

IASX APPENDIX 4E

ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024

1. DETAILS OF REPORTING PERIOD

Name of Entity	Audeara Limited (“Audeara” or the “Company”)
ABN	27 604 368 443
Reporting Period	30 June 2024
Previous Corresponding Period	30 June 2023
Presentation Currency	Australian Dollar (\$)

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key information	30 June 2024 \$'000	30 June 2023 \$'000	Increase/ (decrease) %	Amount change \$'000
Revenues from ordinary activities	3,185	2,905	9.64%	280
Loss from ordinary activities after tax attributable to members	(1,603)	(3,743)	(57.17%)	2,140
Net loss for the period attributable to members	(1,603)	(3,743)	(57.17%)	2,140

	Amount Per Security	Franked Amount Per Security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Previous Corresponding Period	Nil	Nil
Record Date for Determining Entitlements	Not Applicable	

Commentary on results:

For further information, refer to the review of operations contained in the directors’ report, which forms part of the attached financial statements.

3. STATEMENT OF COMPREHENSIVE INCOME

Refer to attached financial statements.

4. STATEMENT OF FINANCIAL POSITION

Refer to attached financial statements.

5. STATEMENT OF CASH FLOWS

Refer to attached financial statements.

6. STATEMENT OF RETAINED EARNINGS/CHANGES IN EQUITY

Refer to attached financial statements.

7. DIVIDENDS/DISTRIBUTIONS

No dividends declared in current or prior year.

8. DETAILS OF DIVIDEND REINVESTMENT PLANS

Not Applicable

9. NET TANGIBLE ASSETS PER SHARE

	Current Period	Previous Period
Net tangible asset backing per ordinary security	1.1 cents	2.3 cents

10. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

Control gained over entities

Name of entity (or group of entities)	N/A
Date control gained	N/A
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	N/A
Profit/(loss) of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A

Loss of control over entities

Name of entity (or group of entities)	N/A
Date control lost	N/A

Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material) N/A

Profit/(loss) of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material) N/A

11. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Name of associate or joint venture entity	N/A
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Reporting entity's percentage holding in this entity	N/A
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Contribution to net profit/(loss) (where material)	N/A
--	-----

Aggregate share of profits/(losses) of the above entity (where material)	N/A
--	-----

12. ANY OTHER SIGNIFICANT INFORMATION NEEDED BY AN INVESTOR TO MAKE AN INFORMED ASSESSMENT OF THE COMPANY'S FINANCIAL PERFORMANCE AND FINANCIAL POSITION

Refer to attached financial statements.

13. FOREIGN ENTITIES

Not Applicable

14. COMMENTARY ON RESULTS FOR PERIOD AND EXPLANATORY INFORMATION

Refer to attached financial statements.

15. AUDIT

This report is based on accounts which have been audited. The Auditor's Report contains an 'Emphasis of Matter' paragraph drawing attention to a material uncertainty that may cast a doubt about the Group's ability to continue as a going concern. The attached financial statements have been prepared on a going concern basis. Please refer to note 2 in the financial statements.

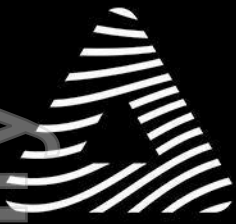
Mr David Trimboli

Chairman



29 August 2024

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AUDEARA

Feel connected.

Annual Report

30 JUNE 2024



Audeara Limited

ABN 27 604 368 443 | ASX: AUA

Corporate Directory

Directors

David Trimboli
Non-Executive Chair

James Fielding
Managing Director

Bill Peng
Executive Director

Company secretary

Mr Stephen Buckley

Registered office & principal place of business

Level 1, North Tower
527 Gregory Terrace
Fortitude Valley QLD 4006

Phone
1300 251 539

Website
www.audeara.com

Corporate Governance Statement
www.audeara.com/corporate-governance

Share register

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

Phone
(03) 9907 7163

Auditor

Grant Thornton Audit Pty Ltd
King George Central
Level 18, 145 Anne Street
Brisbane QLD 4000

Bankers

Westpac Banking Corporation
300 Elizabeth Street
Brisbane QLD 4000

Stock exchange listing

Audeara Limited shares are listed on the Australian Securities Exchange (ASX)

ASX Code
AUA (fully paid ordinary shares)



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Letter to Shareholders

Dear fellow shareholders,

As we close the financial year ended 30 June 2024, we are pleased to present to you the annual report of Audeara Limited. It was a landmark 12 months for the Group, highlighted by the execution of our stated strategy to complement the strength of Audeara's market-leading hardware products with the successful commercialisation of the AUA Technology division.

With the first sales of AUA Technology partnership products, the Group is well positioned to drive a considerable step-change in growth and profitability across international markets, while simultaneously adhering to the principles of our mission statement to provide world-class hearing health technology at scale and improve people's quality of life.

Throughout the year, Audeara continued to evolve and expand our product offerings and we have remained committed to developing innovative audio devices and providing engineering services that support the growth of the broader hearing health industry. Our focus on third-party manufacturing under private labels has shown a significant impact, becoming an essential contributor to our revenue growth. We have also laid very strong foundations to continue this trajectory over the course of FY25 and beyond.

FY24 Financial Performance

Following a busy 12 months of product development and commercial rollouts, I'm pleased to report that Audeara reported annual revenues of \$3.2m for FY24. The result marked a 10% uplift on the previous financial year and continued the Group's consistent trend of annual growth in top line revenues. Reflecting the positive impact from the first round of purchase orders for the AUA Technology division, Audeara also progresses into the new financial year with strong momentum, after rounding out FY24 with a record quarterly revenue result in the June quarter and correspondingly the Group's first positive net income quarter since listing on the ASX.

Alongside top-line growth, the Group's management team maintained a stringent focus on identifying cost savings through more streamlined operations and strategic reviews of the cost base, which flowed through to a 57% reduction in net operating cash outflows for the period. With the successful conversion of the AUA Technology division from the development phase to first revenues in FY24, Audeara anticipates that high-margin tech sales will make an increasing contribution to its revenue profile in the years ahead.

Already, the positive impact of these sales, alongside ongoing cost management initiatives has been reflected in both net operating cash flows and group earnings. During FY24, Audeara reported a reduced loss after income tax of \$1.6m, marking a 57% improvement on the prior year. We are excited by the group's momentum in this regard, and our commitment to reaching a break-even point in the near future remains one of the core priorities of the business.

Strategic focus

Over the past year, the Audeara management team has made several key strategic decisions to refocus its expansion strategy towards international markets that have been identified as high-growth segments. Specifically, we have focused resources to prioritise international wholesale clinic opportunities and AUA Technology division opportunities in the Asia-Pacific and in other key markets. This strategic pivot has already begun to show promise, with discussions now well-advanced with commercial partners across each of our target markets, and we are confident in the potential for



growth in these areas. The AUA Technology division has now emerged as a vital driver of our financial performance. By focusing on licensing agreements and manufacturing partnerships, we have positioned ourselves to leverage our innovative software and hardware solutions in collaboration with established brands.

One of the most significant milestones this year was securing a \$2.1m purchase order from a leading global music instrument brand. This order marks the largest single purchase in Audeara's history and is a testament to the growing recognition and demand for our technology in the international market. This partnership is expected to further solidify our position in the industry and open new avenues for collaboration with other major brands.

Outlook

Our outlook remains positive as we continue to explore new opportunities and forge strategic partnerships that will drive future growth. We expect sales of our headphones to increase in the coming financial years, and we anticipate that our software and technology licensing programs will further contribute to our revenue.

We are particularly excited about our recent partnership with Clinico Inc. (Clinico), Taiwan's largest hearing aid retailer, which marks a significant financial milestone for Audeara. The cash deposit of \$180,000 from Clinico for the development of healthy hearing earbuds underscores the value of our technology and our ability to attract global partners.

As we look to the future, we remain committed to delivering innovative solutions that enhance the quality of life for people with hearing challenges. I want to express my gratitude to our shareholders, partners, and dedicated team members for their continued support and commitment to our shared vision. Thank you for your ongoing trust in Audeara. We look forward to updating you on our progress as we continue to pursue our growth objectives and strive to deliver value to our shareholders.



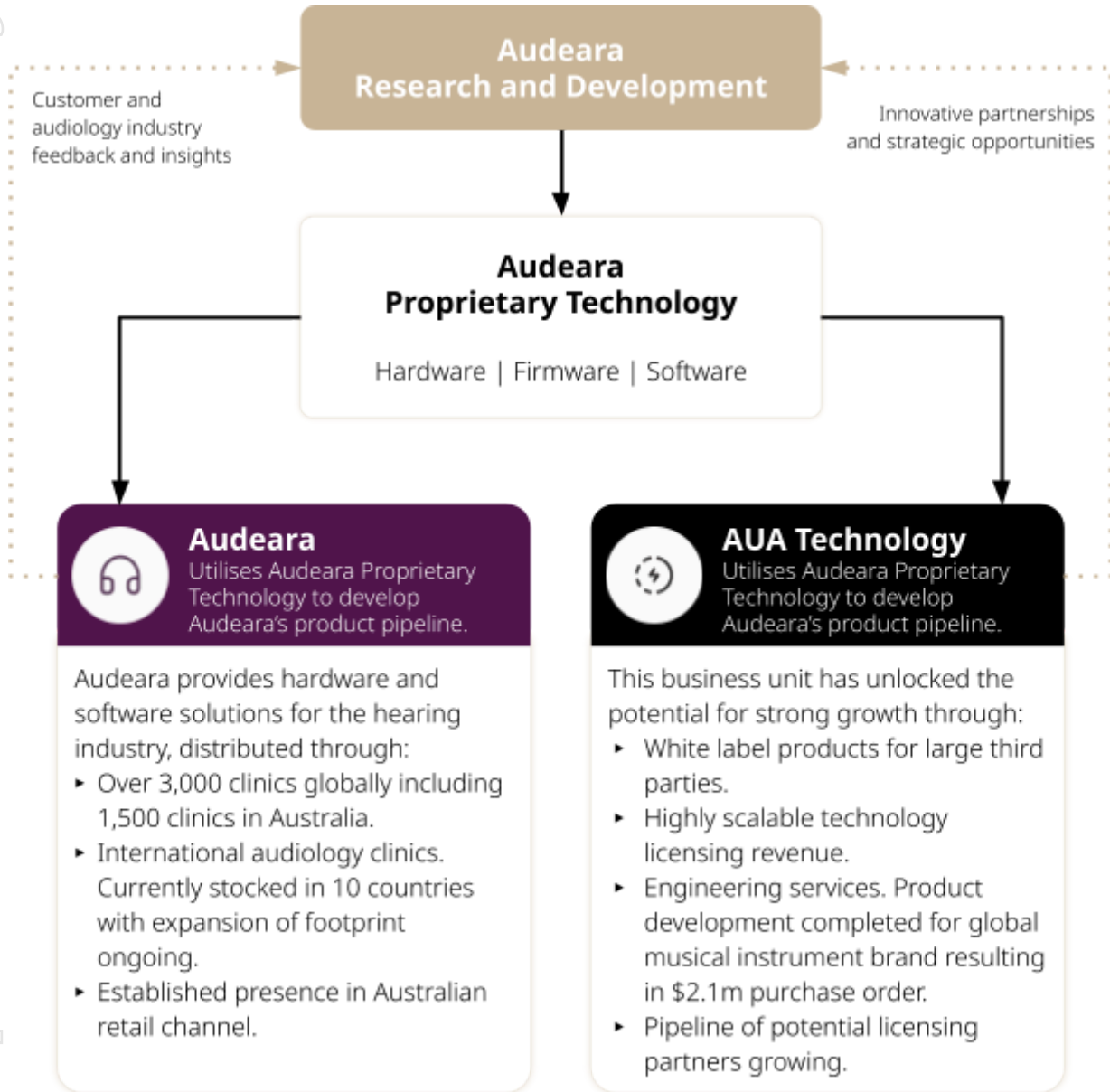
—
Dr James Fielding
Chief Executive Officer



