

Q1 FY24 Quarterly Activities Report & Appendix 4C

Audeara Ltd (ASX: AUA) ('Audeara' or 'the Company') is pleased to provide the following update for the quarter ending 30 September 2023.

Key Highlights

AUDEARA:

- ▶ **Quarterly cash receipts of \$0.77m - up 30% qoq (Q4 FY23: \$0.59m)**
 - ▷ Collection of funds following strong Q4 FY23
- ▶ **Ongoing reduction in operating cash outflows**
 - ▷ Operating net cash outflows of \$0.62m - down 41% yoy (Q1 FY23: \$1.04m) and reduced 10% qoq (Q4 FY23: \$0.69m)
 - ▷ Cash balance of \$1.96m provides financial flexibility to scale up operations
- ▶ **Unaudited revenue of \$0.43m delivered in Q1 FY24**
 - ▷ Revenue of \$0.43m - down 27% yoy (Q1 FY23: \$0.59m) due to timing of large purchase orders from key counterparties
- ▶ **Europe: Attendance at EUHA 2024 to progress key accounts**
 - ▷ Discussions regarding additional expansion opportunities progressing well
 - ▷ Negotiation ongoing for market entry into additional European countries - sales expected to increase in Q2 FY24

AUA Technology:

- ▶ **Music Instrument (MI) brand product development for licensing revenue stream**
 - ▷ Mass production now anticipated H2 FY24
- ▶ **First field trials and client demonstrations of Healthy Hearing Earbuds completed with strategic partner Clinico Inc ahead of Q4 FY24 launch**



Management commentary

Chief Executive Officer, Dr James Fielding said:

“The September quarter was highlighted by several positive developments with respect to our stated growth strategy for domestic and international markets. Alongside a consistent revenue profile from established domestic sales channels, Audeara made further key advancements with respect to the product development for its licensing partnership with a major international music brand and established strong traction with product distribution partners in the US and European markets.

“These developments were accompanied by a management restructure which was implemented with minimal disruption to the business, and leaves the Company well positioned to execute its growth strategy from a lower cost base with a streamlined and focused management team. We look forward to updating our investors with more strong news flow over the course of 2024 and beyond as the Company executes on an exciting global growth opportunity.”

Financial overview

- ▶ Q1 FY24 cash receipts \$0.77m, an increase qoq of 31% (Q4 FY23: \$0.59m)
- ▶ Operating net cash outflows of \$0.62m - reduced 41% yoy (Q1 FY23: \$1.04m) and reduced 10% qoq (Q4 FY23: \$0.69m)
- ▶ Payments to related parties for directors' fees (executive and non-executive directors) were at \$150k, being comparable with the June quarter.

Audeara's revenue for the quarter was underpinned by the Company's established footprint in Australia, as well as AUA Technology services revenue.

While the Company remained focused on revenue generation, the Board and management also successfully reduced operating cash outflows with strong cash receipts and tight cash controls.

With increasing sales, international expansion opportunities and an ongoing focus on managing expenditure, Audeara is well placed to execute on a number of growth opportunities in FY24. The Company retained a cash balance of \$1.96m as at 30 September 2023.

Operational overview

AUA Technology project development reaches demonstration phase

AUA Technology is a business unit within Audeara focused on providing the Company's proprietary technology and design capability to high-impact third-party organisations through a licensing and contract manufacturing model. This enables the Company to leverage its existing research and technological intellectual property to provide a unique selling proposition to third-party organisations. The solutions offered via AUA Technology improve the quality of products offered by partner organisations and significantly increase the reach of the Company's personalisation and hearing health technology.

The Company is in well-progressed discussions with a number of potential partners and is continuing to pursue potential licensing agreements with these groups.



Music instrument brand, product development for licensing revenue stream

This project has progressed to the stage of product demonstration and is entering preparations for mass manufacture. The Company anticipates the impact of this new cash-generating contract manufacturing and technology licensing model in the coming quarters. This will mark the first time that Adeara's proprietary personalisation technology will be incorporated into third-party products under the go-to-market strength of a well-established brand with reach into a number of large addressable markets.

Healthy Hearing Earbuds for Audiology Industry

Development of an in-ear style product commenced following a strategic cooperative agreement signed with the largest hearing aid retailer in Taiwan, Clinico Inc. in February 2023. This project has progressed to the point of field testing for continued product refinement and optimisation. The project remains on track for launch during FY24.

