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Half-Year Report of Audio Pixels Holdings Limited for the Half-Year Ended 30 June 2021

ACN 094 384 273

*This Half-Year Report is provided to the Australian Stock
Exchange (ASX) under ASX Listing Rule 4.2A.3.*

Current Reporting Period: Half-year ended 30 June 2021

Previous Corresponding Period: Half-year ended 30 June 2020

Results for Announcement to the Market

Revenue and Net Profit/(Loss)

		Percentage Change %	Amount
Revenue from ordinary activities	down	41.3%	To \$58,313
(Loss) from ordinary activities after tax attributable to members	down	N/A	To (\$1,647,046)
Net (loss) attributable to members	down	N/A	To (\$1,647,046)

Dividends (Distributions)

	Amount per security	Franked amount per security
Final dividend	Nil¢	Nil¢
Interim dividend	Nil¢	Nil¢
Record date for determining entitlements to the dividend:		
• final dividend		N/A
• interim dividend		N/A

Brief Explanation of Revenue, Net Profit/(Loss) and Dividends (Distributions)

Refer to Directors' Report.

Directors' Report

The directors of Audio Pixels Holdings Limited submit herewith the financial report for the half-year ended 30 June 2021. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the company during or since the end of the half year are:

Mr Fred Bart (Chairman)
Mr Ian Dennis
Ms Cheryl Bart AO

PRINCIPAL ACTIVITIES

During the reporting period there were no significant changes in the nature of the Company's principal activities which were predominately focused on the refinement of the fabrication processes required to mass produce a commercial version of the Company's proven ground-breaking MEMS based digital loudspeaker.

Audio Pixels is a world leader in the digital transformation of sound reproduction; combining the emergence of a multibillion-dollar MEMS device industry together with the multibillion-dollar loudspeaker market that has over the course of a century become an indispensable fixture of daily life throughout a myriad of industries and applications.

REVIEW OF OPERATIONS

Achievements in the period were predominantly technical in nature, focused on advancing the Company's proven prototype technologies into a mass-produced product. The main focus of the period has been ongoing development and improvement of our technologies, progressing the company's objective of achieving production and assembly capacity by year-end, and the commencement of in-person demonstrations to select strategic companies that maintain relevant staffing in Israel.

During the reporting period the company had successfully produced single and multi-chip systems that after upgrade, are now being used to effectively demonstrate, outside of the cleanroom, the Company's digital sound reconstruction capabilities (including music) in form factors considered unattainable.

As detailed in prior reports and announcements, this achievement was initially accomplished using what the company characterised as "inferior" MEMS transducer chips. The underlying rationale behind the initial use of lower-grade MEMS transducer chips was due to adverse effects the COVID-19 pandemic had on our supply chain. Countless restrictions and limitations experienced by our primary overseas packaging vendor, ultimately demanded that the company seek alternative means to package our chips. The process of transferring critical, proprietary and complex knowledge developed over years, to a local vendor that was unfamiliar and initially ill-equipped to handle our MEMS chips, proved to be a considerable challenge that necessitated designing and building customised tools and chip substrates having greater compliancy to the vendors existing toolset and capabilities. In order to mitigate this risk and preserve our costly wafers, "inferior" MEMS transducer chips were used throughout the vendor qualification process.

Despite the many obstacles and limitations, the company was able to advance its devices and systems out of the cleanroom and construct playback capabilities for single and multichip demonstration. These initial systems were later upgraded by a variety of means, including, but by no means limited to, the use of improved MEMS transducer chips.

In no small part this accomplishment is attributable to a breakthrough in the company's modeling capabilities. The company recently deployed proprietary extensions to existing multi-physics simulation software, encompassing particular physical regimes that influence aero/fluid dynamics involved in microstructures. Such capabilities not only enable the examination and influence most any manufacturing tolerance, design adjustment or variation to the mechanics, electronics and controls have on the acoustic

Directors' Report

performance of a pixel or device, it does so in a matter of hours, rather than the many, many months of effort and resources required to design, fabricate and measure physical models.

