

## Activity Statement for the Quarterly Cash Report to 30 September 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-produced commercial product.

As has been extensively reported, the company's primary technical objectives and milestones are currently focused on the fabrication and characterization of MEMS GEN-II chips. As has been previously described, a number of novel design elements have been incorporated into MEMS GEN-II chip design, that are forecasted to provide substantially higher sound pressure (SPL or "loudness") when compared to MEMS GEN-I.

The performance introduced by MEMS GEN-I has quite literally astounded the industry. This is not solely for being the first single loudspeaker driver (of any size or cost), that can reproduce the entire audible spectrum (and beyond), but for its qualitative reproduction capabilities. Such capabilities include a near perfectly flat Frequency and Phase Response with practically no distortion. While this in itself represents a quantum leap in sound reproduction, nonetheless it does not quite meet the objectives set by management for the commercial version of our product; as each additional decibel provide by MEMS GEN-II will exponentially enhance the commercial appeal of the product by reducing the number of chips required per application thus saving customers considerable space, power and costs.

As has been reported the pioneering SPL design elements introduced into MEMS GEN-II require adjustments to the fabrication processes. These modifications have proven to be more challenging than originally anticipated by our vendor, as all 3 fabrication facilities required alteration to tools and techniques used in MEMS GEN-I. While our vendor has spared no expense or effort contending with these challenges, it has taken them more time than they originally anticipated, begrudgingly forcing them to adjust first delivery timelines from September-October to Nov-December of 2023.

While this latest rescheduling is frustrating it is not without reason as this is the inherent nature of MEMS. Micro Electrical Mechanical Systems, MEMS, describes both a device category and its fabrication techniques. A MEMS device is principally a three-dimensional "micromachine" which mostly utilizes the same facilities, materials, processes, tools and techniques as those used to produce the two-dimensional integrated circuit (IC), but that is where the similarity ends. Unlike an IC, the performance of a MEMS device is determined by a number of factors other than the signal integrity. The electromechanical properties of a MEMS device are critical to its performance. These characteristics dictates the materials which in turn dictate the possible production processes (such as etching depth, accuracy, materials and stress control). In our case there is an added degree of difficulty as the performance of our devices necessitates pushing customary boundaries in order to achieve higher amplitudes and voltages.

The very nature of MEMS development makes it very difficult if not impossible to gauge timelines, as any fair assessment cannot accurately predict something that has never before been achieved. While we are ultimately an acoustic company our technology demands the use of MEMS, and as

such we have had to face the reality associated with the very long development and commercialization cycles of MEMS. According to relevant data, today's common place MEMS devices such as pressure sensors, accelerometers, microphones, and gas sensors have taken 20 to 30 years to advance from R&D and design to full commercialization, which is actually an improvement, as prior to 2012, the average commercialization cycle of a MEMS device was 28 years.

As we draw near to the completion and introduction of a revolutionary product despite the lengthy development cycles and setbacks, we proudly proclaim that we have not only outpaced the industry averages, but have done so at a fraction of the resources and budgets normally associated with such undertakings.

In an effort to ensure the success of these remaining steps, Management has recently concluded a visit to EarthMountain facilities to assess, assist and support the final fabrication steps of our MEMS GEN-II chips. It is first important to commend EarthMountain for its commitment supporting the company efforts; sparing no expense, resource, or effort to complete commercialization of our ground-breaking technology as quickly as possible.

Management's recent visit with EarthMountain included visits and in-depth discussions with each of the three MEMS fabrication facilities as well as with the packaging facility. The final steps of wafer fabrication and chip packaging have been carefully scrutinized and addressed to satisfaction. Confidentiality agreements and competitive considerations prohibit provision of additional details, but management is satisfied that all remaining issues that have been or might become problematic have been fully addressed.

EarthMountain coordinated our visit to include an elaborate celebration of the official inauguration of their cutting-edge chip packaging facility which is located in China's Acoustic Valley (Suzhou). At that event management had the opportunity to meet with the many distinguished executives and officials including those related to investments that have so far been entangled in the bureaucratic approval processes. Additional extremely positive visits were held with a number of conglomerates that have been added to our growing list of potential customers awaiting to receive engineering samples of MEMS GEN-II chips.

