

Half-Year Report of Audio Pixels Holdings Limited for the Half-Year Ended 30 June 2020

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 2020

Previous Corresponding Period: Half-year ended 30 June 2019

AUDIO PIXELS HOLDINGS LIMITED

Results for Announcement to the Market

Revenue and Net Profit/(Loss)

		Percentage Change %	Amount
Revenue from ordinary activities	down	36.7%	To \$99,416
(Loss) from ordinary activities after tax attributable to members	down	N/A	To (\$3,256,179)
Net (loss) attributable to members	down	N/A	To (\$3,256,179)

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.

AUDIO PIXELS HOLDINGS LIMITED

Directors' Report

The directors of Audio Pixels Holdings Limited submit herewith the financial report for the half-year ended 30 June 2020. 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

Achievements during the reporting period were technical in nature, focused on advancing the Company's proven prototype technologies into a mass-production product. The primary focus of the period has been an intensive effort overcoming what are believed to be the final technical hurdles required for technology demonstration and volume production of our revolutionary MEMS digital speaker.

Our previous report (Feb-2020) as well as the technical presentation given at the AGM (May-2020), delineated several challenges attaining defect free, properly functioning MEMS transducers. We specifically highlighted certain fabrication issues causing functional failure of the devices:

- a) Damages to the top electrode that occurred during the fabrication processes conducted on the backside of the wafer
- b) The presence of residues on the device surfaces
- c) Maintaining the required stress tolerances of the various device layers

The company in close collaboration with TowerSemi our current MEMS' vendor, have been able to resolve all the aforementioned issues during the current reporting period.

The first two issues were resolved by modifying and adding particular steps to the fabrication process. Overcoming issues concerning the stress tolerances required a different approach. Excessive gradient stress in the device is problematic as it introduces minute, yet critical deformations to certain device layers, which adversely impacts the timing requirements, the uniformity, and ultimately the acoustic impulse response of the device. After exhaustive study the company deemed that stress management through process improvement alone would be inadequate, and instead decided to adopt a creative structural design change that would not only resolve timing and uniformity issues, but also would dramatically reduce our dependencies on the fabricator's manufacturing control over stress tolerances. For purposes of preservation of intellectual property no additional details on the design change will be offered at this time.

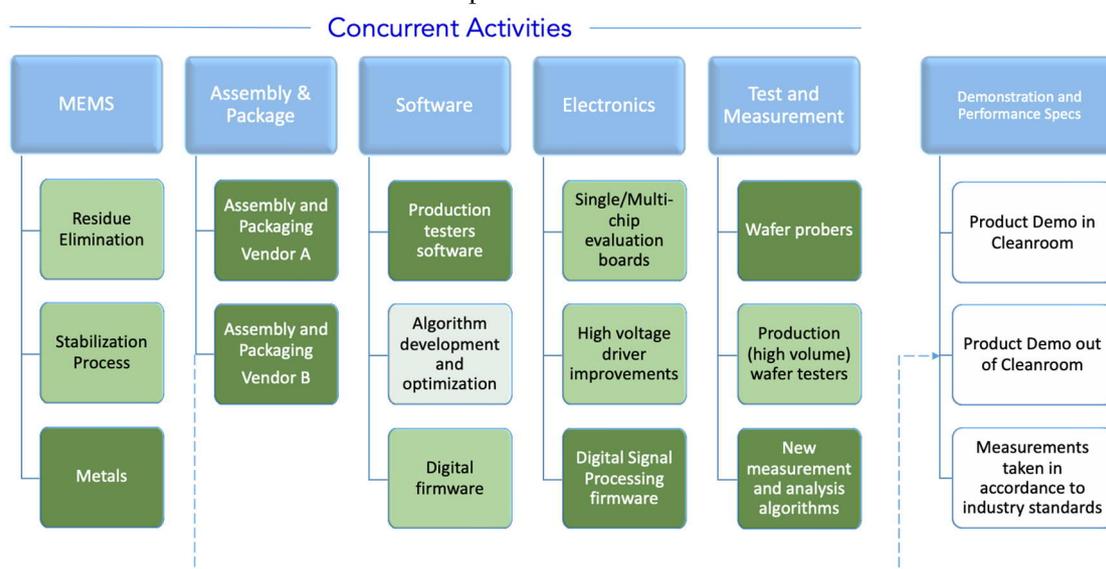
As has been well documented the company utilizes "Half Structures" (sometimes referred to as "Simplified Structure") as a midway fabrication point, allowing test and verification of manufacturing compliance as well as the assessment of most functional capabilities of our Full Structured devices. Wafers containing Half Structured devices were received in June 2020, were measured to confirm the effectiveness of the adopted adjustments and changes made to the device and manufacturing processes in order to rectify the

