

26 October 2021

ASX ANNOUNCEMENT

September 2021 Quarterly Activity Report

HIGHLIGHTS

- Revenue for the September quarter up 49% year on year
- Australian audiology clinics increase to 746 at 30 September 2021
- Only over ear headphone stocked by Amplifon Australia
- Hearing Technology Innovator Award - global award celebrated at US audiology event

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

AUSTRALIAN AUDIOLOGY CLINIC NUMBERS – LEAD INDICATOR

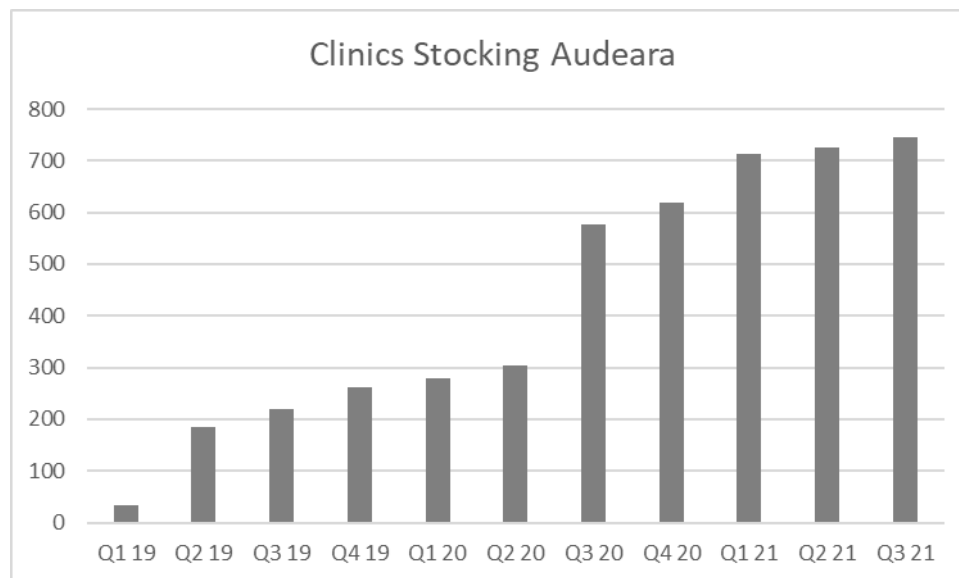


Figure 1 – Australian audiology clinics stocking Audeara

At the end of the September quarter, Australian audiology clinic numbers increased to 746 due to growth in the number of independent clinics (non internationally owned) stocking the product.

Audeara is actively pursuing commercial relationships with a number of Australian clinic groups such as Connect Hearing, Audika and Bay Audio which, in aggregate, manage over 300 clinics and offer the potential to materially grow the number of Australian audiology clinics stocking Audeara.

