

6 December 2017

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, informs its shareholders that its fabrication partner has revised its guidance on to the delivery time of wafers meeting the required specifications for completion of the company's final phase of its commercialization plan.

Post-process testing of completed wafers that substantiated our solutions for the "dissipation layer" also revealed a deficiency in the chips internal electrical interconnects that degrades the device's current flow adversely slowing down the device's response time. Thorough investigation traced the imperfection not to the functional viability of the device rather to a rare glitch in what is considered to be a fairly standard fabrication process.

The imperfection of current fabrication process does not reflect on what was a fairly successful fabrication run, nor does it diminish from our fabricator's ability or commitment to deliver wafers that meet the most stringent of standards. "Upon discovery we immediately identified and rectified the root cause and have expedited new fabrication runs that will deliver wafers to specification as soon as possible," says a Senior Executive from our fabrication partner.

Additionally, the combined teams launched an intensive effort to apply novel techniques in an attempt to improve the electrical properties of the fabricated wafers. Having just completed physical testing that demonstrated promising results, every effort is now being made by the fabricator to rework some of the existing wafers in order to hopefully bring them to proper working order **within a matter of three to four weeks**.

The company will update the market once it has received conclusive results of the rework of the already completed wafers. The company will further inform shareholders as to the estimated delivery of newly fabricated wafers, which the fabricator partner currently forecasts to be in the latter part of Q1-2018.

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.