Directors' Report

aforementioned issues. Equally exciting the adopted structural design changes vividly and substantively improved the viability of the Half Structure as a product in of itself. Constructed from actual device measurements, demonstration of the Half Structures' device potential was produced and presented at the recent AGM (and also posted on the company's website).

Full Structured Wafers having the aforementioned design and process modifications were very recently received (Aug-12-2020). The wafers are currently undergoing burn-in and stabilization processes, readying them for commencement of acoustic testing within days of this report.

At the most recent AGM (May-28-2020) management presented a quarterly plan directed at product demonstration by the end of the quarter. While the recent resurgence of the COVID-19 global epidemic continues to introduce incongruities into our progress and forecasting, nonetheless much has already been accomplished. The graphic representation of the quarterly plan has been color coded to represent achievements to date of the various tasks required to achieve this monumental milestone.



While many of the tasks represent ongoing development activities that will likely be sustained by the company in its ongoing pursuit of excellence, for purposes of this report the tasks are defined and measured to correlate with the aforementioned demonstration milestone. As follows:

- Tasks color coded in Dark-Green have been completed to levels required for the demonstration objective.
- Tasks color coded in Mid-Green while ongoing, have already reached a state whereby they are sufficiently advanced as to support the demonstration objectives.
- Tasks color coded in Light-Green have yet to be completed to levels whereby the demonstration milestone can be satisfactorily achieved.

As described in prior reports and updates, our devices consistently play music, although not quite yet at performance levels that meet our aspirations. A critical task to achieving and demonstrating our performance objectives requires our bridging the gap between the perfect world of computer design and simulation and the imperfect world of fabrication. This task (colour coded in light green) necessitates measuring and modelling the finite details of the actual acoustic impulse response in order to amend and fine-tune our algorithms to harmonize with the actual functional and acoustic output capabilities of the current MEMS transducer. As mentioned above this task will commence within the coming days when the recently received full structured wafers complete its "burn-in" process.

An additional noteworthy accomplishment of the period has been the bringing of a second packaging vendor online. The vendor which is locally located in Israel has already delivered assembled and packaged chips in record time. While the chips the vendor packaged were produced prior to the design and process

AUDIO PIXELS HOLDINGS LIMITED

Directors' Report

changes, nonetheless they not only perform as expected, they enabled us to test and perfect our development and demonstration environment outside of the cleanroom.

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



I A Dennis
Director
Sydney, 28 August 2020

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

28 August 2020

Dear Board Members

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 statements of Audio Pixels Holdings Limited for the half-year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

David Salmon

David Salmon
Partner
Chartered Accountants
Canberra, 28 August 2020

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

We have reviewed the accompanying half-year financial report of Audio Pixels Holdings Limited, which comprises the condensed consolidated statement of financial position as at 30 June 2020, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows 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 of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 21.

Directors' Responsibility 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 Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, 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 2020 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. As the auditor of Audio Pixels Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Audio Pixels Holdings Limited would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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 Audio Pixels Holdings Limited is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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David Salmon

David Salmon
Partner
Chartered Accountants
Canberra, 28 August 2020

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 2020 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 long horizontal flourish extending to the right.

