

**AUDIO PIXELS HOLDINGS LIMITED**  
**ACN 094 384 273**

**FINANCIAL REPORT FOR THE YEAR ENDED**  
**31 DECEMBER 2024**

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# AUDIO PIXELS HOLDINGS LIMITED

ACN 094 384 273

## 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

### Registered Office

Suite 3, Level 12  
75 Elizabeth Street  
SYDNEY NSW 2000  
Australia

Telephone:- +61(2) 9233 3915  
Facsimile:- +61(2) 9232 3411  
E-Mail:- [shawn@audiopixels.com.au](mailto:shawn@audiopixels.com.au)

### Web site

[www.audiopixels.com.au](http://www.audiopixels.com.au)

### Auditor

Moore Australia  
Level 44  
600 Bourke Street  
Melbourne VIC 3000  
Australia

### Share Registry

Computershare Investor Services Pty Limited  
6 Hope Street  
Ermington NSW 2115  
Australia

GPO Box 7045  
Sydney NSW 1115  
Australia

Telephone 1300 855 080 or  
+613 9415 5000 outside Australia  
Facsimile 1300 137 341

### Israel Office

3 Pekris Street  
Rehovot  
ISRAEL 76702

Telephone:- + 972 73 232 4444  
Facsimile:- + 972 73 232 4455  
E-Mail:- [danny@audiopixels.com](mailto:danny@audiopixels.com)

### Bankers

St George Bank  
200 Barangaroo Avenue  
Barangaroo  
SYDNEY NSW 2000  
Australia

**AUDIO PIXELS HOLDINGS LIMITED**  
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**DIRECTORS' REPORT**

The Directors of Audio Pixels Holdings Limited submit herewith the financial report of the company for the financial year ended 31 December 2024. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

The names and particulars of the directors of the company during or since the end of the financial year are:

<b>Name</b>	<b>Particulars</b>
Fred Bart	<p>Chairman and Chief Executive Officer. A director since 5 September 2000. He has been Chairman and Managing Director of numerous private companies since 1980, specialising in manufacturing, property and marketable securities. He is a member of the Audit Committee and a member of the Nomination and Remuneration Committee.</p> <p>He is also Chairman of Noxopharm Limited and Chairman of Phoslock Environmental Technologies Limited.</p>
Cheryl Bart AO	<p>Non-executive director. Appointed to the Board on 26 November 2001. Cheryl Bart is a lawyer and company director. She is Chairman of Tilt Renewables Limited and Ted X Sydney. Cheryl is a non-executive director of SG Fleet Group Limited and the Moriah College Foundation.</p> <p>She is a fellow of the Australian Institute of Company Directors, Patron of SportsConnect and a member of Chief Executive Women. She is a member of the Audit Committee and a member of the Nominations and Remuneration Committee.</p>
Mark Ureda	<p>Non-executive director. Mr. Ureda brings to the company extensive executive experience in audio systems, technology trends and product strategies. In 2010 he joined Harman International as president of JBL Professional. He subsequently served as VP/CTO and then senior vice president of Harman Professional. He retired in 2018 and joined Biamp Systems as executive advisor and continues to serve on the boards of Loud Audio and Bose Professional.</p> <p>Prior to joining Harman, Mr. Ureda was senior vice president of corporate strategy at Northrop Grumman specializing in mergers and acquisitions and held board positions at Navia Aviation AS, and Remotec UK Limited.</p>
Shawn van Boheemen	<p>Non-executive director. Mr. van Boheemen's experience in commercial finance leadership spans 30 years across various sectors, including healthcare, manufacturing, biotech and financial services.</p>

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**DIRECTORS' REPORT (CONTINUED)**

His expertise includes Australian ASX and ASIC reporting, SEC reporting in the USA, compliance and regulatory affairs, internal and external audit work, taxation, business and financial analytics, IP protection, as well as regulatory and financial reporting locally and in the United States.

He has held senior financial positions in both Australian and multinational organisations, including Covance, Unomedical, M.D. Sass, and New York Life Insurance. He is currently CFO of Noxopharm Limited (ASX: NOX) and a Non-executive director/company secretary of Phoslock Environmental Technologies Limited (ASX: PET).

Shawn holds a Master of Commerce degree with a major in Accounting (UWS) and a Bachelor of Business degree in Accounting and Commercial Law (UWS). He is a Fellow of the Australian Society of Certified Practising Accountants and a Justice of the Peace in NSW.

**Directorships of other listed companies**

The abovenamed directors held office during the whole financial year except for:

- Mr Mark Ureda – resigned 16 July 2024
- Shawn van Boheemen – appointed 16 July 2024

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

<b>Name</b>	<b>Company</b>	<b>Period of directorship</b>
Fred Bart	Weebit Nano Limited	March 2018 to 27 June 2023
	Noxopharm Limited	Since 8 May 2020
	Phoslock Environmental Technologies Limited	Since 18 January 2024
Mark Ureda	N/A	N/A
Cheryl Bart	SG Fleet Group Limited	Since February 2014
Shawn van Boheemen	Phoslock Environmental Technologies Limited	Since 18 January 2024

**Principal activities**

The principal activity of the Company is holding an investment in Audio Pixels Limited of Israel. Audio Pixels Limited is engaged in the development of digital speakers.

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**DIRECTORS' REPORT (CONTINUED)**

**Results**

The net loss for the financial year ended to 31 December 2024 was \$8,170,538 (2023: \$14,614,491).

**Dividends**

The directors recommend that no dividend be paid and no amount has been paid or declared by way of dividend since the end of the previous financial year and up to the date of this report.

**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.

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**DIRECTORS' REPORT (CONTINUED)**

**Review of Operations (cont)**

**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 EarthMountain's 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.

**Unsecured Loans**

The total unsecured loans outstanding at 31 December 2024 from 4F Investments Pty Limited, a company associated with Mr Fred Bart, 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 \$5,000,000 of Convertible Notes issued during 2023, 2 note holders redeemed their notes on maturity (30 April 2024), and were repaid \$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, 30 September 2024 and 31 December 2025. 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.

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**DIRECTORS' REPORT (CONTINUED)**

**Review of Operations (cont)**

**Convertible Notes (cont)**

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 aggregate \$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 \$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 1,690,000 unlisted options (100,000 options per \$500,000 invested) at a strike price of 20% higher than the conversion price of \$9.04, namely \$10.84. These unlisted options expire on 4 May 2027.

**Further information**

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.

**Changes in state of affairs**

There was no significant change in the state of affairs of the company or the consolidated entity other than that referred to in the financial statements or notes thereto.

**Significant events after balance date**

On 26 March 2025, the Unsecured loans with carrying amount of \$5,188,353 as at 31 December 2024 was approved and converted to Convertible Notes on the same terms given to the existing convertible note subscribers with 1,354,698 maximum number of ordinary shares to be issued.

Other than the above, there has not been any other matters or circumstance that has arisen since the end of the financial year which is not otherwise dealt with in this report or in the financial statements, that has significantly affected or may significantly affect the operations of the company or the consolidated entity, the results of those operations or the state of affairs of the company or the consolidated entity in subsequent financial years.

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**DIRECTORS' REPORT (CONTINUED)**

**Future developments**

The consolidated entity will continue to focus on the development of its digital speaker technology.

**Environmental regulations**

In the opinion of the directors the company and the consolidated entity are in compliance with all applicable environmental legislation and regulations. The Directors have considered the environmental, social and governance (ESG) aspects of the operations of the consolidated entity and do not believe that the consolidated entity is exposed to any material climate-related or other emerging risks.

**Indemnification and Insurance of Officers and Auditors**

The Company has agreed to indemnify the current Directors, Company Secretary and Executive Officers against all liabilities to other persons that may arise from their position as Directors or Officers of the Company and its controlled entities, except where to do so would be prohibited by law. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not, during or since the financial year indemnified or agreed to indemnify an auditor of the company or of any related body corporate against any liability incurred as such an auditor.

**Directors' interests and benefits**

The relevant interest of each director in the share capital of the Company as notified by the directors to the Australian Stock Exchange in accordance with Section 205G(1) of the *Corporations Act 2001* as at the date of this report are:

Name	Ordinary Shares
Fred Bart	5,984,480
Cheryl Bart	500,000
Shawn van Boheemen	Nil

**Remuneration report (Audited)**

Since the end of the previous financial year no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors as shown in the financial statements) because of a contract made by the Company or related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest. There are no employment contracts for any of the directors.



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**DIRECTORS' REPORT (CONTINUED)**

**Remuneration report (Audited) (cont)**

This report outlines the remuneration arrangements in place for Directors and key management personnel of the Company. The Directors are responsible for remuneration policies and packages applicable to the Board members of the Company. The entire Board makes up the Nomination and Remuneration Committee. The Board remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities.

There are currently no performance-based incentives to directors or executives based on the performance of the Company. There are standard employment contracts for the executives of Audio Pixels Limited including at will employment and a notice period of three months for termination.

The key management personnel of Audio Pixels Holdings Limited during the year were:

Fred Bart – Chairman and Chief Executive Officer  
Cheryl Bart – Non executive director  
Mark Ureda – Non-executive director (resigned 16 July 2024)  
Shawn van Boheemen – Non-executive director and Company Secretary (appointed 16 July 2024)  
Danny Lewin – CEO and director of Audio Pixels Limited  
Yuval Cohen – Chief Technical Officer of Audio Pixels Holdings Limited

The directors fees are not dependent on the earnings of the Company and the consequences of the Company's performance on shareholder wealth. On 24 September 2010, the maximum total director's fees were increased to a total of \$250,000 per annum in line with the increased activities of the company. The actual director's fees paid were within the approved limit of \$250,000 per annum approved by shareholders at the Annual General Meeting held on 24 September 2010.

The table below sets out summary information about the Company's earnings and movements in shareholder wealth for the last 5 financial years.

