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4 July 2018

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

Dear Sirs,

**Digital Speaker Development Update**

We refer to our previous announcement of June 21 2018, whereby the Company advised that it had begun to receive wafers that have undergone various optimization techniques to the final steps of fabrication. Management advises the market that the initial wafers received have validated most of the critical aspects of the device including the production of sequential tones (to the tune of “Happy Birthday”) as well as scans of frequencies throughout the audible range (commonly known as a “frequency sweep”).

Our devices’ unique architecture at times imposes limitations on the use of conventional fabrication equipment and processes. This necessitates the vendor to devise and introduce alternative methods to the fabrication process. The vendors’ efforts recently have been focused on refining specific substitute methods they developed and adopted to complete the final steps of fabrication.

While significant improvements are clearly evident in each new wafer received, at the time of this announcement the wafers received have yet to reach the qualitative levels that are required for the company to play complex music at the anticipated sound pressure levels. The vendor is continually working on fine-tuning the process to achieve the required outcome, with an upcoming shipment of newly refined wafers due this coming week. To ensure the success of this overall effort, the vendor has additionally inserted many dozens of additional wafers into the production pipeline.

Accomplishing the noteworthy milestone of being able to begin the acoustic characterization of our devices is a strong indication of the significant progress being made over the past weeks.

Yours faithfully

Fred Bart  
Chairman

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