—
David Trimboli
Chairman

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Business Overview



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Market Expansion Highlights

International Distribution



ASIAPAC

Australia

- ▶ Currently stocked in over 1500 clinics
- ▶ Primary revenue stream FY23



China, Taiwan and Singapore

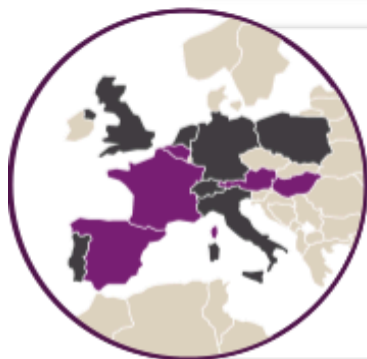
- ▶ Clinico Inc.- the largest audiology chain in Taiwan
- ▶ Clinico Inc co development at field trial stage
- ▶ Well advanced discussions underway to enter Chinese market



AMERICAS

USA

- ▶ Demant AS' Hearing Life + CQ Partners
- ▶ WS Audiology's HearUSA



EMEA

Significant growth prospects ahead. Underpinned by global audiology groups.

Austria

- ▶ WS Audiology's Bloom Hoerakustik

Hungary

- ▶ Demant AS' Audika, Amplifon

France

- ▶ Amplifon

Belgium

- ▶ Amplifon

Spain

- ▶ Amplifon

Currently stocked in 10 countries

- ▶ Australia
- ▶ USA
- ▶ Taiwan
- ▶ New Zealand
- ▶ Belgium
- ▶ Hungary
- ▶ Austria
- ▶ Singapore
- ▶ France
- ▶ Spain

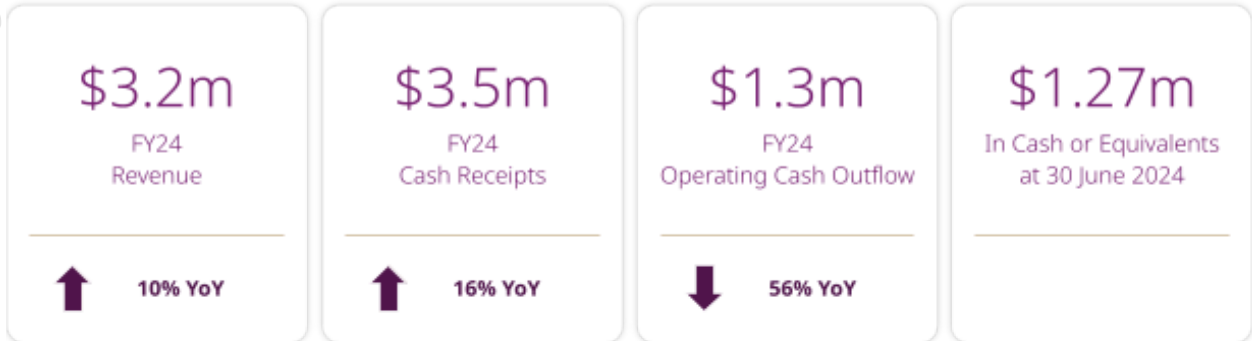
Pipeline Potential for another 7 countries

- ▶ Italy
- ▶ Germany
- ▶ Netherlands
- ▶ UK
- ▶ Switzerland
- ▶ Poland
- ▶ Portugal

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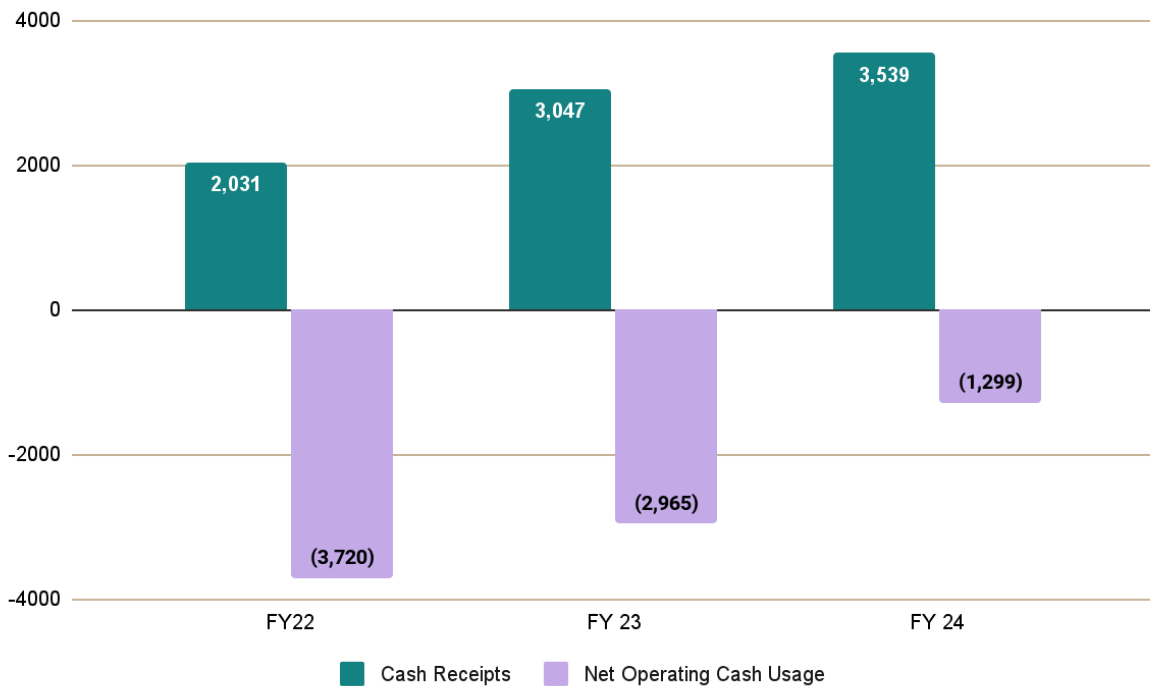
Financial Highlights

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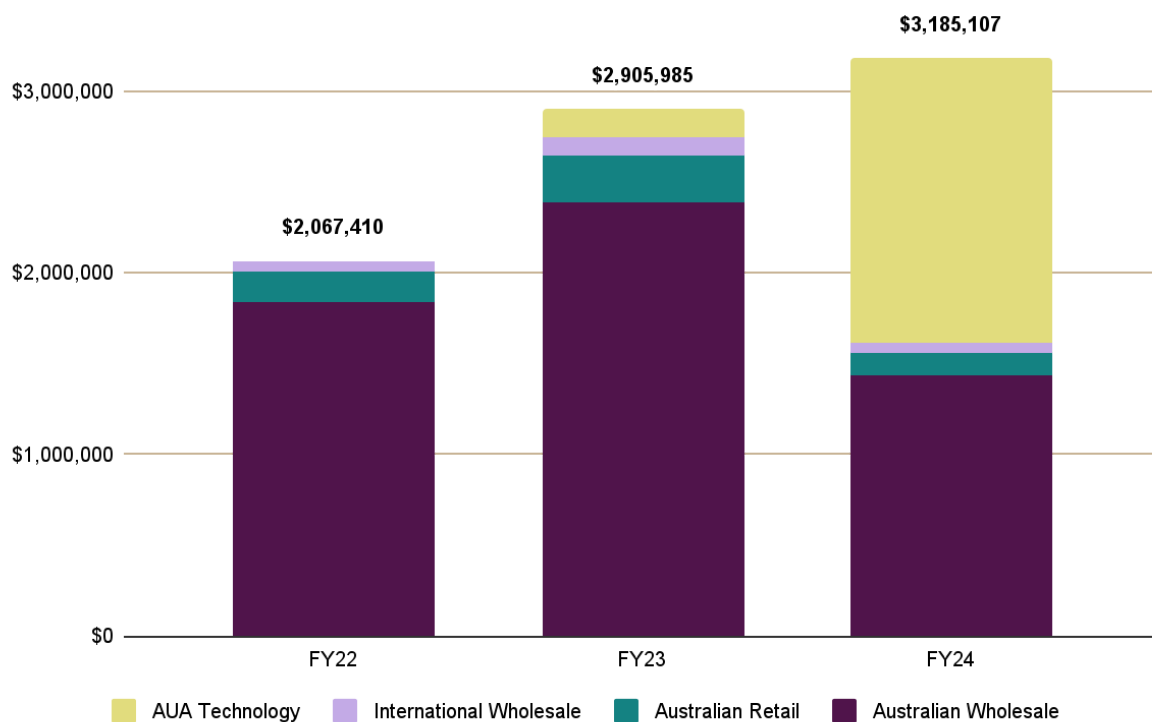
Audeara		AUA Technology
<p>First purchase orders</p> <p>France (704 clinic reach) Spain (691 clinic reach) Belgium (127 clinic reach)</p>	<p>Healthy Hearing Earbuds</p> <p>Product in pre-production design validation stage with Clinico, also in demonstration phase with growing pipeline of clinic groups ahead of CY24 launch</p>	<p>\$2.1m</p> <p>First mass production purchase order for 3rd party brand</p>

