

October 31, 2022

Q1 FY23 Quarterly Activities Report & 4C

Foundations established for strong growth in international markets

KEY HIGHLIGHTS

▶ **International audiology growth**

- ▶ Growth in pipeline of additional European audiology partnerships in Hungary and Poland, negotiations underway with groups in Austria, Germany and Israel
- ▶ First product stocking trial underway with largest audiology clinic group in Taiwan with first sales made
- ▶ USA momentum building
 - product available in >100 clinics, up from 30 last quarter
 - negotiating terms and product in trial with 4 international chains and 6 buying groups

▶ **Launch of business model expansion into Audeara Personalisation licensing and contract product development**

- ▶ Commenced business relationship with first customer for product design and development
 - Leading global, US headquartered, musical instrument company with a focus on musicians and music lovers

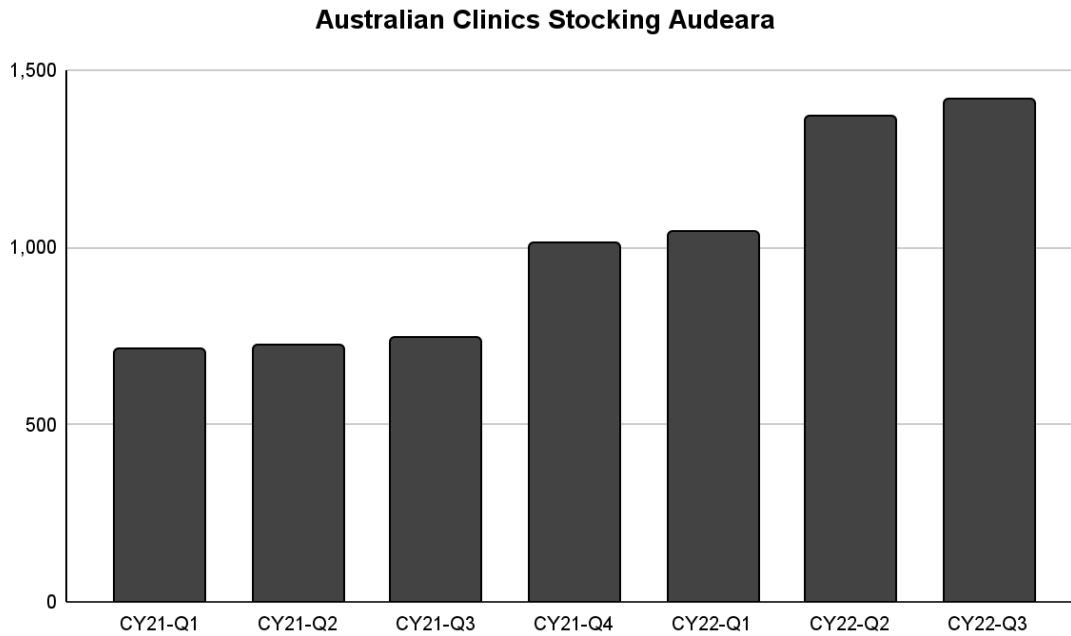
▶ **Financial achievements**

- ▶ Q1 FY23 Cash receipts totalled \$826k, up 21% vs previous quarter
- ▶ R&D Tax Incentive claim prepared with expected receipt in Q2 FY23

