

27 July 2021

ASX ANNOUNCEMENT

June 2021 Quarterly Activity Report

HIGHLIGHTS

- ❖ Revenue for the June quarter up 56% year on year
- ❖ Audiology Clinic revenue up 82% year on year
- ❖ Australian audiology clinics increase to 725 at 30 June 2021
- ❖ Key hires to accelerate sales growth in Australia and the US in FY22

Audeara Ltd (ASX: AUA) ('Audeara' or 'the Company') is pleased to provide the following update on the Company's performance in the June quarter.

Australian Audiology Clinic Numbers – Lead indicator

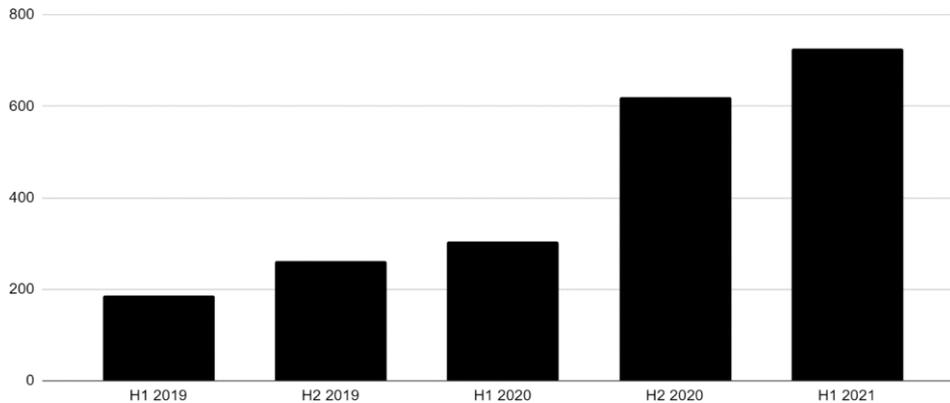


Figure 1 – Australian audiology clinics stocking Audeara

At the end of the June quarter, Australian audiology clinic numbers increased to 725, an increase of 13 clinics for the quarter. Clinic numbers have now increased by 106 since the Company lodged its prospectus early this calendar year. Audeara is actively working with a number of clinic groups with the goal of securing supply agreements with them in the coming quarters.

When clinics are “on-boarded” it usually takes 1-3 months before they are regularly ordering from Audeara. We have created a number of training tools for clinic staff to help them learn about Audeara and the competitive advantage the A01 has over other Assistive Listening Devices. At the same time our Customer Relationship Managers are working with the clinic managers, audiologists and front office staff to help with their product knowledge and customer conversion to ensure all customers leave with a solution. The culmination of continued repeat sales from the current Audeara stockists, combined with the addition of new clinics will be the catalyst for further growth.

Sales Update



Figure 2 – Sales by quarter, wholesale and retail.

PCP	Jun-'21	Jun-'20	Growth	%
Wholesale	\$304,225	\$174,467	\$129,757	74%
Retail	\$25,122	\$36,055	-\$10,932	-30%
	\$329,348	\$210,523	\$118,825	56%
Sequential	Jun-'21	Mar-'21	Growth	%
Wholesale	\$304,225	\$234,440	\$69,785	30%
Retail	\$25,122	\$24,966	\$156	0%
	\$329,348	\$259,406	\$69,942	27%

Table 1 - Wholesale and retail sales for the quarter April to June '21, compared to prior corresponding period June '20 and prior quarter March '21.

The June 2021 quarter was outstanding for Audeara, delivering the highest quarterly sales result in audiology clinics since the Company was founded. The result was delivering on a “business as usual” basis, as the benefit of the IPO funding is not expected to accrue until FY22 when our recently appointed National Sales Managers in the US and Australia are brought to bear. Increasing sales through the Australian audiology clinics remains a key focus for Audeara.

Year on year, revenue for the June quarter is up 56%, driven by the Company’s focus on its wholesale channel which grew 74%. Australian audiology clinic sales has grown by 82% in this period, underpinned by strong increase in unit per clinic sales. In the June 2021 quarter we saw increased repeat sales from clinics that have been successfully on-boarded and trained in prior quarters.

Hearing Health Market

From 1 July, 2021 changes to the dynamic of the Australian hearing health market create strong opportunities for Audeara in the Assistive Listening Devices category. Changes to the Hearing Services Program have resulted in an increased focus on ALDs for hearing health clinics and our relationship with these clinics positions us well to provide increased services to the hearing impaired and those that care about their hearing health in Australia. Prior to July 1 2021 clients fitted with ALDs were not eligible for client reviews, which provide government funding to the audiology clinic to provide an annual review service for clients. Effective 1 July 2021, clients fitted with ALDs will be eligible for an annual client review to encourage ongoing assessment of client needs. Further information on this, and other changes to the HSP can be found here: [Hearing Services Program](#).

Staffing

Audeara made a commitment to use the IPO funds to focus on growth and since listing Audeara has made five key hires, namely:

Name	Position	Outcome
Finlay Robb	National Sales Manager USA	US market entrance strategy and execution of US sales growth.
John Krajewski	National Sales Manager Australia	Australian revenue growth through increased market penetration, increased repeat revenue from existing clients, and new channel development.
Maree Taylor	Marketing Manager	Optimisation of messaging to existing and future clinic groups and development of new sales channels.
Will Yang	Software developer	End user and clinician software application development for new feature implementation.
Merryl Wilson	Accountant	Improved financial reporting, working capital focused.

