



27 January 2016

Digital Speaker Development Update

The Company is pleased to announce that it has reached the first verification stage, of the fourth and final phase of the commercial product development plan. The company has recently received and began testing the first batch of verification wafers. Verification wafers allow our teams to examine, test and validate characteristics, progress and compliance of the MEMs chips during and throughout the fabrication process in order to better ensure, to the maximum extent possible, successful fabrication of Phase-IV chips.

This particular batch of wafers included wafers that were specifically designed to allow greater characterization of the electrical properties of our structures. Among the many development objectives prescribed for Phase-III, was the investigation of the precise electrical characteristics required to meet the exacting conditions of our patented matrix control system. In order to obtain the level of control needed to play complex music, our proprietary control system calls for the pixels to operate within precisely defined voltage regimes. The influencing factors on these regimes extend even beyond the most advanced computational modeling available and therefore actual measurements were required. It should be noted that Phase-III chips were extremely close to meeting the requirements, however slight variances predominantly attributable to manufacturing tolerances, unveiled that further optimization is required to ensure reliable pixel control.

The electrical optimization processes involved the use of a variety of advanced thin film coatings, principal among them a technique called ALD (Atomic Layer Deposition). The ALD technique uses a chemical reaction to achieve controlled growth of sub-nanometer thickness films. The ALD process uses a range of materials of differing properties in order to attain and improve the desired electrical characteristics (while at the same time increasing the product's long-term reliability). ALD is routinely used in a wide range of commercial applications including memory and logic devices, sensors, LED's, and in many MEMs applications. Our team has successfully tested a wide variety of ALD coatings enabling refinement of both the design and the fabrication processes as to ensure that Phase-IV chips will meet the company's exacting standards.

As has been well documented Audio Pixels is the first, and so far only company that has successfully implemented DSR (Digital Sound Reconstruction) in a commercially viable manner. DSR utilizes a series of short impulses to construct the desired sound. The absence of any particular frequency from these building blocks, in turn prevents the loudspeakers from reproducing those frequencies. Ensuring our elements produce the expected spectrum of frequencies serves to provide yet another level of assurance as to the anticipated performance of our Phase-IV chips. For this reason the team has undertaken a massive engineering project to extend the thin film coating program in order to successfully obtain invaluable impulse response measurements of individual pixels.

When compared to comparable MEMs undertakings we are on record pace to achieve our objective of introducing an industry altering technology to the world. Our fab's have been



able to maintain Phase-IV schedules even though we have increased the number of fabricated wafers 100-fold and staggered fabrication into a half-dozen independent batches. These are among the many activities that when combined with the on schedule delivery of our second-generation ASIC and chip package serve to build Management's confidence that Phase-IV is well on track toward producing publicly demonstrable engineering samples within the early part of the 3rd quarter of this year.

We are also delighted to announce our inclusion in the very exclusive inaugural group of companies to the NASDAQ's International Designation program. Audio Pixels was handpicked by NASDAQ to be traded alongside a restricted number of notable companies such as Qantas, Besi and Rakuten, in its opening listing. Our hope is that this comprehensive program launched by NASDAQ for shares traded in the U.S. on the OTC, will increase visibility, and improve liquidity for our shares traded in the U.S. on the OTC. Audio Pixels designation is displayed on NASDAQ's website at: <http://www.nasdaq.com/symbol/adpxy>.

On behalf of Audio Pixels' Holdings Limited we would like to wish us all a very happy, healthy and successful New Year.

Fred Bart
Chairman