

Half-Year Report of Audio Pixels Holdings Limited for the Half-Year Ended 30 June 2022

ACN 094 384 273

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

Current Reporting Period: Half-year ended 30 June 2022

Previous Corresponding Period: Half-year ended 30 June 2021

AUDIO PIXELS HOLDINGS LIMITED

Results for Announcement to the Market

Revenue and Net Profit/(Loss)

		Percentage Change %	Amount
Revenue from ordinary activities	up	34.7%	To \$78,556
(Loss) from ordinary activities after tax attributable to members	down	N/A	To (\$681,278)
Net (loss) attributable to members	down	N/A	To (\$681,278)

Dividends (Distributions)

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

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

Refer to Directors' Report.

Directors' Report

The directors of Audio Pixels Holdings Limited submit herewith the financial report for the half-year ended 30 June 2022. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

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

Mr Fred Bart (Chairman)
Mr Ian Dennis
Ms Cheryl Bart AO

PRINCIPAL ACTIVITIES

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

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

REVIEW OF OPERATIONS

As has been reported throughout the period, achievements were technical in nature, focused on advancing the Company and its technologies toward achieving its commercial objectives. Activities during the period concentrated on advancing both short- and long-term objectives:

The short-term objectives have been predominately focused on producing demonstration systems. Beyond the many logistical and engineering aspects involved in the fabrication, assembly, testing, characterization, and refinement of the chips and demonstration systems, our activities have been concentrated on the "reimplementation" of our proprietary code from its development environment(s) to efficient and reliable code that is deployable on our standalone demonstration systems and/or customer target products.

At the same time, our acoustic-oriented team has been working on optimizing our proprietary algorithms to best accommodate and maximize the acoustic performance by adjusting the algorithms to the real-world realities associated with manufacturing and material tolerances. To date chip supply has been rather limited, as for the most part packaging of the chips still mostly manual assembly process. This will change upon the arrival and instillation of the automated assembly and test equipment that have already been ordered by our vendors.

Nonetheless, various stages of demonstration systems are now functioning internally and are capable of the full-range speaker capabilities, which are many orders of magnitude smaller and lighter than any conventional analog speaker. In fact, we have been able to produce frequencies down to 15Hz and up to 25KHz, using a single 1 square cm chip. This frequency range is wider than the human hearing range (20Hz – 20KHz) and therefore constitutes the world's first beyond full-range speaker.

Directors' Report

Ongoing activities having longer-term implications have concentrated on transitioning our manufacturers toward delivery of the final tested product. The primary objective is to remove the many logistical constraints involved with the company being at the epicenter of all disparate activities, by enabling direct delivery of tested MEMS and ASIC wafers to be delivered directly to the packaging vendor which will then utilize a fully automated assembly and testing line, to deliver fully tested chips to our customers.

To this end the company has been in very close collaboration with our vendors as well as third-party test equipment providers and system integrators to acquire the proper equipment; recently selecting and ordering wafer and chip assembly and test equipment which upon receipt will be modified at the direction of the company to accommodate our chip's unique requirements.

Additional highlights include:

- With the partial easing of travel restrictions, EarthMountain has been able to schedule a visit to our facilities in Israel of a senior technical and business delegation, during the first 2 weeks of September. The objectives of their visit are to establish deeper understanding of the technology in an effort to expedite production as well as provide comprehensive training on many aspects of production and quality assurance, and to advance mutual business interests between the parties.
- Advancement and refinement of the chip package and package assembly process toward the transition from manual chip packaging and testing to high-volume chip fully automated packaging systems and procedures.
- Validation of the computational simulation models vs physical measurements.
- Global Trademarking of AudioPixels™

Overall, the magnitude of accomplishments achieved during the reporting period present a very positive outlook on the company's ability to achieve its next series of milestones, the primary milestone which involves demonstration of the technology.

Capital raising

On 24 August 2022, the Company announced that it had completed a placement of 714,286 ordinary at \$14.00 per share raising \$10m before costs which will be applied towards working capital and repayment of unsecured loans. The placement was arranged by Petra Capital Pty Limited who acted as Sole Lead Manager and Sole bookrunner. Gross proceeds of \$3,368,442 in respect of 240,603 of these 714,286 new ordinary shares were received on 30 August 2022 and these shares were issued on 31 August 2022. 308,325 shares are to be issued on receipt of the funds from EarthMountain. 4F Investments Pty Limited, a company associated with Fred Bart, Chairman has agreed to subscribe for 165,358 new ordinary shares – being \$2,315,012 in this placement subject to shareholder approval at an Extraordinary General Meeting.