Cash: Receipts vs Operating Usage

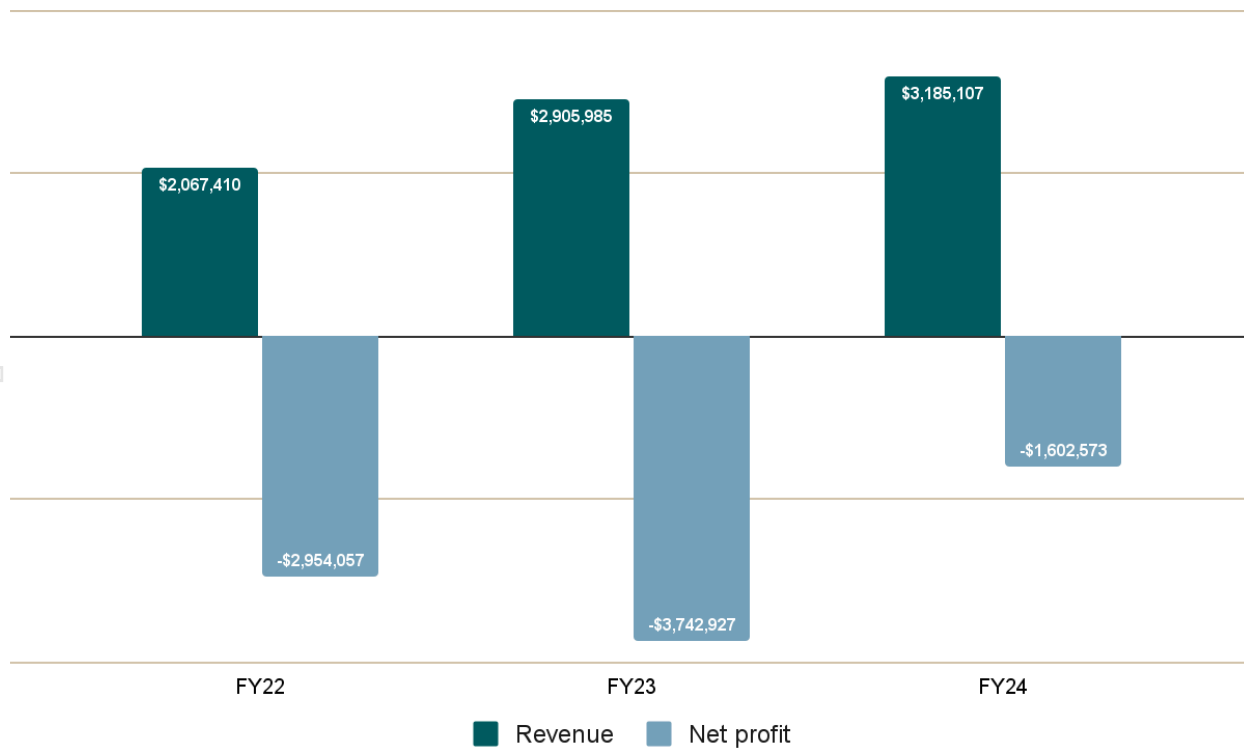




Sales by Financial Year



Revenue and Net Profit



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Industry Engagement & Marketing Initiatives

Audeara at ACAud 2024: Showcasing Innovation with Auracast™ Technology

Audeara's participation in the ACAud National Congress 2024 provided valuable exposure, reinforcing its position at the forefront of hearing health innovation. ACAud is an annual premier event that brings together industry leaders, innovators, and decision-makers in the hearing sector for strategic discussions and networking.

The highlight of the conference was our collaboration with global key opinion leader, Andrew Bellavia. As part of his keynote speech, Audeara management provided prototype product samples to him and audience members in order to showcase the abilities of Auracast – the latest in Bluetooth® audio technology. The demonstration received an overwhelmingly positive response, indicating that the Group's product development is resonating with industry experts and stakeholders. Following this successful demonstration, the Group has received additional opportunities to participate in leading conversations around Auracast technology.

International Marketing Campaign: "Hear It Your Way"

Building on the Group's successful expansion into European markets, Audeara launched its first localised international marketing campaign in May. This comprehensive initiative, extending across Austria, Hungary, France, Spain, Belgium, Australia, and New Zealand, marks a pivotal advancement in our global growth strategy.

The campaign, which is due to be in market through to September, has already led to maiden purchase orders from France and repeat orders from Spain, highlighting the positive reception and growing demand for Audeara products which now have a clinic network of over 3,000 stockists in Europe.



Community initiatives

Brisbane Lions Healthy Hearing Partner



Audeara is proud to be the Healthy Hearing Partner for both the AFL and AFLW Brisbane Lions teams since 2022, working with this dedicated community to bring greater awareness and action to hearing health.

We first partnered with the Brisbane Lions on the AFLW 'Between the Lions' podcast, sharing insights and stories from the team. In 2023, we became the main sponsor of the AFL 'Kick Ons' podcast, which grew alongside the team's success. The 'Kick Ons' podcast, now in its 2024 season, continues to be the go-to place for updates on the Lions, the VFL, community efforts, and Indigenous programs.

World Hearing Day and Hearing Awareness Week



As part of our ongoing commitment to hearing health advocacy, Audeara supported World Hearing Day and Hearing Awareness Week, driving the #ChangingMindsets message this year.

The initiative focused on raising awareness about the impacts of hearing loss, which affects 4 million Australians, and highlighted the importance of regular hearing checks and protective habits. Our event brought the Brisbane community together with music, Auracast technology demonstrations, and conversations about hearing health, reinforcing our mission to promote overall wellbeing and reduce social isolation linked to untreated hearing loss.

Tinnitus Awareness Week



In line with our mission to enhance hearing health and wellbeing, Audeara actively participated in Tinnitus Awareness Week 2024. With 1 in 3 Australians affected by Tinnitus, it remains a largely under-recognised condition that can have severe impacts on mental health and wellbeing.

Through storytelling and engagement, we focused on spreading awareness about the causes, symptoms, and available management strategies for Tinnitus. Our initiative reinforces the importance of seeking help early and providing tailored support, reflecting our broader mission to improve lives through better hearing health.

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Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of Audeara Limited (referred to hereafter as the 'Group' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2024.

Directors

The following persons were directors of the Group during the whole of the financial year and up to the date of this report, unless otherwise stated:

- ▶ **David Trimboli**
Non-Executive Chair
- ▶ **James Fielding**
Managing Director & Chief Executive Officer
- ▶ **Bill Peng**
Executive Director
- ▶ **Pasquale Rombola**
Non-Executive Director (ceased 25 August 2023)
- ▶ **Elaine Saunders**
Non-Executive Director (ceased 31 December 2023)

Principal activities

The principal activity of the Group during the course of the financial year consisted of:

- ▶ The development of hearing health technology,
- ▶ Engineering Services, and
- ▶ Manufacturing Audio Devices.

The offering of engineering services and manufacturing devices on behalf of third party brands significantly increased in impact to the Group.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Operating and Financial Review

The loss for the Company after providing for income tax amounted to \$1,602,573 (30 June 2023: \$3,742,927)

Over the past financial year, Audeara has experienced significant growth in several key areas despite challenging market conditions. Our efforts to expand our product offerings and strategic partnerships have begun to yield promising results.

Australian Market Performance

Audeara continued to maintain a strong presence in the Australian market, though we faced a reduction in wholesale revenue year-on-year due to the ordering patterns of key clients. This fluctuation reflects adjustments in purchasing cycles and market demands. Despite this, we remain committed to strengthening our relationships with domestic partners and exploring new opportunities to enhance our market presence.

International Expansion and Challenges

Our international expansion efforts have been re-evaluated, particularly in the USA, where we decided to remove all on-ground support. This decision was made to focus on higher-potential opportunities in Europe and with our AUA Technology division. The absence of representatives in the US allows us to allocate resources more effectively towards markets where we see greater potential for growth and return on investment.

In Europe, recent orders and partnerships have indicated potential for significant growth, and we are investing strategically to expand our footprint in this region.

Product and Technology Innovations

During this period, Audeara has continued to enhance its product offerings and explore new avenues for growth. We have shifted our strategy to include offering our proprietary software under licence to third party brands. This approach leverages our hardware products and partners' established brands and market channels, enabling us to provide comprehensive solutions to a broader customer base.

The AUA Technology division has become a crucial driver of our financial performance, focusing on licensing agreements and manufacturing partnerships. This strategic focus has resulted in substantial revenue contributions and positioned Audeara for sustainable growth.



Financial Position

The Group is not yet in a cash flow-positive position and continues to rely on capital to fund its operations. However, our financial metrics have shown improvement, with net cash outflows reduced by 57% compared to the prior year.

We believe we are now appropriately structured to capitalise on emerging opportunities, particularly through our software licensing program. This initiative allows our technology to be incorporated into established brands with existing sales channels and significant brand equity in their respective markets.

Outlook

Looking ahead, Audeara is focused on executing its growth strategy and capitalising on new opportunities in international markets. The Group remains committed to delivering innovative solutions that enhance the quality of life for people with hearing challenges worldwide.

Material Business Risks

The Board seeks to ensure that the process of risk identification, assessment and management is embedded in all aspects of the Group's businesses, and it monitors whether the level of compliance and governance within the Group is appropriate, with a particular focus on the risk culture and risk reporting. The size of the Group prevents some controls being effectively introduced but the Board believes it has compensating controls for any inherent deficiencies that may exist.

There are a number of material risks to which the Group is exposed, and the key material business risks are, in summary:

Access to financial resources	Given the Group's net loss and negative cash flow position, the ability of the Group to continue to access financial resources in the future could impact its ability to pay its debts as and when they fall due.
Changing consumer preferences in competitive markets	Given the changing environment in which the Group operates, this could have a very significant impact on the Group's financial results. The Board addresses this risk by constantly monitoring the market, and other competitors seeking to enter and already present in our markets.
Key customer dependencies	During the financial year, 44% of the Group's total revenue was derived from its top customer. This concentration of revenue exposes the Group to certain risks, including the potential loss of business from this key customer, which could materially impact the Group's financial performance.
Manufacturing disruption and supply chain reliability	Changing dynamics in overseas economies where the Group's products are manufactured could lead to disruption in manufacturing, shortages of crucial componentry, as well as delays in delivery, resulting in significant impact on the Group's financial results.
Maintaining a talented and motivated workforce	A loss of workforce capability, capacity, difficulty filling key positions, a continued loss of top performers, and forecast wage increases all could lead to a potential shortfall of staff, and in turn the Group's ability to deliver its goods which would result in a significant impact on the Group's financial results.

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Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

On 5 August 2024, the Group secured a cash deposit from the largest hearing aid retailer in Taiwan, Clinico Inc. (Clinico) valued at \$180,000 for the ongoing development of a series of healthy hearing earbuds, which will be exclusively distributed through China and Taiwan by Clinico. This deposit represents a significant financial and strategic milestone for the Group.

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

The Group expects sales of headphones to continue to increase in future financial years. In addition, the Group also expects its software and technology licensing to result in increased future revenue.

