

5 July 2021

The Manager  
Company Announcements Office  
ASX Limited  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

**ASX Query Letter**

We refer to the letter from ASX dated 30 June 2021 in response to our “Market Update – Progress Report” date 30 June 2021 and the further email request from ASX on 1 July 2021.

We provide the requested information below:

**1. When did AKP first become aware that it would not achieve the demonstration milestone by the end of the June 2021 quarter?**

Management reached this determination on 29 June 2021 (late night 28 June 2021 Israel time). The announcement was lodged with the CAP at approximately 7.30 am and released to the market by ASX at 8.36 am on 30 June 2021.

On 25 March 2021 the company announced the successful demonstration of individual chips and systems out-of- the cleanroom. A detailed explanation was provided in that announcement clarifying that these early demo systems were to be upgraded overtime, including but not limited to, the use upon availability, of our more advanced, packaged MEMS chips. The announcement added that the practice of using inferior chips was required throughout the qualification of a new chip packaging process and vendor, a practice that would continue until such time that deliverables satisfied the company’s technical requirements.

At our 25 May 2021 AGM, management provided a timeline it anticipated would be required to upgrade the demonstration systems’ capabilities sufficiently as to meet the objectives set for demonstration to industry players.

The 30 June 2021 announcement served to inform that an additional 14-21 days would be required to achieve the desired upgrades of our out-of-cleanroom demo as it was determined that this performance upgrade would require waiting until our more advanced MEMS chips completed packaging.

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**What new information came to light on 28 June 2021 when the decision was made;**

Our demonstration system is a highly complex amalgamation of proprietary MEMS and ASIC chips, electronic circuitry, drive algorithms and functional software, that collectively contribute to the performance of the technology. While significant improvements to the demo system were achieved by 28 June 2021, management in Israel concluded the necessity to upgrade the system by use of our more advanced packaged MEMS chips is required in order to achieve its targeted performance objectives set for the demonstration system.

After discussions with, among others, our chip packaging vendor on the morning of June 29 2021 (Israel time), management decided a) that sufficient progress was made to the packaging process as to authorize the packaging of our more advanced MEMS chips b) that the demonstration systems defined upgrades which included receipt of more advanced packaged MEMS chips could be accomplished within 14-21 days. On this basis management constructed an announcement for the ASX for approval by the directors.

**What plans AKP already had in place to demonstrate the speaker, such as location, video-conferencing facilities etc.**

Our current demonstration system is designed to introduce the incomparable value propositions our technologies provide to industry. This objective cannot be achieved via conferencing systems, as there is little to no value in doing so given the diminished experience reproducing sound on the inferior analog loudspeakers of existing systems.

Since the emergence of COVID-19 travel restrictions the company has refocused its demonstration plans on in-person visits to our facilities in Israel targeting the numerous industry players that maintain relevant staff in Israel. Of course, if and when global travel restrictions permit, the company will begin to embark on onsite customer visits, but until such time all demonstrations are planned to be conducted in Israel.

- 2. If AKP became aware of the inability to demonstrate its product before 30 June 2021, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe AKP was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps AKP took to ensure that the information was released promptly and without delay.**

It is important to note that the decision to extend the timeline by 14-21 days was not rooted in some sort of failure to achieve an out-of-cleanroom demonstration, as this achievement was completed and announced on 25 March 2021. Rather the decision to delay commencement of demonstration to industry by 14-21 days is rooted in the deep understanding available to management to critically balance the viability of the systems to attract the desired response and attention of the industry to our groundbreaking technologies.

In compliance with ASX Listing Rules, management seeks to report any and all material information immediately upon availability and reasonable verification. In this case an announcement was drafted and issued once management possessed the necessary data to reach a definitive conclusion that a delay to the reported demonstration timeline was unavoidable.

As detailed above management formed its final decision on 29 June 2021 in Israel and drafted the ASX announcement for approval by Directors which was sent to Sydney at 11.34 pm on 29 June 2021 and lodged with ASX at approximately 7.30 am on 30 June 2021 well before the commencement of trading. In accordance with Listing Rule 3.1A.1 the company could not disclose all underlying technical factors contributing to the delay.

**3. Please explain why AKP was not able to perform a demonstration of its product by 30 June 2021.**

For sake of accuracy, the Company was able to perform demonstrations of the technologies well prior to June 30 2021.

On 28 June 2021 (Israel time) management determined that the many upgrades made to the demonstration system to that date had yet to achieve the required objectives for demonstration to industry players, and that to do so will necessitate additional upgrading of the system to use our more advanced packaged MEMS chips.

On 29 June 2021 management concluded a) that the progress made so far to the chip packaging process was sufficiently viable as to anticipate the availability of our more advanced packaged MEMS chips, b) that the availability of the newly packaged chips and the then combined efforts required to achieve the targeted performance objectives of the demonstration system could be accomplished within a timeframe of 14-21 days.

**4. ASX notes that AKP did not provide a new timeline in the Announcement in which it expects to demonstrate its product, and instead referred to “Packaging of the more advanced generation of chips ... within the next 14-**

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**21 days”, and the subsequent “upgrade [to] its current out-of-cleanroom demonstration systems with the improved generation of packaged chips”. Please advise when AKP expects to be able to demonstrate its product. If no timeline is available, please explain why, given AKP was previously able to produce such a forecast.**

The announcement explicitly states the updated timeline for a viable demonstration to be within 14-21 days of the date of the announcement. This estimated timeline accounts for receipt of packaged chips, testing, installation and finetuning of the current out-of-cleanroom demonstration system. In accordance with Listing Rules 3.1A.1 and 3.1A.3 detailed timeframes occurring within the 14 - 21 day period will not be exposed, due to the sensitive commercial nature of the information.