Directors' Report

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

Auditor's independence declaration

The auditor's independence declaration is included on page 6 of the half-year financial report.

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

On behalf of the Directors

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

I A Dennis
Director
Sydney, 31 August 2022

31 August 2022

The Board of Directors
Audio Pixels Holdings Limited
Level 12
75 Elizabeth Street
Sydney NSW 2000

Dear Board of Directors

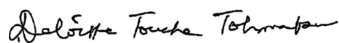
Auditor's Independence Declaration to Audio Pixels Holdings Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Audio Pixels Holdings Limited.

As lead audit partner for the review of the financial report of Audio Pixels Holdings Limited for the half year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- Any applicable code of professional conduct in relation to the review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants

Independent Auditor's Review Report to the members of Audio Pixels Holdings Limited

Conclusion

We have reviewed the half-year financial report of Audio Pixels Holdings Limited (the "Company") and its subsidiaries (the "consolidated entity"), which comprises the condensed consolidated statement of financial position as at 30 June 2022, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 9 to 23.

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

- Giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the consolidated entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss of \$681,278 and had a net cash outflow from operating activities of \$2,459,540 during the half-year ended 30 June 2022.

The consolidated entity had a net asset deficiency of \$1,917,454 (31 December 2021: surplus of \$605,415) and net current asset deficiency of \$5,113,683 (31 December 2021: \$2,625,423).

As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Directors' Responsibilities for the Half-year Financial Report

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants

31 August 2022

AUDIO PIXELS HOLDINGS LIMITED

Directors' Declaration

The directors declare that:

a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position as at 30 June 2022 and the performance for the half year ended on that date of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

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

I A Dennis
Director
Sydney, 31 August 2022

AUDIO PIXELS HOLDINGS LIMITED

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 30 June 2022

	Note	Consolidated Half-year ended 30 June 2022 \$	Consolidated Half-year ended 30 June 2021 \$
Revenue	2(a)	78,556	58,313
Administrative expenses		(566,529)	(313,508)
Amortisation		(42,002)	(39,109)
Depreciation		(206,909)	(201,271)
Directors' benefits		(74,800)	(74,460)
Exchange gains		2,506,598	1,063,087
Interest expense		(79,923)	(4,554)
Loss on sale of property, plant and equipment		(501)	-
Research and development		(1,830,094)	(2,005,680)
Share based payments		(465,674)	(129,864)
(Loss) before income tax expense	2	(681,278)	(1,647,046)
Income tax expense		-	-
(Loss) for the period	3	(681,278)	(1,647,046)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences arising on translation of foreign operations		(2,294,404)	(1,012,702)
Income tax relating to components of other comprehensive income		-	-
Other comprehensive (loss) for the period (net of tax)		(2,294,404)	(1,012,702)
Total Comprehensive (loss) for the period		(2,975,682)	(2,659,748)
(Loss) attributable to:			
Owners of the company		(681,278)	(1,647,046)
		(681,278)	(1,647,046)
Total comprehensive (loss) attributable to:			
Owners of the company		(2,975,682)	(2,659,748)
		(2,975,682)	(2,659,748)
(Loss) per share:			
Basic (cents per share)	4	(2.37 cents)	(5.74 cents)
Diluted (cents per share)	4	(2.37 cents)	(5.74 cents)

Notes to the financial statements are included on pages 14 to 23.

AUDIO PIXELS HOLDINGS LIMITED

Condensed Consolidated Statement of Financial Position as at 30 June 2022

	Note	Consolidated 30 June 2022 \$	Consolidated 31 Dec 2021 \$
Current Assets			
Cash and cash equivalents		532,406	748,373
Trade and other receivables		55,765	56,431
Total Current Assets		588,171	804,804
Non-Current Assets			
Goodwill	10	2,354,821	2,289,128
Right of use asset		203,789	327,517
Intangible	11	193,004	224,487
Property, plant and equipment		450,158	476,746
Trade and other receivables		9,550	9,080
Total Non-Current Assets		3,211,322	3,326,958
Total Assets		3,799,493	4,131,762
Current Liabilities			
Trade and other payables		1,397,980	1,522,467
Lease liabilities		178,553	237,555
Unsecured loans	12	3,785,000	1,400,000
Provisions		340,321	270,205
Total Current Liabilities		5,701,854	3,430,227
Non-Current liabilities			
Lease liabilities		15,093	96,120
Total Non-Current Liabilities		15,093	96,120
Total Liabilities		5,716,947	3,526,347
Net Assets		(1,917,454)	605,415
Equity			
Issued capital	7	73,092,487	73,092,487
Reserves	8	(24,657,366)	(22,815,775)
Accumulated losses	3	(50,352,575)	(49,671,297)
Total Equity		(1,917,454)	605,415

Notes to the financial statements are included on pages 14 to 23.