This major leap in technological capabilities, which to the best of our knowledge is not available elsewhere, has resulted a number of noteworthy improvements to our demonstration systems. The massive effort undertaken to develop our simulation system is invaluable addition to our transition from research and development to production, as its predictive modeling capabilities not only enable rapid assessment that manufacturing tolerances may have on device performance, but also enables the unremitting exploration of means and methods to improve performance, reliability and production costs.

During the period a number of additional activities were undertaken in our advance towards mass production. One such example is the tape-out of our 2nd generation ASIC controller, which is currently undergoing extensive third-party qualification testing. At the core of this upgrade is added functionality specifically designed for the simplified structure chip operability.

The COVID-19 pandemic continues to impede on our pace of progress, in particular in dealing with unprecedented global shortages of electronic components and related services. As a countermeasure to the persistent uncertainties associated with the resumption of travel and in-person visits with potential customers, the company has begun devoting considerable effort and resources to expand its demonstration capabilities as to include devices and systems that can be shipped, operated and properly assessed independently by third parties outside of Israel.

Further information concerning the operations and financial condition of the entity can be found in the financial report and in releases made to the Australian Stock Exchange (ASX) during the half year.

Auditor's independence declaration

The auditor's independence declaration is included on page 5 of the half-year financial report.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



I A Dennis
Director
Sydney, 30 August 2021

30 August 2021

The Board of Directors
Audio Pixels Holdings Limited
Level 12
75 Elizabeth Street
Sydney NSW 2000

Dear Board of Directors,

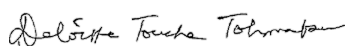
Auditor's Independence Declaration to Audio Pixels Holdings Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Audio Pixels Holdings Limited.

As lead audit partner for the review of the financial report of Audio Pixels Holdings Limited for the half year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- Any applicable code of professional conduct in relation to the review.

Yours faithfully,



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants
Melbourne

Independent Auditor's Review Report to the members of Audio Pixels Holdings Limited

Conclusion

We have reviewed the half-year financial report of Audio Pixels Holdings Limited (the "Company") and its subsidiaries (the "consolidated entity"), which comprises the condensed consolidated statement of financial position as at 30 June 2021, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 8 to 21.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the consolidated entity is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a *Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the consolidated entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss during the half year of \$1,647,046 (June 2020: \$3,256,179 loss) and net cash outflows in operating activities for the half year ended 30 June 2021 of \$2,635,774 (2020: \$2,941,273). These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

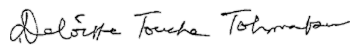
Directors' Responsibilities for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

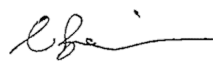
Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants

Melbourne, 30 August 2021

AUDIO PIXELS HOLDINGS LIMITED

Directors' Declaration

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position as at 30 June 2021 and the performance for the half year ended on that date of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



I A Dennis
Director
Sydney, 30 August 2021

AUDIO PIXELS HOLDINGS LIMITED

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 30 June 2021

	Note	Consolidated Half-year ended 30 June 2021 \$	Consolidated Half-year ended 30 June 2020 \$
Revenue	2(a)	58,313	99,416
Administrative expenses		(443,372)	(476,607)
Amortisation		(39,109)	(42,836)
Depreciation		(201,271)	(221,198)
Directors' benefits		(74,460)	(74,460)
Exchange gains/(losses)		1,063,087	514,059
Interest expense		(4,554)	(11,286)
Research and development		(2,005,680)	(3,043,267)
(Loss) before income tax expense	2	(1,647,046)	(3,256,179)
Income tax expense		-	-
(Loss) for the period	3	(1,647,046)	(3,256,179)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences arising on translation of foreign operations		(1,012,702)	(702,381)
Income tax relating to components of other comprehensive income		-	-
Other comprehensive (loss) for the period (net of tax)		(1,012,702)	(702,381)
Total Comprehensive (loss) for the period		(2,659,748)	(3,958,560)
(Loss) attributable to:			
Owners of the company		(1,647,046)	(3,256,179)
		(1,647,046)	(3,256,179)
Total comprehensive (loss) attributable to:			
Owners of the company		(2,659,748)	(3,958,560)
		(2,659,748)	(3,958,560)
(Loss) per share:			
Basic (cents per share)	4	(5.74 cents)	(11.50 cents)
Diluted (cents per share)	4	(5.74 cents)	(11.50 cents)

Notes to the financial statements are included on pages 13 to 21.