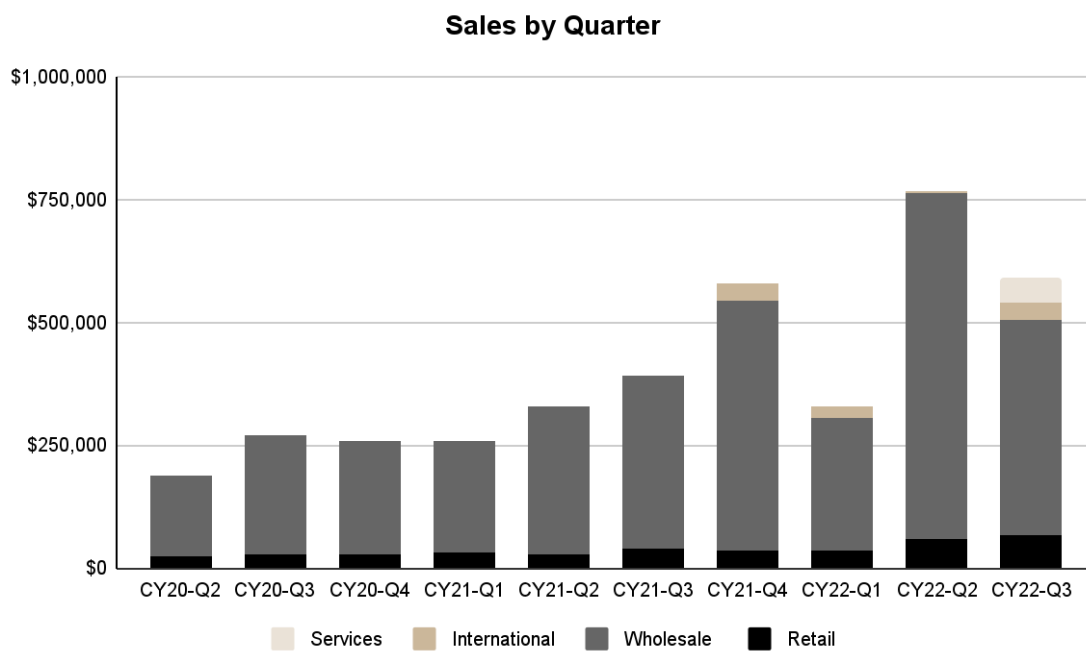
Audeara Ltd (ASX: AUA) ('Audeara' or 'the Company') provides the following update for the quarter ending 30 September 2022.



AUSTRALIA AUDIOLOGY CLINIC NUMBERS – LEAD INDICATOR



SALES UPDATE





Sales into Australian clinics in this quarter reflected the impact of the stocking patterns of our major clinic partners. The roll out through newly onboarded clinic groups was offset by a short term reduction in the growth rate of established clinic groups. Given Audeara has achieved close to market saturation in Australian clinics, we are now focussed on increasing the rate of sale per clinic going forward.

Leveraging Audeara technology into new consumer market opportunities and non-hardware revenue streams

The Company has commenced work with a leading musical instrument company to license and integrate Audeara technology into a new product line specifically targeting musicians and music-lovers. This represents an exciting opportunity to move Audeara hearing technology into a new market with the full engagement of an existing market leader.

This will be Audeara's first non-hardware revenue stream, extending our personalisation platform into a well-recognised brand servicing a market that will be a strong growth opportunity. Audeara will receive revenue for Non-recurring Engineering (NRE) services related to the development of a new product. We note that revenue from this project thus far is non material. In line with our strategy, Audeara plans to expand upon the growth opportunities which we have identified in this space.

TECHNICAL UPDATE

The AudAssist Desktop software to accompany the A-02 line continued rolling out through our clinic network and is now available in the majority of sites stocking Audeara A-02 product. This software allows for easy in-clinic personalisation of the headphones by utilising existing hearing profiles.

The Company has secured sufficient production capability and components to meet current forecast requirements, but continues to monitor for supply chain disruption and customer order pipeline.

CORPORATE

SHARE ISSUES

On 31 August 2022 the Company issued 300,000 shares to an employee for services rendered in lieu of cash consideration. All of the issued shares are subject to a 12 months' voluntary escrow period until 1 September 2023.

QUARTERLY CASHFLOW REPORT

Cash receipts from customers were 21% higher than the June quarter at \$826k for this quarter, with cash on hand at 30 September being \$1.8M.

Product manufacturing and operating costs of \$655k are \$379k higher than in the June quarter. The September quarter included payments for incoming stock, and deposits paid on the next production run to support growing sales.



Advertising and marketing costs rose 48% over the June quarter to \$267k reflecting our targeted support for the Strategy and Sales team and the Company's growth objectives. Administration and corporate costs were lower than the June quarter by 43% and dropped to \$163k in the September quarter.

Payments to related parties for Directors' fees (executive and non-executive directors) were \$182k, being an increase of 35% over the previous quarter which takes into account the Executive Director salary of Mr Bill Peng.

