

31 January 2022

ASX ANNOUNCEMENT

December 2021 Quarterly Activity Report

HIGHLIGHTS

- Highest revenue on record: December quarter +138% year on year, +50% from prior quarter
- Australian audiology clinics stocking Audeara increase to 1,013 at 31 December 2021
- Initial sales to hearing health sector of large US retailer
- CEO to temporarily relocate to US in Q1 CY22 to drive growth
- New A-02 product commences production, with sales to commence Q1 CY22

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

AUSTRALIAN AUDIOLOGY CLINIC NUMBERS – LEAD INDICATOR



Figure 1 – Australian audiology clinics stocking Audeara

At the end of the December quarter, Australian audiology clinic numbers increased to over 1000 due to stocking agreements with Audika and Connect Hearing/Blamey Saunders hears, which represents a 65% growth in the last 12 months.

SALES UPDATE

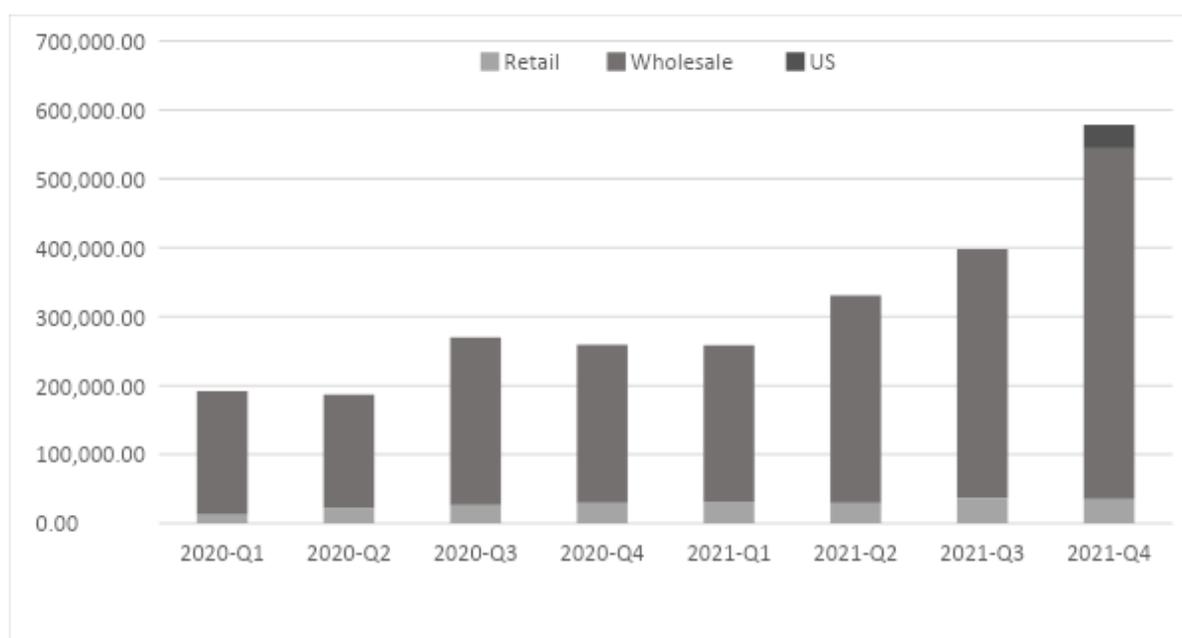


Figure 2 – Sales by quarter, wholesale (Australia and US) and retail.

PCP	Dec-'21	Dec-'20	Growth	%
Wholesale	\$543,549	\$229,976	\$313,573	136%
Retail	\$34,861	\$29,174	\$5,687	19%
	\$578,410	\$259,150	\$319,260	123%
Sequential	Dec-'21	Sep-'21	Growth	%
Wholesale	\$543,549	\$361,475	\$182,074	50%
Retail	\$34,861	\$36,219	-\$1,358	-4%
	\$578,410	\$397,695	\$180,715	45%

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

The growth in clinic numbers experienced earlier in the year, in particular the onboarding of the Amplifon clinics, has seen another quarterly sales record set with total revenue of \$0.578m. Being the only headphone product stocked in Amplifon Australia clinics and having product held in stock for immediate sale provides a strong foundation for future growth and allows more people to be served by Audeara's technology.

Since completing the IPO in May 2021, Audeara has secured supply agreements with all major Australian audiology clinics, with product stocked in over 1,000 clinics. The focus for these clinics will be increasing sales volume at each location. Audeara will target additional points of sale through new entrants to the audiology sector, including optical stores offering audiology services. The launch of the A-02 TV Bundle into the Australian market in Q1 CY22 will support continued growth.

Retail sales have been consistent throughout 2021. NDIS forms a large portion of the retail sales and continues to be an important strategic focus for Audeara to grow revenue. NDIS community engagement events are planned for FY22 across Australia to broaden the reach of the product across other allied health fields eg. occupational therapists and NDIS plan managers.

US Sales

Audeara has achieved introductory sales into the US market through distribution partners Westone. Westone specialise in custom earpieces, earphones, and many other products to protect and enhance hearing, facilitate communication, and support hearing health care professionals. It has a vast network of over 16,000 clinicians.

The Company also received its first order via its other US distribution partner, Oaktree. Oaktree is a very well recognised multi-line distributor of products and clinical supplies to the US hearing industry. Together with Audeara's partnership with Westone, the Company is very well placed to grow its embryonic business in the US.

