

27 April 2021

Review of Operations

As has been reported throughout the period, achievements were technical in nature, focused on advancing the Company's proven prototype technologies into a mass-production product. The main focus of the period has been an intensive effort to combine the Company's accomplishments into working devices that can serve as product demonstrators as well as engineering samples for select customers.

The primary highlight of the period was the successful sampling of playing chips and multi-chip boards outside of our cleanroom.

1. The package chips proved effective in providing an industry standard electrical interface while protecting the MEMS from the environment (dust particles, humidity etc.), with minimal acoustic attenuation.
2. The current demonstration setup operates up to 4 chips in parallel, demonstrating the basic drive algorithms, functional software and electronics as well as the multi-chip scalability of the technology.
3. The Company is in advanced stages of development of a stand-alone evaluation board that is capable of driving between 1 and 80 chips. This platform would be used not only to demonstrate sound performance, but also control algorithms, directivity manipulation and other advanced features of the technology.

Achievement of this milestone continues to extend well beyond our originally scheduled plans as the company contends with widespread disruptions throughout the global semiconductor supply chain. Business and financial media extensively detail the impact global shortages have had on everything from electronics to medical devices to automobiles and networking and communications devices and equipment.

While the impact on our MEMS and ASIC wafer production has so far been manageable, the adverse effect on the packaging of our chips has been dramatic. As has been well documented the Company together with a world leading specialty chip packaging company, has spent over 5 years developing and perfecting an automated packaging process for our chips. Unfortunately, unprecedented production demands on our partner have so far prevented us from utilizing this packaging line.

While the Company has plans in place to meet future mass production demands, our short-term options to augment packaging capacity were extremely limited. Extending packaging capacity isn't as simple as adding another production line or adding another vendor, as beyond the fact that seemingly the entire supply chain including equipment vendors are already at full capacity, and that it can take many months to order, receive and bring new equipment online; but unlike traditional semiconductor chips, the packaging of a MEMS device such as ours necessitates very specific and unique requirements.

We are very proud (and grateful) that the only chip packaging vendor in Israel agreed to support the Company through this crisis in bringing forth an interim solution to our chip packaging needs. Bringing a solution to bear, in particular at an accelerated pace, presents significant challenges as the vendor needed to gain the relevant knowledge, experience, tooling, processes and procedures, of which many are exclusive to our chips (further details were provided in the March 30th 2021 Announcement).

Notwithstanding the vendors commitment and diligence, it takes a large number of iterations to get the process correct and stable, during which a large number of MEMS dies must be sacrificed. Until such time that the process is reasonably reliable, the MEMS chips used to develop the packaging process are of the prior generation which are acoustically inferior and undesirable for public demonstration of our technologies. The assessment at the time of this report is that we need one to two additional iterations before being able to authorize the packaging of our newer generation of chips, pushing our demonstration milestone to the latter part of this fiscal quarter.

This announcement has been authorized 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 MARCH 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3.months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	24	24
1.2 Payments for		
(a) research and development	(1,199)	(1,199)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(130)	(130)
(f) administration and corporate costs	(134)	(134)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(3)	(3)
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	(1,441)	(1,441)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(29)	(29)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3.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	(29)	(29)

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	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Repayment of lease liabilities	(87)	(87)
3.10	Net cash from / (used in) financing activities	(87)	(87)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,751	4,751
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,441)	(1,441)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(29)	(29)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3.months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(87)	(87)
4.5	Effect of movement in exchange rates on cash held	17	17
4.6	Cash and cash equivalents at end of period	3,211	3,211

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	604	570
5.2	Call deposits	2,607	4,181
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)	3,211	4,751

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)	(1,441)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,211
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	3,211
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.23
<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: 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	
<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: 27 April 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.