	<u>\$662,850</u>
	<u>165,000</u>				<u>\$787,650</u>

(ii) Exercised during the year

There were no options exercised during the year.

AUDIO PIXELS HOLDINGS LIMITED
ACN 094 384 273

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)**

6. Employee Share Option Plan (cont)

(iv) Lapsed during the year

25,000 employee options lapsed during the year.

(v) Balance at the end of the financial year

	Number	Grant date	Expiry date	Exercise Price	Fair value at grant date
2024					
Staff options	122,000	16/4/21	16/4/25*	\$27.70	\$1,241,960
Staff options	30,000	1/12/22	1/12/26*	\$14.00	\$124,800
Staff options	<u>110,000</u>	<u>1/12/22</u>	<u>1/2/27*</u>	<u>\$14.00</u>	<u>\$662,850</u>
	<u>287,000</u>				
2023					
Staff options	122,000	16/4/21	16/4/25*	\$27.70	\$1,241,960
Staff options	30,000	1/12/22	1/12/26*	\$14.00	\$124,800
Staff options	<u>135,000</u>	<u>1/12/22</u>	<u>1/2/27*</u>	<u>\$14.00</u>	<u>\$662,850</u>
	<u>287,000</u>				

Staff options carry no rights to dividends and no voting rights.

*All options granted to staff have a vesting condition that the employee must be employed by the consolidated entity at the time of vesting. These options start to vest after two years continuous employment on the basis of one twelfth of the total number each month for a twelve month period.

The difference between the total fair value of the options issued during the financial year, at the date of issue, and the total amount received from the employees (nil) is recognised in the financial statements over the vesting period.

7. Related Party Transactions

(a) Directors

The Directors of Audio Pixels Holdings Limited in office during the year were Fred Bart, Cheryl Bart, Mark Ureda (appointed 31 July 2023, resigned 16 July 2024) and Shawn van Boheemen (appointed 16 July 2024).

AUDIO PIXELS HOLDINGS LIMITED
ACN 094 384 273

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)**

7. Related Party Transactions (cont)

(b) KMP Remuneration

The aggregate compensation of the key management personnel of the company is set out below:

	31 December 2024 \$	31 December 2023 \$
Short-term employee benefits	752,297	652,555
Long term employee benefits	<u>116,962</u>	<u>106,628</u>
	<u>869,259</u>	<u>759,183</u>

The remuneration above relates to directors fees, consultancy fees and superannuation paid to (or paid to associated entities) for Fred Bart, Cheryl Bart, Mark Ureda and Shawn van Boheemen and the remuneration of one senior executive of Audio Pixels Limited in Israel and one senior executive of Audio Pixels Holdings Limited.

Transactions with related entities

During the year ended 31 December 2024, the Company paid a total of \$109,355 (2023: \$109,456) 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 year ended 31 December 2024, the Company paid a total of \$45,000 to Noxopharm Limited, a company associated with Mr Fred Bart (who is a Director of Noxopharm Limited) in respect of consulting fees for Mr. Shawn van Boheemen. At 31 December 2024, the Company owes \$45,000 to Noxopharm Limited for Mr. van Boheemen's consulting fees.

4F Investments Pty Limited holds an unsecured funding facility with the Company and advanced an additional \$3,113,000 to the Company during the year. The balance owing to 4F Investments Pty Limited at 31 December 2024 is \$5,582,988 (2023: \$2,469,988) at an interest rate of 12% per annum (this interest is capitalised until maturity from 1 January 2024). The initial \$969,988 of the loan balance is repayable on receipt of the EarthMountain placement proceeds, with the balance of the loan repayable from the proceeds of a capital raise by the Company. The unsecured loan facility has a maturity date of 31 December 2025.

During the year, the company paid \$74,709 interest (2023: \$135,673) on the unsecured loan to 4F Investments Pty Limited,. Interest owing to 4F Investments Pty Limited has been accrued in the financial statements at 31 December 2024 of \$520,542 (2023: \$74,709).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)**

7. Related Party Transactions (cont)

The lease in respect of office premises at Suite 3, Level 12, 75 Elizabeth Street Sydney expired on 30 March 2022. The Company has not renewed the lease and continues to occupy the premises on a month to month basis. The Company recharged rent and other tenancy charges of \$39,356 (2023: \$37,599) to 4F Investments Pty Limited, a company controlled by Fred Bart.

