

AUDIO PIXELS HOLDINGS LIMITED

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21 March 2011

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

Dear Sirs,

Audio Pixels Limited Update

Audio Pixels Holdings Limited has previously advised the market on 20 October 2010 that its wholly owned subsidiary company, Audio Pixels Limited (“APL”) of Israel had entered into a total of 32 non disclosure agreements with electronics, consumer electronics, semiconductor and MEMS fabrication houses and software companies in USA, Europe, Asia and Israel.

The company has previously advised in its Prospectus dated 10 December 2010 that APL has already entered into an invaluable relationship with one of the world’s foremost consumer electronic and semi conductor conglomerates which may lead to the signing of a joint development agreement currently under negotiation. This leading player is paying the majority of the rather substantial costs associated with transitioning the technology into a mass-manufacturable product. APL and this third party are well down the track of the agreed 18 month development plan to achieve mass-production capabilities, after which this third party will transition to becoming a mass-manufacturing partner primarily focused on supplying product for the myriad of diverse consumer products this third party already produces and sells globally.

The Company advises that this third party and APL are continuing the development program set out in the Prospectus and are in the final stages after lengthy negotiations of completing a Joint Development Agreement. The finalisation of this Agreement has taken longer than the company expected due to the complexities involved, however this delay in signing has **not** delayed the development plan and both parties are fully committed to executing the Agreement as soon as possible. The Company will make a formal announcement to the market once the Joint Development Agreement is signed and update the market on any other developments.

APL engineers in Israel continue to carry out research and development on other new products and concepts relating to the technology involved in the manufacture of digital speakers.

Yours faithfully,

Fred Bart
Chairman

About Audio Pixels Limited

Audio Pixels Limited is an unlisted Israeli corporation and was founded in July 2006 and has developed a revolutionary technological platform for reproducing sound, thus enabling 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.

Audio Pixels Limited's patented technologies employ entirely new techniques to generate sound waves directly from a digital audio stream using low cost micro-electromechanical structures (MEMS) rather than conventional loudspeaker elements. This innovation enables the production of speaker products that deliver performance that is many orders of magnitude better than conventional speaker technologies, all in an affordable package that is only one millimetre thick.

Audio Pixels Limited's MEMS-based Digital Sound Reconstruction platform enables the market for audio speakers to follow the evolution of the video display market from large, heavy analog tube based monitors to the digital flat panel displays of today. Driving the rationale for change in audio speakers is the ever-increasing demand for smaller, thinner, clearer sounding, more power-efficient speakers. Conventional speaker technologies remain deeply rooted in the original voice coil inventions of Alexander Graham Bell. The inherent limitations of such speakers prohibit the delivery of quality sound in smaller packages. Audio Pixels Limited's innovative patents in the fields of electromechanical structures, pressure generation, acoustic wave generation and control, signal processing and packaging, combine to forever change this paradigm.

Market research overwhelmingly suggests that both manufacturers and consumers alike are starving for real innovation in audio speakers, in particular for good quality sound in a form factor that is far more compliant with current device and lifestyle trends. While the industry at large has been able to digitize and shrink all other device electronics, the last remaining barrier is the speaker, which remains large, heavy, bulky and extremely restrictive.

Upon achieving mass production capabilities Audio Pixels Limited plans to sell and/or license its products to the manufacturers of speakers and consumer electronic devices worldwide, which collectively consume billions of speaker units annually. Audio Pixels Limited will produce and sell a single type of silicon chip that can be used either as a standalone speaker or cascaded in any multiples of the same chip in order to achieve the desired performance specifications. This modular paradigm is entirely unique to the audio industry, which today expends significant resources designing and specifying new drivers, acoustic chambers and drive electronics for each new device. Audio Pixels Limited's innovative approach not only facilitates maximum flexibility to its customers, it further enables the customer to calibrate on the design and production of a singular product model, maximizing economies of scale, while limiting overhead associated with multiple versions of products.

Management of Audio Pixels Limited maintains active exchange with industry leading companies spanning a broad cross section of the MEMS and consumer electronic industries. Audio Pixels Limited has already demonstrated the technology to potential customers and strategic partners.