AUDIO PIXELS HOLDINGS LIMITED

**Condensed Consolidated Statement of Changes in Equity for the
half-year ended 30 June 2022**

	Issued Capital \$	Equity Settled Share Option Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Minority Acquisition Reserve \$	Total \$
Consolidated						
Balance at 1 January 2022	73,092,487	6,081,330	(3,358,413)	(49,671,297)	(25,538,692)	605,415
Other comprehensive (loss) for the period	-	-	(2,294,404)	-	-	(2,294,404)
(Loss) for the period	-	-	-	(681,278)	-	(681,278)
Total comprehensive (loss) income for the period	-	-	(2,294,404)	(681,278)	-	(2,975,682)
Recognition of share based payments	-	452,813	-	-	-	452,813
Balance at 30 June 2022	<u>73,092,487</u>	<u>6,534,143</u>	<u>(5,652,817)</u>	<u>(50,352,575)</u>	<u>(25,538,692)</u>	<u>(1,917,454)</u>
Balance at 1 January 2021	73,092,487	5,552,761	(968,266)	(46,361,428)	(25,538,692)	5,776,862
Other comprehensive (loss) for the period	-	-	(1,012,702)	-	-	(1,012,702)
(Loss) for the period	-	-	-	(1,647,046)	-	(1,647,046)
Total comprehensive (loss) income for the period	-	-	(1,012,702)	(1,647,046)	-	(2,659,748)
Recognition of share based payments	-	133,185	-	-	-	133,185
Balance at 30 June 2021	<u>73,092,487</u>	<u>5,685,946</u>	<u>(1,980,968)</u>	<u>(48,008,474)</u>	<u>(25,538,692)</u>	<u>3,250,299</u>

Notes to the financial statements are included on pages 14 to 23.

AUDIO PIXELS HOLDINGS LIMITED

Condensed Consolidated Cash flow statement for the half-year ended 30 June 2022

	Consolidated Half-year ended 30 June 2022 \$	Consolidated Half-year ended 30 June 2021 \$
<i>Cash Flows From Operating Activities</i>		
Receipts from customers	78,556	57,054
Payments to suppliers and employees	(2,493,574)	(2,689,533)
Interest and bill discounts received	-	1,259
Interest paid	(44,522)	(4,554)
Net cash (used in) operating activities	(2,459,540)	(2,635,774)
<i>Cash Flows From Investing Activities</i>		
Payment for property, plant and equipment	(21,191)	(44,472)
Net cash (used in) investing activities	(21,191)	(44,472)
<i>Cash Flows From Financing Activities</i>		
Proceeds from unsecured loans	2,385,000	-
Repayment of lease liabilities	(152,477)	(159,072)
Net cash (used in) financing activities	2,232,523	(159,072)
<i>Net (Decrease) in Cash Held</i>	(248,208)	(2,839,318)
<i>Cash and cash equivalents at the beginning of the half-year</i>	748,373	4,750,888
<i>Effects of exchange fluctuations on the balances of cash held in foreign currencies</i>	32,241	35,725
<i>Cash and cash equivalents at the end of the half-year</i>	532,406	1,947,295

Notes to the financial statements are included on pages 14 to 23.

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2022**

1. Significant accounting policies

1 (a) Statement of compliance

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

1 (b) Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company’s 2021 annual financial report for the financial year ended 31 December 2021. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

1 (c) New Accounting Standards

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

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

AASB 2020-4	Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions
AASB 2020-9	Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments
AASB 2020-3	3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments

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

AUDIO PIXELS HOLDINGS LIMITED

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2022**

1. Significant accounting policies (cont)

1 (c) New Accounting Standards (cont)

New and revised AASB Standards in issue but not yet effective

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

Standard/amendment	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 January 2023	31 December 2023
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	31 December 2023

1 (d) Significant events and transactions-Impact of COVID-19

The Coronavirus disease (COVID-19) was declared a world-wide pandemic by the World Health Organisation in March 2020 and has had a significant impact on global economies. COVID-19 has affected the consolidated entity in multiple ways, including increasing supply chain costs, product delivery delays, delays in contract negotiations and execution, access to customers and reduced production.

