**Audeara Limited**
**Appendix 4E**
**Preliminary final report**

## 1. Company details

| | |
|---|---|
| Name of entity: | Audeara Limited |
| ABN: | 27 604 368 443 |
| Reporting period: | For the year ended 30 June 2021 |
| Previous period: | For the year ended 30 June 2020 |

## 2. Results for announcement to the market

| | | | | $ |
|---|---|---|---|---|
| Revenues from ordinary activities | up | 23.5% | to | 1,115,124 |
| Loss from ordinary activities after tax attributable to the owners of Audeara Limited | up | 176.1% | to | (1,253,415) |
| Loss for the year attributable to the owners of Audeara Limited | up | 176.1% | to | (1,253,415) |

| | 2021 Cents | 2020 Cents |
|---|---|---|
| Basic earnings per share | (1.91) | (0.77) |
| Diluted earnings per share | (1.91) | (0.77) |

*Dividends*
There were no dividends paid, recommended or declared during the current financial period.

*Comments*
The loss for the Company after providing for income tax amounted to $1,253,415 (30 June 2020: $453,998).

## 3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|---|---|
| Net tangible assets per ordinary security | 5.58 | (1.91) |

## 4. Control gained over entities

Not applicable.

## 5. Loss of control over entities

Not applicable.

## 6. Dividends

*Current period*
There were no dividends paid, recommended or declared during the current financial period.

*Previous period*
There were no dividends paid, recommended or declared during the previous financial period.

---

## 7. Dividend reinvestment plans

Not applicable.

---

## 8. Details of associates and joint venture entities

Not applicable.

---

## 9. Foreign entities

*Details of origin of accounting standards used in compiling the report:*

Not applicable.

---

## 10. Audit qualification or review

*Details of audit/review dispute or qualification (if any):*

The financial statements have been audited and an unmodified opinion has been issued.

---

## 11. Attachments

*Details of attachments (if any):*

The Annual Report of Audeara Limited for the year ended 30 June 2021 is attached.

---

## 12. Signed

Signed ______________________________ Date: 31 August 2021

Dr James Fielding
Managing Director

# Audeara Limited

## ANNUAL REPORT
30 June 2021

ABN 27 604 368 443

Perfect sound, always.

**Audeara Limited**
**Corporate directory, 30 June 2021**

| | |
|---|---|
| Directors | D Trimboli - Non-Executive Chairman<br>J Fielding - Managing Director and Chief Executive Officer<br>P Rombola - Non-Executive Director |
| Company secretary | Peter Harding-Smith |
| Notice of annual general meeting | The details of the annual general meeting of Audeara Limited are:<br>Virtual meeting with details of the call to follow<br>11.00am on 18 November 2021 |
| Registered office and principal place of business | Unit 13<br>76 Doggett Street<br>Newstead QLD 4006<br>Phone: 1300 251 539 |
| Share register | Computershare Investor Services Pty Ltd<br>Yarra Falls<br>452 Johnston Street<br>Abbotsford VIC 3067<br>Phone: (03) 9907 7163 |
| Auditor | KPMG<br>235 St Georges Terrace<br>Perth WA 6000 |
| Solicitors | Colin Biggers & Paisley Lawyers<br>Level 35, Waterfront Place<br>1 Eagle Street<br>Brisbane QLD 4000 |
| Bankers | Westpac Banking Corporation<br>300 Elizabeth Street<br>Brisbane<br>4000 |
| Stock exchange listing | Audeara Limited shares are listed on the Australian Securities Exchange (ASX code: AUA) |
| Website | www.audeara.com |
| Corporate Governance Statement | www.audeara.com/investors/ |

The directors present their report, together with the financial statements, on Audeara Limited (the Company) for the year ended 30 June 2021.

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

D Trimboli - Non-Executive Chairman
J Fielding - Managing Director
P Rombola - Non-Executive Director (appointed 31 March 2021)

**Principal activities**
The principal activity of the Company during the course of the financial year was the development of hearing health technology.

There were no significant changes in the nature of the activities of the Company during the year.

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

**Review of operations**
The loss after tax for the Company amounted to $1,253,415 (30 June 2020: $453,998).

*Clinic Growth*
Over this previous financial year, we have seen a strong growth in the number of clinics stocking Audeara product. The largest single factor in the growth in clinic numbers came from the supply agreement secured with National Hearing Care, now trading as Amplifon. There was also an extension of existing partnerships with Bloom Hearing and Sonic Innovations. We use our clinic stocking numbers as a forward indicator of revenue capacity as the clinics serve as our primary revenue stream in the current business model i.e., the more clinics stocking our product, the more end users have access to the product and the higher our sales. The success of this business model is seen in the year on year growth in revenue that has accompanied the year on year growth in clinic numbers.

*Product Enhancements*
Over this period we made a number of improvements to our product offering, both to the end consumer and our primary clinic customers. This included continued refinement and optimisation of our personalisation algorithm, product enhancements related to the dexterity and connectivity of product which will be realised in the upcoming A-02 and A-02 TV Bundle, and a purpose built audiology assistant application that allows for the personalisation of the product by the clinician.

*Staff recruitment*
Prior to our initial public offering we made a commitment to focus our resources on growth and this included growing the capacity of our team. In the last financial year we recruited a National Sales Manager for both Australia and the USA, a Marketing Manager, a client account manager, a CFO, an accountant and an iOS developer. The new hires positions Audeara for future growth and additional team members will continue to be recruited as required.

**Significant changes in the state of affairs**
On 29 October 2020, the Company changed from being a proprietary company with the name Audeara Pty Limited to being a public company with the name Audeara Limited. The Company adopted a new constitution suitable for a public ASX listed company pursuant to shareholder approval at a general meeting held on 17 September 2020.

On 18 March 2021, by a resolution of the members of the Company, the existing 4,051 ordinary shares were subdivided into 59,345,047 shares (refer note 21).

On 6 May 2021, all convertible notes were converted into ordinary shares in the Company prior to the IPO by the issue of 10,654,953 fully paid ordinary shares (refer note 16).

On 18 May 2021, 3,950,000 unlisted share options were issued to the Board, management and staff of Audeara. These options are exercisable at $0.30 and vest in three equal tranches in 12 months, 24 months and 36 months respectively (refer note 31).

On 14 May 2021, the Company was admitted to the Official List of ASX Limited and the official quotation of the Company's ordinary fully paid shares commenced on 18 May 2021. The Company raised $7,000,000 pursuant to the offer under the prospectus dated 31 March 2021, by the issue and transfer of 35,000,000 shares at an offer price of $0.20 per share. The total cash costs associated with the IPO totalled $903,333 (excluding GST), with those costs directly attributable to the issue of new shares in relation to the IPO being $474,094. These costs are offset against contributed equity. The remaining costs of the IPO of $429,239, which are not directly attributable to the issue of new shares are expensed.

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

**Matters subsequent to the end of the financial year**
The following events occurred subsequent to the end of the financial year:
- On 31 July 2021, 11,388 ordinary shares came out of escrow
- On 2 August 2021, as a result of an employee leaving, 62,500 $0.30 3-year options were cancelled

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

**Likely developments and expected results of operations**
As the Company moves into the 2022 financial year, the focus will be on progressing activities in the following key areas:
- Sales
  - Australia - continue expansion into the Australian Audiology clinics and increase sales per clinic; and
  - US - build on distribution agreement with Westone to commence selling the A-01 through the hearing health channel in the US market.
- Ongoing investment in research and development for the A-02 and BT-02.