	Year ended 31 December 2024 \$	Year ended 31 December 2023 \$	Year ended 31 December 2022 \$	Year ended 31 December 2021 \$	Year ended 31 December 2020 \$
Income	248,771	286,824	482,841	108,691	191,434
Net (loss) before tax	(8,170,538)	(14,614,491)	(2,435,719)	(3,309,869)	(12,102,367)
Net (loss) after tax	(8,170,538)	(14,614,491)	(2,435,719)	(3,309,869)	(12,102,367)

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**DIRECTORS' REPORT (CONTINUED)**

**Remuneration report (Audited) (cont)**

	Year ended 31 December 2024 \$	Year ended 31 December 2023 \$	Year ended 31 December 2022 \$	Year ended 31 December 2021 \$	Year ended 31 December 2020 \$
Share price at start of year	8.18	10.00	22.50	24.05	15.35
Share price at end of year	6.20	8.18	10.00	22.50	24.05
Dividend Paid	0.00	0.00	0.00	0.00	0.00

The following table sets out each key management personnel's equity holdings (represented by holdings of fully paid ordinary shares in Audio Pixels Holdings Limited) as at the date of this report.

	<b>Ordinary Shares No.</b>	<b>Granted as remuneration No.</b>	<b>Received on exercise of options No.</b>	<b>Number of options over ordinary shares No.</b>	<b>Purchases/ (Sales) No.</b>
Mr Fred Bart	5,984,480*	-	-	500,000*	-
Mrs Cheryl Bart	500,000	-	-	-	-
Mr Danny Lewin	1,438,619	-	-	-	-
Mr Yuval Cohen	1,397,876	-	-	-	-

\* Included in the above shareholdings in respect to both Fred Bart and Cheryl Bart are 782,777 (2023: 782,777) shares in Audio Pixels Holdings Limited held by the Bart Superannuation Fund, in respect to which each has a relevant interest.

\*\*Held by a related party to the Director.

**Transactions with related entities**

All transactions with KMP and their related parties are made on terms equivalent for those that prevail in arm's length transactions.

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.

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**DIRECTORS' REPORT (CONTINUED)**

**Remuneration report (Audited) (cont)**

During the year, the Company paid \$45,000 (2023: \$37,500) to Noxopharm Limited, a company associated with Mr Fred Bart who is chairman, in respect of consulting fees for company secretarial and accounting services provided by Shawn van Boheemen. At 31 December 2024 the Company has an accrued payable owing to Noxopharm Limited for \$45,000.

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.

During the year, the Company paid \$74,709 (2023: \$135,673) interest on the unsecured loan to 4F Investments Pty Limited. Nominal interest has been accrued in the financial statements at 31 December 2024 of \$520,542 (2023: \$74,709). In addition, an effective interest expense was recognised at 31 December 2024 of \$335,567 (2023: Nil).

During the reporting period, 4F Investments Pty Limited purchased a convertible note from an existing note holder for a face value of \$250,000 with unlisted options of 25,000. There is no change to the original terms of the convertible note agreement.

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 \$36,045 (2023: \$34,790) to 4F Investments Pty Limited, a company controlled by Fred Bart.

All Executive KMPs are employed under a contract with the consolidated entity. The terms of the contracts are as follows:

(a) Danny Lewin

Contract term	Ongoing contract with no fixed term
Notice period	3 months
Termination rights	Entitled to a 3 times the employee salary at the timer of termination

(b) Yuval Cohen

Contract term	Ongoing contract with no fixed term
Notice period	6 months
Termination rights	in accordance with the relevant state laws

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**DIRECTORS' REPORT (CONTINUED)**

**Remuneration report (Audited) (cont)**

The following table sets out the remuneration of each key management personnel of the Company:

<b>December 2024</b>	<b>Short Term</b>		<b>Long term employee benefits</b>			<b>Total</b>
	<b>Directors' fees/Salary</b>	<b>Non-monetary</b>	<b>Super annuation</b>	<b>Social Security</b>	<b>Long service leave</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>		<b>\$</b>
Fred Bart	60,864	-	6,847	-	-	67,711
Cheryl Bart	37,415	-	4,209	-	-	41,624
Mark Ureda	20,813	-	-	-	-	20,813
Shawn van Boheemen **	107,143	-	1,971			109,114
Danny Lewin	220,411	-	-	65,054	-	285,465
Yuval Cohen	267,300	38,352	30,071	-	8,810	344,533
	713,946	38,352	43,098	65,054	8,810	869,260
<b>December 2023</b>						
Fred Bart	61,000	-	6,925	-	-	67,925
Cheryl Bart	37,500	-	4,031	-	-	41,531
Ian Dennis*	41,875*	-	2,313	-	-	44,188
Mark Ureda	20,813					20,813
Danny Lewin	170,680	41,277	-	62,337	-	274,294
Yuval Cohen	255,150	24,260	27,459	-	3,563	310,432
	587,018	65,537	40,728	62,337	3,563	759,183

\* The amounts disclosed for Ian Dennis include director's fees of \$24,188 and consulting fees of \$20,000 (2023: directors fees \$41,625 and consulting fees \$30,000).

\*\* The amounts disclosed for Shawn van Boheemen include director's fees of \$19,114 and consulting fees of \$90,000 (2023: consulting fees \$37,500).

\*\*\*The directors do not have share based payments.

Other non-monetary benefits include annual leave and long service leave provision increases during the year.

**END AUDITED REMUNERATION REPORT**

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**DIRECTORS' REPORT (CONTINUED)**

**Audit Committee**

The Audit Committee was formally constituted on 29 August 2014 with all three directors appointed to the Audit Committee. Shawn van Boheemen is appointed chair of the Audit Committee.

**Directors' meetings**

During the year the Company held three meetings of directors, one meeting of the Audit Committee and one meeting of the Nomination and Remuneration Committee.

The attendances of the directors at meetings of the Board were:

Directors	Board of directors		Audit committee		Nomination and Remuneration committee	
	Held	Attended	Held	Attended	Held	Attended
Mr Fred Bart	3	3	1	1	1	1
Mrs Cheryl Bart	3	3	1	-	1	1
Mr Mark Ureda	3	3	1	1	1	1
Mr Shawn van Boheemen	-	-	-	-	-	-

All current board members are on the Audit Committee and the Nomination and Remuneration Committee.

**Interests under options**

As at the date of this report, the unissued ordinary shares of the Company under options are:

Grant date	Expiry date	Exercise Price	Number outstanding
16/4/21	16/4/25	\$27.70	122,000
1/12/22	1/12/25	\$14.00	30,000
1/12/22	1/2/26	\$14.00	110,000
5/5/2023	4/5/2026	\$7.59	500,000
22/5/2023	4/5/2026	\$10.84	500,000
23/11/2023	4/5/2026	\$10.84	400,000
5/9/2024	4/5/2027	\$10.84	1,290,000
21/11/2024	4/5/2027	\$10.84	200,000
9/12/2024	4/5/2027	\$10.84	<u>200,000</u>
			<u>3,352,000</u>

The holders of these options do not have any rights to participate in any share issue of the company or receive dividends before the options are exercised.

**DIRECTORS' REPORT (CONTINUED)**

**Ethical Labour**

The consolidated entity has established measures regarding fair labour practices and guidelines that create a respectful and safe work environment for our employees globally. We are committed to treat all of our employees with respect and we strictly prohibit the use of slavery, forced labour and human trafficking. To prevent the occurrence of forced, compulsory or child labour, we have implemented local labour policies and practices to comply with the Modern Slavery Act.

Any person who applies for employment at AKP does so on a voluntary basis and all employees are legally entitled to leave upon reasonable notice without penalty. In accordance with AKP's global recruiting guidelines, offers of employment must be conditional upon completion of required background checks. Background checks are required to protect the safety of employees and to ensure that employees meet the standards of AKP.

**Diversity**

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. The Company's diversity policy ("Diversity Policy") was updated on 31 December 2021 and outlines its diversity policy in relation to gender, age, cultural background, ethnicity, employment of veterans and other factors to leverage the widest pool of available talent. A copy of the Company's Diversity Policy is available on the Company's web site.

**Material Business Risks**

Since its founding management has openly and frequently delineated its assessment of the ongoing and emerging risks, challenges and concerns that might influence the company success and opportunities. In fact, as a technology company engaged in transforming century old technological conventions; continual analysis of risks and failures have been baked into the company's DNA as the guiding principle of operation.

**1. TECHNOLOGICAL VIABILITY**

AKP is engaged in revolutionizing an incumbent technology that has been an important and prevalent technological staple, used extensively by mankind, since its advent by Alexander Graham Bell roughly 150 years ago. The industry at large has unsuccessfully spent many, many billions of dollars over decades searching for ways to advance sound reproduction to the modern era. AKP's radical approach is the best chance the industry has to succeed in its ambition to evolve sound reproduction into the digital era, for example in the same manner that the LCD has completely replaced the CRT and digital memory has replaced magnetic media for data storage.

**DIRECTORS' REPORT (CONTINUED)**

**Material Business Risks (cont)**

**1. TECHNOLOGICAL VIABILITY (CONT)**

However, this effort requires the expansion and advent of many technological disciplines, some of which were either unknown or not fully understood. Achieving sufficient understanding as to the intersection of varying physical regimes prevalent in micro-mechanical structures was impossible before structures of this scale could be physically fabricated and characterized. This achievement alone required very deep understanding of the capabilities and limitations of available microfabrication tools and techniques.

AKP has and continues to be engaged in a comprehensive research and development effort to bring our technology to fruition. As such and until completion of the technology, its products, production methods, fulfillment of the technological vision and mission will by its very nature maintain certain levels of technological uncertainties and risks. Throughout and to the best of reason, management has tried to share its assessment at common sense intervals of the remaining risks, challenges and concerns, based on technical progress actualities, competitive concerns, and in consideration of confidentiality and intellectual property considerations.

**2. FINANCE AND CAPITAL**

The Company requires additional capital to execute and support its plans. The company's ability to secure capital in a timely manner depends among other factors on its development status, investor interest, as well as the financial state of capital markets. The Directors have determined that the best result for a capital raise at this stage of the company, is obtainable after the company has the ability to properly demonstrate its technologies to potential investors. In the interim the Company has been funding its operations utilising unsecured loans from related parties and convertible notes. The directors continue to monitor in real time the status of achieving the demonstration milestone and may choose to take further unsecured loans and /or convertible notes if the capital raise is further delayed.

**3. INTELLECTUAL PROPERTY**

As a pioneer, the company has managed to amass an impressive technology portfolio covering over 200 patents (and counting) in over a dozen patent families. Nonetheless financial and human constraints limit our ability to:

- a. Legally protect every aspect of the technology; and
- b. Limit the jurisdictions in which we are able file and maintain patent protection .

