



25 August 2014

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

Dear Sirs,

Digital Speaker Development Update

Audio Pixels Holdings Limited (ASX: AKP and OTCQX: ADPXY) is pleased to advise that it is near completion of the third phase of its four-phase development program. As has been announced previously, this phase focused on advancing critical aspects related to the mass-production and commercialization of the product. An essential element of this phase has been the extensive testing, measurement and analytic programs, designed to ensure functional compliance and fabrication uniformity crucial to the fourth and final phase of the commercial product development program.

In order to affirm the static, dynamic and functional aspects of our micro-electromechanical (MEMS) devices, the company had to invent and fabricate its own proprietary test and measurement equipment. The exceptional precision and multifunctional flexibility of the equipment not only enabled the collection of essential measurements, but additionally facilitated noteworthy experiments that were simply not possible before.

The extensive tests conducted confirmed the viability of the structures and fabrication processes. Management is pleased to announce that all critical electrical, mechanical and acoustic parameters have been confirmed to meet or exceed expectations.

Management is also pleased to announce that these efforts have unveiled a particular phenomenon that is unique to our structures. Inventions and innovations based on this phenomenon will provide exceptional performance and cost benefits to our devices. Additional information pertaining to this discovery will be released upon completion of the necessary legal steps required to appropriately preserve and protect these inventions.

The company is progressing according to its plan to share and demonstrate the results, including music playing capabilities to select industry related audiences worldwide, during the 2nd half of this year.

Yours faithfully,

Fred Bart
Chairman



About Audio Pixels Holdings Limited

Audio Pixels Holdings Limited is a company listed on the Australian Stock Exchange with the code AKP and has its ADR's listed on the OTCQX market in the USA with code ADPXY. Audio Pixels Holdings Limited owns 100% of Audio Pixels Limited, an unlisted Israeli corporation that was founded in July 2006 and has developed a revolutionary technological platform for reproducing sound, thus enabling 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.

Audio Pixels patented technologies employ entirely new techniques to generate sound waves directly from a digital audio stream using low cost micro-electromechanical structures (MEMS) rather than conventional loudspeaker elements. This innovation enables the production of speaker products that deliver performance that is many orders of magnitude better than conventional speaker technologies, all in an affordable package that is only one millimetre thick.

Audio Pixels MEMS-based Digital Sound Reconstruction platform enables the market for audio speakers to follow the evolution of the video display market from large, heavy analog tube based monitors to the digital flat panel displays of today. Driving the rationale for change in audio speakers is the ever-increasing demand for smaller, thinner, clearer sounding, more power-efficient speakers. Conventional speaker technologies remain deeply rooted in the original voice coil inventions of Alexander Graham Bell. The inherent limitations of such speakers prohibit the delivery of quality sound in smaller packages. Audio Pixels innovative patents in the fields of electromechanical structures, pressure generation, acoustic wave generation and control, signal processing and packaging, combine to forever change this paradigm.

Market research overwhelmingly suggests that both manufacturers and consumers alike are starving for real innovation in audio speakers, in particular for good quality sound in a form factor that is far more compliant with current device and lifestyle trends. While the industry at large has been able to digitize and shrink all other device electronics, the last remaining barrier is the speaker, which remains large, heavy, bulky and extremely restrictive.

Upon achieving mass production capabilities Audio Pixels plans to sell and/or license its products to the manufacturers of speakers and consumer electronic devices worldwide, which collectively consume billions of speaker units annually. Audio Pixels will produce and sell a single type of silicon chip that can be used either as a standalone speaker or cascaded in any multiples of the same chip in order to achieve the desired performance specifications. This modular paradigm is entirely unique to the audio industry, which today expends significant resources designing and specifying new drivers, acoustic chambers and drive electronics for each new device. Audio Pixels innovative approach not only facilitates maximum flexibility to its customers, it further enables the customer to calibrate on the design and production of a singular product model, maximizing economies of scale, while limiting overhead associated with multiple versions of products.

Management maintains active exchange with industry leading companies spanning a broad cross section of the MEMS and consumer electronic industries. Audio Pixels has already demonstrated the technology to potential customers and strategic partners.

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.