Maintaining cost controls will ensure the Group achieves a breakeven sales point as soon as practically possible. Achieving positive net operating cash flows is a focus for the entire Group.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors



Mr David Trimboli
Non-Executive Chair

Qualifications	B. Commerce, Major in Accounting and Corporate Finance
Experience and expertise	Mr Trimboli has extensive experience as an executive and Group director across many industries. He was a seed investor in Audeara in 2015, helping launch the Group. His experience includes 10 years with the international commodity trading and asset management Group, Glencore International AG, as a senior coal trader based in Zug, Switzerland.
Other current directorships	Quantum Graphite Ltd (ASX:QGL) TrivarX Limited (ASX :TRI)
Former directorships (last 3 years)	None
Special responsibilities	Chair of the Board
Interests in shares	21,591,210
Interests in options	1,500,000 unlisted options exercisable at \$0.082 expiring 2 May 2027

**Dr James Fielding**

Managing Director & Chief Executive Officer

Qualifications	BBusMan/BSci, MBBS, Grad Cert Exec Lead
Experience and expertise	Dr Fielding completed dual bachelor's degrees in Business Management and Biomedical Science at University of Queensland. After working in finance and public relations in New York City, Dr Fielding gained graduate entrance into a Bachelor of Medicine/Bachelor Surgery, earning a scholarship for the University of Queensland's Medical Leadership Program, being an adapted MBA program for medical school students, conferring a Graduate Certificate of Executive Leadership.
Other current directorships	None
Former directorships (last 3 years)	None
Special responsibilities	Managing Director and Chief Executive Officer
Interests in shares	8,472,333
Interests in options	1,750,000 unlisted options exercisable at \$0.082 expiring 2 May 2027

**Mr Bill Peng**

Executive Director

Qualifications	BBus(Mktg), MBus(Entr)
Experience and expertise	Mr Peng has worked in the electronics industry and has extensive knowledge and experience in the production from electronic material, components and semi-product through to finished products. Most recently, he founded an Australian Group specialising in electronic medical products. Mr Peng brings extensive business experience across operational, supply chain management, product development and international sales, particularly in the Asia Pacific region.
Other current directorships	None
Former directorships (last 3 years)	None
Special responsibilities	Chief Operating Officer
Interests in shares	10,227,380
Interests in options	1,750,000 unlisted options exercisable at \$0.082 expiring 2 May 2027

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Mr Pasquale Rombola

Non-Executive Director (ceased 25 August 2023)

Qualifications	Bachelor of Economics
Experience and expertise	Mr Rombola has extensive experience in the investment banking industry in Australia, United Kingdom and Asia specialising in Asian and Australian equities at both Morgan Stanley and Deutsche Bank. He held a variety of roles with Morgan Stanley, including Head of the ASEAN Equity and Global Head of the Asia Equity Sales. Mr Rombola ceased being a director on 25 August 2023.
Other current directorships	Microba Life Sciences Ltd (ASX:MAP) - correct at date of resignation
Former directorships (last 3 years)	None
Special responsibilities	None
Interests in shares	351,588 at the date of resignation
Interests in options	300,000 options expiring exercisable at \$0.30 expiring 10 May 2024 at date of resignation

Dr Elaine Saunders

Non-Executive Director (ceased 31 December 2023)

Qualifications	BSc MSc, PhD, GAICD, Grad Dip Mgt (Technology)
Experience and expertise	Dr Saunders is a Biomedical Engineer, Audiological Scientist, business-woman, author, speaker and professional director. She started her career in the British NHS and now leads consulting Group; Bingarra Scale-Up Solutions, specialising in helping businesses through growth. Dr Saunders ceased being a director on 31 December 2023.
Other current directorships	None - correct at date of resignation
Former directorships (last 3 years)	None
Special responsibilities	None
Interests in shares	Nil at the date of resignation
Interests in options	Nil at the date of resignation

'Other current directorships' quoted above are current directorships for listed entities only and exclude directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and exclude directorships of all other types of entities, unless otherwise stated.

Company Secretary

Mr Stephen Buckley held the position of Company Secretary of Audeara Limited at the end of the financial year. He joined Audeara on 21 September 2022. Mr Buckley is a director of Governance Corporate Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services to ASX listed companies.

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Meetings of directors

The number of meetings of the Group's Board of Directors ('the Board') held during the year ended 30 June 2024, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
David Trimboli	10	10
James Fielding	10	10
Bill Peng	9	10
Pasquale Rombola (ceased 25 August 2023)	1	1
Elaine Saunders (ceased 31 December 2023)	5	6

'Held' represents the number of meetings held during the time the director held office.

The Board has not established a separate audit committee. The full Board carries out the duties that would ordinarily be assigned to the audit committee. The Board considers that the Group is not currently of a size, nor are its affairs of such complexity to justify having a separate audit committee.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- ▶ Principles used to determine the nature and amount of remuneration
- ▶ Details of remuneration
- ▶ Service agreements
- ▶ Share-based compensation
- ▶ Additional information
- ▶ Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- ▶ competitiveness and reasonableness
- ▶ acceptability to shareholders
- ▶ performance linkage / alignment of executive compensation
- ▶ transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

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The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- ▶ having economic profit as a core component of plan design
- ▶ focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- ▶ attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- ▶ rewarding capability and experience
- ▶ reflecting competitive reward for contribution to growth in shareholder wealth
- ▶ providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors are entitled to receive shares and share options under the Directors' and Employees' Equity Incentive Plan. Upon the Group's admission to the ASX, the Group granted the Non-Executive Directors an allocation of options under the Group's Directors' and Employees' Equity Incentive Plan. Further details can be found under the heading "Share-based compensation" below.

The Chair, David Trimboli, received \$55,500 (2023: \$65,000) and each Non-Executive Director received \$45,000 (2022: \$45,000) excluding superannuation as their rate of remuneration. In addition, the Chair is accruing his fees in lieu of receiving cash, and has sought shareholder approval for the issuance of shares in lieu of his fees annually at the Group's annual general meeting.

Directors may also be reimbursed for expenses properly incurred by them in dealing with the Group's business or in carrying out their duties as a Director.

Under the Constitution, the Board decides the total amount paid to each Non-Executive Director as remuneration for their services as a Director. However, under the ASX Listing Rules, the total amount of fees paid to all Directors for their services (excluding, for these purposes, the salary of any Executive Director) must not exceed in aggregate in any financial year the amount fixed by the Group's shareholders in a general meeting. This amount has been fixed initially at \$380,000 per annum at a general meeting of the Group's members that occurred pre the Initial Public Offering.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- ▶ base pay and non-monetary benefits
- ▶ short-term performance incentives
- ▶ share-based payments
- ▶ other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the Group with the performance hurdles of executives. STI payments are granted to executives based on specific targets and key performance indicators ('KPI's') being achieved.

The long-term incentives ('LTI') include share-based payments. Further details can be found under the heading "Share-based compensation" below. Additional options were issued by a general meeting of Shareholders on 30th April 2024.

Use of remuneration consultants

The Group did not engage remuneration consultants during the financial year ended 30 June 2024.

Voting of shareholders at the Group's last Annual General Meeting ('AGM')

The 2023 Annual General Meeting (AGM) of the Group was held on 27 November 2023. The Group received 99.87% "Yes" votes cast on its Remuneration Report for the 2023 financial year. The Group did not receive any specific feedback at the 2023 AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Annual leave accrual	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	
2024	\$	\$	\$	\$	\$	\$	\$	\$

Non-Executive Directors:

David Trimboli*	55,500	-	-	-	-	-	43,140	98,640
Pasquale Rombola**	8,325	-	-	-	-	-	-	8,325
Elaine Saunders***	20,813	-	-	-	-	-	-	20,813

Executive Directors:

James Fielding	200,000	15,385	-	22,000	10,771	-	50,330	298,486
Bill Peng	180,000	13,846	-	19,800	1,534	-	50,330	265,511

Other Key Management Personnel:

Stuart Smith****	32,579	2,506	-	3,584	-	-	-	38,669
	497,217	31,737	-	45,384	12,305	-	143,801	730,443

* Opted to receive shares in lieu of a salary.

** Resigned on 28 August 2023. Amount in 'cash salary and fees' represent invoiced amount by an entity controlled by Mr Rombola.

*** Resigned on 31 December 2023. Amount in 'cash salary and fees' represent invoiced amount by an entity controlled by Dr Saunders.

**** Resigned on 25 August 2023.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Annual leave accrual	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	
2023	\$	\$	\$	\$	\$	\$	\$	\$

Non-Executive Directors:

David Trimboli	68,333	-	-	7,175	-	-	2,377	77,885
Pasquale Rombola	57,500	-	-	6,038	-	-	3,566	67,104
Elaine Saunders	57,500	-	-	6,038	-	-	-	63,538

Executive Directors:

James Fielding	230,769	(9,374)	-	24,231	5,327	-	9,906	260,859
Bill Peng *	202,154	12,302	-	21,226	-	-	-	235,682

Other Key Management Personnel:

Malcolm Thompson**	13,500	-	-	-	-	-	-	13,500
Stuart Smith***	69,695	-	-	7,318	-	-	-	77,013
	699,451	2,928	-	72,026	5,327	-	15,849	795,581

* Appointed an Executive Director on 5 August 2022.

** Resigned as Chief Financial Officer and Group Secretary on 7 October 2022.

*** Appointed Chief Financial Officer on 7 December 2022. His engagement was for a minimum of one day per week and he resigned on 28 August 2023.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2024	2023	2024	2023	2024	2023
David Trimboli	56%	97%	-	-	44%	3%
James Fielding	83%	96%	-	-	17%	4%
Pasquale Rombola	100%	95%	-	-	0%	5%
Elaine Saunders	100%	100%	-	-	0%	0%
Bill Peng	81%	100%	-	-	19%	0%
Stuart Smith	100%	100%	-	-	0%	0%

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name	Dr James Fielding
Title	Managing Director and Chief Executive Officer
Agreement commenced	18 May 2021
Term of agreement	Fixed term of 2 years
Details	<p>Annual salary of \$240,000 (exclusive of statutory superannuation) which was reduced to \$200,000 to reduce corporate overheads from April 2022. The remuneration was reviewed and re-instated to contract amount of \$240,000 from July 1 2024. Remuneration will be reviewed by the Board of Directors every 12 months thereafter or as otherwise agreed between the parties.</p> <p>Dr Fielding is entitled to participate in the Group's option plan. Please refer to the section title "Share-based compensation" for further details.</p> <p>The Group entered into an employment agreement with Dr Fielding that commenced on the date of the Group's listing on the Australian Securities Exchange and continues for a fixed two-year period, after which it may be terminated by either party on three months' notice. The Group may terminate the agreement without notice upon limited events including misconduct or incapacity.</p>

Name	Mr Bill Peng
Title	Chief Operating Officer
Agreement commenced	13 June 2022
Term of agreement	Fixed term of 2 years
Details	<p>Annual salary of \$200,000 (exclusive of statutory superannuation) which was reduced to \$180,000 to reduce corporate overheads. The remuneration was reviewed and re-instated to contract amount of \$200,000 from July 1 2024. The remuneration will be reviewed by the Board of Directors 12 months from the commencement date and every 12 months thereafter or as otherwise agreed between the parties.</p> <p>Mr Peng is entitled to participate in the Group's option plan. Please refer to the section title "Share-based compensation" for further details.</p>

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Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

David Trimboli was issued shares in lieu of his director fees, which was approved by members at the Group's annual general meeting held on 27 November 2023 and a general meeting held on 30 April 2024. There were no shares issued to other directors and other key management personnel as part of their compensation during the year ended 30 June 2024.

Options

The Group has a Directors' and Employees' Equity Incentive Plan to align the interests of eligible employees and Directors with shareholders through the sharing of a personal interest in the future growth and development of the Group and to provide a means of attracting and retaining skilled and experienced eligible persons.

The Group has on issue a total of 5,000,000 options to the three Directors. The options vested on issue. Options are exercisable by the holder as from the vesting date. The options vest based on the Director remaining a Director/employee on the vesting date. If a Director ceases to be a Director/employee before the rights vest, the rights will be forfeited, except in limited circumstances that are approved by the board on a case-by-case basis. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their exercise.

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Date vested and exercisable	Expiry date	Exercise price	Fair value per option at grant date
David Trimboli	1,500,000	30 Apr 2024	3 May 2024	2 May 2027	\$0.082	\$0.029
James Fielding	1,750,000	30 Apr 2024	3 May 2024	2 May 2027	\$0.082	\$0.029
Bill Peng	1,750,000	30 Apr 2024	3 May 2024	2 May 2027	\$0.082	\$0.029

Options granted carry no dividend or voting rights.

A total of 2,000,000 options lapsed during the year ended 30 June 2024 (2023: nil).

