

29 January 2021

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 (Oct-2020) updated our advancements toward the production of engineering samples. As informed, wafers of both the full and simplified chip structures were tested, measured, producing sound and music inside our cleanroom (sample recordings were posted on our website). This achievement provided the reliance needed to requisition wafers containing various aspects required to package the chips. The principal differences between wafers compliant for packaging and those that are not, are:

- Wafers for packaging contain critical metal layers that permit direct and indirect wire bonded connections between the MEMS Transducer chip and our proprietary embedded ASIC controller. At this time the addition of these layers necessitates removal of the sacrificial layers, used during wafer fabrication, to be conducted by a third-party vendor.
- Wafers for packaging require singulation (dicing) of the wafer into individual chips (dies). This process at this time also requires the services of an external vendor that uses an innovative sawless technique to dice wafers such as ours that are vulnerable to contamination prior to packaging.

Until these processes are brought inhouse (during mass production phase), these two additional steps present the company with rather considerable technical and logistical challenges in producing packaged chips that permit development and demonstration of the acoustic output capabilities outside the very noisy and cumbersome environment of the cleanroom. The resurgent outburst of COVID-19 worldwide in particular in Israel and at the third-party vendor locations caused rather considerable delays to our original demo scheduling, from late December 2020 to the currently advised timetable at or before the end of February 2021. Management is very pleased to inform that we have a substantial number of very high-profile customers eagerly awaiting our out-of-cleanroom demonstration.

In parallel significant progress has been made during this reporting period on a variety of fronts. The primary focus of such activities has been advancing the electronics and algorithms to better

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serve product demonstration capabilities. This included various electronics and boards that enable single and multichip demonstration, the development of a suite of additional algorithms offering varied and improved functionality for both the simplified and full structure architecture, as well as the transition of our algorithms to firmware.

Additional activities included among others, qualitative and quantitative improvements to our test and measurement capabilities through the design and construction of multiples of dedicated probe stations that enable us to test more wafers for longer periods of time, the introduction of significant advancements to our measurement techniques and capabilities that not only improve measurement resolution and accuracy but also provide a dramatic reduction in the amount of time it takes to conduct various measurements, as well as the invaluable expansion of our proprietary data collection, analytical and simulation tools and capabilities.

Four additional patents have been granted to the company during the reporting period.

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

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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 2020

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	21	96
1.2 Payments for		
(a) research and development	(2,487)	(6,519)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(139)	(522)
(f) administration and corporate costs	(171)	(589)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	19
1.5 Interest and other costs of finance paid	(3)	(19)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	10	77
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,766)	(7,457)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(25)	(105)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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	-	-
	(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	(25)	(105)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	(86)	(339)
3.10	Net cash from / (used in) financing activities	(86)	6,536

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,665	5,823
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,766)	(7,457)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(25)	(105)

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)	(86)	6,536
4.5	Effect of movement in exchange rates on cash held	(37)	(46)
4.6	Cash and cash equivalents at end of period	4,751	4,751

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	570	771
5.2	Call deposits	4,181	6,894
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)	4,751	7,665

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		

7.	Financing facilities <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>	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)	(2,766)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,751
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	4,751
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.72
<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: 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: The Company plans to raise further capital on completion of the testing phase and demonstration to major industry participants as it gears up for production. The Directors believe there will be no issues in raising additional capital.	
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 has received may offers from major players in the semi conductor field wishing to participate in any capital raising.	
<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>		

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 January 2021

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.