AUDIO PIXELS HOLDINGS LIMITED

Condensed Consolidated Statement of Financial Position as at 30 June 2021

	Note	Consolidated 30 June 2021 \$	Consolidated 31 Dec 2020 \$
Current Assets			
Cash and cash equivalents		1,947,295	4,750,888
Trade and other receivables		49,085	48,861
Total Current Assets		1,996,380	4,799,749
Non-Current Assets			
Goodwill	10	2,244,045	2,207,058
Right of use asset		110,437	249,320
Intangible	11	256,828	288,698
Property, plant and equipment		415,564	422,145
Trade and other receivables		5,805	5,699
Total Non-Current Assets		3,032,679	3,172,920
Total Assets		5,029,059	7,972,669
Current Liabilities			
Trade and other payables		1,372,680	1,630,684
Lease liabilities		110,368	241,577
Provisions		295,712	295,683
Total Current Liabilities		1,778,760	2,167,944
Non-Current liabilities			
Lease liabilities		-	27,863
Total Non-Current Liabilities		-	27,863
Total Liabilities		1,778,760	2,195,807
Net Assets		3,250,299	5,776,862
Equity			
Issued capital	7	73,092,487	73,092,487
Reserves	8	(21,833,714)	(20,954,197)
Accumulated losses	3	(48,008,474)	(46,361,428)
Total Equity		3,250,299	5,776,862

Notes to the financial statements are included on pages 13 to 21.

AUDIO PIXELS HOLDINGS LIMITED

Condensed Consolidated Statement of Changes in Equity for the half-year ended 30 June 2021

	Issued Capital \$	Equity Settled Share Option Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Minority Acquisition Reserve \$	Total \$
Consolidated						
Balance at 1 January 2021	73,092,487	5,552,761	(968,266)	(46,361,428)	(25,538,692)	5,776,862
Other comprehensive (loss) for the period	-	-	(1,012,702)	-	-	(1,012,702)
(Loss) for the period	-	-	-	(1,647,046)	-	(1,647,046)
Total comprehensive (loss) income for the period	-	-	(1,012,702)	(1,647,046)	-	(2,659,748)
Recognition of share based payments	-	133,185	-	-	-	133,185
Balance at 30 June 2021	73,092,487	5,685,946	(1,980,968)	(48,008,474)	(25,538,692)	3,250,299
Balance at 1 January 2020	66,217,433	5,041,902	(4,228,046)	(34,259,061)	(25,538,692)	7,233,536
Other comprehensive (loss) for the period	-	-	(702,381)	-	-	(702,381)
(Loss) for the period	-	-	-	(3,256,179)	-	(3,256,179)
Total comprehensive (loss) income for the period	-	-	(702,381)	(3,256,179)	-	(3,958,560)
Recognition of share based payments	-	271,366	-	-	-	271,366
Balance at 30 June 2020	66,217,433	5,313,268	(4,930,427)	(37,515,240)	(25,538,692)	3,546,342

Notes to the financial statements are included on pages 13 to 21.

AUDIO PIXELS HOLDINGS LIMITED

Condensed Consolidated Cash flow statement for the half-year ended 30 June 2021

	Consolidated Half-year ended 30 June 2021 \$	Consolidated Half-year ended 30 June 2020 \$
<i>Cash Flows From Operating Activities</i>		
Receipts from customers	57,054	86,562
Payments to suppliers and employees	(2,689,533)	(3,029,403)
Interest and bill discounts received	1,259	12,854
Interest paid	(4,554)	(11,286)
Net cash (used in) operating activities	(2,635,774)	(2,941,273)
<i>Cash Flows From Investing Activities</i>		
Payment for property, plant and equipment	(44,472)	(73,312)
Net cash (used in) investing activities	(44,472)	(73,312)
<i>Cash Flows From Financing Activities</i>		
Repayment of lease liabilities	(159,072)	(163,158)
Net cash (used in) financing activities	(159,072)	(163,158)
<i>Net (Decrease) in Cash Held</i>	(2,839,318)	(3,177,743)
<i>Cash and cash equivalents at the beginning of the half-year</i>	4,750,888	5,823,291
<i>Effects of exchange fluctuations on the balances of cash held in foreign currencies</i>	35,725	10,173
<i>Cash and cash equivalents at the end of the half-year</i>	1,947,295	2,655,721

Notes to the financial statements are included on pages 13 to 21.