	31 December 2024	31 December 2023
8. Earnings per Share		
Basic (loss) per share	<u>(27.97) cents</u>	<u>(50.15) cents</u>
Diluted (loss) per share (b)	<u>(27.97) cents</u>	<u>(50.15) cents</u>
(Loss) (a)	(8,170,538)	(14,614,491)
Weighted average number of Ordinary Shares	<u>29,210,100</u>	<u>29,141,692</u>

- (a) (Loss) used in the calculation of basic earnings per share are the same as the net (loss) in the Statement of profit or loss and other comprehensive income.
- (b) There are potential ordinary shares to be issued in relation to the issue of 122,000 unlisted employee options issued on 16 April 2021 at an exercise price of \$27.70. These options expire on 16 April 2025. The unlisted employee options have not been included in dilutive EPS, as they are anti-dilutive.
- (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 2026. The unlisted employee options have not been included in dilutive EPS, as they are anti-dilutive.
- (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 2027. The unlisted employee options have not been included in dilutive EPS, as they are anti-dilutive.
- (e) There are potential ordinary shares to be issued in relation to the issue of 500,000 unlisted options issued on 5 May 2023 at an exercise price of \$7.59. These options expire on 4 May 2026. The unlisted options have not been included in dilutive EPS, as they are anti-dilutive.
- (f) There are potential ordinary shares to be issued in relation to the issue of 400,000 unlisted options issued on 22 May 2023 at an exercise price of \$10.84. These options expire on 4 May 2026. The unlisted options have not been included in dilutive EPS, as they are anti-dilutive.
- (g) There are potential ordinary shares to be issued in relation to the issue of 100,000 unlisted options issued on 27 October 2023 at an exercise price of \$10.84. These options expire on 4 May 2026. The unlisted options have not been included in dilutive EPS, as they are anti-dilutive.

AUDIO PIXELS HOLDINGS LIMITED
ACN 094 384 273

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)**

8. Earnings per share (cont)

- (h) There are potential ordinary shares to be issued in relation to the issue of 400,000 unlisted options issued on 23 November 2023 at an exercise price of \$10.84. These options expire on 4 May 2026. The unlisted options have not been included in dilutive EPS, as they are anti-dilutive.
- (i) There are potential ordinary shares to be issued in relation to the issue of 1,690,000 unlisted options issued on 5 September 2024, 21 November 2024 and 9 December 2024, at an exercise price of \$10.84. These options expire on 4 May 2027. The unlisted options have not been included in dilutive EPS, as they are anti-dilutive.

9. Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess performance.

The identification of the consolidated entity's reportable segments has not changed from those disclosed in the previous 2023 report.

The consolidated entity operates in Australia and Israel.

Products and services within each segment

Digital speakers

The subsidiary company in Israel is developing a digital speaker and has not reached the stage of generating any revenue from the technology.

	31 December 2024	31 December 2023
	\$	\$
Segment Revenues		
Digital speakers	<u>248,771</u>	<u>286,824</u>
Total of all segments	<u>248,771</u>	<u>286,824</u>
Segment Results		
Digital speakers	<u>(8,170,538)</u>	<u>(14,614,491)</u>
(Loss) before income tax	<u>(8,170,538)</u>	<u>(14,614,491)</u>
Income tax gain/ (expense)	<u>-</u>	<u>-</u>
(Loss) for the period	<u>(8,170,538)</u>	<u>(14,614,491)</u>

AUDIO PIXELS HOLDINGS LIMITED

ACN 094 384 273

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)**

9. Segment Information (cont)

Segment Assets and Liabilities

	Assets		Liabilities	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
	\$	\$	\$	\$
Digital speakers	8,093,282	4,013,460	19,193,496	9,625,395
Total all segments	8,093,282	4,013,460	19,193,496	9,625,395
Unallocated	-	-	-	-
Consolidated	8,093,282	4,013,460	19,193,496	9,625,395

Assets used jointly by reportable segments are allocated on the basis of the revenue earned by the individual reportable segments.

Other Segment Information

	Depreciation and amortisation of segment assets		Acquisition of segment assets	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
	\$	\$	\$	\$
Digital speakers	371,596	433,057	288,035	308,348
Total all segments	371,596	433,057	288,035	308,348
Unallocated	-	-	-	-
Consolidated	371,596	433,057	288,035	308,348

Information on Geographical Segments

31 December 2024

Geographical Segments	Revenue from External Customers	Segment Assets	Acquisition of Segment Assets
	\$	\$	\$
Australia	248,771	6,761,267	-
Israel	-	1,332,015	288,035
Total	248,771	8,093,282	288,035

AUDIO PIXELS HOLDINGS LIMITED
ACN 094 384 273

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)**

9. Segment Information (cont)

31 December 2023

Geographical Segments	Revenue from External Customers	Segment Assets	Acquisition of Segment Assets
	\$	\$	\$
Australia	286,824	2,307,089	-
Israel	-	1,706,371	308,348
Total	286,824	4,013,460	308,348

10. Contingent Liabilities and Commitments

a) At 31 December 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 \$767,460 (2023: \$761,227).

11. Information on Audit or Review

This Preliminary Final report is based on accounts to which one of the following applies.

- | | |
|--|--|
| <input type="checkbox"/> The accounts have been audited. | <input type="checkbox"/> The accounts have been subject to review. |
| <input checked="" 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.

N/A

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

The full year financial statements are likely to include an emphasis of matter on going concern similar to that disclosed in the prior period's interim report.