**Impacts of COVID-19**
The COVID–19 pandemic has had a material impact on world economic conditions, including Australia. Governments have imposed restrictions on the movement of people and goods as a measure to slow and contain the spread of the COVID–19 virus, in addition to widespread adoption of social distancing measures. For example, “lockdowns” have and may in future restrict people to their residences in various jurisdictions. These measures have not only limited movement of people, but also, as a result, the supply of goods and services.

Supply chains have been disrupted. It is not known whether the proposed rollouts of vaccines will prevent further restrictions on the movement of people, the disruption of supply chains and resulting adverse economic impacts.

Thankfully, the impact of the ‘lockdowns’ has been countered by innovative business practices introduced by Audeara and our primary revenue base, our audiology clinics. At the beginning of the COVID-19 outbreak there was an initial disruption felt to the revenue stream and a slowing of transport due to the reduction in available air freight which led to increased lead times and longer production forecasting. By adjusting to these conditions and updating our ordering methodology we were able to ensure consistent supply of Audeara products for our customers after these initial disruptions.

Changes to government conditions around the provision of health services, such as the introduction of telehealth for allied health services, allowed Audeara to work alongside our clinic groups in supplying products directly to the homes of those members of the community impacted by lockdown conditions. This proved invaluable for the clinics and thus for Audeara.

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

**Information on directors**

| | |
|---|---|
| Name: | David Trimboli |
| Title: | Non-Executive Chairman |
| Qualifications: | B. Commerce, Major in Accounting and Corporate Finance |
| Experience and expertise: | David Trimboli has extensive experience as an executive and company director across many industries. He was a seed investor in Audeara in 2015, helping launch the Company. His experience includes 10 years with the international commodity trading and asset management company, Glencore International AG, as a senior coal trader based in Zug, Switzerland. |
| Other current directorships: | Quantum Graphite Ltd (ASX:QGL) |
| Former directorships (last 3 years): | None |
| Special responsibilities: | Chair of the board |
| Interests in shares: | 15,361,569 |
| Interests in options: | 300,000 |

| | |
|---|---|
| Name: | Dr James Fielding |
| Title: | Managing Director |
| Qualifications: | BBusMan/BSci, MBBS, Grad Cert Exec Lead |
| Experience and expertise: | Dr James 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: | 8,307,497 |
| Interests in options: | 1,250,000 |

| | |
|---|---|
| Name: | Pasquale Rombola (appointed 31 March 2021) |
| Title: | Non-Executive Director |
| Qualifications: | Bachelor of Economics |
| Experience and expertise: | Pasquale 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.<br><br>Pasquale was Chairman and Director of ASX-listed Helix Resources Ltd from 2013 to 2016 and is currently Chairman of Advantage Agriculture Pty Ltd and Microba Life Sciences Limited. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Special responsibilities: | None |
| Interests in shares: | 351,588 |
| Interests in options: | 450,000 |

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

**Company secretary**
Peter Harding–Smith is the Chief Financial Officer and Company Secretary of Audeara Limited and was appointed on 22 March 2021. Peter is a Chartered Accountant, a fellow of Financial Services Institute of Australasia and Governance Institute of Australia, and is a Justice of the Peace (Qualified), and has over 30 years' experience in company secretarial and financial roles.

**Meetings of directors**
The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2021, and the number of meetings attended by each director were:

| | Full Board | |
|---|---|---|
| | Attended | Held |
| D Trimboli | 11 | 11 |
| J Fielding | 11 | 11 |
| P Rombola (appointed 31 March 2021) | 4 | 4 |

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 Company 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 Company, 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 Company'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 Company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

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

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 Company's admission to the ASX, the Company granted the Non-Executive Directors an allocation of options under the Company's Directors' and Employees' Equity Incentive Plan. Further details can be found under the heading "Share-based compensation" below.

The Chair, David Trimboli, receives $78,840 (inclusive of statutory superannuation) and each Non-Executive Director receives $65,700 (inclusive of statutory superannuation).

Directors may also be reimbursed for expenses properly incurred by them in dealing with the Company'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 Company's shareholders in general meeting. This amount has been fixed initially at $380,000 per annum at a general meeting of the Company's members that occurred pre the IPO.

*Executive remuneration*
The Company 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 Company 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 Company and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the Company with the performance hurdles of executives. STI payments are granted to executives based on specific targets and key performance indicators ('KPI's') being achieved. None of the executives received any short term incentives during the 2021 financial year.

The long-term incentives ('LTI') include share-based payments. Upon the Company's admission to the ASX, the Company granted the Managing Director an allocation of options under the Company's Directors' and Employees' Equity Incentive Plan. Further details can be found under the heading "Share-based compensation" below.

*Use of remuneration consultants*
The Company did not engage remuneration consultants during the financial year ended 30 June 2021.

***Details of remuneration***
*Amounts of remuneration*
Details of the remuneration of key management personnel of the Company are set out in the following tables.

The key management personnel of the Company consisted of the following directors of the Company:
- D Trimboli - Non-Executive Chairman
- J Fielding - Managing Director and Chief Executive Officer
- P Rombola - Independent Non-Executive Director

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | |
|---|---|---|---|---|---|---|---|
| **2021** | Cash salary and fees $ | Annual leave accrual $ | Non-monetary $ | Super-annuation $ | Long service leave $ | Equity-settled $ | Total $ |
| D Trimboli | 49,855 | - | - | - | - | 2,280 | 52,135 |
| J Fielding | 163,746 | 20,400 | - | 16,186 | 8,502 | 7,511 | 216,345 |
| P Rombola* | 16,425 | - | - | - | - | 2,704 | 19,129 |
| | 230,026 | 20,400 | - | 16,186 | 8,502 | 12,496 | 287,609 |

* Mr Rombola was appointed a Director on 31 March 2021.

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | |
|---|---|---|---|---|---|---|---|
| **2020** | Cash salary and fees $ | Annual leave accrual $ | Non-monetary $ | Super-annuation $ | Long service leave $ | Equity-settled $ | Total $ |
| D Trimboli[1] | - | - | - | - | - | - | - |
| J Fielding | 118,980 | 10,200 | - | 11,400 | 4,829 | - | 145,409 |
| | 118,980 | 10,200 | - | 11,400 | 4,829 | - | 145,409 |

[1] D Trimboli elected not to take Director fees during the 2020 financial year.

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

| | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|---|---|---|---|---|---|---|
| Name | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| D Trimboli | 100% | - | - | - | - | - |
| J Fielding | 100% | 100% | - | - | - | - |
| P Rombola | 100% | - | - | - | - | - |

***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: | Annual salary of $240,000 (exclusive of statutory superannuation). 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.<br><br>James is entitled to participate in the Company's option plan. During the year, the Company granted 1,250,000 options. Please refer to the section title "Share-based compensation" for further details.<br><br>The Company entered into an employment agreement with James that commenced on the date of the Company'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 Company may terminate the agreement without notice upon limited events including misconduct or incapacity. |

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

***Share-based compensation***

*Issue of shares*
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2021.

*Options*
Prior to being listed on the ASX, the Company established the 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 Company and to provide a means of attracting and retaining skilled and experienced eligible persons.

Prior to the Company's admission to the official list of the ASX, the Company granted a total of 2,000,000 options under the new plan option to the three Directors. The options vest in three equal tranches in 12 months, 24 months and 36 months respectively (retention options). 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 potential 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 |
|---|---|---|---|---|---|---|
| D Trimboli | 100,000 | 18 May 2021 | 18 May 2022 | 18 May 2024 | $0.30 | $0.083 |
| D Trimboli | 100,000 | 18 May 2021 | 18 May 2023 | 18 May 2024 | $0.30 | $0.088 |
| D Trimboli | 100,000 | 18 May 2021 | 18 May 2024 | 18 May 2024 | $0.30 | $0.089 |
| J Fielding | 416,666 | 18 May 2021 | 18 May 2022 | 18 May 2024 | $0.30 | $0.083 |
| J Fielding | 416,667 | 18 May 2021 | 18 May 2023 | 18 May 2024 | $0.30 | $0.088 |
| J Fielding | 416,667 | 18 May 2021 | 18 May 2024 | 18 May 2024 | $0.30 | $0.089 |
| P Rombola | 150,000 | 18 May 2021 | 18 May 2022 | 18 May 2024 | $0.30 | $0.083 |
| P Rombola | 150,000 | 18 May 2021 | 18 May 2023 | 18 May 2024 | $0.30 | $0.088 |
| P Rombola | 150,000 | 18 May 2021 | 18 May 2024 | 18 May 2024 | $0.30 | $0.089 |

Options granted carry no dividend or voting rights.

