

ASX Announcement 11 April 2024

Q3 FY24 Quarterly Activities Report & Appendix 4C

Audeara Ltd (ASX: AUA) ('Audeara' or 'the Company') is pleased to provide the following update for the quarter ended 31 March 2024.

- ▶ **Record quarterly cash receipts of \$1.12m**
- ▶ **Net positive operating positive cash flows, underpinned by a \$2.1m Purchase Order for AUA Technology by global musical instrument manufacturer (\$1.05m in cash funds received to date)**
- ▶ **Additional opportunities advanced for AUA Technology in large Asian markets via strategic partnerships**
- ▶ **Strongest quarterly Australian wholesale revenues in FY24 to-date - up 64% on last quarter to \$0.48m**
- ▶ **Clinico co-branded product demonstrations well received ahead of proposed CY24 launch**
- ▶ **Quarterly cash flows further bolstered by receipt of \$673,000 R&D Tax Refund**
- ▶ **Ongoing cost optimisation initiatives with reductions in operating expenditure on a Prior Comparative Period (PCP) basis**
- ▶ **Financial highlights:**
 - ▶ Q3 FY24 cash receipts \$1.12m, a record high and up 69% QoQ
 - ▶ Q3 FY24 net operating cash flows of \$0.46m; first quarter of positive operating cash flows
 - ▶ YTD FY24 net cash outflows (\$0.42m), reduced 80% from the PCP (\$2.28m)
 - ▶ Q3 FY24 unaudited revenue of \$0.59m, up 65% QoQ
 - ▶ \$2.1m in cash or equivalents at 31 March, ensuring the Company remains well placed to execute on growth opportunities in FY24



Management commentary

Chief Executive Officer, Dr James Fielding said:

"We are pleased to present Audeara's trading update for the March quarter - a period which saw the Company generate net positive cash flows from operations and continue to build momentum in its global expansion strategy.

Key milestones were highlighted by a step-change in growth for the group's AUA Technology division, which took receipt of a \$2.1m purchase order from a major global music instrument manufacturer. While this PO provided a material positive contribution to cash receipts, it also represents strong execution of Audeara's stated strategy; to successfully leverage the IP from its leading suite of hardware products into profitable licensing solutions with global third-party providers.

In that context, the Company's achievements in the March quarter show that Audeara is increasingly laying the foundation to significantly expand its global revenue profile, and we look forward to providing more updates on the successful application of our white-label technology for the rest of 2024 and beyond. Concurrently, the group has maintained traction in its core Australian hardware markets, while advanced discussions with its commercial partners in European and Asian markets are ongoing.

Across its two core operating divisions -- hardware and software licensing -- Audeara is increasingly well positioned to convert its established product suite and distribution channels into a step-change in revenues and group earnings, and we look forward to providing more updates as the year progresses."

Financial overview

- ▶ Cash receipts for Q3 FY24 were \$1.12m, a QoQ increase of 69% (Q2 FY24: \$0.66m)
- ▶ Net operating cash flows of +\$0.46m, an increase of \$0.72m QoQ (Q2 FY24: \$0.26m), marking the Company's first quarter of positive net operating cash flows
- ▶ YTD FY24 cash receipts of \$2.56m, consistent with PCP
- ▶ Quarterly revenue generated totalled \$0.59m (unaudited) - a QoQ increase of 64%
- ▶ Payments to related parties for directors' fees (executive and non-executive directors) were at \$0.13m, comparable QoQ with a reduction of 32% YoY
- ▶ Cash at bank as at 31 March 2024 was \$2.08m

Audeara's breakthrough quarter - highlighted by record cash receipts from operations and the Company's first quarter of net positive operating cash flows - was underpinned by accelerating momentum in global markets for the high-growth AUA Technology division. Receipts in the period included the second payment in connection with the \$2.1m purchase order from a major US Music Instrument (MI) company (*refer ASX Announcement 27 February 2024*). The Company also took receipt of a \$673,000 R&D Tax Refund, leaving it with a strong cash position to pursue additional growth initiatives in 2024.



Operational overview

AUA Technology secures \$2.1m Purchase Order from global musical instrument manufacturer, Zildjian

The increase in cash receipts was underpinned by a \$2.1m Purchase Order (PO) from a US-based music instrument brand. The PO follows a deposit payment of \$320,000 in the previous quarter and marks the transition to contract manufacturing and licensing of the Company's technology following an extensive period of co-development over the previous 12 months.