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2024 are set out below:

Name	Number of options granted during the year	Number of options granted during the year	Number of options vested during the year	Number of options vested during the year
	2024	2023	2024	2023
David Trimboli	1,500,000	-	1,500,000	100,000
James Fielding	1,750,000	-	1,750,000	416,667
Pasquale Rombola	-	-	-	150,000
Elaine Saunders	-	-	-	-
Bill Peng	1,750,000	-	1,750,000	-
Stuart Smith	-	-	-	-

Additional information

The earnings of the Group for the five years to 30 June 2024 are summarised below:

	2024	2023	2022	2021
	\$	\$	\$	\$
Revenue	3,185,107	2,905,985	2,067,411	1,115,124
Loss after income tax	(1,602,573)	(3,742,927)	(2,954,057)	(1,253,415)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2024	2023	2022	2021
Share price at financial year end (\$)*	0.036	0.032	0.100	0.100
Total dividends declared (cents per share)	-	-	-	-
Basic earnings per share (cents per share)	Cents	(2.88)	(2.80)	(1.91)

* The Group's shares first traded on the ASX on 18 May 2021 after successful completion of its IPO at \$0.20 per share. Accordingly, no share price information has been provided prior to the 2021 financial year.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Group held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/other	Balance at the end of the year
Ordinary shares					
David Trimboli	15,940,805	1,539,830	4,110,575	-	21,591,210
James Fielding	8,307,497	-	164,836	-	8,472,333
Pasquale Rombola*	351,588	-	-	(351,588)	-
Elaine Saunders**	-	-	-	-	-
Bill Peng	10,227,380	-	-	-	10,227,380
Stuart Smith***	30,000	-	-	(30,000)	-
	34,857,270	1,539,830	4,275,411	(381,588)	40,290,923

* Ceased 25 August 2023.

** Ceased 31 December 2023.

*** Resigned 28 August 2023.

Option holding

The number of options over ordinary shares in the Group held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Option holding					
David Trimboli	300,000	1,500,000	-	(300,000)	1,500,000
James Fielding	1,250,000	1,750,000	-	(1,250,000)	1,750,000
Bill Peng	-	1,750,000	-	-	1,750,000
Pasquale Rombola	450,000	-	-	(450,000)	-
	2,000,000	5,000,000	-	(2,000,000)	5,000,000

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of the Group under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
30 April 2024	2 May 2027	\$0.082	5,000,000
27 November 2023	18 April 2027	\$0.050	1,476,000
27 November 2023	18 April 2027	\$0.051	750,000
27 November 2023	18 April 2027	\$0.071	725,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Group or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of the Group issued on the exercise of options during the year ended 30 June 2024 and up to the date of this report.

Indemnity and insurance of officers

The Group has indemnified the directors and executives of the Group for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Group paid a premium in respect of a contract to insure the directors and executives of the Group against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditor.

During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group or any related entity.

Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the Group who are former partners of Grant Thornton

There are no officers of the Group who are former partners of Grant Thornton Audit Pty Ltd.

Rounding of amounts

The Group is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



David Trimboli
Chair of the Board

Brisbane, 29 August 2024



Auditor's Independence Declaration



Grant Thornton Audit Pty Ltd
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Level 18
145 Ann Street
Brisbane QLD 4000
GPO Box 1008
Brisbane QLD 4001
T +61 7 3222 0200

Auditor's Independence Declaration

To the Directors of Audeara Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Audeara Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in purple ink that reads "Grant Thornton".

Grant Thornton Audit Pty Ltd
Chartered Accountants

A handwritten signature in purple ink that reads "Cameron Smith".

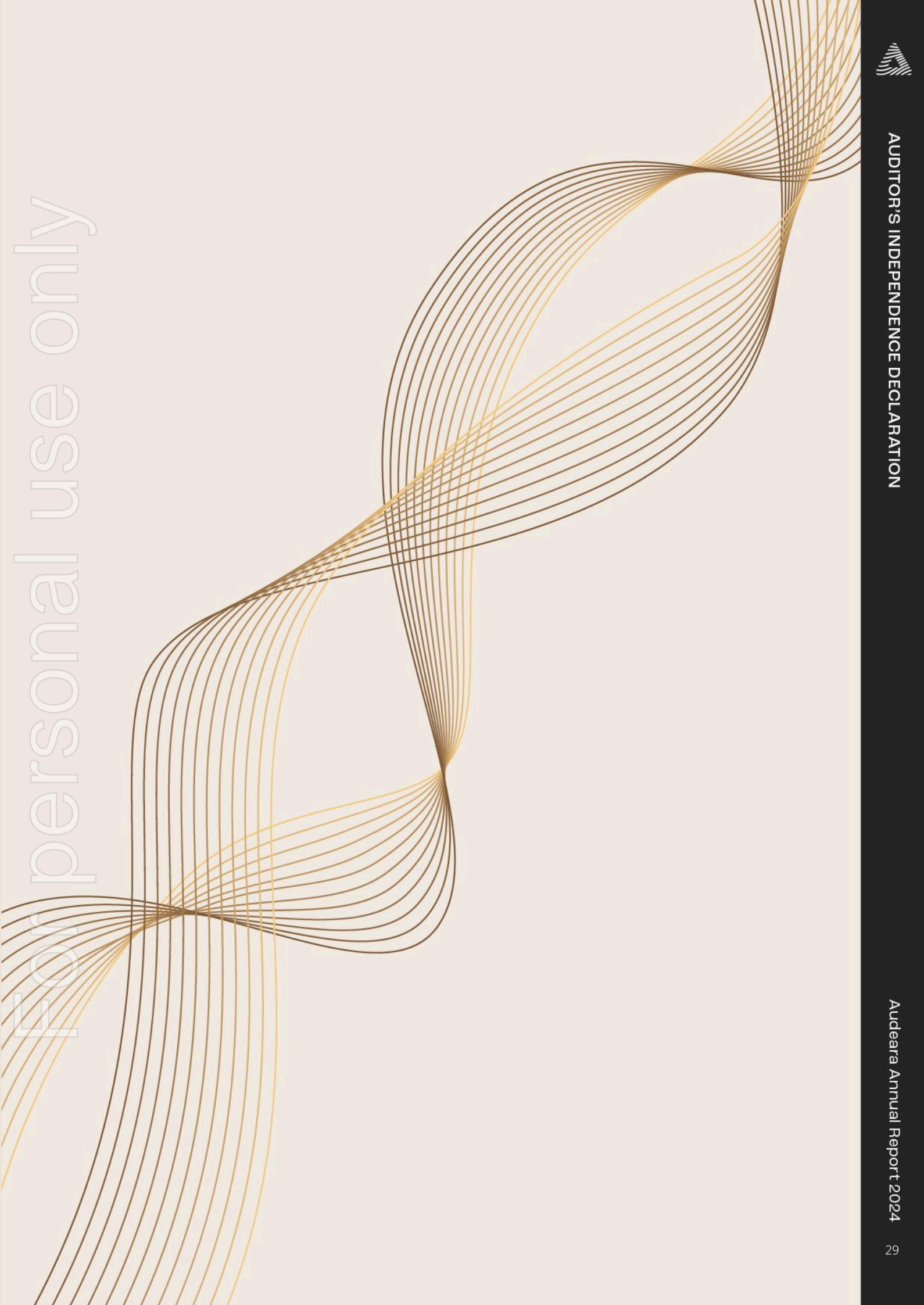
CDJ Smith
Partner – Audit & Assurance

Brisbane, 29 August 2024

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Financial Statements

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General information

The financial statements cover Audeara Limited as a consolidated entity consisting of Audeara Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Audeara Limited's functional and presentation currency.

Audeara Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 1 North Tower
527 Gregory Terrace
Fortitude Valley, QLD 4006

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

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Statement of profit or loss and other comprehensive income

For the year ended 30 June 2024

	Note	Consolidated	
		2024	2023
		\$	\$
Revenue			
Revenue	5	3,185,107	2,905,985
Cost of sales		(2,241,985)	(1,762,378)
Gross profit		943,122	1,143,607
Other income	6	1,253,683	262,422
Expenses			
Employee benefits and contractor expenses		(2,515,114)	(3,753,795)
Professional fees		(287,644)	(168,919)
Advertising and marketing		(93,684)	(623,026)
Other expenses		(800,456)	(453,218)
Loss before depreciation, net finance costs and income tax		(1,500,093)	(3,592,929)
Depreciation and amortisation		(112,734)	(140,364)
Total depreciation and amortisation expense		(112,734)	(140,364)
Interest income/costs of finance	7	10,254	(17,119)
Total net finance income/(costs)		10,254	(17,119)
Loss before income tax	8	(1,602,574)	(3,750,412)
Income tax expense		-	-
Loss after income tax expense for the year attributable to the equity holders of Audeara Limited		(1,602,574)	(3,742,927)
		Cents	Cents
Basic earnings/(loss) per share	32	(1.11)	(2.88)
Diluted earnings/(loss) per share	32	(1.11)	(2.88)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Note	Consolidated	
		2024	2023
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	9	1,271,800	2,622,961
Trade and other receivables	10	1,944,055	847,305
Inventories	11	1,265,778	816,847
Other assets	12	161,291	197,929
Total current assets		4,642,924	4,485,042
Non-current assets			
Property, plant and equipment	13	85,008	109,394
Capital work in progress		79,203	-
Right-of-use assets	14	19,268	96,356
Intangibles	15	41,066	43,860
Other assets		20,844	-
Total non-current assets		245,389	249,610
Total assets		4,888,313	4,734,652
Liabilities			
Current liabilities			
Trade and other payables	16	1,790,397	880,057
Contract liabilities	17	984,986	-
Borrowings	18	86,000	82,949
Lease liabilities	19	26,182	101,608
Employee benefits	20	292,226	229,306
Provisions	21	81,696	180,032
Total current liabilities		3,261,487	1,473,952
Non-current liabilities			
Lease liabilities	19	-	26,182
Employee benefits	20	18,073	64,897
Total non-current liabilities		18,073	91,079
Total liabilities		3,279,560	1,565,031
Net assets		1,608,753	3,169,621
Equity			
Issued capital	22	14,061,018	13,970,383
Reserves	23	169,885	218,814
Accumulated losses		(12,622,150)	(11,019,576)
Total equity		1,608,753	3,169,621

The above statement of financial position should be read in conjunction with the accompanying notes.