There were no options that were exercised, forfeited or lapsed during the year.

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 2021 are set out below:

| Name | Number of options granted during the year 2021 | Number of options granted during the year 2020 | Number of options vested during the year 2021 | Number of options vested during the year 2020 |
|---|---|---|---|---|
| D Trimboli | 300,000 | - | - | - |
| J Fielding | 1,250,000 | - | - | - |
| P Rombola | 450,000 | - | - | - |

***Additional information***

The Company aims to align its executive remuneration to its strategic and business objective and the creation of shareholder wealth. The tables below show measures of the Company's financial performance over the last four years (being the extent of available historic audited performance information) as required by the Corporations Act 2001. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

The earnings of the Company for the four years to 30 June 2021 are summarised below:

| | 2021 $ | 2020 $ | 2019 $ | 2018 $ |
|---|---|---|---|---|
| Revenue | 1,115,124 | 902,761 | 581,660 | 680,632 |
| Loss after income tax | (1,253,415) | (453,998) | (1,500,095) | (510,735) |

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Share price at financial year end ($)* | 0.10 | - | - | - |
| Total dividends declared (cents per share) | - | - | - | - |
| Basic earnings per share (cents per share) | (1.91) | (0.77) | - | - |

* The Company'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 Company held during the financial year by each director and other members of key management personnel of the Company, including their personally related parties, is set out below:

| | Balance at the start of the year | Additions pre split | Share split | Conversion of convertible notes | Additions post split | Balance at the end of the year |
|---|---|---|---|---|---|---|
| D Trimboli | 1,040 | - | 15,234,419 | - | 126,110 | 15,361,569 |
| J Fielding | 404 | - | 5,917,986 | 2,295,873 | 93,234 | 8,307,497 |
| P Rombola | - | 24 | 351,564 | - | - | 351,588 |
| | 1,444 | 24 | 21,503,969 | 2,295,873 | 219,344 | 24,020,654 |

*Option holding*

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Company, 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 |
|---|---|---|---|---|---|
| *Options over ordinary shares* | | | | | |
| D Trimboli | - | 300,000 | - | - | 300,000 |
| J Fielding | - | 1,250,000 | - | - | 1,250,000 |
| P Rombola | - | 450,000 | - | - | 450,000 |
| | - | 2,000,000 | - | - | 2,000,000 |

*Loans to key management personnel and their related parties*

Prior to the IPO, the Company repaid the Director Loan of $178,660 to Dr. J Fielding. The loan was interest-free and repayable on demand.

***This concludes the remuneration report, which has been audited.***

**Shares under option**

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

| Grant date | Expiry date | Exercise price | Number under option |
|---|---|---|---|
| 18 May 2021 | 18 May 2024 | $0.30 | 3,887,500 |

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 Company or of any other body corporate.

No options were granted to the directors or any of the five highest remunerated officers of the Company since the end of the financial year.

**Shares issued on the exercise of options**

There were no ordinary shares of the Company issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

**Use of cash and assets readily convertible to cash since admission to ASX official list**
During the period between admission to the Official List of ASX and the end of the reporting period, the cash and assets in a form readily convertible to cash that the Company had at the time of admission to the ASX, in a way consistent with its business objectives. This statement is made pursuant to ASX Listing Rule 4.10.19.

**Indemnity and insurance of officers**
The Company has indemnified the directors and executives of the Company 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 Company paid a premium in respect of a contract to insure the directors and executives of the Company 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 Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

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

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

**Non-audit services**
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 25 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

**Officers of the Company who are former partners of KPMG**
There are no officers of the Company who are former partners of KPMG.

**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**
KPMG 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

Dr James Fielding
Director

31 August 2021
Brisbane

KPMG

# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

## To the Directors of Audeara Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Audeara Limited for the financial year ended 30 June 2021 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Matthew Hingeley
*Partner*
Perth
31 August 2021

**CONTENTS**

**Audeara Limited**
**Statement of profit or loss and other comprehensive income**
**For the year ended 30 June 2021**

| | Note | 2021 $ | 2020 $ |
|---|---|---|---|
| **Revenue** | | | |
| Revenue | 5 | 1,115,124 | 902,761 |
| Cost of sales | | (604,795) | (562,601) |
| Gross profit | | 510,329 | 340,160 |
| Other income | 6 | 460,292 | 546,917 |
| Interest revenue | | 12 | 2 |
| **Expenses** | | | |
| Administration and selling | | (96,811) | (41,878) |
| Contractors | | (196,110) | (344,174) |
| Employee benefits expense | | (1,111,365) | (563,059) |
| Depreciation and amortisation expense | 7 | (55,166) | (37,119) |
| Foreign currency gains/(losses) | | 4,043 | (6,521) |
| Research and development | | (59,220) | (18,222) |
| Transaction costs in connection with the IPO | | (429,239) | (56,146) |
| Other expenses | | (161,692) | (137,918) |
| Finance costs | 7 | (118,488) | (136,040) |
| Total expenses | | (2,224,048) | (1,341,077) |
| **Loss before income tax expense** | | (1,253,415) | (453,998) |
| Income tax expense | 8 | - | - |
| **Loss after income tax expense for the year attributable to the owners of Audeara Limited** | | (1,253,415) | (453,998) |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive income for the year attributable to the owners of Audeara Limited** | | (1,253,415) | (453,998) |
| | | **Cents** | **Cents** |
| Basic earnings per share | 30 | (1.91) | (0.77) |
| Diluted earnings per share | 30 | (1.91) | (0.77) |

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

**Audeara Limited**
**Statement of financial position**
**As at 30 June 2021**

| | Note | 2021 $ | 2020 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 5,737,612 | 8,138 |
| Trade and other receivables | 10 | 349,951 | 290,510 |
| Inventories | 11 | 291,420 | 56,311 |
| Other assets | 12 | 130,920 | 110,280 |
| Total current assets | | 6,509,903 | 465,239 |
| **Non-current assets** | | | |
| Property, plant and equipment | | 3,763 | - |
| Right-of-use assets | 13 | 11,259 | 56,295 |
| Intangibles | 14 | 49,448 | 39,626 |
| Total non-current assets | | 64,470 | 95,921 |
| **Total assets** | | 6,574,373 | 561,160 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 15 | 405,969 | 252,204 |
| Borrowings | 16 | 54,790 | 1,230,971 |
| Lease liabilities | 17 | 12,811 | 54,181 |
| Employee benefits | 18 | 143,971 | 55,425 |
| Provisions | 19 | 16,709 | 4,581 |
| Total current liabilities | | 634,250 | 1,597,362 |
| **Non-current liabilities** | | | |
| Lease liabilities | 17 | - | 8,551 |
| Employee benefits | 18 | 31,513 | 10,484 |
| Derivative financial instruments | 20 | - | 37,737 |
| Total non-current liabilities | | 31,513 | 56,772 |
| **Total liabilities** | | 665,763 | 1,654,134 |
| **Net assets/(liabilities)** | | 5,908,610 | (1,092,974) |
| **Equity** | | | |
| Issued capital | 21 | 10,206,901 | 1,976,203 |
| Reserves | 22 | 24,301 | - |
| Accumulated losses | | (4,322,592) | (3,069,177) |
| **Total equity/(deficiency)** | | 5,908,610 | (1,092,974) |