USE OF FUNDS STATEMENT

Use of funds	Total use of funds included in AUA Prospectus \$'000	Total Expenditure \$'000
Product development	850	254
Investment in resources to scale the business	3,700	4,721
Working capital ¹	1,616	992
Cost of the Offer and Listing	834	878
Total	7,000	6,845
Add: Opening Cash prior to IPO		79
Add: Proceeds from IPO		7,000
Add: Receipts from Customers since admission		3,100
Add: Additional Capital Raise		1,000
Less: Product Manufacturing and Operating Investment Costs		(2,561)
Remaining Cash at 30 Sept		1,773

Note:

¹Includes proposed expenditure on other costs arising from admission to the ASX (\$200k) and repayment of overdraft facility used to repay related party loan (\$179k).

Audeara has pursued a growth strategy which is reflected in "Investment in resources to scale the business" being \$4.7M to date compared to \$3.7M in the prospectus. The increased expenditure has allowed the Company to take advantage of various growth opportunities being presented earlier than expected.



This announcement has been authorised by the board of Audeara Limited.

For more information please visit, audeara.com

CORPORATE & MEDIA ENQUIRIES

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ABOUT AUDEARA

Audeara makes perfect sound, always.

Audeara Ltd (ASX: AUA) is a hearing health technology company that delivers high-quality personalised audio to listeners via Bluetooth headphones.

A proprietary personalisation algorithm calibrates the headphones for an individual's unique hearing profile. This provides crystal clear sound quality for video conferencing and telephone calls and using mainstream applications like watching television, listening to music and gaming.

Categorised as an assistive listening device (ALD), Audeara's unique technology emphasises better, not louder sound. This means listeners can have a safer, high-quality listening experience that protects the hearing they have.

The Company sells its products through distributors and resellers in Australia, North America, Asia-Pacific and via e-commerce channels.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Audeara Limited

ABN

27 604 368 443

Quarter ended ("current quarter")

30 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	826	826
1.2 Payments for		
(a) research and development	(40)	(40)
(b) product manufacturing and operating costs	(655)	(655)
(c) advertising and marketing	(267)	(267)
(d) leased assets	-	-
(e) staff costs	(744)	(744)
(f) administration and corporate costs	(163)	(163)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,043)	(1,043)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(2)	(2)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	(11)	(11)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(13)	(13)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(40)	(40)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(40)	(40)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,870	2,870
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,043)	(1,043)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(13)	(13)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(40)	(40)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,774	1,774

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,774	2,870
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,774	2,870

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	182
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	59	42
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		17
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	<p>Westpac credit card facility, secured rolling line of credit for \$20,000 at 20.24% interest on unpaid balances.</p> <p>Hunter Premium Funding, unsecured fixed term (10 month) initial fully drawn loan amount \$96,037 at 16.22% interest starting May to fund insurance premiums. Principal outstanding at 30 September \$39,434.</p>	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,043)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,774
8.3 Unused finance facilities available at quarter end (item 7.5)	17
8.4 Total available funding (item 8.2 + item 8.3)	1,791
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.71
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
<p>Answer: No.</p> <p>Reductions have been made in operating expenditure and an R&D Tax Offset is expected in the December 22 quarter.</p>	

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

Yes, The Company is in discussion with parties for raising additional capital by either equity, debt or trade financing.

We believe we can be successful in raising additional funds based on our historical ability.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes. The Company has reduced operating expenditure and has a renewed focus on sales strategy including expansion into Europe. Management anticipates that we will see increases in revenue from this expansion and further consolidation within the Australian market.

Further, in the year ended 30 June 2021, the Company completed a successful initial public offering (IPO) which raised \$7 million, and raised further capital of \$1 million in 2022, indicating its ongoing ability to raise equity as required. If required, in addition to the ability to raise capital, the Company will explore various debt funding options.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 October 2022

Authorised by the Board

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the

[name of board committee – eg Audit and Risk Committee]”. If it has been authorised for release to the market by a disclosure committee, you can insert here: “By the Disclosure Committee”.

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council’s *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.