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Statement of changes in equity

Consolidated	Issued capital	Reserves	Accumulated losses	Total equity
	\$	\$	\$	\$
Balance at 1 July 2023	13,970,383	218,814	(11,019,576)	3,169,621
Loss after income tax expense for the year	-	-	(1,602,573)	(1,602,573)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(1,602,573)	(1,602,573)
Transactions with owners in their capacity as owners:				-
Contributions of equity, net of transaction costs (note 22)	90,635	-	-	90,635
Share-based payments (note 33)	-	(48,929)	-	(48,929)
Balance at 30 June 2024	14,061,018	169,885	(12,622,149)	1,608,753

Consolidated	Issued capital	Reserves	Accumulated losses	Total equity
	\$	\$	\$	\$
Balance at 1 July 2022	11,170,383	191,177	(7,276,649)	4,084,911
Loss after income tax expense for the year	-	-	(3,742,927)	(3,742,927)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(3,742,927)	(3,742,927)
Transactions with owners in their capacity as owners:				-
Contributions of equity, net of transaction costs (note 22)	2,800,000	-	-	2,800,000
Share-based payments (note 33)	-	27,637	-	27,637
Balance at 30 June 2023	13,970,383	218,814	(11,019,576)	3,169,621

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

	Note	Consolidated	
		2024	2023
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,538,628	3,047,172
Payments to suppliers and employees (inclusive of GST)		(5,646,651)	(6,326,740)
		(2,108,023)	(3,279,568)
Interest received		21,837	7,485
Research and development tax incentive and other grants		764,404	315,256
Interest and other finance costs paid		(10,039)	(10,925)
Net cash used in operating activities	30	(1,331,820)	(2,967,752)
Cash flows from investing activities			
Payments for property, plant and equipment	13	(8,466)	(16,005)
Net cash used in investing activities		(8,466)	(16,005)
Cash flows from financing activities			
Proceeds from issue of shares	22	90,635	2,800,000
Other		-	4,044
Proceeds from insurance premium funding		123,705	114,980
Repayment of insurance premium funding		(123,607)	(102,230)
Repayment of lease liabilities		(101,608)	(79,664)
Net cash (used in) / from financing activities		(10,875)	2,737,130
Net increase/(decrease) in cash and cash equivalents		(1,351,161)	(246,627)
Cash and cash equivalents at the beginning of the financial year		2,622,961	2,869,588
Cash and cash equivalents at the end of the financial year	9	1,271,800	2,622,961

The above statement of cash flows should be read in conjunction with the accompanying notes.

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Notes to the Financial Statements

Note 1. General information

The financial statements cover Audeara Limited as a consolidated entity. The financial statements are presented in Australian dollars (\$), which is Audeara Limited's functional and presentation currency.

Audeara Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 1, North Tower
527 Gregory Terrace
Fortitude Valley QLD 4006

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors. The directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

The material accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted.

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted and their impact on the financial statements has not yet been assessed.

Going concern

In accordance with AASB 101(25), the Directors of Audeara Limited have assessed the ability of the Group to continue as a going concern for the financial year ended 30 June 2024. This assessment is based on a review of the Group's financial position, cash flow forecast, and operating performance.

Audeara reported a net cash outflow and experienced negative operating cash flows. These factors prima facie give rise to a material uncertainty about the Group's ability to continue as a going concern. However, several key developments and strategic initiatives support the Directors' confidence in the Group's future prospects.

Key Considerations

- Net Loss and Cash Flow:** The Group reported a net operating cash outflow of \$1.3 million for FY24, a significant improvement from the prior year's outflow of \$3.0 million. This reduction in net cash outflows reflects management's ongoing cost optimization initiatives.
- Record Revenues:** Audeara achieved record quarterly revenue of \$1.56 million for Q4 FY24, a 164% increase from the March quarter and a 66% increase from the previous record quarter in

June 2023. This growth is driven by successful product shipments and strategic partnerships with key international counterparts.

3. **Strategic Partnerships and Orders:** The Group secured a significant purchase order valued at \$2.1 million, marking the largest single order Audeara has received since inception. Additionally, subsequent to year end, a cash deposit of \$180,000 was received from Clinico, Taiwan's largest hearing aid retailer, for the development of healthy hearing earbuds.
4. **AUA Technology as a Cash-Generating Business Unit:** AUA Technology has emerged as a crucial driver of Audeara's financial performance. The division focuses on leveraging the Group's intellectual property through licensing agreements and manufacturing partnerships, allowing Audeara to capitalise on its technological innovations. The strategic focus on AUA Technology has led to substantial revenue contributions and positioned the Group for sustainable growth.
5. **Proven Track Record of Raising Funds:** Audeara has a proven track record of successfully raising funds to support its market expansion opportunities. This includes strategic investments and partnerships that have provided the financial resources necessary to drive growth and pursue new business initiatives.
6. **Research and Development Incentives:** Audeara has recognised an R&D incentive accrual of \$685,000 for FY24, which supports the Group's financial position and ongoing product innovation.
7. **Operational Improvements:** The Group has implemented a management restructure aimed at optimising operations and reducing costs. This restructure has streamlined operations and enhanced efficiency, contributing to improved financial performance.
8. **Cash Reserves:** As of 30 June 2024, Audeara holds cash and cash equivalents amounting to \$1.271 million. This cash reserve, along with anticipated revenue from ongoing and future orders, provides the Group with the liquidity needed to support its operations and growth initiatives.

The Directors of Audeara Limited believe that the actions taken to improve cash flow, secure significant orders, and reduce operating expenses provide a reasonable basis to continue as a going concern. The Group's strategic focus on expanding its AUA Technology division, leveraging partnerships with industry leaders, and its proven ability to raise funds positions Audeara for future profitability and growth. Based on the above, the Directors are of the opinion that at the date of signature of the financial report there are reasonable and supportable grounds to believe that the Group will be able to meet its liabilities from its assets in the ordinary course of business, for a period of not less than 12 months from the date of this financial report and has accordingly prepared the financial report on a going concern basis.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit

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or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Refer to note 33 for further information.

Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the consolidated entity is considered to be the point of delivery of the goods to the location chosen as the location of control of the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Revenue from contracts with customers involving the provision of services

When recognising revenue in relation to the provision of services over time, significant judgement is required in determining the appropriate performance obligations, the transaction price of the performance obligations and the satisfaction of the performance obligations.

Research and Development ('R&D') Tax Incentive

The Group lodges annual returns to claim eligible expenditure under the R&D Tax Incentive scheme with the Australian Government. The application of the R&D provisions requires a level of judgement and the maintenance of appropriate records to support amounts claimed.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Note 4. Operating segments

Identification of reportable operating segments

The Group manages its operations as a single business operation and there are no parts of the Group that qualify as operating segments under AASB 8 Operating Segments. The Board of Directors (Chief Operating Decision Maker or "CODM") assess the financial performance of the Group on an integrated basis only and accordingly, the Group is managed on the basis of a single segment, being the development of hearing health technology. Information presented to the CODM on a monthly basis is categorised by type of expenditure.

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Note 5. Revenue

	Consolidated	
	2024	2023
	\$	\$
Revenue from contracts with customers		
Sale of goods – Wholesale (point in time)	2,604,444	2,505,833
Sale of goods – Retail (point in time)	114,981	246,307
Services revenue (over agreed period of time)	465,682	153,845
	3,185,107	2,905,985
Disaggregation of revenue from contracts with customers		
	Consolidated	
	2024	2023
	\$	\$
Primary geographical markets		
Australia	2,030,762	2,712,167
North America	1,104,993	193,818
Europe	49,352	-
	3,185,107	2,905,985

Major customer

Revenues from one customer in Sales of goods - Wholesale and Services revenue represented 81% of total Revenue.

Accounting policy for revenue recognition from sale of goods

Revenue is measured based on the consideration specified in a contract with a customer and excludes any amounts collected on behalf of third parties. The Group recognises revenue when it satisfies its performance obligation by transferring control over a product to a customer when the product is shipped. Invoices are generated at the point of sale and payment terms vary from customer to customer.

Revenue from the sale of products is recognised at a point in time when control of the asset is transferred which is on shipment of the goods. The amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific product types. The contracts permit the customer to return the item, however, there is a low probability of a significant reversal in cumulative revenue occurring.

Services revenue is recognised when the outcome of a transaction involving the rendering of services can be reliably estimated by reference to the stage of completion of the transaction at reporting date.

Note 6. Other income

	Consolidated	
	2024	2023
Government grants (a)	95,050	47,100
Research and development tax incentive	1,158,633	211,156
Other	-	4,166
Total Other income	1,253,683	262,422

(a) Government grants

	Consolidated	
	2024	2023
	\$	\$
Trade and Investment Queensland Grant	21,850	10,500
Export Market Development Grant	73,200	36,600
	95,050	47,100

Other income includes research and development tax incentives and government grants. Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attached to it and that the grant will be received.

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Note 7. Expenses

	Consolidated	
	2024	2023
Loss before income tax includes the following specific expenses:	\$	\$
Depreciation		
Computer equipment	32,852	60,482
Buildings right-of-use assets	77,088	77,088
Total depreciation	109,940	137,570
Amortisation		
Patents and trademarks	2,794	2,794
Total depreciation and amortisation	112,734	140,364
Finance costs		
Interest and finance charges paid/payable on borrowings	6,091	5,615
Interest and finance charges paid/payable on lease liabilities	2,457	5,309
Other finance costs	3,954	5,219
Interest charges paid/payable to the ATO	200	976
Finance costs expensed	12,702	17,119
Superannuation expense		
Defined contribution superannuation expense	182,043	218,780
Share-based payments expense		
Share-based payments expense	(48,929)	27,637

Note 8. Income tax

Loss before income tax includes the following specific expenses:

	Consolidated	
	2024	2023
	\$	\$
Income Tax Expense		
Current tax	-	-
Deferred tax - origination and reversal of temporary differences	-	-
Adjustment recognised for prior periods	-	-
Aggregate income tax expense	-	-

Numerical reconciliation of income tax expense and tax at the statutory rate

Loss before income tax expense	(1,602,574)	(3,742,927)
Tax at the statutory tax rate of 25% (2023: 25%)	(400,643)	(935,731)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable income	(289,457)	(50,000)
R&D expenses	393,762	150,090
Other expenses	(5,789)	83
	(302,127)	(835,558)
Current year tax losses not recognised	386,105	851,283
Current year temporary differences not recognised	(83,978)	(15,725)
Income tax expense	-	-

	Consolidated	
	2024	2023
	\$	\$
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Prior year unrecognised tax losses carried forward	2,236,936	1,403,657
Over/under recognition of prior year deferred tax adjustments	(257,175)	(2,445)
Unrecognised tax losses	386,105	851,449
Unrecognised temporary differences	(83,978)	(15,725)
Total deferred tax assets not recognised	2,281,888	2,236,936

The above potential tax benefit for tax losses and deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain. The tax

losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- ▶ When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- ▶ When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 9. Current Assets - Cash and cash equivalents

	Consolidated	
	2024	2023
	\$	\$
Cash on hand	-	-
Cash at bank	1,271,800	2,622,961
	1,271,800	2,622,961

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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Note 10. Current Assets - Trade and other receivables

	Consolidated	
	2024	2023
	\$	\$
Trade receivables	1,258,909	647,305
Research and development tax incentive	685,146	200,000
	1,944,055	847,305

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 14- 60 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 11. Current Assets - Inventories

	Consolidated	
	2024	2023
	\$	\$
Stock in transit - at cost	996,071	395,153
Stock on hand - at cost	377,891	554,246
Less : provision for stock obsolescence	(108,184)	(132,552)
	1,265,778	816,847

Accounting policy for inventories

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Stock on hand is stated at the lower of cost and net realisable value on a "first in first out basis". Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 12. Current Assets - Other assets

	Consolidated	
	2024	2023
	\$	\$
Prepayments	119,559	156,198
Security deposits	41,731	41,731
	161,291	197,929

Note 13. Non Current Assets - Property, plant and equipment

	Consolidated	
	2024	2023
	\$	\$
Equipment - at cost	231,702	223,236
Less Accumulated depreciation	(146,694)	(113,842)
	85,008	109,394

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Computer equipment \$
Balance at 30 June 2022	153,871
Additions	16,005
Depreciation expense	(60,482)
Balance at 30 June 2023	109,394
Additions	8,466
Depreciation expense	(32,852)
Balance at 30 June 2024	85,008

Accounting policy for property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Equipment/Computers 3-4 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 14. Non Current Assets - Right-of-use assets

	Consolidated	
	2024	2023
	\$	\$
Buildings - right-of-use	231,260	231,260
Less Accumulated depreciation	(211,992)	(134,904)
	19,268	96,356

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Buildings \$
Balance at 30 June 2022	173,444
Additions	-
Depreciation expense	(77,088)
Balance at 30 June 2023	96,356
Additions	-
Depreciation expense	(77,088)
Balance at 30 June 2024	19,268

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 15. Non Current Assets - Intangibles

	Consolidated	
	2024	2023
	\$	\$
Patents and trademarks - at cost	60,851	60,850
Less Accumulated amortisation	(19,785)	(16,990)
	41,066	43,860

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Patents and Trademarks \$
Balance at 30 June 2022	46,654
Amortisation expense	(2,794)
Balance at 30 June 2023	43,860
Amortisation expense	(2,794)
Balance at 30 June 2024	41,066

Accounting policy for intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, ranging from 1-20 years.

