

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 2022
Previous period:	For the year ended 30 June 2021

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	85.4% to	2,067,411
Loss from ordinary activities after tax attributable to the owners of Audeara Limited	up	135.7% to	(2,954,057)
Loss for the year attributable to the owners of Audeara Limited	up	135.7% to	(2,954,057)
		2022	2021
		Cents	Cents
Basic earnings per share		(2.80)	(1.91)
Diluted earnings per share		(2.80)	(1.91)

Dividends

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

Commentary on the Results

The loss for the Company after providing for income tax amounted to \$2,954,057 (30 June 2021: \$1,253,415). The Company experienced strong revenue growth of 85% to \$2,067,411 (30 June 2021: \$1,115,125) on the back of investment in new products and expanding domestic and international markets.

Review of Operations

Domestic Clinic Growth

Over this previous financial year, we have continued to see a strong growth from 725 to 1,370 local clinics stocking Audeara product. The largest single factor in the growth in clinic numbers came from the supply agreements secured with several large clinic chains. We use our clinic stocking numbers as a forward indicator of revenue capacity as the clinics serve as our primary distribution channel in the current business model i.e., the more clinics stocking our product, the more end users have access to the product which drives higher 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. Once clinic groups stock Audeara products, improving unit sales per clinic becomes a future growth avenue.

International Expansion

The Company has expanded operations to include two personnel in the United States and one person within Europe. Initial sales in the United States have been modest as the distribution channels are negotiated. A focus on execution and traction in the United States market is being reviewed before further resources are deployed in this region. The expansion to Europe was initiated ahead of planned expansion on the back of greater than expected interest from European companies. European operations have started towards the end of the financial year and have not generated any material

sales, however negotiations have resulted in Audeara being selected as an approved supplier to an Italian based international clinic group providing access to their regional purchasing organisations.

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 was realised in the 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.

Strengthening the team

The Company continues to strengthen its team with the addition of highly experienced Non-Executive Director Dr Elaine Saunders to the Board. Dr Saunders has brought a wealth of experience and knowledge in the hearing health industry. Mr Bill Peng has assisted the Company with extensive international experience in medical instrument manufacturing and sales within the Asia Pacific region. Mr Peng has subsequently joined the Board as an Executive Director and taken up the role within the Company of Director of Growth and Corporate Partnerships.

Raising Capital

The Company announced in June, it had completed a A\$1.0m placement with a strategic investor, Mr Hsin-Chieh "Bill" Peng. The Company issued 10,000,000 shares at a price of \$0.10 per share, which represented an 11% premium at the time.

With the cost of initially stocking new sales channels, and the resultant growth expected in monthly sales, the funds from the placement will be used to provide working capital for an expanding sales team, forward stock ordering and logistics.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>3.51</u>	<u>5.38</u>

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.

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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.

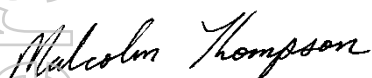
10. Audit statement

An audit of the financial statements is currently in progress.

11. Attachments

The Appendix 4E - Preliminary Final Report of Audeara Limited for the year ended 30 June 2022 is attached.

12. Signed



Malcolm Thompson
Company Secretary

Date: 31 August 2022

Audeara Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	2022 \$	2021 \$
Revenue			
Revenue	4	2,067,411	1,115,124
Cost of sales		(1,121,299)	(604,795)
Gross profit		<u>946,112</u>	<u>510,329</u>
Other income		266,439	496,429
Interest revenue		-	12
Expenses			
Administration, marketing and selling		(538,527)	(96,811)
Contractors		(417,300)	(196,110)
Depreciation and amortisation expense		(123,042)	(55,166)
Employee benefits expense		(2,219,574)	(1,111,365)
Foreign currency (losses)/gains		(22,055)	4,043
Insurance		(82,775)	(26,293)
Listing and share registry		(158,385)	(10,881)
Research and development		(165,707)	(95,357)
Professional fees - legal, accounting and audit		(158,477)	(48,421)
Transaction costs in connection with the IPO		(17,108)	(429,239)
Travel		(95,794)	(433)
Other expenses		(152,200)	(75,664)
Finance costs		(15,664)	(118,488)
Total expenses		<u>(4,166,608)</u>	<u>(2,260,185)</u>
Loss before income tax expense		(2,954,057)	(1,253,415)
Income tax expense		-	-
Loss after income tax expense for the year attributable to the owners of Audeara Limited		(2,954,057)	(1,253,415)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Audeara Limited		<u>(2,954,057)</u>	<u>(1,253,415)</u>
		Cents	Cents
Basic earnings per share	17	(2.80)	(1.91)
Diluted earnings per share	17	(2.80)	(1.91)