The Company is extremely diligent ensuring that all developments are originated within the company using licensed and authorised tools. However, the very nature of multidisciplinary development entangling a multitude of technologies and tools might expose the company to claims of IP infringement by various third parties.

**DIRECTORS' REPORT (CONTINUED)**

**Material Business Risks (cont)**

**3. INTELLECTUAL PROPERTY (CONT)**

Since its founding the company has used Israel's leading IP firm to advise and guide our IP strategies. To the best of its ability and available resources the company has developed methods, procedures and strategies to ensure originality and or legal license as well as to protect its IP worldwide. The company also put in place routine procedures to investigate and react if needed to possible infringement or unauthorized replication of its technologies.

Furthermore, our IP portfolio includes considerable knowhow. Inherent to the model of a fabless company is the necessity to sharing of such knowhow with third party partners, vendors and service providers. Given our limited ability to control or monitor third parties management maintains reasonable caution when divulging certain critical aspects and knowhow of our technology. The sharing of critical information when required is done in a manner that tries to minimise the risk of IP leakage, which at time can come at the expense of elongating timelines.

**4. DEVELOPMENT TIMELINE / TIME TO MARKET**

There are a number of factors that have, and will continue, to influence the pace of progress (beyond the technological uncertainties associated with research and development as stated above), namely:

- Fabrication – MEMS fabrication differs greatly when compared to fabrication of “traditional” integrated circuitry, despite the fact that they many of the same tools, techniques and facilities are used; mainly in that there are no rigid design rules and highly standardized batch processing techniques in MEMS. By its very nature MEMS designs vary in their electro-mechanical and operational requirements, requiring fabrication processes flow to be tailored to the specific materials, dimensions, tolerances, etc. This “one design-one process”, necessitates an iterative, trial-and-error approach, whereby designs are fabricated, results are characterized, and then either the fabrication process flow, and or the design or both are modified, refined, or optimized accordingly in order to achieve the desired end results – often a cycle that needs to be repeated a number of times.

Historically converting the company's MEMS into silicon has taken between 10 and 14 months for each major integration cycle. Such timelines are more or less confirmative with the cycle times throughout the fabless MEMS sector, even though AKP's designs require extending the electromechanical specifications beyond the conventional norms of associated with MEMS fabrication. The Company originally started its development works with Sony Semiconductor as its primary MEMS fabricator, and after evaluation of a number of additional Fabs ultimately shifted priority to Tower Semiconductor in attempt to reduce production cycle timelines. More recently, the company established a relationship with Earth Mountain a Chinese based entity having highly advanced facilities and expansive resources.



**DIRECTORS' REPORT (CONTINUED)**

**Material Business Risks (cont)**

**4. DEVELOPMENT TIMELINE / TIME TO MARKET (CONT)**

After extensive evaluation EarthMountain was deemed capable of delivering faster turnaround with superior results, a collaboration that has recently borne the success that management was hoping to achieve. This collaboration was memorialized in Dec 2021 in a comprehensive manufacturing agreement which is subject to confidentiality clauses, however as has been reported the agreement includes substantial production capacity, which comes at a time that the industry at large is struggling to overcome capacity shortages.

- Fab Prioritization - The business models of silicon foundries are rooted in volume production and therefore the Fabs tend to avoid conducting any kind of development work especially for innovative and nonconforming fabless companies such as AKP. It is understood that even when a fab undertakes development work, such endeavors must play “second fiddle” to production customers, influencing timelines (always for the worse). Exacerbating the situation are the unprecedented global shortages of semiconductor capacity experienced worldwide. These unprecedented shortages have impacted virtually every industry in particular those that heavily rely on semiconductors such as the automotive and consumer electronic industries, forcing companies such as Apple and Ford, to delay, suspend, or even shutdown various aspects of their production. A popular countermeasure by some industry conglomerates to stockpile inventory and “acquire” long term capacity, has put even further strain on smaller companies, such as AKP.

Unfortunately, Silicon production cannot be turned on or off with the flick of a switch; any change to production lines can take months; while adding additional capacity can take years and hundreds if not many billions of dollars. Absent of the company owning its own silicon foundry, the reality is that it must endure disruption and unpredictability within its supply chain.

**5. RELIANCE ON THIRD PARTIES FOR SUPPLY AND PRODUCTION**

By its very nature a fabless company such as ours is wholly dependent on the production and assembly services that are provided by third party suppliers. Management works very closely with its providers, most recently with Earth Mountain and its ASIC foundry as well as a number of other related vendors, to ensure continuity of production and packaging requirements, however, any disruption to their business, for any reason, may materially impact AKP.

**6. KEY PERSONNEL AND COMPETITION FOR HUMAN RESOURCES AS WE MANAGE GROWTH**

As we near our commercialization objectives we anticipate considerable attention and demand for our revolutionary products technologies. To support this transition and growth, additional resources will be required to be added to the company.

**DIRECTORS' REPORT (CONTINUED)**

**Material Business Risks (cont)**

**6. KEY PERSONNEL AND COMPETITION FOR HUMAN RESOURCES AS WE MANAGE GROWTH (CONT)**

Traditionally the technology sector, in Israel in particular, experience unprecedented shortages of human capital when segments of the industry experience unprecedented growth, or when capital becomes capital readily available, or during expansion cycles by multinational companies in Israel. This reality not only makes recruiting talent extremely competitive but induces the “poaching” of our exceptionally talented staff. Management continues to work on ways to enhance our employee incentive programs to better attract, recruit, and retain the talent needed to execute our plans.

**7. CYBER SECURITY**

Like every company in the world AKP's systems, data, and networks are subject and vulnerable to malicious attacks, including computer viruses, spyware, ransomware, and hosts of other emerging security concerns. The company has spent and continues to spend considerable resources to prevent unauthorized accesses, data loss, and cyber malicious attacks, using the best of breed cyber security systems. As a company poised to disrupt a multibillion-dollar industry management must also assume that the company is, or it will become a heightened target for IP theft and disruption is therefore applying every reasonable means possible to protect its intellectual property.

**8. CURRENCY FLUCTUATION**

As an Australian company our finances and financials are rooted in the Australian dollar, however the overwhelming portion of expenditures and cashflow requirements are conducted in Israeli and US currencies. Any fluctuation in any of these currencies may have adverse effects on the company's capital requirements.

**9. CONFLICTS IN ISRAEL**

With the ongoing geo-political instability and conflict in Israel, this increases the risk of conflict and instability, which in turn pose a risk to the Israel operation due to the potential for operations to be disrupted, supply chains impacted or the economic conditions in Israel to deteriorate. The Company continues to monitor these risks to the Israel operations.

**10. GOODS AND SERVICES COSTS**

Global shortages throughout the semiconductors have spurred a meaningful increase in the costs of obtaining parts. Scarce components and services not only saw a dramatic and continual increase in pricing, but also demand for larger and longer-term commitments in order to secure product and services.

**AUDIO PIXELS HOLDINGS LIMITED**  
ACN 094 384 273

**DIRECTORS' REPORT (CONTINUED)**

**Material Business Risks (cont)**

**11. TAXATION**

As an Australian resident company dealing in several foreign jurisdictions, we need to continually assess the taxation position of the whole group and keep abreast of any changes in legislation which may have affect future income.

**Non-audit services**

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 4 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services disclosed in Note 4 to the financial statements do not compromise the external auditors' independence for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- None of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

**Auditor's independence declaration**

The auditor's independence declaration is included on page 19.

Signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors



Fred Bart  
Director

Dated at Sydney this 31 day of March 2025

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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 audit of Audio Pixels Holdings Limited for the year ended 31 December 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 audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



Gery Bicos  
Partner – Audit and Assurance  
[Moore Australia Audit \(VIC\)](#)  
Melbourne, Victoria  
31 March 2025

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

**AUDIO PIXELS HOLDINGS LIMITED**  
ACN 094 384 273

**DIRECTORS' DECLARATION**

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable;
- (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 give a true and fair view of the financial position and performance of the company and the consolidated entity;
- (c) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*; and
- (d) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements.
- (e) the information disclosed in the attached consolidated entity disclosure statement is true and correct.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors



Fred Bart  
Director

Dated at Sydney this 31 day of March 2025.

**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**

	Note	Consolidated Year ended 31 December 2024	Consolidated Year ended 31 December 2023
		\$	\$
Income	2	<u>248,771</u>	<u>286,824</u>
Administrative expenses		(1,378,451)	(1,251,112)
Amortisation		-	(44,139)
Depreciation		(371,596)	(388,918)
Directors' fees and superannuation		(149,262)	(154,456)
Foreign exchange (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)
Research and development expenses		(4,644,969)	(3,433,939)
Share based payments		<u>(170,737)</u>	<u>(507,093)</u>
<b>(Loss) before income tax</b>	2	(8,170,538)	(14,614,491)
Income tax benefit	3	-	-
<b>(Loss) for the year</b>		<u>(8,170,538)</u>	<u>(14,614,491)</u>
<b>Other comprehensive (loss)</b>			
<b>Items that may be reclassified subsequently to profit and loss:</b>			
Exchange differences arising on translation of foreign operations	18	<u>(29,130)</u>	<u>(756)</u>
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<u>(29,130)</u>	<u>(756)</u>
<b>Total comprehensive (loss) for the year</b>		<u>(8,199,668)</u>	<u>(14,615,247)</u>

Notes to the financial statements are included on pages 26 to 69.

**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**

	Note	<b>Consolidated Year ended 31 December 2024 \$</b>	<b>Consolidated Year ended 31 December 2023 \$</b>
(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>(8,199,668)</u>	<u>(14,615,247)</u>
<b>Earnings per share</b>			
Basic and diluted (cents per share)	22	(27.97)	(50.15)

Notes to the financial statements are included on pages 26 to 69.