This has resulted in delays in development work in the half-year. As the COVID-19 situation continues to evolve, the consolidated entity is monitoring the impact of COVID-19 on 2022 operational and financial performance.

AUDIO PIXELS HOLDINGS LIMITED

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 30 June 2022

1. Significant accounting policies (cont)

1 (d) Significant events and transactions-Impact of COVID-19 (cont)

Significant judgement and estimates

While the specific areas of judgement did not change, the impact of COVID-19 resulted in the application of further judgement by the directors in preparing the half-year financial report in areas such as impairment assessment on goodwill and intangibles resulting from delivery delays. The directors believe that the estimates used in preparing this half-year financial report are reasonable.

Given the dynamic and evolving nature of COVID-19 and limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates and outcomes that have been applied in the measurement of the consolidated entity's assets and liabilities may arise in the future that could require an adjustment to the carrying amounts of the reported assets and liabilities in future reporting periods.

1 (e) Prior Period Comparatives

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

1 (f) Going Concern

The financial report has been prepared on the going concern basis which assumes the continuity of normal business activities and the realization of assets and the settlement of liabilities in the ordinary course of business. The consolidated entity incurred a net loss of \$681,278 (2021 half-year: \$1,647,046) and used net cash in operating activities of \$2,459,540 (2021 half-year: \$2,635,774) during the half-year ended 30 June 2022. As at 30 June 2022, the consolidated entity had cash of \$432,406 (31 December 2021: \$748,373) of which \$60,206 (31 December 2021: \$64,374) is restricted as it secures future lease payments.

The consolidated entity had a net asset deficiency of \$1,917,454 (31 December 2021: surplus of \$605,415) and net current asset deficiency of \$5,113,683 (31 December 2021: \$2,625,423) as at 30 June 2022.

At 30 June 2022, the Company had standby unsecured finance facilities of \$4.285m. The facilities comprise \$3.285m from a company associated with one of the Company's directors, Mr Fred Bart and \$1m from a significant shareholder. The standby unsecured finance facilities have a term expiring on 30 September 2022 or on the completion of a capital raising, at an interest rate of 6%. The facilities were drawn to \$3.785m at 30 June 2022 and \$4.285m at the date of this report.

Further testing and enhancement of the technology is continuing as the consolidated entity works towards achievement of the demonstration milestone to begin the transition to volume production. A capital raise was announced to the market on 24 August 2022, signed confirmations have been received for \$10m to the date of this report, and \$3,368,442 has been received in cash at the date of signing this financial report. This capital raise will be used to repay the standby unsecured finance facilities of \$4.285m and provide additional working capital.

AUDIO PIXELS HOLDINGS LIMITED

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2022**

1. Significant accounting policies (cont)

1 (f) Going Concern (cont)

In the opinion of the directors, the ability of the consolidated entity to continue as a going concern and pay its debts as and when they fall due and payable is dependent upon:

- The ability of the company to extend the maturity date of the abovementioned unsecured finance facilities or to raise additional funding to repay the maturing facilities should this be required;
- The ability to fund and successfully complete the current testing phase of the technology, enabling the consolidated entity to demonstrate the technology's capabilities and negotiate commercial contracts with interested parties; and
- The ability of the company to secure additional funding from existing or new investors to fund the ramp up for production.

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

AUDIO PIXELS HOLDINGS LIMITED

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2022**

	Consolidated Half-year to 30 June 2022 \$	Consolidated Half-year to 30 June 2021 \$
2. (Loss) for the period		
(Loss) from ordinary activities before income tax includes the following items of revenue and expense:		
(a) Revenue		
Rental income	78,556	57,054
Interest received	-	1,259
Total revenue	78,556	58,313
(b) Expenses		
Amortisation	42,002	39,109
Interest expense	79,923	4,554
Depreciation of property, plant and equipment and right of use assets	206,909	201,271
3. (Accumulated losses)		
Balance at beginning of financial period	(49,671,297)	(46,361,428)
Net (loss) for the period	(681,278)	(1,647,046)
Balance at end of financial period	(50,352,575)	(48,008,474)