I A Dennis
Director
Sydney, 28 August 2020

AUDIO PIXELS HOLDINGS LIMITED

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 30 June 2020

	Note	Consolidated Half-year ended 30 June 2020 \$	Consolidated Half-year ended 30 June 2019 \$
Revenue	2(a)	99,416	157,024
Administrative expenses		(476,607)	(420,724)
Amortisation		(42,836)	(42,283)
Depreciation		(221,198)	(199,688)
Directors' benefits		(74,460)	(74,460)
Exchange gains/(losses)		514,059	121,230
Interest expense		(11,286)	(14,290)
Marketing expenses		-	(1,224)
Research and development		(3,043,267)	(2,082,621)
(Loss) before income tax expense	2	(3,256,179)	(2,557,036)
Income tax expense		-	-
(Loss) for the period	3	(3,256,179)	(2,557,036)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences arising on translation of foreign operations		(702,381)	(172,915)
Income tax relating to components of other comprehensive income		-	-
Other comprehensive (loss) for the period (net of tax)		(702,381)	(172,915)
Total Comprehensive (loss) for the period		(3,958,560)	(2,729,951)
(Loss) attributable to:			
Owners of the company		(3,256,179)	(2,557,036)
		(3,256,179)	(2,557,036)
Total comprehensive (loss) attributable to:			
Owners of the company		(3,958,560)	(2,729,951)
		(3,958,560)	(2,729,951)
(Loss) per share:			
Basic (cents per share)	4	(11.50 cents)	(9.04 cents)
Diluted (cents per share)	4	(11.50 cents)	(9.04 cents)

Notes to the financial statements are included on pages 14 to 21.

AUDIO PIXELS HOLDINGS LIMITED

**Condensed Consolidated Statement of Financial Position
as at 30 June 2020**

	Note	Consolidated 30 June 2020 \$	Consolidated 31 Dec 2019 \$
Current Assets			
Cash and cash equivalents		2,655,721	5,823,291
Trade and other receivables		157,978	142,314
Total Current Assets		2,813,699	5,965,605
Non-Current Assets			
Goodwill	10	2,359,973	2,334,763
Right of use asset		418,610	575,153
Intangible	11	366,855	402,110
Property, plant and equipment		490,903	469,517
Trade and other receivables		6,079	5,960
Total Non-Current Assets		3,642,420	3,787,503
Total Assets		6,456,119	9,753,108
Current Liabilities			
Trade and other payables		2,210,433	1,648,566
Lease liabilities		334,696	337,014
Provisions		254,280	262,784
Total Current Liabilities		2,799,409	2,248,364
Non-Current liabilities			
Lease liabilities		110,368	271,208
Total Non-Current Liabilities		110,368	271,208
Total Liabilities		2,909,777	2,519,572
Net Assets		3,546,342	7,233,536
Equity			
Issued capital	7	66,217,433	66,217,433
Reserves	8	(25,155,851)	(24,724,836)
Accumulated losses	3	(37,515,240)	(34,259,061)
Total Equity		3,546,342	7,233,536

Notes to the financial statements are included on pages 14 to 21.

AUDIO PIXELS HOLDINGS LIMITED

Condensed Consolidated Statement of Changes in Equity for the half-year ended 30 June 2020

	Issued Capital \$	Equity Settled Share Option Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Convertible Note Equity Reserve \$	Minority Acquisition Reserve \$	Total \$
Consolidated							
Balance at 1 January 2020	66,217,433	5,041,902	(4,228,046)	(34,259,061)	-	(25,538,692)	7,233,536
Other comprehensive (loss) for the period	-	-	(702,381)	-	-	-	(702,381)
(Loss) for the period	-	-	-	(3,256,179)	-	-	(3,256,179)
Total comprehensive (loss) income for the period	-	-	(702,381)	(3,256,179)	-	-	(3,958,560)
Recognition of share based payments	-	271,366	-	-	-	-	271,366
Balance at 30 June 2020	66,217,433	5,313,268	(4,930,427)	(37,515,240)	-	(25,538,692)	3,546,342
Balance at 1 January 2019	66,217,433	4,532,439	(4,037,487)	(28,027,131)	-	(25,538,692)	13,146,562
Other comprehensive (loss) for the period	-	-	(172,915)	-	-	-	(172,915)
(Loss) for the period	-	-	-	(2,557,036)	-	-	(2,557,036)
Total comprehensive (loss) income for the period	-	-	(172,915)	(2,557,036)	-	-	(2,729,951)
Recognition of share based payments	-	252,638	-	-	-	-	252,638
Balance at 30 June 2019	66,217,433	4,785,077	(4,210,402)	(30,584,167)	-	(25,538,692)	10,669,249

Notes to the financial statements are included on pages 14 to 21.