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

**Audeara Limited**
**Statement of changes in equity**
**For the year ended 30 June 2021**

| | Issued capital $ | Reserves $ | Accumulated losses $ | Total deficiency in equity $ |
|---|---|---|---|---|
| Balance at 1 July 2019 | 1,976,203 | - | (2,615,179) | (638,976) |
| Loss after income tax expense for the year | - | - | (453,998) | (453,998) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | - | - | (453,998) | (453,998) |
| Balance at 30 June 2020 | 1,976,203 | - | (3,069,177) | (1,092,974) |

| | Issued capital $ | Reserves $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|
| Balance at 1 July 2020 | 1,976,203 | - | (3,069,177) | (1,092,974) |
| Loss after income tax expense for the year | - | - | (1,253,415) | (1,253,415) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | - | - | (1,253,415) | (1,253,415) |
| *Transactions with owners in their capacity as owners:* | | | | |
| Contributions of equity, net of transaction costs (note 21) | 8,230,698 | - | - | 8,230,698 |
| Share-based payments (note 31) | - | 24,301 | - | 24,301 |
| Balance at 30 June 2021 | 10,206,901 | 24,301 | (4,322,592) | 5,908,610 |

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

**Audeara Limited**
**Statement of cash flows**
**For the year ended 30 June 2021**

| | Note | 2021 $ | 2020 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 1,414,309 | 1,318,693 |
| Payments to suppliers and employees (inclusive of GST) | | (2,709,376) | (1,613,765) |
| | | (1,295,067) | (295,072) |
| Interest received | | 12 | 2 |
| Research and development tax incentive | | 218,623 | 242,250 |
| Interest and other finance costs paid | | (5,979) | (12,711) |
| Net cash used in operating activities | 29 | (1,082,411) | (65,531) |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (5,952) | (1,458) |
| Payments for intangibles | 14 | (17,763) | (15,793) |
| Net cash used in investing activities | | (23,715) | (17,251) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | 21 | 7,000,000 | - |
| Proceeds from issue of convertible notes | 16 | 743,961 | - |
| Proceeds from insurance premium funding | | 83,229 | - |
| Repayment of related party loan | 16 | (178,660) | (5,252) |
| Repayment of insurance premium funding | | (28,439) | - |
| Repayment of lease liabilities | | (49,921) | (29,167) |
| Share issue transaction costs | 21 | (474,094) | - |
| Repayment of borrowings | | - | (705) |
| Net cash from/(used in) financing activities | | 7,096,076 | (35,124) |
| Net increase/(decrease) in cash and cash equivalents | | 5,989,950 | (117,906) |
| Cash and cash equivalents at the beginning of the financial year | | (252,338) | (134,432) |
| Cash and cash equivalents at the end of the financial year | 9 | 5,737,612 | (252,338) |

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

## Note 1. General information

The financial statements cover Audeara Limited as an individual 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:

Unit 13
76 Doggett Street
Newstead
QLD 4006

A description of the nature of the Company'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, on 31 August 2021. The directors have the power to amend and reissue the financial statements.

*Coronavirus (COVID-19) pandemic*
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the products offered, customers, supply chain, staffing and geographic regions in which the Company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

## Note 2. Significant accounting policies

The principal 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 Company 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.

**Going concern**
For the year ended 30 June 2021, the Company incurred a loss after income tax of $1,253,415 (2020: $453,998) and had negative cash flow from operating activities of $1,082,411 (2020: $65,531). Included in the loss after income tax is non-recurring IPO transaction costs of $429,239.

The Company has invested significantly over time in the development of its A-01 headphones and has created a range of sales channels to market. Management anticipates continuing increases in revenue from further consolidation in the Australian market and the establishment of overseas markets. Management continues restructure the Company's cost base to better meet the needs of the Company.

The Directors have concluded that the going concern basis of preparation of the financial statements is appropriate and any uncertainty regarding going concern is mitigated by the following:

- The Company completed a successful initial public offering (IPO) which raised $7 million and is considered sufficient to meet working capital requirements for at least the next 12 months. The Company had cash balances of $5,737,612 at 30 June 2021.
- At 30 June 2021, the Company had net current assets and total net assets of $5,911,790, and $5,944,747 respectively.

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 Company 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.

## Note 2. Significant accounting policies (continued)

### 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, except for, where applicable, derivative financial instruments.

*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 Company'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 Company'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 Company'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.

### Financial Instruments

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 Company 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, it's 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 Company 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 Company'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.

**Note 2. Significant accounting policies (continued)**

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 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.

*Offsetting*
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**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.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2021. The Company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

**Research and development**
Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

## 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:

- The determination of share-based payments (Note 31).

## Note 4. Operating segments

*Identification of reportable operating segments*
The Company manages its operations as a single business operation and there are no parts of the Company 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 Company on an integrated basis only and accordingly, the Company 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.

## Note 5. Revenue

| | **2021**<br>**$** | **2020**<br>**$** |
|---|---|---|
| *Revenue from contracts with customers* | | |
| *Sale of goods - Wholesale* | 1,081,294 | 827,550 |
| Sale of goods - Retail | 33,830 | 75,211 |
| | 1,115,124 | 902,761 |

*Disaggregation of revenue from contracts with customers*

| | **2021**<br>**$** | **2020**<br>**$** |
|---|---|---|
| **Primary geographical markets** | | |
| Australia | 1,115,124 | 820,199 |
| Asia Pacific | - | 78,279 |
| Europe | - | 425 |
| North America | - | 3,858 |
| | 1,115,124 | 902,761 |

*Major customer*
Revenues from one customer in Sales of goods - Wholesale, represented approximately $575,000 or 52% (2020: $593,000 or 65%) of the Company's total revenue.

*Accounting policy for revenue recognition*
*Goods sold*
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 Company 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.

## Note 5. Revenue (continued)

Revenue from the sale of hearing health technology 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 probable of a significant reversal in cumulative revenue occurring.

## Note 6. Other income

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Government grants (a) | 239,200 | 239,796 |
| Research and development tax incentive | 219,856 | 218,623 |
| Gain on modification of convertible note | - | 47,812 |
| Movement in the fair value of the convertible note derivative | - | 5,728 |
| Other | 1,236 | 34,958 |
| Other income | 460,292 | 546,917 |

*(a) Government grants*

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Export Market Development Grant | 100,000 | 134,996 |
| Jobkeeper | 91,700 | 42,300 |
| Cashboost | 47,500 | 62,500 |
| | 239,200 | 239,796 |

Other income includes research and development tax incentive and government grants. Research and development tax incentive is recognised in the period in which the related expenses were incurred. At 30 June 2021, the research and development tax incentive requires submission of the research and development tax incentive schedule with the 30 June 2021 tax return. Government grants are recognised when there is reasonable assurance that the Company will comply with the conditions attached to it and that the grant will be received. There are no outstanding obligations relating to the above grants .

