

29 October 2021

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

As has been reported throughout the period, achievements were mostly technical in nature, focused on advancing the Company's proven prototype technologies into a mass-production product. Primary activities in the reporting period included:

- In-person technology demonstrations to strategic companies that maintain relevant staffing in Israel
- Continual development and improvement of the demonstration systems
- Optimization of product and its fabrication methods focused on improving product cost, yield, and reliability
- Expanding our technology portfolio
- Advancing cooperation and accompanying agreements to secure both short and long term mass production requirements

As detailed previously, the company had successfully produced and commenced demonstrations of both individual and multi-chip systems to a number of potential customers that maintain some relevant expertise in Israel. While our efforts have so far served well as an initial foray to the market, it rapidly became apparent that to advance customer engagement while the world remains under strict COVID-19 travel restrictions, our efforts must be augmented by producing and providing working engineering samples that can be independently assessed by customers, at their facilities.

Such an "adjustment" poses significant challenges as it essentially necessitates accelerating production and product commercialization activities (as well as the procurement of capital needed to support such activities). It demands the production of many more devices and systems, as well as the adequate "maturing" of the technology, so that it befittingly and securely can be evaluated independently, at customer sites.

While many such commercialization activities were already underway, our demonstration systems were originally designed to be operated by our engineers and systems. Pivoting from this approach necessitates expediting a wide range of interdependent and third-party reliant activities, including (but by no means limited to):

- Finalization of product optimization for mass production
- Transitioning MEMS manufacturing and packaging from engineering lines to mass-production lines
- Translation and compilation of source code to embedded firmware, as well as the inclusion of encryption and other IP safeguard methods

- Development and fabrication of independently operated demonstration systems and tools
- Production of self-guiding customer oriented materials (such as reference design kits, functional and application guidelines, operating instructions, and so on.
- An urgent need to bring negotiations to conclusion as to secure both short and long term qualitative and quantitative mass-production requirements in comprehensive signed agreements.

Concurrently the company continues its mandate to innovate, optimize and advance its existing technologies and capabilities into an industry altering technology. Some of the activities occurring during the reporting period included:

- Improvement and exploitation of our proprietary multiphysics, micro-acoustic simulation modeling
- Implementation of AI (artificial intelligence) to enhance test, measurement and characterization systems and capabilities
- Expansion and augmentation of demonstration systems, most notably with a far-reaching system capable of demonstrating the technologies wide range of capabilities when using any number of chips - between 1 to 80
- Of course, the company continues to expand its intellectual property portfolio with constant improvements and cutting-edge innovations. One such development worthy of note has been the exploitation of an approach originally conceived to improve product efficiency, was discovered to enable an entirely new approach to control the sound volume of our DSRChip. This novel approach has been validated to extend the application of our current technology to potentially include, in and near ear applications (i.e. earbuds, airphones and headphones).

Measurements have been taken of our current DSRchip's conducted in accordance with industry standard testing (IEC 60318-4 occluded ear simulator measurements), using a well-known high-end brand earphone as our benchmark. Early measurements indicate that with some refinement, our current devices can "measure up" well, as they reproduce a very flat frequency response throughout the full range of frequencies (from low to ultrasonic), at targeted and controllable sound volumes.

While the company maintains its unwavering focus on revolutionizing the speaker market, nonetheless this recent technological development compels management to begin exploring and assessing our competitive positioning, challenges and opportunities involved in potentially expanding our loudspeaker product offerings, to include the roughly 500 million units consumed annually by the earphone/headphone marketplace.

Additional details of development expenditures during the reporting period are provided as follows:

- Noteworthy of significance has been management's ability to reduce its research and development expenditures by nearly one third, without incurring any adverse effect on the company's competency, capabilities, or schedules. This achievement was made possible by management's aptitude to continually seek, cultivate and leverage emerging opportunities.
- One additional software engineer was added to the Company's full time R&D staff.
- Global shortages continue to influence an increase to our development expenditures (and timelines) in particular expenses related to chip packaging and design and construction of demonstration systems.
- We continue to incur expenses related to the use of external contractors to augment our inhouse engineering capabilities, including:
  - Development of Multiphysics micro-acoustic simulation models
  - Design and layout of circuit boards required for demonstration and measurement systems
- Chip Packaging – until such time that we complete the onboarding of our mass production chip packaging vendor, expenses (and timelines) associated with the manual packaging of chips, continue to burden the budget

The amounts included in Item 6.1 of \$44,900 include directors' fees and superannuation paid to entities associated with non-executive directors of \$37,400 and consulting fees paid to entities associated with a non-executive director of \$7,500.

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

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

AUDIO PIXELS HOLDINGS LIMITED

**ABN**

98 094 384 273

**Quarter ended ("current quarter")**

30 SEPTEMBER 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9.months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	22	79
1.2 Payments for		
(a) research and development	(1,168)	(3,346)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(134)	(394)
(f) administration and corporate costs	(184)	(436)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(1)	(6)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,465)</b>	<b>(4,102)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(18)	(62)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9.months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(18)</b>	<b>(62)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Repayment of lease liabilities	(41)	(200)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(41)</b>	<b>(200)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,947	4,751
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,465)	(4,102)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(18)	(62)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9.months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(41)	(200)
4.5	Effect of movement in exchange rates on cash held	56	92
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>479</b>	<b>479</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	479	536
5.2	Call deposits	-	1,411
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>479</b>	<b>1,947</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	45
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
The amount included in Item 6.1. includes directors fees and superannuation paid to entities associated with the non-executive directors of \$37,400 and consulting fees paid to entities associated with non-executive directors of \$7,500		

7. <b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	2,000	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	2,000	-
7.5 <b>Unused financing facilities available at quarter end</b>		2,000
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	<p>The Company has unsecured loan facility agreements with 4F Investments Pty Limited (a company associated with Fred Bart - Chairman) and Link Enterprises Group for A\$1m each. The interest rate on the unsecured loan facilities is 6% and they both expire on 31 December 2021.</p>	

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,465)
8.2 Cash and cash equivalents at quarter end (item 4.6)	479
8.3 Unused finance facilities available at quarter end (item 7.5)	2,000
8.4 Total available funding (item 8.2 + item 8.3)	2,479
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	1.7
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: Yes	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: The Company is confident that after the product demonstrations abroad and domestically that it will raise further cash to fund its operations.	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: Yes	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 October 2021

Authorised by: By the Board  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.