

31 January 2022

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:

- Activities supporting the transition of MEMS wafer fabrication to batch processing (production lines, processes and procedures).
- Fabrication and functional validation of Gen-II ASIC controller
- Activities supporting the transition of Chip Packaging to vendors capable of mass production assembly, processes and procedures.
- Finalizing of Fabrication / Production Agreements
- Development and fabrication of self-contained demonstration systems
- Expansion of our technology portfolio

The overall transition to mass production is progressing according to plans. The MEMS fabrication is proceeding to schedule. In the coming weeks we anticipate delivery of our Gen-II ASIC as well as final qualification of production-oriented packaging vendors.

Undoubtedly the headline of the period has been the finalization of a comprehensive manufacturing agreement with Earth Mountain (Shanghai) Intelligent Technology Co. Ltd ("EM"), that secures very significant MEMS production and chip packaging capacity.

The primary development activities during the reporting period coalesced on transitioning our collaboration with EM from research and development to mass-production. Nowhere is this more evident than the multitude of activities required to advance product demonstration systems.

For reasons detailed in previous reports and announcements, the company has been devoting considerable effort and resources toward the design and production of self-contained demonstration systems. These systems are specifically designed to be securely provided to OEM Customers (Original Equipment Manufacturers) in a manner that permits independent technological assessment. For the most part this massive effort has been completed and is awaiting receipt of packaged chips produced in mass production lines, which is anticipated by the vendor to be delivered sometime in March.

This collective effort also produced a number of noteworthy additions and improvements to the electronic controls, signal processing, algorithms and the device itself. Aided by our predictive modeling capabilities the company has been able to introduce a number of refinements that are targeted at further improving device performance and its reliability, while reducing the cost of manufacturing and packaging. Some of these enhancements have and are

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in the process of being added to our patent portfolio, which is expected to surpass 200 granted patents later this quarter.

While expenditures remain consistent, management has already begun laying the groundwork to “retool” the company as to support the transition from a research and development focused company to one that is capable of a large-scale global production, marketing and sales. Currently activities are predominately focused on the recruitment of experienced personnel as well as improvement and expansion of our quality assurance capabilities and programs. This effort includes supporting production with customized in-situ measurement and characterization systems, that are compatible with the fabricators production lines.

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")

31 DECEMBER 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12.months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	28	107
1.2 Payments for		
(a) research and development	(726)	(4,072)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(136)	(530)
(f) administration and corporate costs	(58)	(494)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(5)	(11)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(897)	(4,999)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(96)	(158)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12.months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	2	2
	(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)	-	-
2.6	Net cash from / (used in) investing activities	(94)	(156)

3.	Cash flows from financing activities		
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	1,400	1,400
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Repayment of lease liabilities	(128)	(328)
3.10	Net cash from / (used in) financing activities	1,272	1,072

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	479	4,751
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(897)	(4,999)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(94)	(156)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12.months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,272	1,072
4.5	Effect of movement in exchange rates on cash held	(10)	82
4.6	Cash and cash equivalents at end of period	750	750

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	750	479
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	750	479

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
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. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
7.1 Loan facilities	3,000	1,400
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	3,000	1,400
7.5 Unused financing facilities available at quarter end		1,600
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) of \$2m and Link Enterprises Group for A\$1m. The interest rate on the unsecured loan facilities is 6% and they both expire on 30 June 2022. The original \$2m facility which expired on 31 December 2021 was extended for a further six months to 30 June 2022. On 31 December 2021 4F Investments Pty Limited (a company associated with Fred Bart - Chairman) agreed to provide an additional loan facility of \$1m on the same terms and conditions as the initial \$2m facility.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(897)
8.2 Cash and cash equivalents at quarter end (item 4.6)	750
8.3 Unused finance facilities available at quarter end (item 7.5)	1,600
8.4 Total available funding (item 8.2 + item 8.3)	2,350
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.62
<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:	
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:	
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:	
<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>	

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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: 31 January 2022

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.