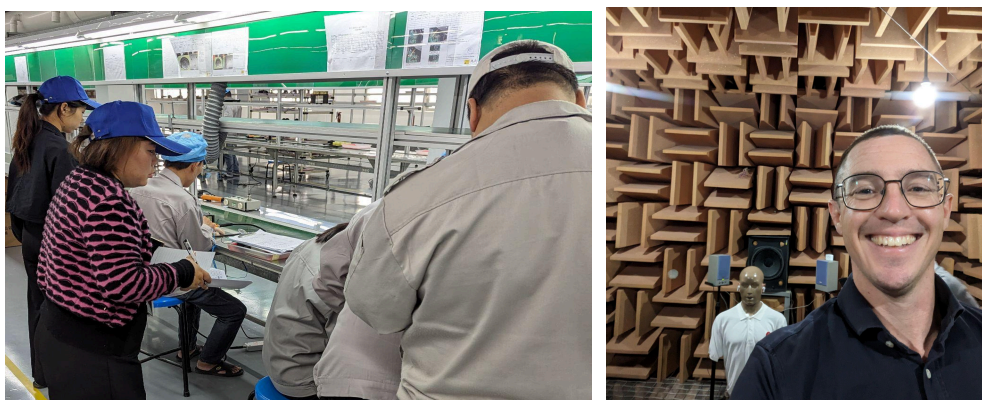
With the receipt of the deposit for the first purchase order, Audeara remains confident that the work carried out to date has established the framework for a longer-term cash generating agreement. It also continues to highlight the potential for Audeara's technology to expand from its core target markets into major industries, with the benefit of distribution support from global brands.

Unlocking additional distribution opportunities in Asian markets

During the quarter, Audeara advanced distribution opportunities in core Asian markets via its co-development partner Clinico, the largest audiology retailer in Taiwan which is also a strategic investor in the Company.

Activities during the period centred around the addressable market for PSAP (Personal Sound Amplification Products) manufactured by Audeara and co-branded with Clinico. Management spent time in Taiwan to explore potential sales opportunities, which will be underpinned by Clinico's established distribution network in the region.

The Company also advanced opportunities in China to leverage AUA Technology into additional third party branded products. During the period, Audeara management advanced a number of potential strategic agreements, which have the potential to broaden the Company's international footprint and further strengthen its future revenue profile.



Images: AUA Technology product quality and assessment (left) and PSAP speech and noise testing protocols (right)



R&D Tax Refund Receipt

During the quarter, Audeara formally took receipt of a \$673,000 payment from the Australian government, in connection with its FY2023 eligibility for the Research & Development (R&D) Tax Incentive.

The refund related to Audeara's eligible expenditure with the continuing development of its state-of-the-art headphones and innovative personal sound amplification solutions, and further strengthens the Company's cash position as it capitalises on recent momentum for its core hardware products alongside the high-growth AUA Technology division in domestic and global markets.

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 the 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.

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 MARCH 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,120	2,557
1.2 Payments for		
(a) research and development	(111)	(323)
(b) product manufacturing and operating costs	(459)	(811)
(c) advertising and marketing	(96)	(275)
(d) leased assets (including premises)	-	-
(e) staff costs	(494)	(1,681)
(f) administration and corporate costs	(174)	(623)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	18
1.5 Interest and other costs of finance paid	(1)	(8)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	673	728
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	462	(418)
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	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	(12)	(93)
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	(12)	(93)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,650	2,623
4.2	Net cash from / (used in) operating activities (item 1.9 above)	462	(418)
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 (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(12)	(93)
4.5	Effect of movement in exchange rates on cash held	(19)	(31)
4.6	Cash and cash equivalents at end of period	2,081	2,081

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	2,081	1,650
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,081	1,650

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	127
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 <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	20	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	20	-
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.		

7.1. Westpac Banking Corporation credit card facility, secured rolling line of credit for \$20,500 at 20.24% interest on unpaid balances.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	462
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,081
8.3	Unused finance facilities available at quarter end (item 7.5)	20
8.4	Total available funding (item 8.2 + item 8.3)	2,101
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<p><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></p>		
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?	
	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?	
	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?	
	N/A	
<p><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></p>		

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: 10 April 2024

Authorised by: The Board of Directors
(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.