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 2022

	Note	2022 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents	5	2,869,588	5,737,612
Trade and other receivables	6	785,655	349,951
Inventories	7	764,942	291,420
Other assets	8	700,748	130,920
Total current assets		<u>5,120,933</u>	<u>6,509,903</u>
Non-current assets			
Property, plant and equipment	9	153,871	3,763
Right-of-use assets	10	173,444	11,259
Intangibles		46,654	49,448
Total non-current assets		<u>373,969</u>	<u>64,470</u>
Total assets		<u>5,494,902</u>	<u>6,574,373</u>
Liabilities			
Current liabilities			
Trade and other payables	11	726,016	405,969
Contract liabilities	12	144,519	-
Borrowings		67,652	54,790
Lease liabilities	13	79,664	12,811
Employee benefits		186,856	143,971
Provisions		31,930	16,709
Total current liabilities		<u>1,236,637</u>	<u>634,250</u>
Non-current liabilities			
Lease liabilities	13	127,790	-
Employee benefits		45,564	31,513
Total non-current liabilities		<u>173,354</u>	<u>31,513</u>
Total liabilities		<u>1,409,991</u>	<u>665,763</u>
Net assets		<u>4,084,911</u>	<u>5,908,610</u>
Equity			
Issued capital	14	11,170,383	10,206,901
Reserves	15	191,177	24,301
Accumulated losses		<u>(7,276,649)</u>	<u>(4,322,592)</u>
Total equity		<u>4,084,911</u>	<u>5,908,610</u>

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 2022

	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)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 14)	8,230,698	-	-	8,230,698
Share-based payments	-	24,301	-	24,301
Balance at 30 June 2021	<u>10,206,901</u>	<u>24,301</u>	<u>(4,322,592)</u>	<u>5,908,610</u>

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	10,206,901	24,301	(4,322,592)	5,908,610
Loss after income tax expense for the year	-	-	(2,954,057)	(2,954,057)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(2,954,057)	(2,954,057)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 14)	963,482	-	-	963,482
Share-based payments	-	166,876	-	166,876
Balance at 30 June 2022	<u>11,170,383</u>	<u>191,177</u>	<u>(7,276,649)</u>	<u>4,084,911</u>

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 2022

	Note	2022 \$	2021 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,042,215	1,414,309
Payments to suppliers and employees (inclusive of GST)		<u>(5,824,896)</u>	<u>(2,709,376)</u>
		(3,782,681)	(1,295,067)
Interest received		-	12
Research and development tax incentive		219,856	218,623
Interest and other finance costs paid		<u>(15,664)</u>	<u>(5,979)</u>
Net cash used in operating activities		<u>(3,578,489)</u>	<u>(1,082,411)</u>
Cash flows from investing activities			
Payments for property, plant and equipment	9	(201,281)	(5,952)
Payments for intangibles		-	(17,763)
Payments for security deposits		<u>(27,981)</u>	<u>-</u>
Net cash used in investing activities		<u>(229,262)</u>	<u>(23,715)</u>
Cash flows from financing activities			
Proceeds from issue of shares	14	1,000,000	7,000,000
Proceeds from issue of convertible notes		-	743,961
Proceeds from insurance premium funding		111,956	83,229
Repayment of related party loan		-	(178,660)
Repayment of insurance premium funding		(99,094)	(28,439)
Repayment of lease liabilities		(36,617)	(49,921)
Share issue transaction costs		<u>(36,518)</u>	<u>(474,094)</u>
Net cash from financing activities		<u>939,727</u>	<u>7,096,076</u>
Net increase/(decrease) in cash and cash equivalents		(2,868,024)	5,989,950
Cash and cash equivalents at the beginning of the financial year		<u>5,737,612</u>	<u>(252,338)</u>
Cash and cash equivalents at the end of the financial year	5	<u><u>2,869,588</u></u>	<u><u>5,737,612</u></u>

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

Note 1. Statement of significant accounting policies

Statement of compliance

This preliminary final report (the Report) is to be read in conjunction with any public announcements made by Audeara Limited during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Australian Securities Exchange Listing Rules.

The preliminary final report has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board and the Corporations Act 2001.

The Report is presented in Australian dollars, which is the functional currency of Audeara Limited and has been prepared on the basis of historical cost except in accordance with relevant accounting policies where assets and liabilities are stated at their fair values.

Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year.

Comparatives

Where necessary, comparative figures have been adjusted to comply with the changes in presentation in the current period.

Note 2. 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.

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 3. 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.

Audeara Limited
Notes to the financial statements
30 June 2022

Note 4. Revenue (continued)

Note 4. Revenue

	2022	2021
	\$	\$
Revenue from contracts with customers		
Sale of goods - Wholesale	1,901,963	1,081,294
Sale of goods - Retail	165,448	33,830
	<u>2,067,411</u>	<u>1,115,124</u>

Disaggregation of revenue from contracts with customers

	2022	2021
	\$	\$
Primary geographical markets		
Australia	2,005,441	1,115,124
North America	61,970	-
	<u>2,067,411</u>	<u>1,115,124</u>

Major customer

Revenues from one customer in Sales of goods - Wholesale, represented approximately \$811,850 or 39% (2021: \$575,000 or 52%) of the Company's total revenue.

