



28 May 2012

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

Dear Sirs,

**Chairman's Address for Annual General Meeting**

In accordance with the requirements of ASX Listing Rule 3.1, I attach a copy of the Chairman's address which will be presented by Fred Bart at the Annual General Meeting of shareholders of Audio Pixels Holdings Limited (AKP:ASX; OTCQX:ADPXY) at the Westin Hotel, Sydney at 9.00 am on Tuesday 29 May 2012.

Yours faithfully

Ian Dennis  
Director



**Chairman's Address to the Annual General Meeting of Shareholders held on 29 May 2012 at Westin Hotel, No 1 Martin Place, Sydney NSW, Australia at 9.00 am**

Ladies and Gentleman,

Thank you for attending the 2012 Annual General Meeting of Audio Pixels.

I would like to start by acknowledging the management team and staff, and my fellow directors who have worked tirelessly in the pursuit of our goals, to commercialise our industry game changing digital speaker technology, and to make our company, Audio Pixels, a company of international standing.

This past year we continued our focus on the development and commercialisation of our digital speaker technologies into a high demand competitive product. The overall objective remains the same, which is the delivery to the market of our digital speaker technology innovation while securing solid margins for our company.

We have made significant progress toward the concurrent completion of product development, in combination with the development of mass production capabilities. In September 2011, we successfully completed what was considered to be the most critical of the four top-level development milestones. This phase involved a complete transition to more cost effective fabrication methods combined with a very significant alteration and optimisation of the electromechanical structure. All that without compromising sound levels or sound quality. **The results of this phase have exceeded expectations; not only enabling advancement to subsequent phases but in fact, doing so at an accelerated pace.** The results of this phase were validated using proprietary highly specialised measurement equipment developed in-house. These results have proved the underlying theory, that the pressure generated from the far smaller structures is equivalent, if not greater to, the pressure generated in the earlier larger structures. As a result the company was able to proceed with the subsequent two phases of development simultaneously (Phase 2 – geometrical optimisation for drive electronics, and Phase 3 - essentially a pre-production product). This should allow the company to enter the final phase of development, which is a fully integrated mass produced product earlier than originally planned.



To support the expedited commercialisation efforts, the company successfully attracted and engaged three of the world’s leading micro electro mechanical systems (“MEMS”) fabricators (“fabs”). Since the beginning of 2012, all the fabs have been working in close co-operation with the company to rapidly complete the next phases of development. The shorter-term objective is the fabrication of demonstrable playing speaker chips using mass production methods. **If all goes as planned, the pre-engineering samples of playing chips will become available for market exposure in the last quarter of this year.**

Yole Development, the leading research firm tracking the MEMS industry, recently forecasted that the MEMS industry would roughly double in size in less than five years (growing from \$10B achieved in 2011 to \$20B by 2016). Other industry experts have further predicated that within the relative near future the MEMS industry will exceed the \$300B semiconductor industry. All experts point to the emergence of newly developed MEMS components and applications (including digital speakers) as the leading driver behind this phenomenal growth. This magnitude of opportunity permits, if not compels, MEMS fabrication companies, in particular world leading fabricators such as those currently engaged with AP, to be highly selective when choosing where to devote their resources. As global market leaders in MEMS fabrication, all three fabrication partners are highly sought after for cooperation by MEMS application companies. Therein lies the significance of having three of the world’s leading fabricators pursue collaboration with Audio Pixels for the commercialisation of our digital speaker technologies. Standing perhaps as an even greater testament is that in the case of Audio Pixels, the **fabs have decided to break from their normal practice and absorb the majority of the significant costs involved with developing mass fabrication methods.** We believe that this unique situation offers a glimpse of the industry’s perception as to the value and potential of our disruptive digital speaker technology.

I am sure, as a shareholder, you are also very interested in our intellectual property. This year, the company reached a very significant milestone having secured patent grants for the first two patent requests it submitted in 2006. On December 27, 2011, the US Patent and Trademark Office (USPTO) issued patent number 8085964 covering the fundamental speaker structure and its operation principles. This was followed by the USPTO’s issuance to Audio Pixels of patent number 8126163 covering methods of controlling volume and



tones in digital speakers. During the past year the company submitted an additional four patent requests, expanding its already formidable IP portfolio to 17 application categories.

The company recently engaged Merriman Capital to serve as the Principal American Liaison (PAL) for Audio Pixels Holdings Limited trading on the OTCQX (ADPXY). Our recent engagement with Merriman has afforded management an early opportunity to begin its connection with the global financial community. It is increasingly clear that we are rapidly gaining the recognition we deserve as **the** global leader of digital audio speaker technologies. In addition, our confidential discussions with most of the leading consumer electronic and computing device original equipment manufacturers (“OEM’s”), has helped our value and brand gain significant worldwide market attention, acceptance and recognition.

Looking back on the past year, our achievements have paved the way for what is surely to be a very exciting year ahead. In the coming year, we anticipate making the formal introduction of our digital speaker technology into the marketplace with playing speaker chips.

I want to assure you that the relative lack of information coming out of the company is simply the natural course of a company making phenomenal progress in both the technological and business areas, whilst being prudent about not adversely affecting the company’s position with unnecessary "noise". We do however anticipate that in this coming year a number of very exciting activities will reach optimal maturity, to share with shareholders and the broader market.

Last but not least, I want to thank all shareholders for their continued support.

Thank you for your attendance today.

Fred Bart  
Chairman