



Chairman's Address to the Annual General Meeting of Shareholders held on the 26th of May 2014 at the Barnet Room, Westin Hotel, Sydney, Australia at 9.30 am

I would like to start by acknowledging and thanking all stakeholders (shareholders, employees, management, and executives) in helping to make Audio Pixels a first class international company.

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

Over the past year we have made significant progress toward the concurrent completion of product development in combination with the advancement of mass production capabilities. We have successfully achieved a number of previously reported critical milestones concerning the micro electro mechanical structures ("MEMS"), application specific integrated circuits ("ASIC") and packaging activities.

We are proud to report that we have very recently received an initial batch of wafers containing MEMS chips that are compatible with our final product designs.

While preliminary, high level evaluation indicates that the chips meet our design specifications, as we meet here today, the wafers are undergoing the most rigorous of measurement and testing procedures. The evaluation effort shifts focus from the fab to our newly engineered, highly advanced test and measurement system. This proprietary piece of equipment housed in our cleanroom in Migdal Haemek, Israel is the result of a massive engineering undertaking required to satisfy the very unique demands of our technologies. The system, which was designed and built entirely in-house, is in the process of collecting hundreds of thousands of critical measurements (per wafer) thus enabling the detailed analysis that will ensure product and manufacturing compliance.

Once sufficient data has been aggregated and scrutinized to our satisfaction it is management's intent to publish the data and commence the physical demonstration phase. Presentation of our breakthrough technologies to select audiences worldwide will definitively demonstrate the product's working capabilities to digitally reproduce sound and music as it has never been heard or seen before.

Receipt of the wafers comprising of production-designed chips further enabled the company to advance to the "tape-out" phase of its ASIC driver (the component responsible for driving the MEMS chip). As has been previously announced publicly, Audio Pixels has been collaborating for some time now with ICSense, a world leader in ASIC design, on the development and production of its highly advanced proprietary mixed signal circuitry.



Authorization to commence ASIC production (the “tape-out” phase) was further made possible through the coordinated efforts involving the packaging of both the MEMS and ASIC into a single integrated enclosure. The package has been designed to be both compliant with the products unique demands as well as to adhere to standards and practices adopted across the consumer electronics industry. This undertaking is the result of intensive collaboration with two additional companies, each leaders in their own fields, of advanced materials and customized packaging assembly processes. Further announcements related to these collaborative package and its assembly process activities will be forthcoming in the relative near future.

It is also noteworthy to highlight that as the market anticipates the introduction of our technologies we are experiencing intensified interest in Audio Pixels. Beyond the fervent ongoing interest demonstrated by many leading companies throughout the OEM/ODM consumer electronic industry, we have been recently exposed to a number of opportunities involving specialized application needs that can be addressed more efficiently, or even for the very first time, by utilizing our technologies. Management’s initial assessment is that addressing such “niche” opportunities can provide invaluable business diversity in the mass-markets segments as well as in “lower-volume, higher-margin” speciality markets.

In short we are entering into a very exciting time, as we begin to expose to the market the tangible results of our many years of technological efforts.

I would be happy to address any questions from shareholders. We are also fortunate enough to have our three senior executives from Israel responsible for the project (Danny Lewin – CEO, Yuval Cohen – Chief Technical Officer and Shay Kaplan – Chief Scientist) on the telephone conference line and they can respond directly to any technical questions shareholders may have.

Fred Bart
Chairman