**AUDIO PIXELS HOLDINGS LIMITED**  
ACN 094 384 273

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2024**

	Note	Consolidated December 2024 \$	Consolidated December 2023 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	5,452,690	2,279,051
Financial assets held at fair value through P&L	6	1,000,000	-
Other receivables	7	256,965	336,356
Prepayment	8	<u>618,039</u>	<u>619,699</u>
<b>TOTAL CURRENT ASSETS</b>		<u><b>7,327,694</b></u>	<u><b>3,235,106</b></u>
<b>NON-CURRENT ASSETS</b>			
Right of use asset	9	52,915	151,430
Property, plant and equipment	10	698,679	614,153
Other receivables	7	<u>13,994</u>	<u>12,771</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u><b>765,588</b></u>	<u><b>778,354</b></u>
<b>TOTAL ASSETS</b>		<u><b>8,093,282</b></u>	<u><b>4,013,460</b></u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	1,901,620	1,748,977
Lease liabilities	12	31,544	111,286
Unsecured loans	13	5,188,353	2,469,988
Convertible notes	14	11,457,305	4,921,037
Provisions	15	<u>571,280</u>	<u>311,578</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u><b>19,150,102</b></u>	<u><b>9,562,866</b></u>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	12	17,106	45,051
Provisions	15	<u>26,288</u>	<u>17,478</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u><b>43,394</b></u>	<u><b>62,529</b></u>
<b>TOTAL LIABILITIES</b>		<u><b>19,193,496</b></u>	<u><b>9,625,395</b></u>
<b>NET (LIABILITIES)/ASSETS</b>		<u><b>(11,100,214)</b></u>	<u><b>(5,611,935)</b></u>
<b>EQUITY</b>			
Issued capital	16	80,067,610	80,067,610
Reserves	18	(16,275,779)	(18,958,038)
Accumulated losses	19	<u>(74,892,045)</u>	<u>(66,721,507)</u>
Equity attributable to owners of the company		<u><b>(11,100,214)</b></u>	<u><b>(5,611,935)</b></u>
<b>TOTAL DEFICIENCY IN EQUITY</b>		<u><b>(11,100,214)</b></u>	<u><b>(5,611,935)</b></u>

Notes to the financial statements are included on pages 26 to 69.



**AUDIO PIXELS HOLDINGS LIMITED**  
**ACN 094 384 273**

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

**December 2024 – Consolidated**

	<b>Issued Capital</b>	<b>Equity Settled Option Reserve</b>	<b>Exchange translation reserve</b>	<b>Minority Acquisition Reserve</b>	<b>Capital Contribution Reserve</b>	<b>Accumul- ated Losses</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 January 2024	80,067,610	12,925,519	(6,344,865)	(25,538,692)	-	(66,721,507)	(5,611,935)
(Loss) for the year	-	-	-	-	-	(8,170,538)	(8,170,538)
Other comprehensive loss for the year	-	-	(29,130)	-	-	-	(29,130)
Total comprehensive (loss) for the year	-	-	(29,130)	-	-	(8,170,538)	(8,199,668)
Capital contribution reserve	-	-	-	-	1,250,652	-	1,250,652
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)

**December 2023 – Consolidated**

	<b>Issued Capital</b>	<b>Equity Settled Option Reserve</b>	<b>Exchange translation reserve</b>	<b>Minority Acquisition Reserve</b>	<b>Capital Contribution Reserve</b>	<b>Accumul- ated Losses</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 January 2023	77,752,597	6,385,427	(6,344,109)	(25,538,692)	-	(52,107,016)	148,207
(Loss) for the year	-	-	-	-	-	(14,614,491)	(14,614,491)
Other comprehensive loss for the year	-	-	(756)	-	-	-	(756)
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 26 to 69.

**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 \$
<b>Cash flows from operating activities</b>			
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>
<b>Net cash (used by) operating activities</b>	20	<u>(5,948,123)</u>	<u>(5,064,542)</u>
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		(288,035)	(308,348)
Purchase of financial assets		<u>(1,000,000)</u>	<u>-</u>
<b>Net cash (used by) investing activities</b>		<u>(1,288,035)</u>	<u>(308,348)</u>
<b>Cash flows from financing activities</b>			
Proceeds from unsecured loans		2,613,000	1,500,000
Repayment of convertible notes	14	(450,000)	-
Proceeds from convertible notes	14	8,450,000	5,000,000
Repayment of lease liabilities		<u>(139,929)</u>	<u>(197,065)</u>
<b>Net cash provided by financing activities</b>		<u>10,473,071</u>	<u>6,302,935</u>
<b>Net increase in cash and cash equivalents held</b>		3,236,913	930,045
<b>Cash and cash equivalents at the beginning of the financial year</b>		2,279,051	1,339,961
<b>Effects of exchange rate fluctuations on the balances of cash held in foreign currencies</b>		<u>(63,274)</u>	<u>9,045</u>
<b>Cash and cash equivalents at the end of the financial year</b>	5	<u>5,452,690</u>	<u>2,279,051</u>

Notes to the financial statements are included on pages 26 to 69.

**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 financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards (“AASBs”). Compliance with AASBs ensures that the financial statements and notes comply with International Financial Reporting Standards (“IFRS”). The financial statements comprise the consolidated financials of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for profit entity.

The consolidated financial statements were approved and authorised for issue by the Directors on 31 March 2025.

**1(b) Basis of preparation**

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are expressed in Australian dollars.

**1(c) 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**

The following standards and amendments are not yet effective but may have a material impact on the financial statements of the consolidated entity in the future.

*AASB 2024-2 Amendment to Australian accounting Standards – Classification and Measurement of Financial Instruments*

These amendments update AAS 9 *Financial Instruments* and AASB 7 *Financial Instruments*: Disclosures to change the requirements as to when a financial liability can be derecognised when it is settled via electronic transfer as well as when cash flows can be considered simply payments of principal and interest and hence the ability to classify assets as at amortised cost.

**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) Adoption of new and revised Standards (cont)**

**New and revised Australian Accounting Standards and Interpretations on issue but not yet effective (cont)**

Whilst the consolidated entity is still assessing the impacts, the current expectation is that the amendments relating to the timing of derecognition of the liabilities may impact consolidated entity's financial liabilities, however the amendment relating to the classification of financial assets is not expected to have an impact on the consolidated entity.

*AASB 18 Presentation and Disclosure of Financial Statements*

This standard will replace AASB 101 *Presentation of Financial Statements*. Whilst many of the requirements will remain consistent, the new standard will have impacts on the presentation of the Statement of Profit and Loss and consequential impacts on the Statement of Cash Flows. It will also require the disclosure of non-IFRS management performance measures and may impact the level of aggregation and disaggregation throughout the primary financial statements and the notes.

AASB 18 applies for periods beginning on or after 1 January 2027 and will be applied retrospectively. The consolidated entity is still currently assessing the impact that AASB 18 will have on the consolidated entity.

There are no other new standards or amendments that are expected to have a material impact on the consolidated entity.

**1(d) 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.

**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)**

**1(d) Going Concern (cont)**

The consolidated entity has prepared a cash flow forecast which extends 12 months from the date of signing these financial statements and indicates that the consolidated entity will have sufficient funds to meet its expenditure commitments for this period based on that forecast. This forecast excludes the repayment of convertible notes and unsecured loans with carrying value of \$16,645,658 maturing on 31 December 2025.

Within this forecast are key material uncertainties and assumptions, namely:

- No repayment of convertible notes and unsecured loans with a carrying value of \$16,645,658 for reasons outlined below.
- 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 Board believes that this is reasonable given that similar extensions have been granted and received historically.
- 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.

If the consolidated entity is unable to achieve successful outcomes in relation to the above matters, a material uncertainty would exist that may cast significant 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.

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

**1(d) Going Concern (cont)**

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(e) 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(f) Financial instruments**

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

**Financial assets**

Financial assets which comprise cash and cash equivalents, trade receivables, other assets and investments in mutual funds are classified into the following categories:

- Financial assets at fair value through profit or loss ("FVTPL") (mutual funds); and
- Financial assets at amortised cost (all others)

*Financial assets at amortised cost*

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

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

**1(f) Financial instruments (cont)**

*Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss (FVTPL).

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'Income' line item (note 2).

*Impairment*

The consolidated entity assesses on a forward looking basis the expected credit losses associated with its financial assets carries at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade 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(g) Financial Liabilities**

*Financial Liabilities*

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.

*Compound and Derivative Financial Instruments*

The component parts of compound instruments (convertible notes) issued by the consolidated entity are classified separately as financial liability and derivative in accordance with the substance of the contractual arrangements and the definitions of a financial liability and derivatives.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. The amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instruments maturity date.

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

**1(g) Financial Liabilities (cont)**

*Derivatives*

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their value at the end of each reporting period. Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risk and characteristics are not closely related to those of the host contracts and the host contract are not measured at FVTPL.

*Other financial liabilities*

Other financial liabilities representing trade and other payables and unsecured loans are subsequently measured at amortised cost using effective interest method.

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.

*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.



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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**1(g) Financial Liabilities (cont)**

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(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.

**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.

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

**1(j) 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.

**1(k) Income Tax**

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of business combination) which affects neither taxable income nor accounting profit.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**1(k) Income Tax (cont)**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the assets and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised as an expense or income in profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

**1(l) Provisions**

Provisions are recognised when the entity has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

**1(m) 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.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**1(m) Basis of consolidation (cont)**

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.

**1(n) 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.

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

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

**1(o) 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) Share based payments (cont)**

At each reporting date, the group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

**1(p) 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.

**1(q) 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 assets 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.

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

**1(q) Critical accounting judgements (cont)**

**(b) 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.

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 first half of 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.

Further, during the second half of the period, the term of these 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 gain on the modification 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 3.8% and share volatility of 60%.

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

**(c) Research & Development refundable taxation offset**

The directors have calculated the estimated refundable offset in respect of eligible research & development expenditure incurred during the year ended 31 December 2024. An amount of \$211,627 has been recorded as other receivables and revenue in the year ended 31 December 2024 (2023: \$253,449). Post year end, the claim will be submitted. The directors consider that the entity has complied with the conditions of the R & D scheme and as such the grant will be received once the claim is submitted.

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

**1(q) Critical accounting judgements (cont)**

(d) Share-based Payments

The consolidated entity measures the cost of equity-settled share-based payment transactions with 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.

	<b>31 December 2024</b>	<b>31 December 2023</b>
	\$	\$
<b>2. (Loss) from operations</b>		
<b>(a) Revenue</b>		
Interest income	84,030	12,521
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>31 December 2024</b>	<b>31 December 2023</b>
	\$	\$
<b>(b) Expenses</b>		
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>

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**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.