## Note 7. Expenses

| | 2021 $ | 2020 $ |
|---|---|---|
| Loss before income tax includes the following specific expenses: | | |
| *Depreciation* | | |
| Computer equipment | 2,189 | 1,458 |
| Buildings right-of-use assets | 45,036 | 33,777 |
| Total depreciation | 47,225 | 35,235 |
| *Amortisation* | | |
| Patents and trademarks | 7,941 | 1,884 |
| Total depreciation and amortisation | 55,166 | 37,119 |
| *Finance costs* | | |
| Interest and finance charges paid/payable on borrowings | 117,380 | 134,213 |
| Interest and finance charges paid/payable on lease liabilities | 1,108 | 1,827 |
| Finance costs expensed | 118,488 | 136,040 |
| *Leases* | | |
| Short-term lease payments | 6,391 | 12,500 |
| *Superannuation expense* | | |
| Defined contribution superannuation expense | 77,797 | 46,595 |
| *Share-based payments expense* | | |
| Share-based payments expense | 24,301 | - |

*Accounting policy for depreciation*
Depreciation methods, useful lives and residual values are reviewed at each financial reporting date and adjusted if appropriate.

*Accounting policy for finance costs*
Finance costs comprise interest expense on borrowings and bank charges.

## Note 8. Income tax

| | 2021 $ | 2020 $ |
|---|---|---|
| *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 | (1,253,415) | (453,998) |
| Tax at the statutory tax rate of 26% (2020: 27.5%) | (325,888) | (124,849) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Non-assessable income | 766 | (89,740) |
| R&D expenses | 74,245 | 138,210 |
| Other expenses | (12,350) | 3,551 |
| | (263,227) | (72,828) |
| Current year tax losses not recognised | 133,811 | 62,248 |
| Current year temporary differences not recognised | 126,723 | 7,108 |
| Change in tax rates | - | 3,472 |
| Prior year adjustment | 2,693 | - |
| Income tax expense | - | - |

| | 2021 $ | 2020 $ |
|---|---|---|
| *Deferred tax assets not recognised* | | |
| Deferred tax assets not recognised comprises temporary differences attributable to: | | |
| Unrecognised tax losses | 628,506 | 494,695 |
| Unrecognised temporary differences | 146,166 | 19,443 |
| Total deferred tax assets not recognised | 774,672 | 514,138 |

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.

## Note 8. Income tax (continued)

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. Cash and cash equivalents

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| *Current assets* | | |
| Cash on hand | 1,201 | 1,201 |
| Cash at bank | 5,736,411 | 6,937 |
| | 5,737,612 | 8,138 |

*Reconciliation to cash and cash equivalents at the end of the financial year*
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Balances as above | 5,737,612 | 8,138 |
| Secured: | | |
| Bank overdraft (note 16) | - | (260,476) |
| Balance as per statement of cash flows | 5,737,612 | (252,338) |

*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. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

## Note 10. Trade and other receivables

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| *Current assets* | | |
| Trade receivables | 132,485 | 75,851 |
| Less: Allowance for expected credit losses | (2,390) | (3,964) |
| | 130,095 | 71,887 |
| Research and development tax incentive | 219,856 | 218,623 |
| | 349,951 | 290,510 |

*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 Company 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.

*Accounting policy for research and development*
Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses

## Note 11. Inventories

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| *Current assets* | | |
| Stock in transit - at cost | 168,852 | - |
| Stock on hand - at cost | 122,568 | 56,311 |
| | 291,420 | 56,311 |

*Accounting policy for inventories*
Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of 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 of 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. Other assets

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| *Current assets* | | |
| Accrued revenue | - | 18,800 |
| Prepayments | 64,041 | 8,763 |
| Security deposits | 13,750 | 13,750 |
| Other deposits | 53,129 | 68,967 |
| | 130,920 | 110,280 |

*Accounting policy for other deposits*
Deposits paid for manufactured inventory are recorded as Other Assets until the units are shipped.

## Note 13. Right-of-use assets

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| *Non-current assets* | | |
| Buildings - right-of-use | 90,072 | 90,072 |
| Less: Accumulated depreciation | (78,813) | (33,777) |
| | 11,259 | 56,295 |

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

| | Buildings<br>$ |
|---|---|
| Balance at 1 July 2019 | - |
| Adoption of AASB 16 | 90,072 |
| Depreciation expense | (33,777) |
| Balance at 30 June 2020 | 56,295 |
| Depreciation expense | (45,036) |
| Balance at 30 June 2021 | 11,259 |

*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 Company 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 Company 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 14. Intangibles

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| *Non-current assets* | | |
| Patents and trademarks - at cost | 60,850 | 43,087 |
| Less: Accumulated amortisation | (11,402) | (3,461) |
| | 49,448 | 39,626 |

*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<br>$ |
|---|---|
| Balance at 1 July 2019 | 25,717 |
| Additions | 15,793 |
| Amortisation expense | (1,884) |
| Balance at 30 June 2020 | 39,626 |
| Additions | 17,763 |
| Amortisation expense | (7,941) |
| Balance at 30 June 2021 | 49,448 |

*Accounting policy for intangible assets*
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 15. Trade and other payables

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| *Current liabilities* | | |
| Trade payables | 259,791 | 161,936 |
| Accrued expenses | 92,670 | 48,387 |
| BAS payable | 41,089 | 14,137 |
| Other payables | 12,419 | 27,744 |
| | 405,969 | 252,204 |

Refer to note 23 for further information on financial instruments.

## Note 15. Trade and other payables (continued)

*Accounting policy for trade and other payables*
These amounts represent liabilities for goods and services provided to the Company 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 16. Borrowings

| | 2021 $ | 2020 $ |
|---|---|---|
| *Current liabilities* | | |
| Secured: | | |
| Bank overdraft (a) | - | 260,476 |
| | | |
| Unsecured: | | |
| Director loan (b) | - | 159,910 |
| Convertible notes (c) | - | 810,585 |
| Insurance premium funding | 54,790 | - |
| | 54,790 | 1,230,971 |

Refer to note 23 for further information on financial instruments.

(a) Bank overdraft
The bank overdraft facility was guaranteed in full by a director of the Company.

*(b) Director loan*
The loan from James Fielding was interest-free and repayable on demand. The loan of $178,660 was repaid during the 2021 financial year.

*(c) Convertible notes*
On 6 May 2021, the convertible notes were converted into ordinary shares in Audeara Limited at 16 cents per share (refer note 21) representing a 20% discount on the IPO issuance price.

*Reconciliation*

| | 2021 $ | 2020 $ |
|---|---|---|
| Opening balance | 810,585 | 736,895 |
| Notes issued | 743,961 | - |
| Interest accrued | 112,509 | 72,690 |
| Other adjustment | - | 1,000 |
| Derivative instrument - conversion feature (note 20) | 37,737 | - |
| Notes converted into ordinary shares (note 21)[1] | (1,704,792) | - |
| Closing balance | - | 810,585 |

[1] As a result of the IPO Liquidity Event, the Notes were converted into ordinary shares at the IPO issuance price, less a 20% discount.

## Note 16. Borrowings (continued)

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

| | 2021 $ | 2020 $ |
|---|---|---|
| Total facilities | | |
| Bank overdraft | - | 350,000 |
| Director loan | - | 159,910 |
| Convertible notes | - | 810,585 |
| Insurance premium funding | 54,790 | - |
| | 54,790 | 1,320,495 |
| Used at the reporting date | | |
| Bank overdraft | - | 260,476 |
| Director loan | - | 159,910 |
| Convertible notes | - | 810,585 |
| Insurance premium funding | 54,790 | - |
| | 54,790 | 1,230,971 |
| Unused at the reporting date | | |
| Bank overdraft | - | 89,524 |
| Director loan | - | - |
| Convertible notes | - | - |
| Insurance premium funding | - | - |
| | - | 89,524 |

*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.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

Convertible notes:
*(a) Convertible Note Liability*
The liability component of a convertible note is recognised initially at the fair value of a similar liability that does not have an equity conversion option.

Subsequent to initial recognition, the convertible note is measured at amortised cost using the effective interest method.

Interest related to the financial liability is recognised in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised.