SALES UPDATE

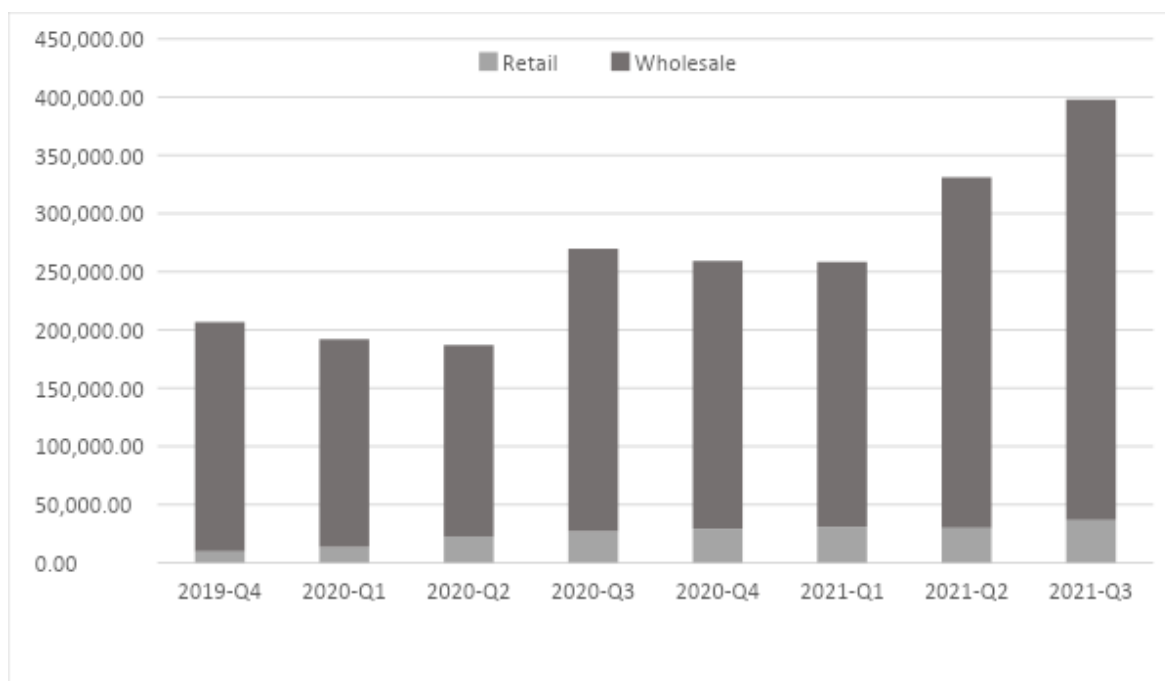


Figure 2 – Sales by quarter, wholesale and retail.

PCP	Sep-'21	Sep-'20	Growth	%
Wholesale	\$361,475	\$243,039	\$118,436	49%
Retail	\$36,219	\$26,713	\$9,507	36%
	\$397,695	\$269,751	\$127,943	47%
Sequential	Sep-'21	Jun-'21	Growth	%
Wholesale	\$361,475	\$301,376	\$60,099	20%
Retail	\$36,219	\$29,557	\$6,663	23%
	\$397,695	\$330,933	\$66,762	20%

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

The September 2021 quarter was Audeara's best on record, underpinned by the strengthening of our commercial relationship with Amplifon, which was formalised in early October. Being the only headphone product stocked in Amplifon Australia clinics and having product held in stock for immediate sale provides a strong foundation for future growth and allows more people to be served by our technology.

Covid closures in New South Wales and Victoria impacted Audeara's clinic partners differently. Some clinics saw markedly increased sales due to a focus on Assistive Listening Devices (ALDs) as a source of revenue in lower clinic attendance periods. Other clinics endured lower foot traffic due to Covid related lockdowns.

Our focus remains on driving sales through our audiology clinic partners, by increasing the number of clinics stocking Audeara and increasing the amount of sales per clinic. Compounding these elements should yield continued growth in our core domestic market while providing a platform for growth in other hearing health sectors, namely the North American Hearing Health segment and the non-clinical Australian market e.g. the NDIS.

Since the IPO we have increased attention on the NDIS, attending NDIS events and aligning with quality NDIS marketplaces to improve our access to this segment. The growth in revenue in the 'retail' sector is reflective of this and Audeara anticipates the NDIS continuing to provide a large sales base for their products.

HEARING HEALTH MARKET UPDATE

As previously reported, the changes to the Hearing Services Program (HSP) which commenced on 1 July 2021, have created strong opportunities for Audeara in the Assistive Listening Devices category. Changes to the Hearing Services Program have resulted in greater focus on ALDs for hearing health clinics. This includes an increase in the total amount of funding available for ALDs under the program, the continuation of telehealth servicing of clients and the introduction of an annual service review fee, not previously available for ALD clients. Other changes to the HSP can be found here: [Hearing Services Program](#).

Amplifon Australia announced the finalisation of their acquisition of Bay Audio, after receipt of the clearances from the Australian antitrust authority and the Australian Foreign Investment Review Board. Bay Audio has over 100 points of sale across the east coast of Australia. Amplifon also announced that they would exit the Elite Hearing Network in North America by the end of 2021, focusing their attention on their Miracle Ear and Amplifon Hearing Health Care networks. The previously announced strengthening of the Amplifon relationship in Australia will assist in leveraging this relationship into other countries.

Hearing Technology Innovator Award

Subsequent to the end of the quarter, Audeara was announced as the winner of the Hearing Technology Innovator Awards in the category of Personal Listening Devices for the A-01 Headphones. The annual awards facilitated by Hearing Health & Technology Matters (HHTM) recognises technology innovation and achievement in the hearing industry. Audeara will be recognised during the Academy of Doctors of Audiology (ADA), [AuDacity 2021](#), which will take place in Portland, Oregon, on October 25-27, 2021. National Sales Manager Finlay Robb will be in attendance at the conference with partners Westone and Oaktree.