	<b>31 December 2024</b>	<b>31 December 2023</b>
	\$	\$
<b>4. Remuneration of auditors</b>		
Audit or review of the financial reports		
- Group*	128,000	-
- Group (Other auditors)	39,799	184,968
- Subsidiary (Other auditors)	<u>85,188</u>	<u>87,950</u>
	<u>252,987</u>	<u>272,918</u>
Statutory assurance services required by legislation to be provided by the auditor	=	<u>6,000</u>
Other services by other auditors		
- Taxation consulting service	8,150	-
- Taxation consulting service (other auditors)	<u>24,675</u>	<u>16,500</u>
	<u>32,825</u>	<u>16,500</u>
	<u>285,812</u>	<u>295,418</u>

\*The auditor of Audio Pixels Holdings Limited is Moore Australia Audit (Vic) for the financial statement audit. The auditor for the 31 December 2023 financial statements was Deloitte Touche Tohmatsu.



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

	<b>31 December 2024</b>	<b>31 December 2023</b>
	\$	\$
<b>5. Cash and cash equivalents</b>		
Unrestricted cash	5,391,292	2,217,708
Restricted cash (non-interest bearing)	<u>61,398</u>	<u>61,343</u>
Cash on hand and at bank	<u>5,452,690</u>	<u>2,279,051</u>
<b>6. Financial Assets</b>		
Financial assets at fair value through profit or loss		
Investments in Mutual Funds	<u>1,000,000</u>	-
	<u>1,000,000</u>	-
<p>The fair value of mutual fund investments is determined based on the quoted Net Asset Value (NAV) per unit as provided by the fund managers. These investments are categorised as Level 1 financial assets under AASB 13 – <i>Fair Value Measurement</i>, as they are actively traded in open markets.</p> <p>There have been no transfers between levels during the year (2023: no transfers).</p>		
<b>7. Other receivables</b>		
Current		
GST receivable	-	11,496
Other receivables	<u>256,965</u>	<u>324,860</u>
	<u>256,965</u>	<u>336,356</u>
Non Current		
Other receivables	<u>13,994</u>	<u>12,771</u>
<p>Other receivables comprise security deposits with government bodies and the Research &amp; Development refundable offset estimated receivable.</p>		
<b>8. Prepayments</b>		
Prepayments other	31,185	32,845
Prepayments in respect of pre-production chips	<u>586,854</u>	<u>586,854</u>
	<u>618,039</u>	<u>619,699</u>

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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	<b>31 December 2024</b>	<b>31 December 2023</b>
	\$	\$
<b>9. Right of use assets</b>		
Office premises – at cost	1,207,867	950,614
Less accumulated depreciation	<u>(1,207,867)</u>	<u>(878,781)</u>
	=	<u>71,833</u>
Motor vehicle – at cost	148,514	128,043
Less accumulated depreciation	<u>(95,599)</u>	<u>(48,446)</u>
	<u>52,915</u>	<u>79,597</u>
Total net book value of Right of use assets	<u>52,915</u>	<u>151,430</u>
<b>Cost</b>		
<b>Office premises</b>		
Balance at 1 January	950,614	778,223
Additions	-	172,348
Net foreign currency exchange differences	<u>257,254</u>	<u>43</u>
Balance as at 31 December	<u>1,207,868</u>	<u>950,614</u>
<b>Cost</b>		
<b>Motor Vehicles</b>		
Balance at 1 January	128,043	46,467
Additions	-	81,546
Net foreign currency exchange differences	<u>20,471</u>	<u>30</u>
Balance as at 31 December	<u>148,514</u>	<u>128,043</u>
<b>Accumulated depreciation</b>		
<b>Office premises</b>		
Balance as at 1 January	(878,781)	(698,628)
Net foreign currency exchange differences	(244,221)	-
Depreciation expense	<u>(84,865)</u>	<u>(180,153)</u>
Balance at 31 December	<u>(1,207,867)</u>	<u>(878,781)</u>

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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		<b>31 December 2024</b>	<b>31 December 2023</b>
		\$	\$
<b>9. Right of use assets (cont)</b>			
	<b>Accumulated depreciation (cont)</b>		
	<b>Motor vehicle</b>		
	Balance as at 1 January	(48,446)	(22,900)
	Net foreign currency exchange differences	(10,273)	-
	Depreciation expense	<u>(36,880)</u>	<u>(25,546)</u>
	Balance at 31 December	<u>(95,599)</u>	<u>(48,446)</u>

On 1 January 2019, the subsidiary company, Audio Pixels Limited exercised an option to renew a lease in respect of facilities at 3 Pekris Street Rehovot, Israel for a period of twenty-eight months to 31 May 2021. Effective on 1 June 2021, the subsidiary company, Audio Pixels Limited exercised an option to renew a lease in respect of facilities at 3 Pekris Street Rehovot, Israel for a period of twenty-four months to 31 May 2023. This lease was extended on 31 May 2023 for a twelve month period until 31 May 2024. This lease was further extended on 31 May 2024 for a twelve month period until 31 May 2025.

**Amounts recognised in profit and loss**

Depreciation expense on right of use assets	121,745	205,701
Interest expense on lease liabilities	8,417	11,500
Expense relating to short term leases	110,950	157,350

The total cash outflow for leases amount to \$139,929 including interest payments of \$8,417 (2023: \$197,065).

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

	<b>31 December 2024</b>	<b>31 December 2023</b>
	\$	\$
<b>10. Property, Plant and Equipment</b>		
Computers and related equipment – at cost	1,254,064	959,939
Less accumulated depreciation	<u>(887,470)</u>	<u>(665,925)</u>
	<u>366,594</u>	<u>294,014</u>
Leasehold improvements – at cost	414,930	378,688
Less accumulated depreciation	<u>(351,926)</u>	<u>(307,307)</u>
	<u>63,004</u>	<u>71,381</u>
Office furniture and equipment – at cost	1,871,326	1,631,823
Less accumulated depreciation	<u>(1,602,245)</u>	<u>(1,383,065)</u>
	<u>269,081</u>	<u>248,758</u>
Total net book value of Property, Plant and Equipment	<u>698,679</u>	<u>614,153</u>
<b>Cost</b>		
<b>Computers and related equipment</b>		
Balance at 1 January	959,939	689,197
Additions	202,256	279,487
Disposals	-	(9,230)
Net foreign currency exchange differences	<u>91,869</u>	<u>485</u>
Balance as at 31 December	<u>1,254,064</u>	<u>959,939</u>
<b>Leasehold improvements</b>		
Balance at 1 January	378,688	378,466
Net foreign currency exchange differences	<u>36,242</u>	<u>222</u>
Balance as at 31 December	<u>414,930</u>	<u>378,688</u>
<b>Office furniture and equipment</b>		
Balance at 1 January	1,631,823	1,602,009
Additions	85,779	28,861
Disposals	(2,449)	-
Net foreign currency exchange differences	<u>156,173</u>	<u>953</u>
Balance as at 31 December	<u>1,871,326</u>	<u>1,631,823</u>

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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	<b>31 December 2024</b>	<b>31 December 2023</b>
	\$	\$
<b>10. Property, Plant and Equipment (cont)</b>		
<b>Accumulated depreciation</b>		
<b>Computers and related equipment</b>		
Balance as at 1 January	(665,925)	(582,614)
Net foreign currency exchange differences	(70,951)	(366)
Disposal	-	6,987
Depreciation expense	<u>(150,594)</u>	<u>(89,932)</u>
Balance at 31 December	<u>(887,470)</u>	<u>(665,925)</u>
<b>Leasehold improvements</b>		
Balance as at 1 January	(307,307)	(293,256)
Net foreign currency exchange differences	(30,107)	(176)
Depreciation expense	<u>(14,512)</u>	<u>(13,875)</u>
Balance at 31 December	<u>(351,926)</u>	<u>(307,307)</u>
<b>Office furniture and equipment</b>		
Balance as at 1 January	(1,383,065)	(1,302,862)
Net foreign currency exchange differences	(136,423)	(793)
Disposal	1,989	-
Depreciation expense	<u>(84,746)</u>	<u>(79,410)</u>
Balance at 31 December	<u>(1,602,245)</u>	<u>(1,383,065)</u>

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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	<b>31 December 2024</b>	<b>31 December 2023</b>
	\$	\$
<b>11. Trade and other payables</b>		
Current		
Trade payables and accruals	<u>1,901,620</u>	<u>1,748,977</u>

The payables are non-interest bearing and have an average credit period of 30 days.

**12. Lease liabilities**

Analysed as:		
Current	31,544	111,286
Non-Current	<u>17,106</u>	<u>45,051</u>
	<u>48,650</u>	<u>156,337</u>

**Disclosure required by AASB 16  
Maturity Analysis**

Year 1	34,709	111,286
Year 2	18,345	73,233
Year 3	-	<u>9,145</u>
	<u>53,054</u>	<u>193,664</u>

The consolidated entity does not face a significant liquidity risk with regard to its lease liabilities. All lease obligations in Australia are denominated in Australian dollars and the leases in Israel are denominated in Israeli shekels.

**13. Unsecured loans**

	<b>31 December 2024</b>	<b>31 December 2023</b>
	\$	\$
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>

**AUDIO PIXELS HOLDINGS LIMITED**

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

**13. Unsecured loans (cont)**

The Company has an unsecured loan facility with 4F Investments Pty Limited, a company associated with Mr Fred Bart, with carrying amount of \$5,188,353 (2023: \$2,469,988) 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 \$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, the fair value of the unsecured loans was measured using a market discount rate averaging 32.5%. As the loans were provided by a related party, a key shareholder, the difference between the fair value and the carrying amount was recognised as a capital contribution reserve (note 18).

During the year ended 31 December 2024, the Company paid \$74,709 (2023: \$208,997) on the unsecured loan to 4F Investments Pty Limited. Nominal interest has been accrued in the financial statements at 31 December 2024 of \$520,542 (2023: \$74,709). In addition, an effective interest expense was recognised at 31 December 2024 of \$335,567 (2023: Nil).

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.