Note 16. Current Liabilities - Trade and other payables

	Consolidated	
	2024	2023
	\$	\$
Trade payables	1,605,354	570,225
Accrued expenses	185,621	153,842
BAS payable	(7,578)	138,860
Other payables	7,000	17,130
	1,790,397	880,057

Refer to note 24 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 17. Current liabilities - Contract liabilities

	Consolidated	
	2024	2023
	\$	\$
Contract liabilities	984,986	-

Contract liabilities relate to the unearned revenue component on goods invoiced but not yet delivered to a customer at the year-end.

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was 984,986 as at 30 June 2024 (\$nil as at 30 June 2023) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2024	2023
	\$	\$
Within 6 months	984,986	-

Accounting policy for contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Note 18. Current liabilities - Borrowings

	Consolidated	
	2024	2023
	\$	\$
Insurance premium funding	86,000	82,949

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2024	2023
	\$	\$
Total facilities		
Insurance premium funding	86,000	82,949
Used at the reporting date		
Insurance premium funding	86,000	82,949
Unused at the reporting date		
Insurance premium funding	-	-

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

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Note 19. Current Liabilities - Lease liabilities

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
<i>Lease liability</i>	26,182	101,608
<i>Non-current liabilities</i>		
<i>Lease liability</i>	-	26,182
	26,182	127,790

Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is re-measured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 20. Employee benefits

	Consolidated	
	2024	2023
	\$	\$
Current Liabilities		
Annual leave and long service leave	292,226	229,306
Non-current liabilities		
Long service leave	18,073	64,897
	310,299	294,203

Accounting policy for employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Note 21. Provisions

	Consolidated	
	2024	2023
	\$	\$
Marketing	50,000	150,000
Warranties	31,696	30,032
	81,696	180,032

Warranties

The provision represents the estimated warranty claims in respect of products sold which are still under warranty at the reporting date. The provision is estimated based on historical warranty claim information, sales levels and any recent trends that may suggest future claims could differ from historical amounts.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Marketing	Warranties
	\$	\$
Carrying amount at the start of the year	150,000	30,032
Additional provisions recognised/(reversed)	(100,000)	1,664
Carrying amount at the end of the year	50,000	31,696

Accounting policy for provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 22. Equity - Issued capital

	2024	2023	2024	2023
	Shares	Shares	\$	\$
Ordinary shares - fully paid	145,224,130	143,300,000	14,061,018	13,970,383

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 Jul 2023	143,300,000		13,970,383
Issue of shares to employees	3 Oct 2023	360,227	\$0.046	16,583
Issue of shares in lieu of director fees	7 Dec 2023	947,498	\$0.043	40,742
Issue of shares in lieu of director fees	2 May 2024	592,332	\$0.054	31,986
Issue of shares to an employee as bonus	27 May 2024	24,073	\$0.055	1,324
Balance	30 Jun 2024	145,224,130		14,061,018

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Group in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Group does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group does not have any externally imposed capital requirements.

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The capital risk management policy remains unchanged from the 2023 Annual Report.

The Group monitors capital on the basis of its working capital position (i.e. liquidity risk). The Group's net working capital at 30 June 2024 was \$1,381,438 (2023: \$3,180,042).

Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 23. Equity - Reserves

	Consolidated	
	2024	2023
	\$	\$
Share-based payments reserve	169,885	218,814

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Share-based payments \$
Balance at 30 June 2022	191,177
Share based payment expenses	27,637
Balance at 30 June 2023	218,814
Share based payment expenses	(48,929)
Balance at 30 June 2024	169,885

Note 24. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ageing analysis for credit risk.

Risk management is carried out under policies set by the board of directors. The board provides principles for overall risk management, as well as policies covering specific areas.

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2024	2023	2024	2023
	\$	\$	\$	\$
US Dollars (USD)	223,045	5,057	-	-
Hungarian Forint (HUF)	432,868	1,561,530	-	-
Euros (EUR)	7,533	-	-	-
	663,446	1,566,587	-	-

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

At 30 June 2024, the Group was exposed to variable interest rate risks on cash balances only. A change of 100 basis points (2023: 100 basis points) in interest rates at the reporting date would have decreased the loss before tax by \$12,718 (2023: decreased the loss by: \$26,230).

As at the reporting date, the Group had the following variable rate cash balances and nil borrowings:

	2024		2023	
	Weighted average interest rate %	Balance	Weighted average interest rate %	Balance
Cash at Bank				
Net exposure to cash flow interest rate risk	1.35%	1,271,800	1.55%	2,622,961

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Cash and cash equivalents

The Group has cash at bank of \$1,271,800 at 30 June 2024 (2023: \$2,622,961) that is held with financial institution counter-parties that are rated AA-based on S&P Global rating.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The receivables that the Group does experience through its normal course of business are short-term and the risk of recovery of no recovery of receivables is considered to be negligible.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 14-60 days for the majority of customers.

The Group uses an allowance matrix to measure the ECLs of trade receivables, which comprises a large number of small balances. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the age of the customer relationship and type of revenue/customer. Based on this matrix, management has determined a nil allowance at 30 June 2024 (2023: \$nil). Management also provides specifically for individual debtors when information obtained indicates the debt will be bad.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

2024	2 months or less	2-12 months	1-2 years	3-5 years	Remaining contractual maturities
	\$	\$	\$	\$	\$
Non-derivatives					
Non-interest bearing					
Trade payables	1,833,397	-	-	-	1,833,397
Other payables	7,000	-	-	-	7,000
Interest-bearing - fixed rate					
Lease liability	17,433	8,749	-	-	26,182
Insurance premium funding	24,672	61,680	-	-	86,352
Total non-derivatives	1,882,502	70,429	-	-	1,952,931

2023	2 months or less	2-12 months	1-2 years	3-5 years	Remaining contractual maturities
	\$	\$	\$	\$	\$
Non-derivatives					
Non-interest bearing					
Trade payables	862,928	-	-	-	862,928
Other payables	17,130	-	-	-	17,130
Interest-bearing - fixed rate					
Lease liability	16,750	84,858	26,182	-	127,790
Insurance premium funding	23,700	59,249	-	-	82,949
Total non-derivatives	920,508	144,107	26,182	-	1,090,797

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 25. Key management personnel disclosures

	Consolidated	
	2024	2023
	\$	\$
Short-term employee benefits	528,954	702,379
Post-employment benefits	45,384	72,026
Long-term benefits	12,305	5,327
Share-based payments	143,801	15,850
	730,443	795,581

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the Group:

	Consolidated	
	2024	2023
	\$	\$
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	73,055	69,110

Note 27. Contingent liabilities

The Group did not have any contingent liabilities at 30 June 2024 and 30 June 2023.

Note 28. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to or from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 29. Events after the reporting period

On 5 August 2024, the Group secured a cash deposit from the largest hearing aid retailer in Taiwan, Clinico Inc. (Clinico) valued at \$180,000 for the ongoing development of a series of healthy hearing earbuds, which will be exclusively distributed through China and Taiwan by Clinico. This deposit represents a significant financial and strategic milestone for the Group.

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 30. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2024	2023
	\$	\$
Loss after income tax expense for the year	(1,602,573)	(3,742,927)
Adjustments for:		
Depreciation and amortisation	112,734	140,364
Share-based payments	(48,929)	27,637
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,096,750)	(61,650)
Increase in inventories	(448,931)	(51,905)
Decrease/(increase) in prepayments	36,638	121,625
Decrease/(increase) in other operating assets	4,221	381,194
Increase in trade and other payables	846,025	154,041
(Decrease)/increase in contract liabilities	984,986	(144,519)
Increase in employee benefits	16,096	61,783
(Decrease)/increase in other provisions	(98,336)	146,605
Net gain or loss on foreign exchange	(37,001)	-
Net cash used in operating activities	(1,331,820)	(2,967,752)

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Note 31. Changes in liabilities arising from financing activities

Consolidated	Lease liabilities	Insurance Premium Funding	Total
	\$	\$	\$
Balance at 30 June 2022	207,454	67,652	275,106
Net cash from/(used in) financing activities	(79,664)	12,750	(66,914)
Other	-	2,547	2,547
Balance at 30 June 2023	127,790	82,949	210,739
Net cash from/(used in) financing activities	(101,608)	98	(101,510)
Other	-	2,953	2,953
Balance at 30 June 2024	26,182	86,000	112,182

Note 32. Earnings per share

	Consolidated	
	2024	2023
	\$	\$
Loss after income tax attributable to the owners of Audeara Limited	(1,602,573)	(3,742,927)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	144,202,995	129,902,740
Weighted average number of ordinary shares used in calculating diluted earnings per share	144,202,995	129,902,740
	Cents	Cents
Basic earnings per share	(1.11)	(2.88)
Diluted earnings per share	(1.11)	(2.88)

Options are considered to be potential ordinary shares but are anti-dilutive in nature and therefore the diluted loss per share is the same as the basic loss per share. These options could potentially dilute basic earnings per share in the future.

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Audeara Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 33. Share-based payments

Directors' and Employees' Equity Incentive Plan

The Group has a Directors' and Employees' Equity Incentive Plan to align the interests of eligible employees and Directors with shareholders through the sharing of a personal interest in the future growth and development of the Group and to provide a means of attracting and retaining skilled and experienced eligible persons.

On 30 April 2024, shareholders approved the grant of a total of 5,000,000 options to key management personnel (1,750,000 to Dr Fielding, 1,750,000 to Mr Peng and 1,500,000 to Mr Trimboli) ("Director Options"). The Director Options were issued for nil consideration. The Director Options vested immediately on issue. Other than remaining employed by the Group, there were no other vesting conditions.

On 27 November 2023, shareholders approved the grant of a total of 2,951,000 options under the plan to employees and consultants of the Group ("Employee Options"). The Employee Options vest 6 months on issue. The Employee Options were issued on 19 April 2024.

