

4 November 2016

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

Dear Sirs,

Audio Pixels Commences Integration Stage

Audio Pixels Holdings Limited (ASX: AKP and OTC: APDXY), a leader in the digital transition of loudspeakers, is pleased to inform its shareholders that it has commenced the MEMS-ASIC integration stage; a critical finalizing milestone required to achieve the objectives of the final phase of the Company's technology commercialization plan.

As has been previously announced the primary objectives of Phase IV is to produce completed mass produced devices that are capable of reproducing sound digitally. This objective entails replacing a sundry of discrete components used to drive the MEMS chip, with a single proprietary ASIC driver (application-specific integrated circuit).

The patented ASIC driver and MEMS transducer array are to be combined and interconnected within our proprietary chip package into a "multichip device". This objective entails uniting the independently designed, fabricated, and tested MEMS and ASIC chips in a manner that they work together in harmony, as one cohesive device. This effort commonly known as the "integration process" involves measuring and exhaustively testing the functionality and reliability of the MEMS chip as it receives and processes each signal, instruction, and condition prescribed by the ASIC with the critical precision for which it was designed; essentially bridging any possible gaps between the emulated and innovative world of design and the practical world of mass fabrication.

With all the supporting hardware required for the integration process now in place, we are able to commence the integration process. It is anticipated that this effort will take between 4 to 8 weeks. The company continues to actively maintain its ongoing communications with its ever-growing pool of potential customers and strategic partners, who continue to maintain a high level of encouraging confidence as we advise them of our overall progress.

The company enters this integration phase slightly behind its original forecasted schedule not as a result of any particular setback of material significance; rather as a result of the cumulative effect that relatively trivial activities have on complex, groundbreaking technology development efforts. For example: the testing conducted on the MEMS and ASIC

devices revealed the necessity to enhance the integration process capabilities by accommodating a wider span of input voltages. Provisioning the system with expanded voltages involved a relatively trivial circuit design effort, nonetheless the reallocation of engineering resources and associated fabrication time to complete this task, impacted our timelines.

Within this pool of potential customers and strategic partners certain opportunities arise that merit consideration for earlier engagement. One such opportunity (alluded to at the recent AGM), is a new partnership with Bar Ilan University, a leading University in Israel that is striving to utilize Audio Pixels devices in order to enable the visually impaired to “see” again. The innovative patented concept which potentially has broader commercial applications, combines spectacle-mounted cameras with sophisticated image processing technologies to convert, in real-time, the visual image into tactile spatial information that stimulates the cornea through the transmission of ultrasonic waves. Despite the untimely need to allocate time and attention to this venture, the company agreed to this collaboration for its potential humanitarian benefits that such a technology can bring to mankind. The early support by the Company was instrumental in enabling the University to apply and receive project funding by Israel’s Chief Scientist.

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.