AUDIO PIXELS HOLDINGS LIMITED

**Condensed Consolidated Cash flow statement
for the half-year ended 30 June 2020**

	Consolidated Half-year ended 30 June 2019 \$	Consolidated Half-year ended 30 June 2019 \$
<i>Cash Flows From Operating Activities</i>		
Receipts from customers	86,562	59,859
Payments to suppliers and employees	(3,029,403)	(2,292,607)
Interest and bill discounts received	12,854	97,165
Interest paid	(11,286)	(14,290)
Net cash (used in) operating activities	<u>(2,941,273)</u>	<u>(2,149,873)</u>
<i>Cash Flows From Investing Activities</i>		
Payment for property, plant and equipment	<u>(73,312)</u>	<u>(85,860)</u>
Net cash (used in) investing activities	<u>(73,312)</u>	<u>(85,860)</u>
<i>Cash Flows From Financing Activities</i>		
Repayment of lease liabilities	<u>(163,158)</u>	<u>(156,776)</u>
Net cash (used in) financing activities	<u>(163,158)</u>	<u>(156,776)</u>
<i>Net (Decrease) in Cash Held</i>	(3,177,743)	(2,392,509)
<i>Cash and cash equivalents at the beginning of the half-year</i>	5,823,291	11,019,092
<i>Effects of exchange fluctuations on the balances of cash held in foreign currencies</i>	<u>10,173</u>	<u>(4,747)</u>
<i>Cash and cash equivalents at the end of the half-year</i>	<u><u>2,655,721</u></u>	<u><u>8,621,836</u></u>

Notes to the financial statements are included on pages 14 to 21.

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2020**

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 2019 annual financial report for the financial year ended 31 December 2019. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

1 (c) New Accounting Standards

The Group 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 Group include:

AASB 2018-6	<i>Amendments to Australian Accounting Standards – Definition of a Business</i>
AASB 2018-7	<i>Amendments to Australian Accounting Standards – Definition of Material</i>
AASB 2019-1	<i>Amendments to Australian Accounting Standards – References to the Conceptual Framework</i>
AASB 2019-3	<i>Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform</i>
AASB 2019-5	<i>Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia.</i>

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group’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 2020

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 2020-4 <i>Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions</i>	1 June 2020	31 December 2020
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	1 January 2022	31 December 2022
AASB 2020-3 <i>Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i>	1 January 2022	31 December 2022

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 2020 operational and financial performance.

During the period, the consolidated entity recognised other income of \$31,955, related to COVID-19 government wage subsidies, in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Grants*.

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 revenue recognition, impairment assessment on goodwill and intangibles as well as the review of the expected credit losses on receivables and contract assets. 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.

AUDIO PIXELS HOLDINGS LIMITED

Notes to the Condensed Consolidated Financial Statements for the half-year ended 30 June 2020

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 during the half year of \$3,256,179 (2019 half-year: \$2,557,036). Net cash used in operating activities was \$2,941,273 (2019 half-year: \$2,149,873). As at 30 June 2020, the consolidated entity had cash of \$2,655,721 (at 31 December 2019: \$5,823,291) of which \$60,987 (2019: \$60,167) is restricted as it secures future lease payments. Subsequent to 30 June 2020, the consolidated entity raised an amount of \$6,875,053 through a private placement.

In the opinion of the directors, given the current stage of development of the technology and taking into consideration the consolidated entity's financial position and performance, the consolidated entity is able to continue as a going concern and pay its debts as and when they become due and payable. The directors note that any furthering of commercialisation activities in relation to the technology will only proceed once sufficient additional funding has been secured. The directors are of the view that the consolidated entity would be successful in securing such additional funding from existing or new investors. Therefore, the directors consider it appropriate to prepare the half year financial report on the going concern basis.