Set out below are summaries of options granted:

2024							
Grant date	Expiry date	Exercise Price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
10 May 2021	10 May 2024	\$0.30	3,487,500	-	-	(3,487,500)	-
30 Apr 2024	2 May 2027	\$0.08	-	5,000,000	-	-	5,000,000
27 Nov 2023	18 Apr 2027	\$0.05	-	1,476,000	-	-	1,476,000
27 Nov 2023	18 Apr 2027	\$0.07	-	725,000	-	-	725,000
27 Nov 2023	18 Apr 2027	\$0.05	-	750,000	-	-	750,000
			3,487,500	7,951,000	-	(3,487,500)	7,951,000
Weighted average exercise price			\$0.072				

2023							
Grant date	Expiry date	Exercise Price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
10 May 2021	10 May 2024	\$0.30	3,487,500	-	-	-	3,487,500
			3,487,500				3,487,500
Weighted average exercise price			\$0.300				

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions. Volatility used in the calculation was based on the historical volatility of comparable companies.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 34. Parent entity information

Statement of profit or loss and other comprehensive income

	Parent	
	2024	2023
Profit after income tax	(1,574,606)	(3,719,512)
Total comprehensive income	(1,574,606)	(3,719,512)

Statement of financial position

	Parent	
	2024	2023
	\$	\$
Total current assets	4,878,195	4,190,216
Total assets	5,043,439	4,480,539
Total current liabilities	(3,376,497)	1,511,683
Total liabilities	(3,394,570)	1,287,498
Net Assets	1,648,869	3,193,041
Equity		
Issued capital	14,560,358	14,480,995
Current Year Earnings	(1,574,606)	(3,719,512)
Retained Earnings	(10,996,155)	(7,276,643)
Options Reserve	169,885	218,814
Share Issue Costs	(510,612)	(510,612)
Total equity	1,648,869	3,193,041

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2024 and 30 June 2023.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2024 and 30 June 2023.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2023.

Loans to Subsidiaries

The parent entity holds loans with its subsidiaries which cause the net assets of the parent entity to exceed the total equity of the consolidated Group. Impairment losses have been recorded against the parent entity's loans receivable to reduce the equity position of the parent entity to the consolidated equity of the Group.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1.

Note 35. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2024	2023
		%	%
Audeara Europe KFT	Hungary	100.00%	100.00%
Audeara US Inc.	United States of America	100.00%	100.00%

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Consolidated Entity Disclosure Statement

Entity Name*	Type of entity	Trustee, Partner or Participant in Joint Venture	% of share capital held	Country of Incorporation	Australian resident or foreign resident	Foreign tax jurisdictions of foreign residents
Audeara Limited	Body Corporate	N/A	N/A	Australia	Australian resident	N/A
Audeara Europe KFT	Body Corporate	N/A	100%	Hungary	Foreign resident	Hungary
Audeara US Inc.	Body Corporate	N/A	100%	USA	Foreign resident	USA

* Entities listed here are those that are part of the consolidated entity at the end of the financial year. Entities disposed of during the year, or where the entity has lost control by the reporting date, are not included here. This means that entities listed could be different to the 'Interests in subsidiaries' note contained in note 8 of the notes to the financial statements.

Basis of Preparation

This Consolidated Entity Disclosure Statement (CEDS) has been prepared in accordance with the Corporations Act 2001. It includes certain information for each entity that was part of the consolidated entity at the end of the financial year.

Determination of Tax Residency

Section 295 (3A) of the Corporation Acts 2001 defines tax residency as having the meaning in the Income Tax Assessment Act 1997. The determination of tax residency involves judgement as there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency. It should be noted that the definitions of 'Australian resident' and 'foreign resident' in the Income Tax Assessment Act 1997 are mutually exclusive. This means that if an entity is an 'Australian resident' it cannot be a 'foreign resident' for the purposes of disclosure in the CEDS.

In determining tax residency, the consolidated entity has applied the following interpretations:

Australian tax residency

The consolidated entity has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR 2018/5.

Foreign tax residency

Where necessary, the consolidated entity has used independent tax advisers in foreign jurisdictions to assist in determining tax residency and ensure compliance with applicable foreign tax legislation.

Partnerships and Trusts

Australian tax law does not contain specific residency tests for partnerships and trusts. Generally, these entities are taxed on a flow-through basis, so there is no need for a general residence test. Some provisions treat trusts as residents for certain purposes, but this does not mean the trust itself is an entity that is subject to tax.

Additional disclosures on the tax status of partnerships and trusts have been provided where relevant.

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Directors' Declaration

30 June 2024

In the directors' opinion:

- ▶ the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- ▶ the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- ▶ the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the financial year ended on that date; and
- ▶ there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- ▶ The information disclosed in the attached consolidated entity disclosure statement is true and correct.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

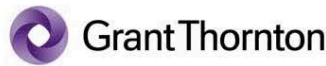
On behalf of the directors

David Trimboli
Chair of the Board

Brisbane, 29 August 2024

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Independent Auditor's Report to the Members of Audeara Limited



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Independent Auditor's Report

To the Members of Audeara Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Audeara Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of \$1,602,574 during the year ended 30 June 2024, and recorded net operating cash outflows of \$1,331,820. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Revenue Recognition – Note 5</p> <p>The Group earns revenue from the sale of its hearing health products to its retail and wholesale customers, as well as the provision of design and engineering services to selected clients.</p> <p>Revenue recognition from product sales can be impacted by a failure to measure revenue in accordance with AASB 15 <i>Revenues from Contracts with Customers</i> or by applying an incorrect approach to period end cut-off.</p> <p>Additionally, revenue from the provision of services needs to be recognised over time, using an output method that assesses the completion of project milestones, which inherently requires the use of estimation and judgement.</p> <p>This area is a key audit matter because revenue recognition is significant to the users of the financial statements</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Reviewing Audeara Limited's revenue recognition policies for compliance with AASB 15 <i>Revenues from Contracts with Customers</i>; • Understanding and documenting the processes and controls relating to revenue recognition; • Reviewing sales agreements with significant customers to assess whether the terms and conditions are reflected in the recognition of revenue; • Testing a sample of product sales revenue transactions to proof of delivery documentation and cash receipt, to evaluate the occurrence of the transaction and assess whether revenue was recorded in the correct period; • Selecting service contract revenue transactions, and: <ul style="list-style-type: none"> • reading the relevant contract terms and discussing the project schedule with key project personnel to evaluate how revenue should be recognised under AASB 15; • considering the appropriateness of the company's conclusion that it should recognise revenue over time and measure the completion of the performance obligations under the contract using the output method; • agreeing outputs delivered to internal and external documentation; • recalculating the service revenue that should be recognised during the period; • Assessing Management's application of revenue recognition at year-end, by testing the recording of sales close to year end to ensure they are recorded in the correct period; and • Assessing the adequacy of the financial report disclosures.

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Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of:

- a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 (other than the consolidated entity disclosure statement); and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 19 to 26 of the Directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Audeara Limited, for the year ended 30 June 2024 complies with section 300A of the *Corporations Act 2001*.



Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton Audit Pty Ltd
Chartered Accountants

CDJ Smith
Partner – Audit & Assurance
Brisbane, 29 August 2024

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Shareholder Information

The shareholder information set out below was applicable as at 13 August 2024.

Voting rights

The voting rights attached to ordinary shares are set out below:

Subject to any rights or restrictions for the time being attached to any shares or class of shares of the Group, each member of the Group is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held.

There are no voting rights attached to any of the options that the Group currently has on issue. Upon exercise of these options, the shares issued will have the same voting rights as existing ordinary shares.

Twenty largest Shareholders

The names of the twenty largest holders of Ordinary Fully Paid Shares are:

Holder Name	Shares	% Shares
Fortune Pioneer International Holdings Co Limited	28,000,000	19
Audeara Investments Pty Ltd	15,235,459	10
BP Peng Pty Ltd <BP Peng A/C>	10,000,000	7
JDB Services Pty Ltd <RAC & JD Brice Invest A/C>	9,713,777	7
James Fielding Family Pty Ltd <James Fielding Family A/C>	8,472,333	6
Alex John Afflick	4,980,823	3
C J New Ventures Pty Ltd <Jeffery Family A/C>	4,515,073	3
Seefeld Investments Pty Ltd <The Seefeld A/C>	4,334,637	3
Uniquist Pty Limited	2,929,896	2
CJQ Investments Pty Ltd <CJQ Disc A/C>	2,646,575	2
Mr David Edward Trimboli	2,021,114	1
Mr David John Myers + Mrs Amanda Myers	1,949,291	1
Mr Paul Henri Veron + Mrs Julie Anne Veron <Dead Knick S/F A/C>	1,800,000	1
Scott Sonnenblick	1,616,727	1
Scintilla Strategic Investments Limited	1,250,000	1
Liu Pingqiao	1,220,634	1
Diron Jebejian	1,080,370	1
Brindle Holdings Pty Ltd <O'Connor S/F A/C>	909,869	1
Sunnyit Pty Ltd <Sunnyit Superannuation A/C>	859,027	1
Myrna Barakat	732,847	1
Totals:	104,268,452	72

Substantial holders

The names of substantial shareholders disclosed as substantial shareholders in the Group are:

	Ordinary shares	
	Number held	% of issued capital
Fortune Pioneer International Holdings Co Limited	28,000,000	20
David Trimboli and related parties	21,591,210	15
Hsin-Chien (Bill) Peng and related parties	10,227,380	7
JDB Services Pty Ltd - RAC & JD Brice Invest A/C	9,713,777	7
James Fielding Family Pty Ltd - James Fielding Family A/C	8,307,497	6

Distribution of equity securities

	Ordinary Fully Paid Shares		
	Holders	Total Shares	% of Issued Capital
1 to 1,000	12	2,859	-
1,001 to 5,000	64	269,537	0
5,001 to 10,000	105	871,073	1
10,001 to 100,000	318	13,544,392	9
100,001 and over	121	130,536,269	90
	620	145,224,130	100
Holding less than a marketable parcel (1,907,731 shares @ \$0.03 per share)	239		



Unquoted securities

The Group has the following unquoted securities on issue.

5,000,000 Unlisted Options @ \$0.071 expiring 18 April 2027 – 3 Holders

Holder with more than 20%

Holder Name	Holding	% Issued Capital
BP Peng Pty Ltd <BP Peng A/C>	1,750,000	35.00%
James Fielding Family Pty Ltd <James Fielding Family A/C>	1,750,000	35.00%
Mr David Edward Trimboli	1,500,000	30.00%

The following unquoted securities were issued under the employee incentive plan with various vesting conditions.

1,476,000 options @ \$0.05 expiring 18 April 2027 - 5 Holders

750,000 options @ \$0.051 expiring 18 April 2027 - 1 Holder

725,000 options @ \$0.071 expiring 18 April 2027 - 4 Holders

Restricted Securities

There are no securities on issue which are subject to restriction.

On market buy back

There is currently no on-market buy back program.

Corporate Governance Statement

The Corporate Governance Statement is available from the Company's website at

<https://audeara.com/pages/corporate-governance>

ASX Listing Rule 4.10.19

The Company has used its cash and assets in a form readily convertible to cash that it had at the time of listing of the Company's securities to quotation in a way consistent with its business objectives.

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audeara.com

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