The commercial opportunity in the US market is significant. Audeara's CEO, Dr James Fielding will temporarily relocate to the US in Q1 CY22 to focus on market exploration and developing opportunities in the hearing health sector. Audeara looks forward to keeping the market updated as developments in this region progress and expects the US contribution to Audeara's sales to increase moving forward.

COVID UPDATE

The impact of the Omicron variant experienced across the globe has resulted in a large number of audiology clinics being closed for longer periods over the Christmas/New Year season, with reduced trading days in December and January. Despite this, the December quarter result has remained strong.

The Audeara team has become well adapted to providing clinical training remotely and will continue to do so. Audeara remains a good solution for clinics who have reduced foot traffic and appointment numbers given the ability to more easily provide a solution to the client through a headphone product than a hearing aid.

HEARING HEALTH MARKET UPDATE

Sonova Audiological Care Australia announced the acquisition of Neurosensory Limited, adding Neurosensory's 24 sites to the network of Connect Hearing and Blamey Saunders hears. This acquisition is reflective of a trend in the industry to gain market share through acquisition.

Consolidation of the US hearing health sector is also continuing with Sonova announcing the acquisition of Alpaca Audiology, one of the largest independent networks of audiological care clinics in the US. Founded in 2011, the company has over 500 employees and operates approximately 220 clinics across the US.

TECHNICAL UPDATE

This quarter has seen the team reach a huge milestone with the completion of the Audeara A-02 Headphones and A-02 TV Bundle. The A-02 product line is on track to be available for sale in Q1 2022.

The headphones feature large buttons and simple switch configuration, ideal for users with dexterity challenges. They also include Bluetooth 5.0, which improves the range and connection strength to the transmitter. The headphones have the same premium comfort and long life battery as the A-01.

The AudAssist desktop software to accompany the A-02 line has also been further developed. This software will allow for easy in-clinic personalisation of the headphones by utilising existing hearing profiles.



Image 1 – Audeara A-02 TV Bundle

Chipset Purchasing and Securing Supply

During the quarter Audeara made a further commitment to ensuring adequate chip supply for future production, as well as continued work on adapting the Audeara platform for use on alternative chipsets. Freight charges remain high and delays in sea and air freight continue to impact the global supply chain, however Audeara has maintained consistent supply to customers.

CORPORATE

Board Update

Audeara took an important step to further strengthen the Company's Board during the quarter with the appointment of Dr Elaine Saunders as Independent Non-executive Director. Elaine commences with Audeara on 1 January 2022. Elaine's understanding and knowledge of the hearing health care space is second to none. Her work with Blamey Saunders hears is particularly notable, having designed and manufactured Australia's own unique and self-fit hearing aid, pioneering tele-audiology in Australia.

Quarterly Cashflow Report

Cash receipts from customers were \$635k in the quarter, nearly 100% up on the previous quarter, due to timing of sales and supplier terms.

Product manufacturing and operating costs reflected payment for stock and additional buffer chipset purchases. Cash outflows were \$649k, a reduction of 18% from the September quarter.

Payments for staff were \$527k for the quarter, up on the September quarter by \$54k as expected given the investment Audeara made during the quarter to grow the team, supporting the Company's growth strategies.

Administration and corporate costs were \$220k for the quarter, slightly down from the previous quarter reflecting timing of the Company's activities and public company costs. Audeara received \$220k in R&D incentives during the quarter. Audeara moved premises and as a result incurred a fit-out cost of \$58k, which equated to an increase in financing costs.

At the end of the quarter, Audeara remained well-capitalised to continue its growth strategy with \$3.8 million in cash on hand.

Payments to related parties for Directors' fees was \$97k for the quarter. There were no other related party payments in the quarter.

Use of Funds Statement

Use of funds	Total use of funds included in AUA Prospectus \$'000	Expenditure in Q2 FY22 \$'000	Total expenditure \$'000
Product development	850	38	106
Investment in resources to scale the business	3,700	808	1,767
Working capital	1,616	(128)	698
Cost of the Offer and Listing	834	-	878
Total	7,000	718	3,449

The quarter reflects the Company's utilisation of funds to support its growth agenda. Expenditure in product development and growth is expected to continue over the coming quarters.

Shares on issue

As at 31 December 2021, there were 105,000,000 shares on issue, of which 40,800,678 are subject to escrow through to 10 May 2024.

Options on issue

The options are exercisable at 30 cents, have a three-year life and vested equally over three years and at 31 December 2021, there were 3,487,500 options on issue.

Authorised for release by the Audeara Board

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 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 and North America, 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")

31 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	635	957
1.2 Payments for		
(a) research and development	(33)	(41)
(b) product manufacturing and operating costs	(649)	(1,440)
(c) advertising and marketing	(48)	(63)
(d) leased assets	-	-
(e) staff costs	(527)	(1,000)
(f) administration and corporate costs	(220)	(480)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	220	220
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(623)	(1,847)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(58)	(64)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-

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

	(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	(58)	(64)

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	(39)	(52)
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	(39)	(52)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,495	5,738
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(623)	(1,847)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(58)	(64)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(39)	(52)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,775	3,775

5.	Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1	Bank balances	3,775	4,495
5.2	Call deposits	-	-

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

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)	3,775	4,495

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	97
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	-	-
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)	(623)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,775
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,775
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	6.1
	<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

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 January 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.