Note 5. Cash and cash equivalents

	2022	2021
	\$	\$
<i>Current assets</i>		
Cash on hand	1,201	1,201
Cash at bank	2,868,387	5,736,411
	<u>2,869,588</u>	<u>5,737,612</u>

Note 6. Trade and other receivables

	2022	2021
	\$	\$
<i>Current assets</i>		
Trade receivables	525,406	130,095
Other receivables	10,249	-
Research and development tax incentive	250,000	219,856
	<u>785,655</u>	<u>349,951</u>

Audeara Limited
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Note 7. Inventories

	2022	2021
	\$	\$
<i>Current assets</i>		
Stock in transit - at cost	220,121	168,852
Stock on hand - at cost	544,821	122,568
	<u>764,942</u>	<u>291,420</u>

Note 8. Other assets

	2022	2021
	\$	\$
<i>Current assets</i>		
Prepayments	277,823	64,041
Security deposits	41,731	13,750
Other deposits	381,194	53,129
	<u>700,748</u>	<u>130,920</u>

Note 9. Property, plant and equipment

	2022	2021
	\$	\$
<i>Non-current assets</i>		
Computer equipment - at cost	207,233	5,952
Less: Accumulated depreciation	(53,362)	(2,189)
	<u>153,871</u>	<u>3,763</u>

Reconciliations

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

	Computer equipment \$
Balance at 1 July 2020	-
Additions	5,952
Depreciation expense	<u>(2,189)</u>
Balance at 30 June 2021	3,763
Additions	201,281
Depreciation expense	<u>(51,173)</u>
Balance at 30 June 2022	<u>153,871</u>

Audeara Limited
Notes to the financial statements
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Note 10. Right-of-use assets

	2022	2021
	\$	\$
<i>Non-current assets</i>		
Buildings - right-of-use	231,260	90,072
Less: Accumulated depreciation	<u>(57,816)</u>	<u>(78,813)</u>
	<u><u>173,444</u></u>	<u><u>11,259</u></u>

During the year, the Company entered into a new lease for office premises. The new lease is for 3 years and the Company has the option to renew for a further 3 years.

Reconciliations

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

	Buildings
	\$
Balance at 1 July 2020	56,295
Depreciation expense	<u>(45,036)</u>
Balance at 30 June 2021	11,259
Additions	231,260
Depreciation expense	<u>(69,075)</u>
Balance at 30 June 2022	<u><u>173,444</u></u>

Note 11. Trade and other payables

	2022	2021
	\$	\$
<i>Current liabilities</i>		
Trade payables	426,274	259,791
Accrued expenses	217,858	92,670
BAS payable	59,760	41,089
Other payables	<u>22,124</u>	<u>12,419</u>
	<u><u>726,016</u></u>	<u><u>405,969</u></u>

Note 12. Contract liabilities

	2022	2021
	\$	\$
<i>Current liabilities</i>		
Contract liabilities	<u>144,519</u>	<u>-</u>

Audeara Limited
Notes to the financial statements
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Note 13. Lease liabilities

	2022 \$	2021 \$
<i>Current liabilities</i>		
Lease liability	79,664	12,811
<i>Non-current liabilities</i>		
Lease liability	127,790	-
	<u>207,454</u>	<u>12,811</u>

Note 14. Issued capital

	2022 Shares	2021 Shares	2022 \$	2021 \$
Ordinary shares - fully paid	<u>115,000,000</u>	<u>105,000,000</u>	<u>11,170,383</u>	<u>10,206,901</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2020	4,051		1,976,203
Share split (a)	18 March 2021	59,340,996	\$0.00	-
Conversion of convertible notes (b)	6 May 2021	10,654,953	\$0.16	1,704,792
Initial Public Offering (c)	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
Shares issued to strategic investor (d)	7 June 2022	10,000,000	\$0.10	1,000,000
Share issue costs				(36,518)
Balance	30 June 2022	<u>115,000,000</u>		<u>11,170,383</u>

(a) 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.

(b) Conversion of convertible notes

On 6 May 2021, convertible notes issued by the Company were converted into ordinary shares in Audeara Limited at 16 cents per share representing a 20% discount on the IPO issuance price.

(c) Initial Public Offering (IPO)

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 prior reporting period.

(d) Share issue to strategic investor

On 7 June 2022, the Company issued 10,000,000 ordinary shares at a price of \$0.10 per share to BP Peng Pty Ltd aff BP Peng Trust as part of an arrangement with the strategic investor, Mr Hsin-Chieh "Bill" Peng to raise working capital for an expanding sales team, forward stock ordering and logistics.

Audeara Limited
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Note 15. Reserves

	2022	2021
	\$	\$
Share-based payments reserve	<u>191,177</u>	<u>24,301</u>

Note 16. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 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 17. Earnings per share

	2022	2021
	\$	\$
Loss after income tax attributable to the owners of Audeara Limited	<u>(2,954,057)</u>	<u>(1,253,415)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>105,630,137</u>	<u>65,582,519</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>105,630,137</u>	<u>65,582,519</u>
	Cents	Cents
Basic earnings per share	(2.80)	(1.91)
Diluted earnings per share	(2.80)	(1.91)