

AUDIO PIXELS HOLDINGS LIMITED
ACN 094 384 273
CORPORATE GOVERNANCE STATEMENT

Corporate Governance Statement

The Board of Directors of Audio Pixels Holdings Limited is responsible for the corporate governance of the entity. The Board guides and monitors the business and affairs of Audio Pixels Holdings Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board recognises that it has a number of legal and other obligations to non-shareholder stakeholders.

The Directors are committed to protecting stakeholders' interests and keeping investors fully informed about the performance of the Company, while meeting stakeholders' expectations of sound corporate governance practices. To ensure the best representation of Shareholder interests, the Board will regularly review its corporate governance practices.

The Corporate Governance Statement follows the Australian Stock Exchange Corporate Governance Council's (the "Council's") "Corporate Governance Principles and Recommendations" released on 2 August 2007. In accordance with the Council's recommendations, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. Audio Pixels Holdings Limited's Corporate Governance Statement is now structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

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|--------------|--|
| Principle 1. | Lay solid foundations for management and oversight |
| Principle 2. | Structure the Board to add value |
| Principle 3. | Promote ethical and responsible decision making |
| Principle 4. | Safeguard integrity in financial reporting |
| Principle 5. | Make timely and balanced disclosure |
| Principle 6. | Respect the rights of shareholders |
| Principle 7. | Recognise and manage risk |
| Principle 8. | Remunerate fairly and responsibly |

Audio Pixels Holdings Limited's corporate governance practices were in place throughout the period ended 31 December 2010, unless otherwise stated, and embrace the Council's best practice recommendations which are being put in place as appropriate.

Due to the limitations imposed by size, the Company does not meet Recommendation 3.1 of the Guidelines as the Company does not have a formal code of conduct. The Company has 3 directors to which the code of conduct applies. As a result of the recent acquisition of Audio Pixels Limited of Israel, the Company has increased its number of employees to eight in Israel and proposes to establish a formal code of conduct and establish a policy regarding diversity in the current financial year. In accordance with Recommendations 3.3 and 3.4 the company will disclose the facts on gender diversity and women employees in its next annual report.

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Due to the limitations imposed by size, the Company does not meet Recommendation 4.2 of the Guidelines as the Company does not have a formally constituted audit committee. All Directors of the Company act as the audit committee.

In accordance with Recommendation 5.1, the Board has appointed Ian Dennis, Director and Company Secretary to ensure compliance with ASX Listing Rule disclosure requirements. Due to the limitations imposed by size the Board has not established written policies and procedures.

The Directors respect the rights of shareholders in accordance with Principle 6. The Company sends all financial communications to shareholders who have requested hard copy financial statements and posts all relevant information including all ASX Announcements on the Company web site. Notices of Meetings are sent to all shareholders inviting them to attend the Annual General Meeting which is held at the registered office in Sydney. A representative of the auditor, Deloitte Touche Tohmatsu attends the Annual General Meeting.

Additional information regarding the Company's corporate governance policies, its Directors and other relevant information can be found on the Company's website:

www.audiopixels.com.au

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each Director in office at the date of this Annual Report is included in the Directors' Report on page 2. Directors of Audio Pixels Holdings Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5 percent of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10 percent of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the Company's loyalty.

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CORPORATE GOVERNANCE STATEMENT

In accordance with the definition of independence above, and the materiality thresholds set, the following Director of Audio Pixels Holdings Limited is considered to be independent:

Name	Position
Mr. Ian Dennis	Non-executive Director

Due to limitations imposed by the small size of the Company, the company does not comply with Recommendation 2.1 in having a majority of independent directors. The Chairman, Mr Fred Bart is not an independent Chairman as recommended by Recommendation 2.2. The Board proposes to maintain the current directors until the size of the activities of the Company warrant further changes.

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The term in office held by each Director in office at the date of this report is as follows:

Name	Position	Term in Office
Mr Fred Bart	Non-Executive Chairman	10 years
Mr. Ian Dennis	Non-Executive Director	10 years
Ms Cheryl Bart	Non-Executive Director	8 years

For additional details regarding board appointments, please refer to the Company's website.

Nomination Committee

The entire Board comprises the Nomination Committee. The Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of Director and, where appropriate, seeking the services of an independent consultant who is not a director of the Company to provide assistance in the recruitment of potential Directors.

Performance

The performance of the Board is reviewed regularly against both measurable and qualitative indicators. Directors whose performance is consistently unsatisfactory may be asked to retire.

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Risk Management

The Company has expanded its risk management activities since the acquisition of Audio Pixels Limited of Israel with the establishment of a Risk Management Committee which meets to evaluate the risks faced by the business and reports back to the Audit Committee its finding on the effective management of those risks which have been identified.

The Board has received assurances from the Chairman and Company Secretary that the declaration provided by them in accordance with Section 259A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating in all material respects in relation to the financial reporting risks.

Remuneration

One of the Company's key objectives is to provide maximum stakeholder benefits from the retention of a high quality Board by remunerating Directors fairly and appropriately with reference to relevant employment market conditions. The entire Board comprises the Remuneration Committee. The expected outcomes of the remuneration structure are:

- Retention and motivation of directors; and
- Attraction of quality management to the Company;

For details regarding the amount of remuneration and all monetary and non-monetary components for each of the key management personnel during the year, refer to the Remuneration Report in the Directors report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

The entire Board makes up the Remuneration Committee and is responsible for determining and reviewing compensation arrangements for the Directors themselves and the employees taken on as a result of the acquisition of Audio Pixels Limited.

The remuneration committee does not comply with recommendation 8.2 as there is only one independent director on the Board/Committee and the Chairman; Mr Fred Bart is not an independent Chairman.

Policy on Securities Trading

In accordance with Recommendation 3.2 the Directors have set out the policy on Securities Trading which has been lodged with ASX on 23 December 2010.

Directors and employees of Audio Pixels Holdings Limited should not buy or sell securities in Audio Pixels Holdings Limited, when Audio Pixels Holdings Limited is in possession of price sensitive information that is not generally available to the market.

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Subject to the insider trading provisions of the Corporations Act and the notification requirements of the Company set out in the “Insider Trading Policy”, the recommended time (in order to minimize suggestions of insider trading) for any Director or employee to deal in Securities is during the four week period commencing on the second business day after:

- (a) Audio Pixels Holdings Limited annual general meeting;
- (b) The release of Audio Pixels Holdings Limited half-yearly announcement to the ASX;
- (c) The release of Audio Pixels Holdings Limited preliminary final statement or full year announcement to ASX (whichever is earlier);
- (d) The release of a disclosure document (eg. a prospectus) by Audio Pixels Holdings Limited.
- (e) The release of the quarterly commitments test report known as Appendix 4C.

The Chairman of the Board, or the Chairman’s delegate, (eg. the Company Secretary) may also notify Directors and employees of Audio Pixels Holdings Limited in writing of other ad hoc “trading windows”.

The complete Securities Trading Policy of the Company is available on the Company’s website at www.audiopixels.com.au

Ian Dennis
Company Secretary
24 January 2011

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