**14. Convertible notes**

	<b>31 December 2024</b>	<b>31 December 2023</b>
	\$	\$
<b>Borrowings - Convertible notes</b>		
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)	-
Face value of notes cancelled	(500,000)	-
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

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

14. **Convertible notes (cont)**

	<b>31 December 2024</b>	<b>31 December 2023</b>
	\$	\$
<b>Borrowings - Convertible notes (cont)</b>		
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>
<b>Derivative liability</b>		
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 on modification of the convertible notes	237,000	-
Fair value movement to the end of the reporting period	<u>(373,000)</u>	<u>(373,000)</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 \$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 of that 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.



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

**14. Convertible notes (cont)**

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 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 \$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 received 1,690,000 unlisted options (100,000 options per \$500,000 invested) at a strike price of 20% higher than the conversion price of \$9.04, namely \$10.84. These unlisted options expire on 4 May 2027. Outstanding unlisted options from prior year issuance of convertible notes is 900,000 at a strike price of \$10.84 expiring 4 May 2026.

During the first half of 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.

Further, during the second half of the period, the term of these 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 gain on the modification was recognised in the profit or loss during the period.

	<b>31 December 2024</b>	<b>31 December 2023</b>
	\$	\$
<b>15. Provisions</b>		
Current		
Employee benefits	<u>571,280</u>	<u>311,578</u>
Non-current		
Employee benefits	<u>26,288</u>	<u>17,478</u>

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

	<b>31 December 2024</b>	<b>31 December 2023</b>
	<b>\$</b>	<b>\$</b>
<b>16. Issued Capital</b>		
Issued and paid up capital		
Fully paid Ordinary Shares		
Balance at the beginning of the financial year	80,067,610	77,752,597
Placements for cash at \$14.00 per share		
- 31 May 2023	-	<u>2,315,013</u>
Balance at the end of the financial year	<u>80,067,610</u>	<u>80,067,610</u>
	<b><u>Number</u></b>	<b><u>Number</u></b>
Fully paid Ordinary Shares		
Balance at the beginning of the financial year	29,210,100	29,044,742
Placements for cash at \$14.00 per share		
- 31 May 2023	-	<u>165,358</u>
Balance at the end of the financial year	<u>29,210,100</u>	<u>29,210,100</u>

Fully paid ordinary shares carry one vote per share and carry the rights to dividends.

The shares have no par value and the company does not have a limited amount of authorised capital.

**Capital risk management**

The consolidated entity manages its capital to ensure that entities in the consolidated entity will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The group's overall strategy remains unchanged from 2023.

The capital structure of the consolidated entity consists of net debt and equity of the consolidated entity.

Debt is defined by the group as lease liabilities, unsecured loans and convertible notes (excluding derivatives) as disclosed in notes 11, 13 and 14. Net debt is defined as debt after deducting cash and cash equivalents and investments in mutual funds.

Equity includes capital, reserves and retained earnings.

The consolidated entity is not subject to any externally imposed capital requirements.

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

16. **Issued Capital (cont)**

**Gearing ratio**

	<b>31 December 2024</b>	<b>31 December 2023</b>
Debt	15,975,309	7,265,362
Less: Cash and cash equivalents (including investments in mutual funds)	<u>(6,452,690)</u>	<u>(2,279,051)</u>
Net debt	9,522,619	4,986,311
 Equity	 (11,100,214)	 (5,611,935)
 Gearing ratio	 (85.79%)	 (88.89%)

17. **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.

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

**17. Employee Share Option Plan (cont)**

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

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

	<b>2024</b>		<b>2023</b>	
	<b>Number</b>	<b>Weighted average exercise price \$</b>	<b>Number</b>	<b>Weighted average exercise price \$</b>
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)	-	-	-	-
Forfeited and lapsed during the year (iv)	(25,000)	14.00	(173,000)	16.20
Balance at the end of the financial year (v)	<u>262,000</u>	<u>20.38</u>	<u>287,000</u>	<u>19.82</u>
Exercisable at end of the year	<u>133,200</u>	<u>26.54</u>	<u>101,260</u>	<u>27.70</u>

(i) Balance at the beginning of the year

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

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

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

17. **Employee Share Option Plan (cont)**

(ii) Granted during the year

	Number	Grant date	Expiry date	Exercise Price	Fair value at grant date
<b>2024</b>					
Staff options	-	-	-	-	-
<b>2023</b>					
Staff options	173,000	5/6/23	17/12/23	16.20	\$377,140

(iii) Exercised during the year

There were no options exercised during the year.

(iv) Forfeited and lapsed during the year

25,000 employee options was forfeited during the year (2023: 173,000 lapsed).

(v) Balance at the end of the financial year

	Number outstanding	Grant date	Expiry date	Exercise Price	Fair value at grant date
<b>2024</b>					
Staff options	122,000	16/4/21	16/4/25*	\$27.70	\$1,241,960
Staff options	30,000	1/12/22	1/12/25*	\$14.00	\$124,800
Staff options	<u>110,000</u>	<u>1/12/22</u>	<u>1/2/26*</u>	<u>\$14.00</u>	<u>\$540,100</u>
	<u>262,000</u>				
<b>2023</b>					
Staff options	122,000	16/4/21	16/4/25*	\$27.70	\$1,241,960
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>1/2/26*</u>	<u>\$14.00</u>	<u>\$662,850</u>
	<u>287,000</u>				

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

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

17. **Employee Share Option Plan (cont)**

\*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.

	<b>31 December 2024</b>	<b>31 December 2023</b>
	\$	\$
<b>18. Reserves</b>		
<b>Foreign currency translation</b>		
Balance at the beginning of the financial year	(6,344,865)	(6,344,109)
Translation of foreign operations	<u>(29,130)</u>	<u>(756)</u>
Balance at end of financial year	<u>(6,373,995)</u>	<u>(6,344,865)</u>

Exchange differences relating to the translation of the results and net assets of the consolidated entity's foreign operations from their functional currencies to the consolidated entity's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit and loss on the disposal of the foreign operation.

**Equity settled option reserve**

Balance at the beginning of the financial year	12,925,519	6,385,427
Add share based payments in respect of options vested immediately	1,290,000	6,032,999
Add recognition of share based payments to employees	<u>170,737</u>	<u>507,093</u>
Balance at end of financial year	<u>14,386,256</u>	<u>12,925,519</u>

The above equity-settled option reserve relates to share options granted by the Company.

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

18. **Reserves (cont)**

	<b>31 December 2024</b>	<b>31 December 2023</b>
	\$	\$
<b>Capital contribution reserve</b>		
Balance at the beginning of the financial year	-	-
Add transfer to capital contribution reserve	<u>1,250,652</u>	-
Balance at the end of the financial year	<u>1,250,652</u>	-

The above capital contribution reserve relates to the difference in the fair value and carrying amount of the unsecured loans received from related party (note 13).

**Minority acquisition reserve**

Balance at the beginning and end of the financial year	<u>(25,538,692)</u>	<u>(25,538,692)</u>
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The above minority acquisition reserve relates to the difference between the purchase consideration paid for the minority interest (non-controlling interest) and the carrying amount of the minority interest acquired.

<b>Total Reserves</b>	<u>(16,275,779)</u>	<u>(18,958,038)</u>
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19. **Accumulated losses**

Balance at the beginning of the financial year	(66,721,507)	(52,107,016)
(Loss) for the year attributable to owners of the Company	<u>(8,170,538)</u>	<u>(14,614,491)</u>
Balance at the end of the financial year	<u>(74,892,045)</u>	<u>(66,721,507)</u>

20. **Notes to the statement of cash flows**

**(a) Reconciliation of cash and cash equivalents**

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than 3 months at the date of acquisition. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash and cash equivalents	<u>5,452,690</u>	<u>2,279,051</u>
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)**

20. **Notes to the statement of cash flows (cont)**

**(b) Restricted cash**

Cash held as security for future lease payments	<u>61,398</u>	<u>61,343</u>
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Restricted cash amounts are included in the cash and cash equivalents amounts above.

	<b>31 December 2024</b>	<b>31 December 2023</b>
	\$	\$
<b>Reconciliation of (loss) for the period to net cash outflows from operating activities</b>		
Loss after related income tax	(8,170,538)	(14,614,491)
Amortisation	-	44,139
Depreciation	371,596	388,918
Foreign exchange gains	(3,628)	(41,059)
Loss on sale of property, plant and equipment	439	2,243
Share based payments	170,737	3,862,093
Goodwill impairment	-	2,399,168
Intangible asset impairment	-	110,686
Gain of movement in fair value of derivative liability	(136,000)	(373,000)
Loss on initial recognition of financial liabilities measured at fair value	71,000	2,678,000
Gain on modification of convertible notes	(711,270)	(162,235)
Finance charges on convertible notes	1,102,538	456,272
Finance charges on unsecured loan facility	856,017	-
<b>Changes in assets and liabilities</b>		
<b>(Increase)/decrease in assets</b>		
Current trade and other receivables	79,391	(75,982)
Prepayments	1,660	(32,845)
Non-current trade and other receivables	(1,223)	(3,592)
<b>Increase/(decrease) in liabilities</b>		
Provisions	268,512	38,621
Current trade payables	<u>152,646</u>	<u>258,522</u>
<b>Net cash (used in) operating activities</b>	<u>(5,948,123)</u>	<u>(5,064,542)</u>



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

20. **Notes to the statement of cash flows (cont)**

**Reconciliation of liabilities arising from financing transactions**

<b>2024</b>	<b>Balance as at 1 January</b>	<b>Cash Movement</b>	<b>Non-Cash Movement</b>	<b>Balance as at 31 December</b>
Unsecured loans	2,469,988	2,613,000	105,365	5,188,353
Convertible notes	4,921,037	8,000,000	(1,463,732)	11,457,305
Lease liabilities	156,377	(139,929)	32,202	48,650
<b>2023</b>	<b>Balance as at 1 January</b>	<b>Cash Movement</b>	<b>Non Cash Movement</b>	<b>Balance as at 31 December</b>
Unsecured loans	3,285,000	1,500,000	(2,315,012)	2,469,988
Convertible notes	-	5,000,000	(78,963)	4,921,037
Lease liabilities	99,477	(197,065)	253,925	156,337

21. **Related Party Transactions**

(a) **Directors**

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

(b) **KMP Remuneration**

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

	<b>31 December 2024 \$</b>	<b>31 December 2023 \$</b>
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>

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**21. Related Party Transactions (cont)**

The remuneration above relates to directors fees, consultancy fees and superannuation paid to entities associated with Fred Bart, Cheryl Bart Mark Ureda, 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 carrying amount owing to 4F Investments Pty Limited at 31 December 2024 is \$5,188,353 (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 reporting period, 4F Investments Pty Limited purchased a convertible note from an existing note holder for a face value of \$250,000 There is no change to the original terms of the convertible note agreement.