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2021**

1. Significant accounting policies

1 (a) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS34 “Interim Financial Reporting”. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report and any public announcements made by the company during the interim reporting period in accordance with continuous disclosure requirements under the Corporations Act 2001.

1 (b) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of the historical cost convention. Cost is based on the fair values of the consideration given in exchange for assets. Except where indicated otherwise, all amounts are presented in Australian dollars.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company’s 2020 annual financial report for the financial year ended 31 December 2020. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

1 (c) New Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half year that are relevant to the Group include:

AASB 2020-4	Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions
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The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group’s accounting policies and has no effect on the amounts reported for the current or prior half-years.

AUDIO PIXELS HOLDINGS LIMITED

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2021**

1. Significant accounting policies (cont)

1 (c) New Accounting Standards (cont)

New and revised AASB Standards in issue but not yet effective

At the date of authorisation of the financial statements, the consolidated entity has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Standard/amendment	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2020-9 Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments	1 July 2021	31 December 2022
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	1 January 2022	31 December 2022
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 January 2023	31 December 2023
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	31 December 2023

1 (d) Significant events and transactions-Impact of COVID-19

The Coronavirus disease (COVID-19) was declared a world-wide pandemic by the World Health Organisation in March 2020 and has had a significant impact on global economies. COVID-19 has affected the consolidated entity in multiple ways, including increasing supply chain costs, product delivery delays, delays in contract negotiations and execution, access to customers and reduced production.

This has resulted in delays in development work in the half-year. As the COVID-19 situation continues to evolve, the consolidated entity is monitoring the impact of COVID-19 on 2020 operational and financial performance.

During the prior half-year period, the consolidated entity recognised other income of \$31,955, related to COVID-19 government wage subsidies, in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Grants*.

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2021**

1. Significant accounting policies (cont)

1 (d) Significant events and transactions-Impact of COVID-19 (cont)

Significant judgement and estimates

While the specific areas of judgement did not change, the impact of COVID-19 resulted in the application of further judgement by the directors in preparing the half-year financial report in areas such as impairment assessment on goodwill and intangibles. The directors believe that the estimates used in preparing this half-year financial report are reasonable.

Given the dynamic and evolving nature of COVID-19 and limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates and outcomes that have been applied in the measurement of the consolidated entity's assets and liabilities may arise in the future that could require an adjustment to the carrying amounts of the reported assets and liabilities in future reporting periods.

1 (e) Prior Period Comparatives

Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements. Where the presentation or classification of items in the financial statements is amended, the comparative amounts have been reclassified to conform with current period presentation

1 (f) Going Concern

The financial report has been prepared on the going concern basis which assumes the continuity of normal business activities and the realization of assets and the settlement of liabilities in the ordinary course of business.

The consolidated entity incurred a net loss of \$1,647,046 (2020 half-year: \$3,256,179) and used net cash in operating activities of \$2,635,774 (2020 half-year: \$2,941,273) during the half-year ended 30 June 2021. As at 30 June 2021, the consolidated entity had cash of \$1,947,295 (31 December 2020: \$4,750,888) of which \$60,071 (31 December 2020: \$58,662) is restricted as it secures future lease payments. On 29 June 2021, the Company secured two standby unsecured finance facilities of \$1 million each from a company associated with one of the Company's directors, Mr Fred Bart, and a significant shareholder, for a term expiring on 31 December 2021 at an interest rate of 6%. The facilities were not drawn at balance date or the date of this report.

Further testing and enhancement of the technology is continuing as the consolidated entity works towards achievement of the demonstrator milestone to begin the transition to volume production. As a result, it is anticipated that the available net working capital will be consumed in the coming 12 months.

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2021**

1. Significant accounting policies (cont)

1 (f) Going Concern (cont)

In the opinion of the directors, the ability of the consolidated entity to continue as a going concern and pay its debts as and when they fall due and payable is dependent upon:

- The successful completion of the current testing phase of the technology, enabling the consolidated entity to demonstrate the technology's capabilities and negotiate commercial contracts with interested parties; and
- The ability of the company to secure additional funding from existing or new investors to fund the completion of the testing and enhancement of the technology and, following this phase, secure funding as the consolidated entity gears up for production. The Directors do not anticipate any issues in raising additional capital.