*(b) Convertible Note Derivative*
Derivative financial instruments are stated at fair value. The fair value of the derivative has been valued using a valuation technique including inputs that include reference to similar instruments and option pricing models which is updated each period. Gains and losses arising out of changes in fair value of these instruments together with settlements in the period are accounted for through the Statement of Profit or Loss and Other Comprehensive Income through finance costs.

The convertible note liability and derivative are removed from the Statement of Financial Position when the obligations specified in the contract are discharged, this can occur upon the option holder exercising their option or the option period lapses requiring the company to discharge the obligation. The convertible note liability and the derivative are classified as current liabilities when they are due and payable within twelve months of this financial report.

## Note 17. Lease liabilities

| | 2021 $ | 2020 $ |
|---|---|---|
| *Current liabilities* | | |
| Lease liability | 12,811 | 54,181 |
| *Non-current liabilities* | | |
| Lease liability | - | 8,551 |
| | 12,811 | 62,732 |

Refer to note 23 for further information on financial instruments.

*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 Company's incremental borrowing rate. Lease payments comprise of 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 remeasured, 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 18. Employee benefits

| | 2021 $ | 2020 $ |
|---|---|---|
| *Current liabilities* | | |
| Annual leave | 143,971 | 55,425 |
| *Non-current liabilities* | | |
| Long service leave | 31,513 | 10,484 |
| | 175,484 | 65,909 |

*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 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.

## Note 19. Provisions

| | **2021 $** | **2020 $** |
|---|---|---|
| *Current liabilities* | | |
| Warranties | 16,709 | 4,581 |

*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:

| **2021** | Warranties $ |
|---|---|
| Carrying amount at the start of the year | 4,581 |
| Additional provisions recognised | 12,128 |
| Carrying amount at the end of the year | 16,709 |

*Accounting policy for provisions*
Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company 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 20. Derivative financial instruments

| | **2021 $** | **2020 $** |
|---|---|---|
| *Non-current liabilities* | | |
| Derivative financial instruments | - | 37,737 |

Refer to note 23 for further information on financial instruments.

The conversion option amount represented the additional value provided to convertible noteholders (refer note 16) compared to the same corporate bond that would have no feature to convert the notes into shares in Audeara Limited at the end or during the term of the notes. For accounting purposes, such a conversion feature is accounted for separately from the convertible notes as a derivative financial instrument and is carried at fair value.

## Note 21. Issued capital

| | 2021 Shares | 2020 Shares | 2021 $ | 2020 $ |
|---|---|---|---|---|
| Ordinary shares - fully paid | 105,000,000 | 4,051 | 10,206,901 | 1,976,203 |

*Movements in ordinary share capital*

| Details | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| Balance | 1 July 2019 | 4,051 | | 1,976,203 |
| | | | | |
| Balance | 30 June 2020 | 4,051 | | 1,976,203 |
| Share split | 18 March 2021 | 59,340,996 | | - |
| Conversion of convertible notes (note 16) | 6 May 2021 | 10,654,953 | $0.16 | 1,704,792 |
| Initial Public Offering | 14 May 2021 | 35,000,000 | $0.20 | 7,000,000 |
| Share issue costs | | - | | (474,094) |
| | | | | |
| Balance | 30 June 2021 | 105,000,000 | | 10,206,901 |

*Ordinary shares*
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company 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 split*
On 18 March 2021, by a resolution of the members of the Company, the existing 4,051 ordinary shares were subdivided into 59,345,047 shares.

*Initial Public Offering*
On 14 May 2021, the Company was admitted to the Official List of ASX Limited and the official quotation of the Company's ordinary fully paid shares commenced on 18 May 2021. The Company raised $7,000,000 pursuant to the offer under the prospectus dated 31 March 2021, by the issue and transfer of 35,000,000 shares at an offer price of $0.20 per share. Transaction costs of $474,094 were recognised directly in equity which represents the portion of transaction costs attributable to the issuance of new shares. Transaction costs of $429,239 attributable to the listing were recognised in the statement of profit or loss and other comprehensive income in the current reporting period.

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

*Capital risk management*
The Company'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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company does not have any externally imposed capital requirements.

The capital risk management policy remains unchanged from the 2020 Annual Report.

The Company monitors capital on the basis of its working capital position (i.e. liquidity risk). The Company's net working capital at 30 June 2021 was $5,911,790 (30 June 2020: net working capital deficiency of $1,132,123).

*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 22. Reserves

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Share-based payments reserve | 24,301 | - |

*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<br>$ |
|---|---|
| Balance at 1 July 2019 | - |
| Balance at 30 June 2020 | - |
| Share-based payment expenses | 24,301 |
| Balance at 30 June 2021 | 24,301 |

## Note 23. Financial instruments

***Financial risk management objectives***
The Company'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 Company'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 Company. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Company 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 Company undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

**Note 23. Financial instruments (continued)**

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 Company's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2021<br>$ | 2020<br>$ | 2021<br>$ | 2020<br>$ |
| US dollars (USD) | - | 7,571 | 136,999 | 44,142 |
| | - | 7,571 | 136,999 | 44,142 |

A reasonably possible strengthening (weakening) of the above currencies at 30 June would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes all other variables remain constant.

| | AUD strengthened | | | AUD weakened | | |
|---|---|---|---|---|---|---|
| **2021** | **% change** | **Effect on profit before tax** | **Effect on equity** | **% change** | **Effect on profit before tax** | **Effect on equity** |
| USD | 10% | (12,454) | 12,454 | 10% | 15,222 | (15,222) |
| | | (12,454) | 12,454 | | 15,222 | (15,222) |

| | AUD strengthened | | | AUD weakened | | |
|---|---|---|---|---|---|---|
| **2020** | **% change** | **Effect on profit before tax** | **Effect on equity** | **% change** | **Effect on profit before tax** | **Effect on equity** |
| USD | 10% | (6,856) | 6,856 | 10% | 6,856 | (6,856) |
| | | (6,856) | 6,856 | | 6,856 | (6,856) |

*Price risk*
The Company is not exposed to any significant price risk.

*Interest rate risk*
At 30 June 2021, the Company has no significant exposure.

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

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Weighted average interest rate<br>% | Balance<br>$ | Weighted average interest rate<br>% | Balance<br>$ |
| Cash at bank | - | 5,736,411 | - | 6,937 |
| Bank overdraft | - | - | 3.39% | (260,476) |
| Net exposure to cash flow interest rate risk | | 5,736,411 | | (253,539) |

## Note 23. Financial instruments (continued)

An analysis by remaining contractual maturities in 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 Company. 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 Company does not hold any collateral.

*Cash and cash equivalents*

The Company has cash at bank of $5,736,411 at 30 June 2021 (2020: $6,937) that is held with financial institution counter-parties that are rated AA-based on S&P Global rating.

*Trade and other receivables*

The Company'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 Company 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 Company 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 Company uses an allowance matrix to measure the ECLs of trade receivables, which comprises of 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 an allowance of $2,390 as at 30 June 2021 (2020: $3,964). Management also provides specifically for individual debtors when information obtained indicates the debt will be bad.

***Liquidity risk***

Vigilant liquidity risk management requires the Company 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.

In the prior year, the Company relied overdraft facilities to help meet its debts as and when they became due and payable.

The Company 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.