AUDIO PIXELS HOLDINGS LIMITED

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2020**

	Consolidated Half-year to 30 June 2020 \$	Consolidated Half-year to 30 June 2019 \$
2. (Loss) for the period		
(Loss) from ordinary activities before income tax includes the following items of revenue and expense:		
(a) Revenue		
Rental income	54,607	59,859
Interest received	12,854	97,165
Other	31,955	-
Total revenue	<u>99,416</u>	<u>157,024</u>
(b) Expenses		
Amortisation	42,836	42,283
Interest expense	11,286	14,290
Depreciation of property, plant and equipment and right of use assets	<u>221,198</u>	<u>199,688</u>
3. (Accumulated losses)		
Balance at beginning of financial period	(34,259,061)	(28,027,131)
Net (loss) for the period	<u>(3,256,179)</u>	<u>(2,557,036)</u>
Balance at end of financial period	<u>(37,515,240)</u>	<u>(30,584,167)</u>

AUDIO PIXELS HOLDINGS LIMITED

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2020**

4. (Loss) Per Share

	2020 ¢ per share	2019 ¢ per share
Basic EPS	(11.50 cents)	(9.04 cents)
Diluted EPS	(11.50 cents)	(9.04 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 2020 \$	Half-year to 30 June 2019 \$
(Loss) (a)	(3,256,179)	(2,557,036)

	2020 No	2019 No
Weighted average number of ordinary shares used in the calculation of basic earnings per share	28,301,720	28,301,720

(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 203,000 unlisted employee options on 17 December 2018 at an exercise price of \$16.20. These options expire on 17 December 2023. The unlisted employee options have not been included in dilutive EPS, as they are anti-dilutive.

5. Net tangible assets per security

	30 June 2020 \$ per share	30 June 2019 \$ per share
Net tangible assets /(liabilities) per security including right of use assets	0.03	0.28

AUDIO PIXELS HOLDINGS LIMITED

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2020**

6. Segment information

The Company acted as the parent company for its subsidiaries in the half year period ended 30 June 2020. 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 2020 \$	31 December 2019 \$
Issued and paid up capital		
Fully paid Ordinary Shares		
Balance at the beginning of the financial period	66,217,433	66,217,433
Balance at the end of the financial period	<u>66,217,433</u>	<u>66,217,433</u>
Fully paid Ordinary Shares	Number	Number
Balance at the beginning of the financial period	28,301,720	28,301,720
Balance at the end of the financial period	<u>28,301,720</u>	<u>28,301,720</u>

8. Reserves

Minority acquisition reserve	(25,538,692)	(25,538,692)
Equity settled share option reserve	5,313,268	5,041,902
Foreign currency translation reserve	(4,930,427)	(4,228,046)
	<u>(25,155,851)</u>	<u>(24,724,836)</u>

AUDIO PIXELS HOLDINGS LIMITED

Notes to the Condensed Consolidated Financial Statements for the half-year ended 30 June 2020

9. Related party transactions

During the period, the Company paid a total of \$53,929 (six month period ended 30 June 2019 - \$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 \$20,531 (six month period ended 30 June 2019 - \$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 2019 - \$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. During the half-year period ended 30 June 2020, the company recharged \$15,616 (six month period ended 30 June 2019 - \$14,965) of the rent and other tenancy charges to Electro Optic Systems Holdings Limited, a company of which Fred Bart and Ian Dennis are directors, \$12,997 (six month period ended 30 June 2019 - \$14,965) to 4F Investments Pty Limited, a company controlled by Fred Bart and \$25,994 (six month period ended 30 June 2019 - \$29,930) to another tenant who is a shareholder in the company.

10. Goodwill

	30 June 2020	31 December 2019
	\$	\$
Goodwill paid on the acquisition of subsidiary company, Audio Pixels Limited of Israel		
Balance at the beginning of the period	2,334,763	2,326,484
Add Exchange differences on translation	<u>25,210</u>	<u>8,280</u>
	<u>2,359,973</u>	<u>2,334,763</u>

AUDIO PIXELS HOLDINGS LIMITED

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2020**

11. Intangible asset

	30 June 2020	31 December 2019
	\$	\$
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	211,630	204,048
Less amortisation	<u>(712,775)</u>	<u>(669,938)</u>
	<u>366,855</u>	<u>402,110</u>

12. Subsequent events

On 24 July 2020, the Company completed a private placement to institutional and sophisticated investors of 396,943 ordinary shares at a price of \$17.32 raising \$6,875,053 for working capital.

The Company issued a Digital Speaker Update to the ASX on 14 July 2020.

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.

13. Commitments

At 30 June 2020 the Consolidated entity 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 \$632,201 (31 December 2019 - \$794,566).

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