AUDIO PIXELS HOLDINGS LIMITED

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2022**

4. (Loss) Per Share

	2022 ¢ per share	2021 ¢ per share
Basic EPS	(2.37 cents)	(5.74 cents)
Diluted EPS	(2.37 cents)	(5.74 cents)

Basic (Loss) per Share

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

	Half-year to 30 June 2022 \$	Half-year to 30 June 2021 \$
(Loss) (a)	(681,278)	(1,647,046)

	2022 No	2021 No
Weighted average number of ordinary shares used in the calculation of basic earnings per share	28,698,663	28,698,663

(a) Earnings used in the calculation of basic earnings per share is the same as net (loss) in the Statement of Profit and Loss and Other Comprehensive Income.

(b) There are potential ordinary shares to be issued in relation to the issue of 173,000 unlisted employee options on 17 December 2018 at an exercise price of \$16.20. These options expire on 17 December 2022.

(c) There are potential ordinary shares to be issued in relation to the issue of 122,000 unlisted employee options 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.

5. Net tangible assets per security

	30 June 2022 \$ per share	30 June 2021 \$ per share
Net tangible assets/ liabilities per security including right of use assets	(0.16)	0.03

AUDIO PIXELS HOLDINGS LIMITED

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2022**

6. Segment information

The Company acted as the parent company for its subsidiaries in the half year period ended 30 June 2022. The company owns a 100% equity interest in Audio Pixels Technologies Pty Limited of Australia and Audio Pixels Limited of Israel. These subsidiaries are involved in the development of digital speakers. Accordingly, the directors are of the opinion that the consolidated entity operates in one segment.

7. Share capital

	30 June 2022 \$	31 December 2021 \$
Issued and paid up capital		
Fully paid Ordinary Shares		
Balance at the beginning of the financial period	<u>73,092,487</u>	<u>73,092,487</u>
Balance at the end of the financial period	<u>73,092,487</u>	<u>73,092,487</u>
Fully paid Ordinary Shares	Number	Number
Balance at the beginning of the financial period	<u>28,698,663</u>	<u>28,698,663</u>
Balance at the end of the financial period	<u>28,698,663</u>	<u>28,698,663</u>

8. Reserves

Minority acquisition reserve	(25,538,692)	(25,538,692)
Equity settled share option reserve	6,534,143	6,081,330
Foreign currency translation reserve	<u>(5,652,817)</u>	<u>(3,358,413)</u>
	<u>(24,657,366)</u>	<u>(22,815,775)</u>

AUDIO PIXELS HOLDINGS LIMITED

Notes to the Condensed Consolidated Financial Statements for the half-year ended 30 June 2022

9. Related party transactions

During the period, the Company paid a total of \$54,175 (six month period ended 30 June 2021 - \$53,929) 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 period, the Company paid a total of \$20,625 (six month period ended 30 June 2021 - \$20,531) to Dennis Corporate Services Pty Limited, a company associated with Mr Ian Dennis in respect of directors' fees and superannuation for Mr Ian Dennis.

During the period, the Company paid a total of \$15,000 (six month period ended 30 June 2021 - \$15,000) to Dennis Corporate Services Pty Limited, a company associated with Mr Ian Dennis in respect of consulting fees for secretarial and accounting services.

On 8 May 2014, the company entered into a lease in respect of office premises at Suite 3, Level 12, 75 Elizabeth Street Sydney for a period of forty eight months to 30 March 2018. The option in the lease was exercised and the lease has been extended for a further 4 years to 30 March 2022 and expired on that date. The Company continues to occupy the premises on a month to month basis pending the finalisation of a new lease. During the half-year period ended 30 June 2022, the company recharged \$24,756 (six month period ended 30 June 2021 - \$12,265) to 4F Investments Pty Limited, a company controlled by Fred Bart and \$31,339 (six month period ended 30 June 2021 - \$24,524) to another tenant who is a shareholder in the company.

On 29 June 2021, the Company secured a standby unsecured finance facility of \$2.0m, \$1.0m from 4F Investments Pty Limited (a company associated with Fred Bart, Chairman) and \$1.0m from a significant shareholder for a term of six months to 31 December 2021 at an interest rate of 6%. These facilities were drawn to \$1.4m at 31 December 2021. On 31 December 2021, the facilities were extended to 30 June 2022 and 4F Investments Pty Limited agreed to provide an additional facility of \$1m.

