For personal use only

**29 October 2020**

## 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 advancement of our revolutionary MEMS digital speaker to volume production.

Prior reports including a technical presentation provided at the most recent AGM (May-2020), delineated several challenges attaining defect free, properly functioning MEMS transducers. We specifically highlighted certain fabrication issues that caused functional failure as well as a diversity of development activities required to achieve demonstration of our technology. Despite renewed COVID related lockdown and restrictions the objectives were mostly achieved within the projected timeline. The company now has two distinct technological demonstrators operating within the confines of our cleanroom:

1. The first involves our core single chip product which exhibits the products revolutionary capabilities to reproduce frequencies previously considered to be impossible in speakers of similar size and form factor.

2. The second is a multi-chip demonstrator confirming the linear modularity of our technology. This demonstrator uses multiple chips (at this time up to 4 chips) to validate the platform's capability to attain virtually any desired acoustic performance output through the use of multiples of our single chip.

The combination of both demonstrations provides critical and verifiable indicators that enables the company to intensify its engagement with the marketplace, a process that is already underway.

As informed previously, demonstration outside the cleanroom as well as compiling performance data in accordance with industry practices necessitates the chips to be assembled and packaged. This effort while hampered by COVID-19 related restrictions is proceeding with the maximum expediency possible. The Company has posted on its website (www.audiopixels.com.au) a recording of a chip playing inside the clean room. Notwithstanding the considerable background noise generated by fan filters (FFU's) of the cleanroom, the chip clearly demonstrates the chips frequency range and clarity of sound.

Achievement of these development milestones enables the company to intensify our focus on optimization of the product and its manufacturing process in order to advance quantity production of our first generation of product(s).

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

**Audio Pixels Holdings Limited** ■ **ACN** 094 384 273 ■ Suite 3, Level 12, 75 Elizabeth St, Sydney NSW 2000 Australia
**Phone:** +61 2 9233 3915 ■ **Fax:** +61 2 9232 3411 ■ **Email:** iandennis@audiopixels.com.au

# Appendix 4C

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

For personal use only

| **Name of entity** | |
|---|---|
| AUDIO PIXELS HOLDINGS LIMITED | |
| **ABN** | **Quarter ended ("current quarter")** |
| 98 094 384 273 | 30 SEPTEMBER 2020 |

| **Consolidated statement of cash flows** | | **Current quarter $A'000** | **Year to date (9.months) $A'000** |
|---|---|---|---|
| **1.** | **Cash flows from operating activities** | | |
| 1.1 | Receipts from customers | 20 | 75 |
| 1.2 | Payments for | | |
| | (a) research and development | (1,549) | (4,032) |
| | (b) product manufacturing and operating costs | - | |
| | (c) advertising and marketing | | - |
| | (d) leased assets | - | - |
| | (e) staff costs | (128) | (383) |
| | (f) administration and corporate costs | (126) | (418) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | 3 | 16 |
| 1.5 | Interest and other costs of finance paid | (5) | (16) |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Government grants and tax incentives | 35 | 67 |
| 1.8 | Other (provide details if material) | - | - |
| **1.9** | **Net cash from / (used in) operating activities** | **(1,750)** | **(4,691)** |

| **2.** | **Cash flows from investing activities** | | |
|---|---|---|---|
| 2.1 | Payments to acquire or for: | | |
| | (a) entities | - | - |
| | (b) businesses | - | - |
| | (c) property, plant and equipment | (7) | (80) |
| | (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) | - | - |
| **2.6** | **Net cash from / (used in) investing activities** | **(7)** | **(80)** |

| **3.** | **Cash flows from financing activities** | | |
|---|---|---|---|
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | 6,875 | 6,875 |
| 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 | (90) | (253) |
| **3.10** | **Net cash from / (used in) financing activities** | **6,785** | **6,622** |

| **4.** | **Net increase / (decrease) in cash and cash equivalents for the period** | | |
|---|---|---|---|
| 4.1 | Cash and cash equivalents at beginning of period | 2,656 | 5,823 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (1,750) | (4,691) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (7) | (80) |

For personal use only

| Consolidated statement of cash flows | | Current quarter $A'000 | Year to date (9.months) $A'000 |
|---|---|---|---|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 6,785 | 6,622 |
| 4.5 | Effect of movement in exchange rates on cash held | (19) | (9) |
| **4.6** | **Cash and cash equivalents at end of period** | **7,665** | **7,665** |

| 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 | 771 | 377 |
| 5.2 | Call deposits | 6,894 | 2,279 |
| 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)** | **7,665** | **2,656** |

| 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 $37,320 and consulting fees paid to entities associated with non-executive directors of $7,500

For personal use only

| 7. | **Financing facilities**<br>*Note: the term "facility' includes all forms of financing arrangements available to the entity.*<br>*Add notes as necessary for an understanding of the sources of finance available to the entity.* | **Total facility amount at quarter end $A'000** | **Amount drawn at quarter end $A'000** |
|---|---|---|---|
| 7.1 | Loan facilities | - | - |
| 7.2 | Credit standby arrangements | - | - |
| 7.3 | Other (please specify) | - | - |
| 7.4 | **Total financing facilities** | - | - |

| | | |
|---|---|---|
| 7.5 | **Unused financing facilities available at quarter end** | - |

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.

| | | |
|---|---|---|
| **8.** | **Estimated cash available for future operating activities** | **$A'000** |
| 8.1 | Net cash from / (used in) operating activities (item 1.9) | (1,750) |
| 8.2 | Cash and cash equivalents at quarter end (item 4.6) | 7,665 |
| 8.3 | Unused finance facilities available at quarter end (item 7.5) | - |
| 8.4 | Total available funding (item 8.2 + item 8.3) | 7,665 |
| 8.5 | **Estimated quarters of funding available (item 8.4 divided by item 8.1)** | 4.38 |

*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: 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.*

For personal use only

## 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 2020

Authorised by: Ian Alistair Dennis - Director
(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.

For personal use only