### **Payments to related entities**

The amounts included in Item 6.1 of \$35,803 include directors' fees and superannuation paid to entities associated with non-executive directors of \$30,803 and consulting fees paid to entities associated with a non-executive director of \$5,000. Interest was paid in cash on the unsecured loans to 4F Investments Pty Limited during the quarter amounting to \$68,115 and interest continues to accrue at 12% until the outstanding loan is repaid.

## **Unsecured loans**

During the quarter ending 30 September 2023, 4F Investments Pty Limited (a company associated with Chairman - Fred Bart) provided an additional \$250,000 in unsecured loans. This took the balance of the unsecured loan between 4F Investments Pty Limited and the Company to \$2,469,988.

## **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.

Management would like to thank the handful of shareholders that have reached out to express concern and empathy to the Audio Pixels employees, family, and the entire Israeli civilian population as we endure and respond to the horrific events of October 7<sup>th</sup> and the ongoing precarious aftermath forced upon the Country.

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 2023

<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	-	21
1.2 Payments for		
(a) research and development	(1,059)	(2,827)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	(2)
(d) leased assets	-	-
(e) staff costs	(141)	(404)
(f) administration and corporate costs	(204)	(508)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(75)	(222)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,480)</b>	<b>(3,942)</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	(7)	(141)
(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>(7)</b>	<b>(141)</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	-	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	250	1,500
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Repayment of lease liabilities	(4)	(101)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>246</b>	<b>3,899</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	2,424	1,340
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,480)	(3,942)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7)	(141)

<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)	246	3,899
4.5	Effect of movement in exchange rates on cash held	43	70
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,226</b>	<b>1,226</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	1,226	909
5.2	Call deposits	-	1515
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>1,226</b>	<b>2,424</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	36
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 \$30,803 and consulting fees paid to entities associated with non-executive directors of \$5,000.

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	2,470
7.2	Credit standby arrangements	-
7.3	Other (please specify)	500
7.4	<b>Total financing facilities</b>	<b>2,970</b>
7.5	<b>Unused financing facilities available at quarter end</b>	<b>500</b>
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 an unsecured loan facility agreement with 4F Investments Pty Limited (a company associated with Fred Bart - Chairman) of \$2.470m at 30 September 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 \$250,000 on 25 September 2023 under the unsecured loan facility agreement which brought the outstanding unsecured loan to \$2.470m at 30 September 2023 and at the date of this report.</p> <p>As part of the unsecured convertible note arrangement announced to the market on 22 May 2023, there is still \$500k to be drawn from 4F Investments Pty Limited as at 30 September 2023. The terms of the Convertible Note will include a term of up to 31 January 2024, is unsecured, attracts an interest rate of 12% per annum payable quarterly in arrears and be convertible to ordinary shares at A\$9.04, being the five-day volume weighted average price of AKP at the time of the agreement.</p>		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>	
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,480)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,226
8.3	Unused finance facilities available at quarter end (item 7.5)	500
8.4	<b>Total available funding (item 8.2 + item 8.3)</b>	<b>1,726</b>

**8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)**

1.17

*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.*

**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: Yes. The Company is still expecting to receive the placement proceeds of A\$4,316,550 in respect of the placement to Earth Mountain of 308,325 ordinary shares at \$14.00 announced on 24 August 2022. In order to sustain the anticipated level of R&D activities, additional funding will be required within the next 12 months. The precise timing, method and quantum of the additional funding to be secured remains subject to ongoing review and discussions between the Board as well as its advisers and potential funders. The timing of securing additional funds will also be subject to market conditions prevailing at the time and is expected to be coordinated with the demonstration of the MEMS GEN-II wafers and chips during the December 2023 quarter.

**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. The Company is expecting to receive the placement proceeds of A\$4,316,550 in respect of the placement to Earth Mountain of 308,325 shares at \$14.00 announced on 24 August 2022.

*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: 31 October 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.