

Activity Statement for the Quarterly Cash Report to 30 June 2023

Achievements during the reporting period were predominantly technical in nature, focused on advancing the Company's proven Digital Sound Reconstruction technologies into a mass-production product.

At the Company's AGM held on 30 May 2023, the company successfully demonstrated to its shareholders the qualitative aspects of its technology; substantiating the industry altering aspects offered by our solid-state Digital Sound Reconstruction (DSR) platform.

A real-time recording of the demonstration, which was subsequently posted on the Company's website, exhibited the sound reproduction capabilities of our solid-state DSR chip when compared to the leading microspeakers used worldwide. The qualitative benefits offered by the chip's capability to reproduce the full audible range (from 20Hz to 20KHz and beyond) with a near flat frequency response, is unprecedented, especially when such high performance is achieved in a surface mount industry compliant 14x18mm package.

The demonstration was conducted using our prototype platform (MEMS GEN-I). As has been extensively reported, the company's primary technical objective during this reporting period has been to evolve our technology and fabrication capabilities to a commercial generation of our solid-state DSR MEMS chip (MEMS-GEN-II). As has been extensively reported MEMS-GEN-II is an evolution of our prototype chip which includes certain design elements that provide greater stability, reliability, higher yield, cost efficiency as well as providing a significant boost to the sound pressure level (SPL or "loudness") of the chip.

As has been reported, EarthMountain has expanded their production capacity and capabilities by adding to their existing 6" wafer facility, two independent 8" fabrication facilities. During the reporting period EM has made significant advancements contenting with the technical challenges associated with transitioning from 6" to 8" wafer production.

Beyond deriving considerable benefit from newer and higher precision equipment, ultimately the transition from 6 to 8" wafers will provide a substantial increase in EarthMountain's production capacity.

It is of critical importance to note that the production version of the chip (MEMS-GEN-II) is fully compatible with all packaging, testing procedures, functional software, algorithms, hardware and electronics that were developed, tried, tested and used the prototyping and demonstration platform (MEMS-GEN-I).

Given these and other accomplishments attained through the period management is increasingly confident that the commercial efforts can commence sometime in Q4 of this year. The company next significant milestone is the receipt and characterization of MEMS GEN-II chips, having an anticipated delivery of first wafers produced by an 8" facility 4-6 weeks behind the wafer / chip delivery produced by the 6" facility's which is currently projected by the vendor to be in late August.

As announced management secured a Convertible Note to carry the company through its next milestone and to cover the ongoing delay of Earth Mountain (Suzhou) Microelectronics Ltd. (EM) to settle its commitment to take 308,325 ordinary shares at \$14.000 per share (\$4,316,550) as part of the placement announced 24 August 2022.

Payments to related entities

The amounts included in Item 6.1 of \$45,438 include directors' fees and superannuation paid to entities associated with non-executive directors of \$37,938 and consulting fees paid to entities associated with a non-executive director of \$7,500. Interest was paid in cash on these unsecured loans during the quarter amounting to \$141,439 and interest continues to accrue at 12% until the outstanding loan is repaid.

Unsecured loans

During the quarter ending 30 June 2023, 4F Investments Pty Limited (a company associated with Chairman -Fred Bart) provided an additional \$500,000 in unsecured loans. Following the approval at the Annual General Meeting held on 30 May 2023, 4F Investments Pty Limited was issued 165,358 ordinary shares at \$14.00 per share at a cost of \$2,315,012 which reduced the unsecured loan from \$4,535,000 to \$2,219,988 at 30 June 2023.

SUMMARY

Given the resounding success and reception of our first-ever public technological demonstration, management is increasingly confident that the company's commercial objectives can commence sometime in Q4 of this year. Much will depend on the timely receipt and fabrication success of the initial MEMS-GEN-II wafers and chips.

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 JUNE 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6. months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	21
1.2 Payments for		
(a) research and development	(765)	(1,767)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	(2)
(d) leased assets	-	-
(e) staff costs	(130)	(263)
(f) administration and corporate costs	(125)	(304)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(146)	(147)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(1,166)	(2,462)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(34)	(134)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6. 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)	-	-
2.6 Net cash from / (used in) investing activities	(34)	(134)

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	2,500	2,500
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	500	1,250
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Repayment of lease liabilities	(48)	(97)
3.10 Net cash from / (used in) financing activities	2,952	3,653

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	668	1,340
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,166)	(2,462)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(34)	(134)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6. months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,952	3,653
4.5	Effect of movement in exchange rates on cash held	4	27
4.6	Cash and cash equivalents at end of period	2,424	2,424

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	909	668
5.2	Call deposits	1,515	-
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)	2,424	688

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	-
<p>The amount included in Item 6.1. includes directors fees and superannuation paid to entities associated with the non-executive directors of \$37,938 and consulting fees paid to entities associated with non-executive directors of \$7,500.</p>		

7.	Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	2,470	2,220
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	2,470	2,220
7.5	Unused financing facilities available at quarter end		250
7.6	<p>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> <div style="border: 1px solid black; padding: 10px; margin-top: 10px;"> <p>The Company has an unsecured loan facility agreement with 4F Investments Pty Limited (a company associated with Fred Bart - Chairman) of \$2.470m at 30 June 2023 and at the date of this report. The interest rate on the unsecured loan facility is 12% and it expires on completion of the capital raising of A\$4,316,550 (US\$3m from Earth Mountain or other capital raising).</p> <p>As part of the placement announced to the market on 24 August 2022 of \$10m at \$14.00 per share, 4F Investments Pty Limited agreed to subscribe for 165,358 ordinary shares at \$14.00 per share as part of this placement at a cost of \$2,315,012, subject to shareholder approval. 4F Investments Pty Limited has now offset \$2,315,012 against its unsecured loan as shareholder approval was received at the Annual General Meeting held on 30 May 2023, and the balance would be repaid in cash once the placement funds from Earth Mountain or another placement are received.</p> <p>In respect of the balance of the unsecured loan, after shareholder approval of \$2.220m, 4F Investments Pty Limited will continue to receive interest at 12.00 % per annum until repayment.</p> <p>4F Investments advanced \$500,000 on 26 April 2023 under the unsecured loan facility agreement which brought the outstanding unsecured loan to \$2.220m at 30 June 2023 and at the date of this report.</p> </div>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,166)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,424
8.3	Unused finance facilities available at quarter end (item 7.5)	250
8.4	Total available funding (item 8.2 + item 8.3)	2,674
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.29
	<p><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></p>	

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: N/A

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: N/A

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: N/A

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.

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: 28 July 2023

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 – e.g. 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.