

27 December 2016

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

Dear Sirs,

Audio Pixels Integration Stage Update

Audio Pixels Holdings Limited (ASX: AKP and OTC: APDXY), a leader in the digital transition of loudspeakers today announced that it has completed the MEMS-ASIC integration stage. Unfortunately the overall product performance did not reach certain critical objectives required for our commercialized product.

As indicated in the November 4th 2016 announcement, the first batch of MEMS devices received from the fab deviated from the required voltage specifications in that they required higher operational voltages. Notwithstanding exhaustive attempts to apply advanced techniques throughout the integration process, ultimately the higher voltages required to actuate the particular MEMS transducers produced in the lead batch of wafers, have so far proven to be beyond the drive capabilities of our ASIC controller.

The company has identified the root cause for the voltage gap and has implemented a relatively simple design modification that will bring the device back into specification without disrupting the fabrication process flow. In accordance with industry convention the company withheld batches of wafers at various stages of Phase 4 fabrication, specifically to deal with such unpredictable variances. The company has instructed its fab to urgently advance the backup wafer lots with the inclusion of the design change.

The company plans to further update the market when the fabs return from holiday break with detailed timelines.

The company advises that it has reached agreement with the two holders of the convertible notes to extend the expiry dates of the convertible notes for a further 12 months to 31 December 2017.

The two convertible notes have a face value of \$1,500,000 each and attract an interest rate of 8% per annum. One of the convertible notes is held by 4F Investments Pty Limited, a

company controlled by the Chairman, Mr Fred Bart and shareholder approval will be sought to the extension at the next general meeting of shareholders. All other terms and conditions of the convertible notes remain unchanged. For further details of the terms and conditions of the convertible notes please refer to the Notice of General Meeting dated 15 May 2015, released to the ASX on 19 May 2015.

Yours faithfully,

Fred Bart
Chairman

About Audio Pixels
Holdings Limited

Audio Pixels Limited, founded in 2006, is a wholly owned subsidiary of Audio Pixels Holdings Limited, listed in Australia under the stock code of AKP (ADR's on NASDAQ International under the code ADPXY). Backed by exceptional multidisciplinary scientific research, design, and production capabilities, Audio Pixels has become a world leader in digital loudspeaker technologies. Audio Pixels' patented technologies employ entirely new techniques to generate sound waves directly from a digital audio stream using micro-electromechanical structures (MEMS). Its revolutionary technological platform for reproducing sound enables 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. For more information, visit www.audiopixels.com.au/.

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.