If the consolidated entity is unable to achieve successful outcomes in relation to the above matters, material uncertainty would exist that may cast significant doubt as to the ability of the consolidated entity to continue as a going concern and therefore, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

No adjustments have been made to the financial report relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

AUDIO PIXELS HOLDINGS LIMITED

Notes to the Condensed Consolidated Financial

Statements

for the half-year ended 30 June 2021

	Consolidated Half-year to 30 June 2021 \$	Consolidated Half-year to 30 June 2020 \$
2. (Loss) for the period		
(Loss) from ordinary activities before income tax includes the following items of revenue and expense:		
(a) Revenue		
Rental income	57,054	54,607
Interest received	1,259	12,854
Other	-	31,955
Total revenue	<u>58,313</u>	<u>99,416</u>
(b) Expenses		
Amortisation	39,109	42,836
Interest expense	4,554	11,286
Depreciation of property, plant and equipment and right of use assets	<u>201,271</u>	<u>221,198</u>
3. (Accumulated losses)		
Balance at beginning of financial period	(46,361,428)	(34,259,061)
Net (loss) for the period	<u>(1,647,046)</u>	<u>(3,256,179)</u>
Balance at end of financial period	<u>(48,008,474)</u>	<u>(37,515,240)</u>

AUDIO PIXELS HOLDINGS LIMITED

**Notes to the Condensed Consolidated Financial
Statements
for the half-year ended 30 June 2021**

4. (Loss) Per Share

	2021 ¢ per share	2020 ¢ per share
Basic EPS	(5.74 cents)	(11.50 cents)
Diluted EPS	(5.74 cents)	(11.50 cents)

Basic (Loss) per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	Half-year to 30 June 2021 \$	Half-year to 30 June 2020 \$
(Loss) (a)	(1,647,046)	(3,256,179)

	2021 No	2020 No
Weighted average number of ordinary shares used in the calculation of basic earnings per share	28,698,663	28,301,720

(a) Earnings used in the calculation of basic earnings per share is the same as net (loss) in the Statement of Profit and Loss and Other Comprehensive Income.

(b) There are potential ordinary shares to be issued in relation to the issue of 173,000 unlisted employee options on 17 December 2018 at an exercise price of \$16.20. These options expire on 17 December 2023.

(c) There are potential ordinary shares to be issued in relation to the issue of 122,000 unlisted employee options on 16 April 2021 at an exercise price of \$27.70. These options expire on 16 April 2025.

The unlisted employee options have not been included in dilutive EPS, as they are anti-dilutive.

5. Net tangible assets per security

	30 June 2021 \$ per share	30 June 2020 \$ per share
Net tangible assets per security including right of use assets	0.03	0.03

AUDIO PIXELS HOLDINGS LIMITED

Notes to the Condensed Consolidated Financial

Statements

for the half-year ended 30 June 2021

6. Segment information

The Company acted as the parent company for its subsidiaries in the half year period ended 30 June 2021. The company owns a 100% equity interest in Audio Pixels Technologies Pty Limited of Australia and Audio Pixels Limited of Israel. These subsidiaries are involved in the development of digital speakers. Accordingly the directors are of the opinion that the consolidated entity operates in one segment.

7. Share capital

	30 June 2021 \$	31 December 2020 \$
Issued and paid up capital		
Fully paid Ordinary Shares		
Balance at the beginning of the financial period	73,092,487	73,092,487
Balance at the end of the financial period	73,092,487	73,092,487
Fully paid Ordinary Shares	Number	Number
Balance at the beginning of the financial period	28,698,663	28,698,663
Balance at the end of the financial period	28,698,663	28,698,663

8. Reserves

Minority acquisition reserve	(25,538,692)	(25,538,692)
Equity settled share option reserve	5,685,946	5,552,761
Foreign currency translation reserve	(1,980,968)	(968,266)
	<u>(21,833,714)</u>	<u>(20,954,197)</u>

AUDIO PIXELS HOLDINGS LIMITED

Notes to the Condensed Consolidated Financial Statements for the half-year ended 30 June 2021

9. Related party transactions

During the period, the Company paid a total of \$53,929 (six month period ended 30 June 2020 - \$53,929) to 4F Investments Pty Limited, a company associated with Mr Fred Bart in respect of directors' fees and superannuation for Mr Fred Bart and Mrs Cheryl Bart.