On 31 March 2022, the facilities were extended to 30 September 2022 or the completion of a capital raising and 4F Investments Pty Limited agreed to increase its facility to \$2.785m. On 30 June 2022, 4F Investments Pty Limited agreed to increase the loan facility by a further \$500,000 to \$3.285m on the same terms and conditions. The total amount of the unsecured loans drawn at 30 June 2022 was \$3.785m and \$4.285m as at the date of this report.

During the half year ended 30 June 2022, interest of \$26,067 was paid to 4F Investments Pty Limited and an additional amount of \$30,349 was accrued as at 30 June 2022.

AUDIO PIXELS HOLDINGS LIMITED

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2022**

10. Goodwill

	30 June 2021 \$	31 December 2021 \$
Goodwill paid on the acquisition of subsidiary company, Audio Pixels Limited of Israel		
Balance at the beginning of the period	2,289,128	2,244,045
Add Exchange differences on translation	<u>65,693</u>	<u>45,083</u>
	<u>2,354,821</u>	<u>2,289,128</u>

11. Intangible asset

	30 June 2022 \$	31 December 2021 \$
Based on independent valuation performed by Ernst & Young, Israel as at the acquisition date, 24 September 2010		
Intangible	868,000	868,000
Add Exchange differences on translation	199,062	188,543
Less amortisation	<u>(874,058)</u>	<u>(832,056)</u>
	<u>193,004</u>	<u>224,487</u>

12. Unsecured loans

4F Investments Pty Limited – related party of director	2,785,000	1,000,000
Other party	<u>1,000,000</u>	<u>400,000</u>
	<u>3,785,000</u>	<u>1,400,000</u>

On 29 June 2021, the Company secured a standby unsecured finance facility of \$2.0m, \$1.0m from 4F Investments Pty Limited (a company associated with Fred Bart, Chairman) and \$1.0m from a significant shareholder for a term of six months to 31 December 2021 at an interest rate of 6%. These facilities were drawn to \$1.4m at 31 December 2021. On 31 December 2021, the facilities were extended to 30 June 2022 and 4F Investments Pty Limited agreed to provide an additional facility of \$1m.

On 31 March 2022, the facilities were extended to 30 September 2022 or the completion of a capital raising and 4F Investments Pty Limited agreed to increase its facility to \$2.785m. On 30 June 2022, 4F Investments Pty Limited agreed to increase the loan by a further \$500,000 to \$3.285m on the same terms and conditions. The total amount of the unsecured loans drawn at 30 June 2022 was \$3.785m and \$4.285m at the date of this report.

AUDIO PIXELS HOLDINGS LIMITED

Notes to the Condensed Consolidated Financial Statements for the half-year ended 30 June 2022

13. Subsequent events

The Company issued a Digital Speaker Update to the ASX on 1 July 2022 and its Appendix 4C Quarterly Activities Report 29 August 2022.

On 24 August 2022, the Company announced a placement of 714,286 ordinary shares at a price of \$14.00 per share raising gross proceeds of \$10m before costs.

The placement was arranged by Petra Capital Pty Limited who acted as Sole Lead Manager and Sole bookrunner. Gross proceeds of \$3,368,442 in respect of 240,603 of these 714,286 new ordinary shares were received on 30 August 2022 and these shares were issued on 31 August 2022. 308,325 shares are to be issued on receipt of the funds from EarthMountain. 4F Investments Pty Limited, a company associated with Fred Bart, Chairman has agreed to subscribe for 165,358 new ordinary shares – being \$2,315,012 in this placement subject to shareholder approval at an Extraordinary General Meeting.

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

14. Contingent Liabilities and Commitments

a) At 30 June 2022 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 \$145,269 (31 December 2021 - \$258,841).

b) Entities within the consolidated entity are involved in contractual disputes in the normal course of contracting operations. The directors believe that the entities within the consolidated entity can settle any contractual disputes with customers and should any customers commence legal proceedings against the company, the directors believe that any actions can be successfully defended. As at the date of this report no legal proceedings have been commenced against any entity within the consolidated entity.

c) On 17 December 2021, the Consolidated entity announced to the Australian Stock Exchange Limited that it had entered into an agreement with Earth Mountain (Shanghai) Intelligent Technology Co., to mass produce Audio Pixels transformational digital speaker products.

AUDIO PIXELS HOLDINGS LIMITED

Information on Audit or Review

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

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

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

Not applicable

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

Not applicable