US Sales Manager Finlay Robb's appointment was announced on the 31st May 2021. Since commencing he has created and progressed relationships with a number of US buying groups and clinic groups alongside Audeara's distribution partner Westone. Initial interactions with these large scale buying groups have been positive.

The Australian Sales Manager, John Krajewski, is commencing with Audeara during the first week of August. John brings to the team over 15 years of experience in the Audiology industry with international hearing health leader Amplifon. John has dedicated his life to understanding the importance of sound and music in improving people's lives. This passion is reinforced by an MBA and 10 years as an area manager responsible for the commercial performance of his clinic group which excelled under his leadership. He is perfectly positioned to lead Audeara's sales team in this high growth phase, both in the clinical and non-clinical settings.

The Marketing Manager, Maree Taylor, commenced with Audeara on 19 July 2021 and brings 20 years of marketing experience, most recently in the health industry as international marketing manager for leading medical indemnity insurer Medical Protection Society. Maree's strengths are stakeholder engagement and omnichannel marketing campaign strategy and implementation with a focus on driving revenue growth. Maree will take Audeara's marketing to the next level, acting as brand guardian and supporting the team to escalate sales.

"The final quarter of the financial year has seen our strongest performance so far and provides a high degree of confidence for the future given that performance was executed by our existing team, converting on the platform we've built in the Australian hearing health market." said Dr James Fielding, Managing Director Audeara Limited.

Technical Update

The team has been working on the next generation of headphones and TV listening devices the Audeara A-02 and A-02 TV Bundle. The A-02 is an audiology industry led hardware, software and firmware upgrade to the existing A-01 and A01 Tv Bundle with a focus on improved ergonomics and usability to better cater for our primary target market. It will be available as a standalone headphone or bundled with a pre-paired TV transmitter. The A-02 range will also include the latest version of the Audeara personalisation algorithm which has undergone further optimisation to cater for specific hearing profiles. Our product and design engineers are currently preparing the A-02 product for quality, safety and performance testing required for certification and authority to sell in our target markets.

Novel software specifically designed for use in the audiology clinic is being trialled in clinics across Australia. The software, currently named 'Audassist' was designed by our in-house research audiologists Georgia Lester and Dr Ian O'Brien to facilitate ease of use and setup of headphones for clients in the audiology clinic. This product provides specific benefit to those end users who are unable to perform the personalisation themselves due to health or technical capacity reasons as well as being a great service offering for the clinic. 'Audassist' is being well received by the trial clinics and Audeara is confident that the platform will increase the accessibility of the Audeara product to greater numbers of our primary target customer.

Corporate

Initial Public Offering

Audeara listed on the ASX on the 18 May 2021 raising \$7 million before costs. The IPO also resulted in the conversion of \$1.7 million in Convertible Notes to equity. At the end of the financial year, Audeara is debt free, well capitalised and in a position to start delivering growth in the Australian market, while establishing a beach head in the US.

Cash on hand

At the end of the quarter, Audeara had \$5.7 million on cash on hand, after paying approximately \$1.0m in IPO related costs as disclosed in the prospectus. A majority of nonrecurring IPO related cash costs were expensed during the June 2021 quarter.

Shares on issue

During the quarter, Audeara listed on the ASX and as a result, 10,654,953 shares were issued on the conversion of the Convertible Notes and 35,000,000 shares were issued through the IPO. As part of the IPO, 40,800,678 shares were escrowed for 24 months and a further 6,512,736 shares were escrowed from one to six months.

As at 30 June 2021, there were 105,000,000 shares on issue.

Options on issue

During the quarter, Audeara issued 3,950,000 unlisted options to the Board and Staff. The options are exercisable at 30 cents, have a three-year life and vested equally over three years.

As at 30 June 2021, there we 3,950,000 options on issue.

This announcement was authorised by the Board of Audeara Limited

To learn more please visit: www.audeara.com

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ABOUT AUDEARA

Audeara makes **Perfect Sound, Always.**

Audeara Ltd (ASX: AUA) is a hearing health technology company that uses a hearing profile algorithm to personalise sound output to the needs of the listener.

Audeara delivers high-quality personalised audio to users. Categorised as an assistive listening device (ALD), Audeara's flagship A-01 headphones can be paired with Audeara's mobile application (the Audeara App). The app uses a proprietary personalisation algorithm to calibrate the headphones for an individual's unique hearing profile. The user experiences superior sound and quality, while using mainstream applications like watching movies and television, listening to music, video conferencing and gaming.

The company sells its products through distributors and resellers in Australia and the United States, 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 June 2021

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	349	1,184
1.2 Payments for		
(a) research and development	(4)	(24)
(b) product manufacturing and operating costs	(232)	(776)
(c) advertising and marketing	(40)	(89)
(d) leased assets	-	-
(e) staff costs	(410)	(947)
(f) administration and corporate costs	(252)	(789)
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	-	458
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(589)	(983)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(3)	(6)
(d) investments		
(e) intellectual property	(32)	(60)
(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		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(34)	(66)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	7,000	7,000
3.2	Proceeds from issue of convertible debt securities	-	744
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(474)	(474)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(177)	(230)
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	6,349	7,040

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	12	(252)
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(589)	(983)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(34)	(66)

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)	6,349	7,040
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,739	5,739

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	12	5,739
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)	12	5,739

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	191
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.

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

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	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(589)
8.2 Cash and cash equivalents at quarter end (item 4.6)	5,739
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	5,739
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	10
<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?	
Answer: N/A	
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: N/A	
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: N/A	
<i>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.</i>	

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: 27 July 2021

Authorised by the Board
(Name of body or officer authorising release – see note 4)

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.