*Financing arrangements*

Unused borrowing facilities at the reporting date:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Bank overdraft | - | 89,524 |

## Note 23. Financial instruments (continued)

*Remaining contractual maturities*

The following tables detail the Company'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.

| 2021 | 2 months or less $ | 2-12 months $ | 1-2 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|
| **Non-derivatives** | | | | |
| *Non-interest bearing* | | | | |
| Trade payables | 259,791 | - | - | 259,791 |
| Other payables | 146,178 | - | - | 146,178 |
| *Interest-bearing - fixed rate* | | | | |
| Lease liability | 8,541 | 4,270 | - | 12,811 |
| Total non-derivatives | 414,510 | 4,270 | - | 418,780 |

| 2020 | 2 months or less $ | 2-12 months $ | 1-2 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|
| **Non-derivatives** | | | | |
| *Non-interest bearing* | | | | |
| Trade payables | 161,936 | - | - | 161,936 |
| Other payables | 90,268 | - | - | 90,268 |
| *Interest-bearing - variable* | | | | |
| Bank overdraft | 350,000 | - | - | 350,000 |
| *Interest-bearing - fixed rate* | | | | |
| Convertible notes payable | - | 875,149 | - | 875,149 |
| Lease liability | 8,333 | 42,792 | 12,875 | 64,000 |
| Total non-derivatives | 610,537 | 917,941 | 12,875 | 1,541,353 |
| **Derivatives** | | | | |
| Convertible note derivative | - | - | 37,737 | 37,737 |
| Total derivatives | - | - | 37,737 | 37,737 |

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

## Note 24. Key management personnel disclosures

*Compensation*
The aggregate compensation made to key management personnel of the Company is set out below:

| | 2021 $ | 2020 $ |
|---|---|---|
| Short-term employee benefits | 250,426 | 129,180 |
| Post-employment benefits | 16,186 | 11,400 |
| Long-term benefits | 8,502 | 4,829 |
| Share-based payments | 12,496 | - |
| | 287,609 | 145,409 |

## Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by KPMG, the auditor of the Company:

| | 2021 $ | 2020 $ |
|---|---|---|
| *Audit services - KPMG* | | |
| Audit or review of the financial statements | 51,712 | 26,451 |
| *Other services - KPMG* | | |
| Accounting services | 15,629 | 5,000 |
| Investigating Accounting Report | 46,575 | - |
| | 62,204 | 31,451 |

## Note 26. Contingent liabilities

The Company did not have any contingent liabilities at 30 June 2021 and 30 June 2020.

## Note 27. Related party transactions

*Key management personnel*
Disclosures relating to key management personnel are set out in note 24.

*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/from related parties*
The following balances are outstanding at the reporting date in relation to loans with related parties:

| | 2021 $ | 2020 $ |
|---|---|---|
| Current borrowings: | | |
| Loan from key management personnel* | - | 159,910 |
| Convertible note | - | 342,219 |

* The loan from James Fielding was interest-free and repayable on demand. The loan of $178,660 was repaid during the 2021 financial year.

## Note 28. Events after the reporting period

The following events occurred subsequent to the end of the financial year:
- On 31 July 2021, 11,388 ordinary shares came out of escrow
- On 2 August 2021, as a result of an employee leaving, 62,500 $0.30 3-year options were cancelled

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

## Note 29. Cash flow information

*Reconciliation of loss after income tax to net cash used in operating activities*

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Loss after income tax expense for the year | (1,253,415) | (453,998) |
| | | |
| Adjustments for: | | |
| Depreciation and amortisation | 55,166 | 37,119 |
| Share-based payments | 24,301 | - |
| Interest revenue - non-cash | - | 2 |
| Gain on modification of convertible notes | - | (47,812) |
| Movement in fair value of convertible note derivative | - | (5,728) |
| Warranty provision | - | 1,289 |
| Finance costs - non-cash | 112,509 | 123,327 |
| Unrealised foreign currency gain | - | 1,521 |
| | | |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | (59,441) | 42,305 |
| Decrease/(increase) in inventories | (235,109) | 241,005 |
| Decrease in accrued revenue | 18,800 | - |
| Increase in prepayments | (55,278) | - |
| Decrease in other operating assets | 15,838 | - |
| Increase/(decrease) in trade and other payables | 172,515 | (23,028) |
| Increase in employee benefits | 109,575 | 18,467 |
| Increase in other provisions | 12,128 | - |
| | | |
| Net cash used in operating activities | (1,082,411) | (65,531) |

*Non-cash investing and financing activities*

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Shares issued on conversion of convertible notes | 1,704,792 | - |

## Note 29. Cash flow information (continued)

*Changes in liabilities arising from financing activities*

| | Director loan $ | Convertible notes $ | Lease liabilities $ | Insurance premium funding $ | Total $ |
|---|---|---|---|---|---|
| Balance at 1 July 2019 | 160,910 | 736,895 | - | 705 | 898,510 |
| Net cash used in financing activities | (1,000) | - | (29,167) | (705) | (30,872) |
| Adoption of AASB 16 | - | - | 90,072 | - | 90,072 |
| Interest accrued | - | 72,690 | 1,827 | - | 74,517 |
| Other changes | - | 1,000 | - | - | 1,000 |
| Balance at 30 June 2020 | 159,910 | 810,585 | 62,732 | - | 1,033,227 |
| Net cash from/(used in) financing activities | (178,660) | 743,961 | (49,921) | 54,790 | 570,170 |
| Interest accrued | - | 112,509 | - | - | 112,509 |
| Derivative instrument - conversion feature | - | 37,737 | - | - | 37,737 |
| Convertible notes converted into shares | - | (1,704,792) | - | - | (1,704,792) |
| Other changes | 18,750 | - | - | - | 18,750 |
| Balance at 30 June 2021 | - | - | 12,811 | 54,790 | 67,601 |

## Note 30. Earnings per share

| | 2021 $ | 2020 $ |
|---|---|---|
| Loss after income tax attributable to the owners of Audeara Limited | (1,253,415) | (453,998) |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 65,582,519 | 59,345,047 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 65,582,519 | 59,345,047 |
| | **Cents** | **Cents** |
| Basic earnings per share | (1.91) | (0.77) |
| Diluted earnings per share | (1.91) | (0.77) |

Options are considered to be potential ordinary shares but were 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.

The weighted average number of ordinary shares for 2020 has been restated for the effect of the share split completed in March 2021 (refer note 21) in accordance with AASB 133 *Earnings per share*.

*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.

## Note 30. Earnings per share (continued)

*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 31. Share-based payments

| | 2021 $ | 2020 $ |
|---|---|---|
| Share-based payments | 24,301 | - |

*Directors' and Employees' Equity Incentive Plan*
Shortly prior to being listed on the ASX, the Company established the 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 Company and to provide a means of attracting and retaining skilled and experienced eligible persons.

On 18 May 2021, the Company granted a total of 3,950,000 options under the plan, with 2,000,000 options issued to key management personnel. The options were issued for nil consideration. The options vest in three equal tranches in 12 months, 24 months and 36 months respectively, and are exercisable by the holder as from the vesting date at 30 cents per share. The total fair value of all options granted was $335,833.

Set out below are summaries of options granted under the plan:

2021

| 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 |
|---|---|---|---|---|---|---|---|
| 18/05/2021 | 18/05/2024 | $0.30 | - | 3,950,000 | - | - | 3,950,000 |
| | | | - | 3,950,000 | - | - | 3,950,000 |
| Weighted average exercise price | | | $0.00 | $0.30 | $0.00 | $0.00 | $0.30 |

There were no options exercisable at the end of the financial year.

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.86 years.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows (tranches 1, 2 and 3):

| | Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|---|---|---|---|---|---|---|---|---|
| Tranche 1 | 18/05/2021 | 18/05/2024 | $0.20 | $0.30 | 85.00% | - | 0.30% | $0.083 |
| Tranche 2 | 18/05/2021 | 18/05/2024 | $0.20 | $0.30 | 85.00% | - | 0.30% | $0.088 |
| Tranche 3 | 18/05/2021 | 18/05/2024 | $0.20 | $0.30 | 85.00% | - | 0.30% | $0.089 |

*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.