Adeara joins global hearing health industry at 67th annual EUHA Congress and Exhibition

Dr James Fielding and Mr Istvan Nagy attended the 67th Annual International Congress of Hearing Aid Acousticians in Nuremberg, Germany. In person meetings were held with all multinational hearing aid manufacturers and retailers. The conference showcases industry trends and progressions in hearing health technology and draws attendees from Europe and Asia predominantly. This event served as an effective engagement tool with Adeara customers and target customers from Europe and the Asiapac region and included product demonstration of the functional capability of the Adeara Healthy Hearing Earbuds that are under development. The response to the early development prototypes gives confidence about the adoption of the product.

Board and management restructure to optimise operations and costs

During the quarter, Non-Executive Director Mr Pasquale Rombola (Paddy) tendered his resignation to the Board. The Company would like to thank Paddy for his work since his appointment in May 2021. The Company also advised that Mr Stuart Smith tendered his resignation as Chief Financial Officer and that CFO duties will be shared amongst Adeara's existing resources.

Following the departure of both Mr Rombola and Mr Smith, Adeara completed an internal restructure, designed to optimise its operations for growth, while continuing to reduce staff costs. This included Mr John Krajewski transitioning from National Sales Manager to Head of International Sales and Marketing. Mr Krajewski's new role will allow the Company to replicate its strong domestic growth through key international markets.

Further, Mr 'Bill' Peng (previously Director of Growth and Corporate Partnerships) has undertaken the role of Chief Operating Officer, which will incorporate additional operational oversight and accountability alongside his ongoing focus on growth and partnerships.

As part of the Company's ongoing focus on reducing costs, there will be no changes to Mr Krajewski or Mr Peng's remuneration. Adeara is confident that utilising existing resources in new roles will reduce wage costs, further optimise internal operations and allow Dr James Fielding additional capacity to fast track strategic growth initiatives.



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

For more information please visit, audeara.com

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ABOUT AUDEARA

Audeara Limited (ASX: AUA) is a global leader in innovative listening solutions for people with hearing challenges.

Passionate about redefining hearing health, Audeara connects people with the experiences that bring them joy - whether that's watching a favourite TV show, FaceTiming family or listening to music with confidence.

Audeara headphones use a health-check algorithm to tailor sound to a unique hearing profile, delivering personalised sound for each ear.

Purposefully designed and engineered in Australia, Audeara products deliver optimum listening experiences to enhance quality of life for people of all ages and abilities.

Through its AUA Technology business unit, Audeara works with leading brands around the world to bring Audeara technology to listening devices via R&D, licensing and manufacturing partnerships.

Visit audeara.com to learn more, shop or search for a stockist near you.

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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 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	773	773
1.2 Payments for		
(a) research and development	(98)	(98)
(b) product manufacturing and operating costs	(207)	(207)
(c) advertising and marketing	(109)	(109)
(d) leased assets	-	-
(e) staff costs	(732)	(732)
(f) administration and corporate costs	(291)	(291)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	9	9
1.5 Interest and other costs of finance paid	(4)	(4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	41	41
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(618)	(618)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	-	-
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	(37)	(37)
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	(37)	(37)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,623	2,623
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(618)	(618)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(37)	(37)
4.5	Effect of movement in exchange rates on cash held	(7)	(7)
4.6	Cash and cash equivalents at end of period	1,961	1,961

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	1,961	2,263
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)	1,961	2,263

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	150
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

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	20	
7.2 Credit standby arrangements	-	
7.3 Other (please specify)	49	49
7.4 Total financing facilities	69	49
7.5 Unused financing facilities available at quarter end		20
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.		
Westpac credit card facility, secured rolling line of credit for \$20k at 20.24% interest on unpaid balances.		
Hunter Premium Funding, unsecured fixed term (10 month) initial fully drawn loan amount \$115k at 16.22% interest starting May to fund insurance premiums. Principal outstanding at 30 September 49k.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(618)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,961
8.3 Unused finance facilities available at quarter end (item 7.5)	20
8.4 Total available funding (item 8.2 + item 8.3)	1,981
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.2
<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:	
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:	
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:	
<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: 31 October 2023.

Authorised by: 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.