



December 31 2014

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

Dear Sirs,

**Digital Speaker Development Update**

Audio Pixels Holdings Limited (ASX: AKP and OTCQX: ADPXY) is advising of management's decision to extend the completion deadline for Phase-III of the company's four-phase development program, as well as the public release of performance specifications from years-end 2014, to the earliest possible date within the first quarter of 2015.

The objective assigned to Phase-III was the application of the wealth and breadth of knowledge and knowhow accumulated from prior development phases, into the world's first digital speaker microchip. This Phase enabled the company, for the first time, to conduct a wide variety of measurements on fully functional chips. The slight delay is a direct result of this natural progression, which enabled the company to discern the previously announced phenomenon. The newly found transduction principle (patent pending) permits the recycling of acoustic elements ("pixels") at a far more rapid rate, thus nearly doubling the effective active area of our chip. This creates opportunities to substantively reduce fabrication complexity and cost, without compromising the qualitative performance of the chip. Leveraging the discovery however, required a massive undertaking involving amassing and analyzing hundreds of millions of intricate measurements that are needed to validate and devise optimal functional algorithms.

A crucial aspect to this innovation is the exact synchronized timing of the pixels; akin to setting the correct ignition timing of a combustion engine. Similar to an engine, generating pulses too early or too late impacts many variables including power, energy efficiency and reliability. Enabling the company to conduct the exacting and taxing measurements required to extract such critical data, necessitated undertaking and overcoming a variety of engineering challenges including the enhancement of the company's proprietary measuring systems as well as improvements to the electro-mechanical properties of the MEMS chips. The company completed all the necessary "upgrades" in mid-December and has since commenced the "enhanced measurement program" on fully functional arrays (MEMS chips containing 1024 elements/pixels).

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*"It's only been a couple of weeks since we've had both the capabilities and chip arrays in place to conduct the required measurements", says Yuval Cohen Chief Technology Officer of Audio Pixels. "We simply need a bit more time to accumulate and analyze the massive amounts of data needed to appropriately analyze and adjust the electronics and algorithms in a manner that is compliant and advantageous to the newly found phenomenon".*

Management has adjusted its collaborative activities, schedules and plans with its MEMS, ASIC and Packaging development partners; as well as preparations needed to share and demonstrate the results with select parties worldwide during the first Quarter of 2015.

Yours faithfully,

Fred Bart  
Chairman



### **About Audio Pixels Holdings Limited**

Audio Pixels Holdings Limited is a company listed on the Australian Stock Exchange with the code AKP and has its ADR's listed on the OTCQX market in the USA with code ADPXY. Audio Pixels Holdings Limited owns 100% of Audio Pixels Limited, an unlisted Israeli corporation that 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 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 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 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 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 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 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 maintains active exchange with industry leading companies spanning a broad cross section of the MEMS and consumer electronic industries. Audio Pixels has already demonstrated the technology to potential customers and strategic partners.

### **Forward-looking statements**

This release may contain certain forward-looking statements with respect to the financial condition, results of operations and business of AKP and certain of the plans and objectives of AKP with respect to these items. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

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