Commenting on the award, Audeara's CEO Dr James Fielding said "we're thrilled and humbled to be receiving the Innovation Award. It's been a great journey for Audeara, we're proud to be recognised and couldn't do what we do without the support of our incredible hearing health partners. This award is particularly exciting given that it's being celebrated in the US and will serve as a foundation for industry recognition in the growing US market."

"Hearing technologies being developed by companies like Audeara are helping set the standard for innovation in the industry," said HHTM President and CEO, Kevin Liebe.

TECHNICAL UPDATE

The team has continued work on the next generation of headphones and TV listening devices, the Audeara A-02 Headphones and A-02 TV Bundle. Pre-production has been completed, with those units now undergoing rigorous internal and user testing. The products have been submitted to the relevant regulatory bodies for compliance and certification testing. Audeara expects the A-02 product line to be commercially available across all of our clinic partners in early 2022.

Development has also continued on the AudAssist desktop software. The AudAssist programming, utilising existing hearing profiles obtained in clinics, is a large value-add to the community of end users who are unable to perform their own hearing analysis, and allow the clinician to provide continued high quality of service.

Chipset Purchasing and Securing Supply

The global chipset supply shortage that has impacted all electronics industries over the last 12 months has guided some necessary changes to Audeara's supply management processes. During the quarter, the Company sought to procure a stockpile of relevant chipsets required for ongoing supply of the A-01 and forthcoming A-02 product lines to act as a production buffer. At this stage we have not had to draw down on this buffer, but retain it to ensure continuity of supply of headphones if required.

See further comments below on the September 2021 Quarterly Cashflow Report.

CORPORATE

Quarterly Cashflow Report

Cash receipts from customers of \$322k in the quarter were slightly down by 8% from the previous quarter, due to timing of sales and supplier terms. The strong September sales result will be felt in the December 2021 quarter.

Product manufacturing and operating costs reflected payments for stock purchasing and buffer chipsets, as outlined above, as the Company prepared for growth in the coming quarters. Cash outflows of \$791k was up 241% from the June quarter as a result of:

- restocking and increasing the availability of A-01 for sales in Australia;
- initial shipment of A-01 to the US;
- initial deposit on the production of A-02; and
- purchase of buffer stock of chipsets.

The Board considers accelerating working capital to secure chipsets for the production of A-01 and A-02 in the future a worthy investment and merely brings forward future cash flows that would have been required in coming quarters. Audeara purchased the chipsets at a price that is currently markedly lower than the market spot rate.

Payments for staff were \$473k for the quarter, up on the June quarter of \$410k as expected given the investment Audeara made during the quarter to grow the team, supporting the Company's growth strategies. During the quarter five new staff members were added to the Audeara team.

Administration and corporate costs were \$260k for the quarter, up slightly from the previous quarter reflecting an increase in the Company's activities and public company costs.

At the end of the quarter, Audeara remained well-capitalised to continue its growth strategy with \$4.5 million in cash on hand.

Payments to related parties for Directors' fees was \$110k for the quarter. There were no other related party payments in the quarter.

Use of Funds Statement

Use of funds	Total use of funds included in AUA Prospectus \$'000	Expenditure in Q1 FY22 \$'000	Total expenditure \$'000
Product development	850	8	68
Investment in resources to scale the business	3,700	764	959
Working capital	1,616	447	826
Cost of the Offer and Listing	834	26	878
Total	7,000	1,245	2,731

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

Shares on issue

As at 30 September 2021, there were 105,000,000 shares on issue, of which 40,800,678 are subject to escrow through to 10 May 2024.

Options on issue

During the quarter, Audeara cancelled 462,500 unlisted options due to staff turnover.

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

This announcement was authorised by the Board of Audeara Limited

To learn more please visit: www.audeara.com

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ABOUT AUDEARA

Audeara makes **Perfect sound, always.**

Audeara Ltd (ASX: AUA) is a hearing health technology company that uses a hearing profile algorithm to personalise sound output to the needs of the listener.

Audeara delivers high-quality personalised audio to users. Categorised as an assistive listening device (ALD), Audeara's flagship A-01 headphones can be paired with Audeara's mobile application (the Audeara App). The app uses a proprietary personalisation algorithm to calibrate the headphones for an individual's unique hearing profile. The user experiences superior sound and quality, while using mainstream applications like watching movies and television, listening to music, video conferencing and gaming.

The company sells its products through distributors and resellers in Australia and the United States, and via e-commerce channels.