It should also be noted that in accordance with Listing Rule 3.1 the announcement goes a step further; warning of the potential for an additional delay should unpredictable complications arise as a result of the recent emergence of the COVID-19 ‘Indian’ variant in Israel which is outside the control of management.

Our demonstration systems are designed to serve the strategic commercial interests of the company, attracting and engaging potential customers and industry influencers. Upon achievement management intends to announce confirmation that the out-of- cleanroom demonstration has been sufficiently upgraded as to commence demonstrations in Israel to select industry players.

We greatly respect our shareholders interest and enthusiasm to experience our technology first hand – but this is not a cogent priority for the Company, nor is it a practical one given the current global travel limitations. The standing plan is to include demonstration of our technology at our next AGM however if and when travel restrictions by and between Australia, Israel and connecting countries ease, management will consider holding a special in-person meeting to demonstrate the technology to its Australian shareholders.

**5. Please confirm that AKP is complying with the Listing Rules and, in particular, Listing Rule 3.1.**

The company maintains full compliance with Listing Rules 3.1-3.1B as well as 4.4 Guidance Note 8 for Continuous Disclosure.

**6. Please confirm that AKP’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of AKP with delegated authority from the board to respond to ASX on disclosure matters.**

Confirmed



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

Fred Bart  
Chairman

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### **About Audio Pixels Holdings Limited**

Audio Pixels Limited, founded in 2006, is a wholly owned subsidiary of Audio Pixels Holdings Limited, listed in Australia under the stock code of AKP (Level 1 ADR's on OTC: ADPXY). Backed by exceptional multidisciplinary scientific research, design, and production capabilities, Audio Pixels has become a world leader in digital loudspeaker technologies. Audio Pixels' patented technologies employ entirely new techniques to generate sound waves directly from a digital audio stream using micro-electromechanical structures (MEMS). Its revolutionary technological platform for reproducing sound enables the production of an entirely new generation of speakers that will exceed the performance specifications and design demands of the world's top consumer electronics manufacturers. For more information, visit [www.audiopixels.com.au/](http://www.audiopixels.com.au/).

### **Forward-looking statements**

This release may contain certain forward-looking statements with respect to the financial condition, results of operations and business of AKP and certain of the plans and objectives of AKP with respect to these items. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

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30 June 2021

Mr Ian Dennis  
Director  
Audio Pixel Holdings Limited  
Suite 3  
Level 12 75 Elizabeth Street  
Sydney NSW 2000

By email

Dear Mr Dennis

**Audio Pixel Holdings Limited ('AKP'): Query Letter**

ASX refers to the following:

- A. AKP's announcement titled "AGM Presentation" lodged on the ASX Market Announcements Platform ('MAP') on 25 May 2021, which stated:
- "Adjusted timeframe for Demonstration milestone remains the latter part of this fiscal quarter".*
- B. AKP's announcement titled "Market Update – Progress Report", lodged on MAP on 30 June 2021 (the 'Announcement'), which disclosed (relevantly):
- *"The Company announced at its Annual General Meeting held on 25 May 2021 that "the adjusted timeframe for Demonstration milestone remain the latter part of the fiscal year.";*
  - *"As detailed at the AGM, the company intends to upgrade its current out-of-cleanroom demonstration systems with the improved generation of packaged chips, immediately upon receipt and test of the more advanced generation of packaged chips."; and*
  - *"Packaging of the more advanced generation of chips is anticipated to be completed within the next 14 -21 days however it should be noted that a recent outbreak of the COVID-19 Indian variant in Israel, may introduce some limited delays to our execution timelines."*
- C. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- D. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:
- "an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."*
- E. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.
- "3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*
- 3.1A.1 One or more of the following applies:*
- *It would be a breach of a law to disclose the information;*
  - *The information concerns an incomplete proposal or negotiation;*



- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

3.1A.3 *A reasonable person would not expect the information to be disclosed."*

- F. ASX's policy position on the concept of "confidentiality", which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. In particular, the Guidance Note states that:

*"Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule."*

#### **Request for information**

Having regard to the above, ASX asks AKP to respond separately to each of the following questions and requests for information:

1. When did AKP first become aware that it would not achieve the demonstration milestone by the end of the June 2021 quarter?
2. If AKP became aware of the inability to demonstrate its product before 30 June 2021, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe AKP was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps AKP took to ensure that the information was released promptly and without delay.
3. Please explain why AKP was not able to perform a demonstration of its product by 30 June 2021.
4. ASX notes that AKP did not provide a new timeline in the Announcement in which it expects to demonstrate its product, and instead referred to *"Packaging of the more advanced generation of chips ... within the next 14-21 days"*, and the subsequent *"upgrade [to] its current out-of-cleanroom demonstration systems with the improved generation of packaged chips"*.  
  
Please advise when AKP expects to be able to demonstrate its product. If no timeline is available, please explain why, given AKP was previously able to produce such a forecast.
5. Please confirm that AKP is complying with the Listing Rules and, in particular, Listing Rule 3.1.
6. Please confirm that AKP's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of AKP with delegated authority from the board to respond to ASX on disclosure matters.

#### **When and where to send your response**

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9 AMAEST Friday, 2 July 2021**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, AKP's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require AKP to request a trading halt immediately.



Your response should be sent to me by e-mail at **ListingsComplianceSydney@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### **Trading halt**

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in AKP's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

### **Suspension**

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in AKP's securities under Listing Rule 17.3.

### **Listing Rules 3.1 and 3.1A**

In responding to this letter, you should have regard to AKP's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that AKP's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

### **Release of correspondence between ASX and entity**

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

### **Questions**

If you have any questions in relation to the above, please do not hesitate to contact me.

Kind regards

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**Lin Kang**  
Adviser, Listings Compliance (Sydney)