**Note 31. Share-based payments (continued)**

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 expected early exercise (based on an early exercise factor of 2.5 times the exercise price), 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 Company 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 Company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Company 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.

**Audeara Limited**
**Directors' declaration, 30 June 2021**

In the directors' opinion:

- the financial statements and notes, set out on pages 15 to 43, and the Remuneration Report in the Directors' report, set out on pages 5 to 10, comply with the Corporations Act 2001, the Australian 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 Company's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dr J Fielding
Director

31 August 2021
Brisbane

# Independent Auditor's Report

## To the shareholders of Audeara Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the ***Financial Report*** of Audeara Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statement of financial position as at 30 June 2021
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Company in accordance with *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 fulfilled our other ethical responsibilities in accordance with the Code.

## 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.

This matter was 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 this matter.

<table>
<tr><th colspan="2">Share-based payments ($24,301)</th></tr>
<tr><td colspan="2">Refer to Note 31 – Share-based payments</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Share-based payments is a key audit matter due to the significant effort required by us to audit the Company’s Directors’ and Employees’ Equity Incentive Plan which was established during the year.<br><br>We focussed on the:<ul><li>Valuation methodology and inputs used in the Company’s share options valuation model, such as the share price at grant date, expiry date, option exercise price, risk-free interest rate and grant date.</li><li>Expected volatility and early exercise factor assumptions used by the Company in their share options valuation model. This required significant judgement by us to assess the sources of the assumptions used by the Company and involvement of our valuation specialists.</li></ul></td><td>Our procedures included:<ul><li>Reading the terms of the Company’s Directors’ and Employees’ Equity Incentive Plan and evaluating the appropriateness of the Company’s accounting policy for share-based payments against the requirements in AASB 2 Share-based payment.</li><li>Testing the inputs to the Company’s share options valuation model such as: grant date, option exercise price, number of options issued, and expiry date to underlying offer letters.</li><li>Checking the share price at grant date to the issue price of the Company’s shares on the Company’s quotation on the ASX.</li><li>Working with our valuation specialists to:<ul><li>assess the valuation methodology, including the effects of expected early exercise factor, against industry practice and accounting standard requirements.</li><li>use our knowledge of the Company and our industry experience, to develop an independent expected volatility assumption from publicly available market data of comparable entities. We compared this to the Company’s expected volatility assumption.</li><li>independently develop an early exercise factor, using a methodology allowed in the accounting standards. We compared this to the Company’s expected early exercise factor assumption.</li></ul></li></ul></td></tr>
</table>

| | |
|---|---|
| | • perform an independent Black-Scholes model valuation of the share options using publicly available risk-free interest rate, and the expected volatility rate and early exercise factor from the procedures noted above. We compared our valuation of the share options to the Company's valuation.<br>• Assessing the Company's disclosures in the Financial Report, including key terms and valuation assumptions, using our understanding obtained from our testing and the requirements of the accounting standards. |

## Other Information

Other Information is financial and non-financial information in Audeara Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

KPMG

## Auditor’s responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the 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: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our Auditor’s Report.

## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of Audeara Limited for the year ended 30 June 2021, complies with *Section 300A of the Corporations Act 2001*.

### Directors’ 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 responsibilities

We have audited the Remuneration Report included in pages 5 to 10 of the Directors’ report for the year ended 30 June 2021.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Matthew Hingeley

*Partner*

Perth

31 August 2021

The shareholder information set out below was applicable as at 13 August 2021.

**Distribution of equitable securities**

Analysis of number of equitable security holders by size of holding:

| | Ordinary shares | | Unquoted options over ordinary shares | |
|---|---|---|---|---|
| | Number of holders | % of total shares issued | Number of holders | % of total Options issued |
| 1 to 1,000 | 8 | - | - | - |
| 1,001 to 5,000 | 70 | 0.3% | - | - |
| 5,001 to 10,000 | 110 | 0.9% | - | - |
| 10,001 to 100,000 | 411 | 16.2% | 11 | 67.6% |
| 100,001 and over | 96 | 82.6% | 1 | 32.4% |
| | 695 | 100.0% | 12 | 100.0% |
| Holding less than a marketable parcel | 79 | | | |

**Equity security holders**

*Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| AUDEARA INVESTMENTS PTY LTD | 15,235,459 | 14.51 |
| C J NEW VENTURES PTY LTD <JEFFERY FAMILY A/C> | 9,668,657 | 9.21 |
| JAMES FIELDING FAMILY PTY LTD <JAMES FIELDING FAMILY A/C> | 8,214,263 | 7.82 |
| JDB SERVICES PTY LTD <RAC & JD BRICE INVEST A/C> | 6,233,354 | 5.94 |
| JDB SERVICES PTY LTD <RAC & JD BRICE INVEST A/C> | 6,140,119 | 5.85 |
| ALEX JOHN AFFLICK | 4,980,823 | 4.74 |
| UNIQUEST PTY LIMITED | 2,929,896 | 2.79 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 2,666,931 | 2.54 |
| SCINTILLA STRATEGIC INVESTMENTS LIMITED | 2,650,000 | 2.52 |
| CJQ INVESTMENTS PTY LTD <CJQ DISC A/C> | 2,646,575 | 2.52 |
| SCOTT SONNENBLICK | 1,616,727 | 1.54 |
| LIU PINGQIAO | 1,220,634 | 1.16 |
| MRS JUDITH SUZANNE PIGGIN + MR DAMIEN JAYE PIGGIN + MR GLENN ADAM PIGGIN <PIGGIN FAMILY S/F A/C> | 1,165,000 | 1.11 |
| DIRON JEBEJIAN | 1,080,370 | 1.03 |
| MYRNA BARAKAT | 732,847 | 0.70 |
| FRYLOCH PTY LTD <FRYLOCH DISC A/C> | 661,644 | 0.63 |
| T B I C PTY LTD <CROMMELIN FAMILY SUPER A/C> | 600,000 | 0.57 |
| CLONTARF INVESTMENTS PTY LTD | 585,979 | 0.56 |
| LOGAN GARDNER | 585,979 | 0.56 |
| JEZCREST PTY LTD | 585,979 | 0.56 |
| Total top 20 shareholders | 70,201,236 | 66.9% |
| Remaining shareholders | 34,798,764 | 33.1% |

*Unquoted equity securities*

| | Number on issue | Number of holders |
|---|---|---|
| Options expiring 10 May 2024 - Restricted | 2,000,000 | 3 |
| Options expiring 10 May 2024 | 1,887,500 | 9 |

The following persons hold 20% or more of unquoted equity securities:

| Name | Class | Number held |
|---|---|---|
| James Fielding | Options expiring 10 May 2024 - Restricted | 1,250,000 |

**Substantial holders**
Substantial holders in the Company are set out below:

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| Audeara Limited | 15,235,459 | 14.51% |
| C J New Ventures Pty Ltd <Jeffery Family A/C> | 9,668,657 | 9.21% |
| James Fielding Family Pty Ltd <James Fielding Family A/ | 8,214,263 | 7.82% |

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

*Ordinary shares*
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.

There are no other classes of equity securities.

**Unquoted restricted securities**

| Class | Expiry date | Number of shares |
|---|---|---|
| Ordinary shares | 31 August 2021 | 10,063 |
| Ordinary shares | 10 September 2021 | 74,713 |
| Ordinary shares | 21 September 2021 | 183,219 |
| Ordinary shares | 18 May 2023 | 40,800,678 |
| | | 41,068,673 |
| Options | 18 May 2023 | 2,000,000 |

**Quoted securities subject to voluntary escrow**

| Class | Expiry date | Number of shares |
|---|---|---|
| Ordinary | 18 November 2021 | 6,233,353 |

audeara.com