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). In addition, an effective interest expense was recognised at 31 December 2024 of \$335,567 (2023: Nil).

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.

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

**22. Earnings per Share**

	<b>31 December 2024</b>	<b>31 December 2023</b>
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 500,000 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 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.
- (h) There are potential ordinary shares to be issued in relation to the issue of 1,290,000 unlisted options issued on 5 September 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.

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

**22. Earnings per Share (cont)**

- (i) There are potential ordinary shares to be issued in relation to the issue of 200,000 unlisted options issued on 21 November 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.
- (j) There are potential ordinary shares to be issued in relation to the issue of 200,000 unlisted options issued on 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.

**23. 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 which is one segment.

The consolidated entity operates in Australia and Israel.

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

	<b>31 December 2024</b>	<b>31 December 2023</b>
	\$	\$
<b>Segment Revenues</b>		
Digital speakers	<u>248,771</u>	<u>286,824</u>
Total of all segments	<u>248,771</u>	<u>286,824</u>
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**  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)**

23. **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

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

23. **Segment Information (cont)**

**Information on Geographical Segments**

**31 December 2024**

Geographical Segments	Revenue	Segment Assets	Acquisition of Segment Assets
	\$	\$	\$
Australia	248,771	6,761,267	-
Israel	-	1,332,015	288,035
<b>Total</b>	<b>248,771</b>	<b>8,093,282</b>	<b>288,035</b>

**31 December 2023**

Geographical Segments	Revenue	Segment Assets	Acquisition of Segment Assets
	\$	\$	\$
Australia	286,824	2,307,089	-
Israel	-	1,706,371	308,348
<b>Total</b>	<b>286,824</b>	<b>4,013,460</b>	<b>308,348</b>

24. **Financial risk management objectives and policies**

The consolidated entity's principal financial instruments held during the year comprise receivables, payables, borrowings, investment in mutual funds, cash and short term deposits.

Due to the small size of the consolidated entity significant risk management decisions are taken by the board of directors. These risks include market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Directors do not plan to eliminate risk altogether, rather they plan to identify and respond to risks in a way that creates value for the company and its shareholders. Directors and shareholders appreciate that in order for the consolidated entity to compete and grow, a long term strategy needs to involve risk taking for reward.

The consolidated entity does not use derivative financial instruments to hedge these risk exposures.

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

**24. Financial risk management objectives and policies (cont)**

**Risk Exposures and Responses**

**(a) Interest rate risk**

The consolidated entity's exposure to market interest rates relates primarily to the consolidated entity's cash holdings, short term deposits, unsecured loans and convertible notes.

At balance date, the consolidated entity had the following mix of financial assets and liabilities exposed to Australian interest rate risk that are not designated in cash flow hedges:

	31 December 2024	31 December 2023
	\$	\$
<b>Financial assets: Variable interest rate</b>		
Cash and cash equivalents	<u>5,452,690</u>	<u>2,279,051</u>
<b>Financial liabilities: Fixed interest rate</b>		
Unsecured loans	5,188,353	2,469,988
Convertible notes	<u>10,738,305</u>	<u>4,639,037</u>
	<u>15,926,658</u>	<u>7,109,025</u>

The consolidated entity constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

At 31 December 2024, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax (loss) and equity would have been affected as follows:

Judgements of reasonably possible movements	Post Tax Loss Higher/(Lower)		Equity Higher/(Lower)	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
	\$	\$	\$	\$
<b>Consolidated entity</b>				
+1% (100 basis points)	54,527	22,791	54,527	22,791
-0.24% (0.00%)	(13,086)	(5,470)	(13,086)	(5,470)

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

**24. Financial risk management objectives and policies (cont)**

**(a) Interest rate risk (cont)**

The movements in losses are due to higher/lower interest rates on cash and cash equivalents balances. The above does not include the impact of fixed rate measured at amortised cost.

**(b) Foreign currency risk**

The consolidated entity has a foreign currency risk since the acquisition of Audio Pixels Limited. Audio Pixels Limited operates in Israel and all transfer of funds to Audio Pixels Limited are denominated in US dollars. The consolidated entity does not hedge its US dollar exposure.

The carrying amounts of the consolidated entity's foreign currency (US\$) denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	31 December 2024 \$	31 December 2023 \$	31 December 2024 \$	31 December 2023 \$
Cash and cash equivalents	-	-	529,582	856,606
Other receivables	-	-	36,846	71,411
Trade and other payables	1,729,341	1,395,320	-	-

All US\$ denominated financial instruments were translated to A\$ at 31 December 2024 at the exchange rate of 0.6217 (2023: 0.6812).

At 31 December 2024 and 31 December 2023, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

Judgements of reasonably possible movements	Post Tax Loss Higher/(Lower)		Equity Higher/(Lower)	
	2024 \$	2023 \$	2024 \$	2023 \$
<b>Consolidated</b>				
AUD/USD +10%	492,601	415,559	492,601	415,559
AUD/USD -5%	<u>(285,190)</u>	<u>(240,586)</u>	<u>(285,190)</u>	<u>(240,586)</u>



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

**24. Financial risk management objectives and policies (cont)**

Management believes the balance date risk exposures are representative of risk exposure inherent in financial instruments.

**(c) Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties which are continuously monitored.

The credit risk on liquid funds is limited because the counterparties are major banks with high credit-ratings assigned by international credit agencies.

**(d) Liquidity risk management**

The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The consolidated entity's investments in money market instruments all have a maturity of less than 3 months.

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate risk management framework for the management of the consolidated entity's short, medium and long term funding and liquidity requirements. The consolidated entity manages liquidity by maintaining adequate cash reserves by continuously monitoring forecast and actual cash flows and managing maturity profiles of financial assets.

The following tables detail the consolidated entity's remaining contractual maturity for its non-derivative financial assets and non-derivative financial liabilities. The tables have been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will be earned on these assets except where the consolidated entity anticipates that the cash flow will occur in a different period.

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

24. **Financial risk management objectives and policies (cont)**

**(d) Liquidity risk management (cont)**

	<b>Weighted average effective interest rate %</b>	<b>Less than 1 month \$</b>	<b>1-3 months \$</b>	<b>3 months to 1 year \$</b>	<b>1-5 years \$</b>
<b>31 December 2024</b>					
<b>Liabilities</b>					
Non interest bearing	0.00%	1,901,620	-	-	-
Lease liabilities		-	8,677	26,032	18,345
Unsecured loans	32.50%	-	-	6,773,489	-
Convertible note issued May 2023	30.00%	-	-	2,800,000	-
Convertible note issued November 2023	30.00%	-	-	1,736,000	-
Convertible note issued September 2024	37.08%	-	-	7,472,104	-
Convertible note issued November 2024	36.02%	-	-	1,133,151	-
Convertible note issued December 2024	35.95%	-	-	1,127,233	-

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

24. **Financial risk management objectives and policies (cont)**

**(d) Liquidity risk management (cont)**

	<b>Weighted average effective interest rate %</b>	<b>Less than 1 month \$</b>	<b>1-3 months \$</b>	<b>3 months to 1 year \$</b>	<b>1-5 years \$</b>
<b>31 December 2023</b>					
<b>Liabilities</b>					
Non interest bearing	0.00%	1,748,487	-	-	-
Lease liabilities	-	-	27,821	83,465	82,378
Unsecured loans	12.00%	-	-	2,766,387	-
Convertible note issued May 2023	42.05%	-	-	2,903,253	-
Convertible note issued October 2023	51.29%	-	-	537,212	-
Convertible note issued November 2023	53.79%	-	-	2,113,673	-

All financial liabilities are expected to be settled under commercial terms of within 12 months.

**(e) Commodity price risk**

The consolidated entity has no exposure to commodity price risk.

**(f) Other price risks**

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

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

**25. Subsequent events**

On 26 March 2025, the Unsecured loans with carrying amount of \$5,188,353 as at 31 December 2024 was approved and converted to Convertible Notes on the same terms given to the existing convertible note subscribers with 1,354,698 maximum number of ordinary shares to be issued.

Other than the above, the Directors are not aware of any significant events since the end of the financial year and up to the date of this report.

**26. Parent entity disclosures**

The parent entity financial information shown below has been prepared using accounting policies consistent with those applied in the consolidated financial statements. Set out below is material accounting policy information specific to the parent entity financial information.

*Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost.

*Key sources of estimation uncertainty*

The directors made a critical judgement in relation to the recoverability of loan receivables from Audio Pixels Limited. The Company has provided loans to its subsidiary as part of its group financing arrangements. These loans are unsecured, non-interest bearing and no repayment term. As at 31 December 2024, the Company assessed the recoverability of intercompany loan receivables and recognised an impairment loss of \$4,454,961 (2023: \$61,140,198) due to the financial condition of the subsidiary. On commercialisation of Audio Pixels Limited's technology, this intercompany loan recoverability will be re-assessed.

The following information relates to Audio Pixels Holdings Limited as a standalone entity, who is the parent entity of the consolidated entity.

