

26 February 2018

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 of the tangible progress attained pertaining to the previously advised optimisation of the “dissipation layers”.

The Company is pleased to announce that it received and tested, randomly selected production wafers that had reached a critical stage of the modified fabrication process. The resulting measurements indicate **PRECISE** adherence to specifications, including specifications pertaining to the newly optimised dissipation layers and electrical interconnects. The qualifying results have enabled the vendor to expedite completion of wafer fabrication in an effort to meet its previously advised delivery schedule (as announced on the 6th of December 2017 to be “the latter part of Q1-18”).

The company also continues its efforts to apply novel techniques in attempt to repair the electrical properties of the deficient interconnects that afflicted the previously fabricated wafer batches. The team was forced to completely revamp its original plans when the processes and equipment made available by our primary vendor proved to be incompatible with the conceived program. The company had to solicit from independent third-parties’ accessibility of specific types of equipment and processes coupled with their willingness to allow us to attempt unconventional and experimental processes. The impact beyond extending the originally projected schedule was that this ad-hoc approach introduced a number of unanticipated technical challenges into the “rectification” effort. Despite projecting a low probability of success, management intends to continue this “rectification” effort at least until such time that the company receives newly fabricated wafers from its vendor.

Management will advise the market when the newly fabricated wafers are received and validated for compliance.

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.