During the period, the Company paid a total of \$20,531 (six month period ended 30 June 2020 - \$20,531) to Dennis Corporate Services Pty Limited, a company associated with Mr Ian Dennis in respect of directors' fees and superannuation for Mr Ian Dennis.

During the period, the Company paid a total of \$15,000 (six month period ended 30 June 2020 - \$15,000) to Dennis Corporate Services Pty Limited, a company associated with Mr Ian Dennis in respect of consulting fees for secretarial and accounting services.

On 8 May 2014, the company entered into a lease in respect of office premises at Suite 3, Level 12, 75 Elizabeth Street Sydney for a period of forty eight months to 30 March 2018. The option in the lease was exercised and the lease has been extended for a further 4 years to 30 March 2022. During the half-year period ended 30 June 2021, the company recharged \$16,265 (six month period ended 30 June 2020 - \$15,616) of the rent and other tenancy charges to Electro Optic Systems Holdings Limited, a company of which Fred Bart and Ian Dennis are directors, \$16,265 (six month period ended 30 June 2020 - \$12,997) to 4F Investments Pty Limited, a company controlled by Fred Bart and \$24,524 (six month period ended 30 June 2020 - \$25,994) to another tenant who is a shareholder in the company.

On 29 June 2021, the Company secured a standby unsecured finance facility of \$2.0m, \$1.0m from 4F Investments Pty Limited (a company associated with Fred Bart, Chairman) and \$1.0m from a significant shareholder for a term of six months to 31 December 2021 at an interest rate of 6%. The facility was not drawn at balance date or the date of this report.

10. Goodwill

	30 June 2021 \$	31 December 2020 \$
Goodwill paid on the acquisition of subsidiary company, Audio Pixels Limited of Israel		
Balance at the beginning of the period	2,207,058	2,334,763
Add Exchange differences on translation	<u>36,987</u>	<u>(127,705)</u>
	<u>2,244,045</u>	<u>2,207,058</u>

AUDIO PIXELS HOLDINGS LIMITED

Notes to the Condensed Consolidated Financial

Statements

for the half-year ended 30 June 2021

11. Intangible asset

	30 June 2021 \$	31 December 2020 \$
Based on independent valuation performed by Ernst & Young, Israel as at the acquisition date, 24 September 2010		
Intangible	868,000	868,000
Add Exchange differences on translation	181,132	173,893
Less amortisation	<u>(792,304)</u>	<u>(753,195)</u>
	<u>256,828</u>	<u>288,698</u>

12. Subsequent events

The Company issued a Digital Speaker Update to the ASX on 28 July 2021 and 26 August 2021.

Apart from the above, the Directors are not aware of any significant subsequent events since the end of the financial period and up to the date of this report.

13. Contingent Liabilities and Commitments

a) At 30 June 2021 the Consolidated entity has entered into agreements with strategic suppliers for delivery of certain components which on delivery of components meeting the required specifications of the Consolidated entity will result in final payments being due of \$119,748 (31 December 2020 - \$122,808).

b) Entities within the consolidated entity are involved in contractual disputes in the normal course of contracting operations. The directors believe that the entities within the consolidated entity can settle any contractual disputes with customers and should any customers commence legal proceedings against the company, the directors believe that any actions can be successfully defended. As at the date of this report no legal proceedings have been commenced against any entity within the consolidated entity.

AUDIO PIXELS HOLDINGS LIMITED

Information on Audit or Review

This half yearly report is based on accounts to which one of the following applies.

- | | |
|---|---|
| <input type="checkbox"/> The accounts have been audited. | <input checked="" type="checkbox"/> The accounts have been subject to review. |
| <input type="checkbox"/> The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> The accounts have not yet been audited or reviewed. |

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

Not applicable

Description of dispute or qualification if the accounts have been audited or subjected to review.

Not applicable