	<b>31 December 2024</b>	<b>31 December 2023</b>
	\$	\$
<b>Financial position</b>		
Assets		
Current assets	6,777,839	2,307,089
Non-current assets	=	=
Total assets	<u>6,777,839</u>	<u>2,307,089</u>

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

26. **Parent entity disclosures (cont)**

	<b>31 December 2024</b>	<b>31 December 2023</b>
	\$	\$
<b>Financial position</b>		
Liabilities		
Current liabilities	17,036,903	7,908,719
Non-current liabilities	<u>26,288</u>	<u>17,478</u>
Total liabilities	<u>17,063,191</u>	<u>7,926,197</u>
Net (liabilities)/assets	<u>(10,285,352)</u>	<u>(5,619,108)</u>
Equity		
Issued capital	80,067,610	80,067,610
Reserves	(9,901,783)	(12,613,172)
(Accumulated losses)	<u>(80,451,179)</u>	<u>(73,073,546)</u>
Total deficiency in equity	<u>(10,285,352)</u>	<u>(5,619,108)</u>
<b>Financial performance</b>		
(Loss) for the year	(7,377,632)	(68,629,549)
Other comprehensive income	-	-
Total comprehensive (loss) for the year	<u>(7,377,632)</u>	<u>(68,629,549)</u>

27. **Controlled Entity**

<b>Name of Entity</b>	<b>Country of Incorporation</b>	<b>31 December 2024</b>	<b>31 December 2023</b>
		%	%
<b>Parent Entity</b>			
Audio Pixels Holdings Limited	Australia		
<b>Controlled Entities</b>			
Audio Pixels Limited	Israel	100.00	100.00
Audio Pixels Technologies Pty Limited	Australia	100.00	100.00

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

**28. Contingent Liabilities and Commitments**

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).

**29. Additional company information**

Audio Pixels Holdings Limited is a listed public company, incorporated and operating in Australia.

**Registered Office and Principal Place of Business**

Suite 3, Level 12  
75 Elizabeth Street  
Sydney NSW 2000  
Australia  
Tel: (02) 9233 3915  
Fax: (02) 9232 3411  
[www.audiopixels.com.au](http://www.audiopixels.com.au)

The Company has 14 (2023: 14) employees.

**AUDIO PIXELS HOLDINGS LIMITED**  
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**CONSOLIDATED ENTITY DISCLOSURE STATEMENT**  
**AS AT 31 DECEMBER 2024**

Entity name	Entity type	Place formed or incorporated	% of share capital held *	Tax Residency Jurisdiction
Audio Pixels Holdings Limited	Body corporate	Australia	-	Australia
Audio Pixels Limited	Body corporate	Israel	100.00%	Israel
Audio Pixels Technologies Pty Limited	Body corporate	Australia	100.00%	Australia

\* Represents the economic interest in the entity as consolidated in the consolidated financial statements.

**Basis of preparation**

This Consolidated entity disclosure statement (CEDS) has been prepared in accordance with the *Corporations Act 2001* and include information for each entity that was part of the Consolidated Entity as at the end of the financial year in accordance with AASB 10 Consolidated Financial Statements.

*Determination of tax residency*

Section 295 (3A)(vi) of the *Corporation Act 2001* defines tax residency as having the meaning in the Income Tax Assessment Act 1997. The determination of tax residency involves judgement as there are different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the consolidated entity has applied the following interpretations:

*Australian tax residency*

The consolidated entity has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR 2018/5.

*Foreign tax residency*

Where necessary, the consolidated entity has used independent tax advisers in foreign jurisdictions to assist in its determination of tax residency to ensure applicable foreign tax legislation has been complied with (see section 295(3A)(vii) of the *Corporations Act 2001*).

*Partnerships and Trusts*

None of the entities noted above were trustees of trusts within the consolidated entity , partners in a partnership within the consolidated entity or participants in a joint venture within the consolidated entity.

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

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Audio Pixels Holdings Limited (the "Company"), and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 31 December 2024 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Group's current liabilities exceeded its current assets by \$11,822,408. In addition, the group incurred a consolidated loss of \$8,170,538 and used net cash in operating activities of \$5,948,123. These conditions, along with the 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 opinion is not modified in respect of this matter.



## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section we have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter – Convertible Notes	
Refer to Note 14	
Accounting for, and valuation of Convertible Notes	
<p>For the year ended 31 December 2024, the Group had convertible notes with a carrying value of \$11,457,305 in the consolidated statement of financial position as disclosed in Note 14.</p> <p>Convertible notes require separation (of the proceeds) between the financial liability component and the embedded derivative component (derivative liability).</p> <p>There is a high degree of complexity in accounting for these instruments under <i>AASB 9 – Financial Instruments</i> and involves significant judgement and complex valuation techniques.</p> <p>Subsequent measurement of the liability falls under <i>AASB 9 – Financial Instruments</i> whilst the fair value determination of the conversion option is measured in accordance with <i>AASB 13 – Fair Value Measurement</i>.</p> <p>Given the significance of this to the financial statements together with the complexity associated with these instruments, we considered this to be a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Read and understood the key terms and conditions of all convertible notes on issue, along with any change(s) during the year including extensions, redemptions, and cancellations with reference to supporting documentation.</li> <li>• Verified proceeds from new issuances of convertible notes to bank statements.</li> <li>• Evaluated the accounting technical treatment of the convertible notes, encompassing: the initial measurement (and split between the financial liability and derivative liability), the modification(s) during the year, and resultant measurement of each component. This included assessing the position put forward by management and managements expert.</li> <li>• Engaged internal accounting technical specialists to review and challenge the technical treatment and position taken of the convertible notes.</li> <li>• Engaged internal valuation specialists to evaluate, benchmark and challenge the key judgements and valuation techniques applied in the company’s valuations of convertible notes; and</li> <li>• Assessed the appropriateness of related financial statement disclosures in Note 14 to the consolidated financial report.</li> </ul>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2024 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- a. the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- b. the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal controls as the directors determine is necessary to enable the preparation of:

- i. the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii. the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf).

This description forms part of our auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 7 to 11 of the directors' report for the year ended 31 December 2024.

In our opinion, the Remuneration Report of Audio Pixels Holdings Limited, for the year ended 31 December 2024, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Gery Bicos  
Partner – Audit and Assurance  
[Moore Australia Audit \(VIC\)](#)  
Melbourne, Victoria  
31 March 2025

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

**AUDIO PIXELS HOLDINGS LIMITED**  
**ACN 094 384 273**

**ASX ADDITIONAL INFORMATION**

Additional information required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report.

**HOME EXCHANGE**

The Company's ordinary shares are quoted on the Australian Stock Exchange Limited under the trading symbol "AKP". The Home Exchange is Sydney. The Company also has a Level 1 American Depositary Receipts (ADR) program and quotation on the OTC market in the United State of America under the code "ADPXY".

**SUBSTANTIAL SHAREHOLDERS**

At 6 March 2025 the following substantial shareholders were registered:

	<b>Ordinary Shares</b>	<b>Percentage of total Ordinary Shares</b>
Fred Bart Group	5,984,480	20.49%
Link Traders (Aust) Pty Ltd	1,984,173	6.79%
Lee Ka Lau	1,537,374	5.26%

**VOTING RIGHTS**

At 6 March 2025 there were 2,347 holders of fully paid ordinary shares.

Rule 74 of the Company's Constitution stipulates the voting rights of members as follows:

"Subject to any rights or restrictions for the time being attached to any class or classes of shares and to this Constitution:

- (a) on a show of hands every person present in the capacity of a Member or a proxy, attorney or representative (or in more than one of these capacities) has one vote; and

**AUDIO PIXELS HOLDINGS LIMITED**  
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**ASX ADDITIONAL INFORMATION (Cont)**

- (b) On a poll every person present who is a Member or proxy, attorney or representative has member present has:
- (i) For each fully paid share that the person holds or represents – one vote; and
- (ii) For each share other than a fully paid share that the person holds or represents – that proportion of one vote that the amount paid (not credited) on the shares bears to the total amount paid and payable on the share (excluding amounts credited).”

**OTHER INFORMATION**

In accordance with Listing Rule 4.10.19, the Company has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives.

**DISTRIBUTION OF SHAREHOLDINGS**

At 6 March 2025 the distribution of ordinary shareholdings were:

<b>Range</b>	<b>Ordinary Shareholders</b>	<b>Number of Shares</b>	<b>Percentage of Shares</b>
1-1,000	1,352	469,398	1.61%
1,001 – 5,000	578	1,446,481	4.95%
5,001 – 10,000	203	1,586,443	5.43%
10,001 – 100,000	181	5,178,890	17.73%
100,001 and over	<u>33</u>	<u>20,528,888</u>	<u>70.28%</u>
	<u>2,347</u>	<u>29,210,100</u>	<u>100.00%</u>

There were 330 ordinary shareholders with less than a marketable parcel.

There is no current on-market buy-back.

**AUDIO PIXELS HOLDINGS LIMITED**  
**ACN 094 384 273**

**TWENTY LARGEST ORDINARY SHAREHOLDERS**

At 6 March 2025 the 20 largest ordinary shareholders held 63.58% of the total issued fully paid quoted ordinary shares of 29,210,100.

Shareholder	Fully Paid Ordinary Shares	Percentage of Total
1 N & J PROPERTIES PTY LTD	3,565,000	12.20%
2 ALTSHULER SHAHAM TRUSTS LTD	2,862,997	9.80%
3 LINK TRADERS (AUST) PTY LTD	1,840,123	6.30%
4 BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	1,788,073	6.12%
5 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,505,624	5.15%
6 CITICORP NOMINEES PTY LIMITED	1,149,277	3.82%
7 BART SUPERANNUATION PTY LIMITED <4F INVESTMENTS SUPERFUND A/C>	782,777	2.68%
8 MR JAMES JOHN BART	716,143	2.45%
9 KAM SUPERANNUATION FUND PTY LTD <KAM SUPERFUND A/C>	650,000	2.23%
10 JAMBER INVESTMENTS PTY LTD <THE AMBER SCHWARZ FAM A/C>	578,000	1.98%
11 CHERYL BART	500,000	1.71%
12 ARVADA PTY LTD	387,000	1.32%
13 4F INVESTMENTS PTY LTD	353,258	1.21%
14 MR BRENT FRANCIS MCCARTY + MRS YVONNE ALICE MCCARTY + MR ZELJAN ALEXANDER UNKOVICH <MON DESIR A/C>	304,014	1.04%
15 EMICHROME PTY LIMITED	290,555	0.99%
16 BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	289,857	0.99%
17 BRIGADIER PTY LIMITED <IAN DENNIS SUPER FUND A/C>	257,600	0.88%
18 LARRON PTY LTD <JENNINGS FAMILY A/C>	252,000	0.86%
19 NICOLE BART	250,000	0.86%
20 DECANTE PTY LTD <J M EHRlich SUPER FUND A/C>	250,000	0.86%
	<b><u>18,572,298</u></b>	<b><u>63.45%</u></b>