

A U D E A R A

PROSPECTUS

Audeara Limited (ACN 604 368 443)

Initial Public Offering

For an offer of 35,000,000 Shares at an issue
price of \$0.20 per Share to raise \$7,000,000

Lead Manager and Underwriter: Morgans Corporate Limited

An investment in the Company's securities is speculative.

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IMPORTANT NOTICES

Offer

This Prospectus is issued by Audeara Limited (ACN 604 368 443) (Audeara or Company) for the purposes of Chapter 6D of the *Corporations Act 2001* (Cth) (Corporations Act). The Offer contained in this Prospectus is an initial public offering to acquire fully paid ordinary shares in the Company (Shares). See Section 9 for further information on the Offer, including as to details of the Shares that will be issued under this Prospectus.

Lodgement and listing

This Prospectus is dated 31 March 2021 (Prospectus Date) and was lodged with the Australian Securities and Investments Commission (ASIC) on that date. The Company will apply to Australian Securities Exchange (ASX) within seven days after the Prospectus Date for admission of the Company to the Official List and quotation of its Shares on ASX (including those offered by this Prospectus). Neither ASIC nor ASX, or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment set out in this Prospectus.

The Company, the Share Registry, and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements.

Expiry Date

This Prospectus expires on the date which is 13 months after the Prospectus Date (Expiry Date). No Shares will be issued or transferred on the basis of this Prospectus after the Expiry Date.

Not investment advice

The information contained in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company.

In particular, you should consider the assumptions underlying the Financial Information and the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your investment objectives, financial situation and personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether or not to invest in the Company. Some of the key risk factors that should be considered by prospective investors are set out in Section 4. There may be other risk factors in addition to the risks in Section 4 that should be considered in light of your personal circumstances.

No person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company or the repayment of capital by the Company or any return on investment in Shares made pursuant to this Prospectus.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company, the Directors, the Lead Manager or any other person in connection with the Offer. You should rely only on information contained in this Prospectus.

Financial information presentation

Section 6 sets out in detail the financial information referred to in this Prospectus and the basis of preparation of that information. All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest \$1,000 unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

Forward looking statements

This Prospectus contains forward looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties. Any forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements, many of which are beyond the control of the Company. The forward looking statements should be read in conjunction with, and qualified by reference to, the risk factors as set out in Section 4.

The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on such forward looking statements. The Company does not intend to update or revise forward looking statements, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

This Prospectus, including the Market Report in Section 2, and Company Overview in Section 3, uses market data and third party estimates and projections. The Company has obtained significant portions of this information from market research prepared by third parties. There is no assurance that any of the third party estimates or projections contained in this information will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 4.

Statements of past performance

This Prospectus includes information regarding past performance of Audeara and prospective investors

should be aware that past performance is not, and should not be relied upon as being indicative of future performance.

Selling restrictions

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would be unlawful to make such offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares, in any jurisdiction outside Australia.

The taxation treatment of Australian securities may not be the same as those for securities in foreign jurisdictions.

The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed to, or relied upon by, persons in the United States. The Shares have not been, and will not be, registered under the United States Securities Act of 1933 (US Securities Act) or the securities laws of any state of the United States, and may not be offered or sold in the United States, except in a transaction exempt from, or not subject to, registration under the United States Securities Act and applicable US state securities laws.

For details of selling restrictions that apply to the Offer and the sale of Shares in certain jurisdictions outside of Australia, please refer to Section 10.12.

Exposure Period

The Corporations Act prohibits the Company from processing Applications for Shares in the seven day period after the Prospectus Date (Exposure Period). ASIC may extend this period by up to a further seven days (that is, up to a total of 14 days). The purpose of the Exposure Period is to enable the

Prospectus to be examined by market participants prior to the raising of the funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be given to Applications received during the Exposure Period.

Prospectus availability

During the Offer period, a paper copy of this Prospectus is available free of charge to any person in Australia by calling the Audeara IPO Information Line on 1300 214 698 (within Australia) and +61 3 9415 4227 (outside Australia) from 8.30am to 5.00pm (Sydney time), Monday to Friday (excluding public holidays). This Prospectus is also available to persons who are Australian residents in electronic form at the Offer website <https://audearaoffer.thereachagency.com>.

The Offer constituted by this Prospectus in electronic form is available only to persons downloading or printing it within Australia. Persons who access the electronic version of this Prospectus must ensure that they download and read the entire Prospectus.

Applications

Applications may be made only during the Offer period on the Broker Firm Offer Application Form (in general referred to as Application Form) attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form which must be downloaded in its entirety from <https://audearaoffer.thereachagency.com>. By making an Application, you represent and warrant that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus.

Offer management

The Offer is being arranged and managed by Morgans.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Defined terms and abbreviations

Some words and expressions used in this Prospectus have defined meanings, which are explained in the Glossary. Unless otherwise stated or implied, a reference to time in this Prospectus is to Sydney time. Unless otherwise stated or implied, references to dates or years are calendar year references. All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and the sum of components in tables contained in this Prospectus are due to rounding.

Privacy

By completing an Application Form to apply for Shares, you are providing personal information to the Company, through its service provider, Computershare (Share Registry), which is contracted by or on behalf of the Company to manage Applications. The Company and the Share Registry on its behalf, may collect, hold and use that personal information in order to process your Application, provide facilities and services that you request and administer the Company. If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time-to-time to inform you about other products and services offered by the Company, which it considers may be of interest to you. Your personal information may also be provided to the Company's members, agents and services providers on the basis that they deal with such information in accordance with

the Company's privacy policy and applicable laws. The members, agents and service providers of the Company may be located outside Australia where your personal information may not receive the same level of protection as afforded under Australian law.

The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- (a) the Share Registry for ongoing administration of the register of members;
- (b) printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- (c) market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- (d) legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by or on behalf of the Company. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Company Website

The Company maintains a website at www.audeara.com. Any references to documents included on the Company's website are for convenience only, and information contained in or otherwise accessible through this or a related website is not a part of this Prospectus.

Investigating Accountant's Report and Financial Services Guide

The provider of the Investigating Accountant's Report is required to provide Australian retail investors with a financial services guide in relation to its independent review under the Corporations Act (Financial Services Guide). The Investigating Accountant's Report and Financial Services Guide is provided in Section 7.

Questions

If you have any questions about how to apply for Shares, please call your Broker. Instructions on how to apply for Shares are set out in Section 9 of this Prospectus and on the back of the Application Form. Alternatively, call the Audeara IPO Offer Information Line on 1300 214 698 (within Australia) and +61 3 9415 4227 (outside Australia) from 8:30am to 5:00pm (Sydney time) Monday to Friday (excluding public holidays).

If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, Broker, lawyer or other professional adviser before deciding whether to invest in Company.

This Prospectus is important and should be read in its entirety.

An investment in the Company's securities is speculative.

Offer Statistics and Key Dates

Offer Statistics	
Offer Price	\$0.20 per Share
Gross cash proceeds from the Offer ¹	\$7,000,000
Total number of New Shares to be issued by Audeara under the Offer	35,000,000
Total number of Shares on issue on Completion of the Offer	105,000,000
Total number of Shares to be held by Existing Owners at Completion of the Offer	70,000,000
Total number of Options on issue at Completion of the Offer ²	3,950,000 ³
Market capitalisation at the Offer Price	\$21,000,000
Pro forma net cash on Completion of the Offer	\$6,062,000
Enterprise Value	\$14,938,000

1. The Offer consists of the Broker Firm Offer (refer to Section 9.11) and the Institutional Offer (refer to section 9.14).
2. Refer to Section 10.7 for the terms of issue of the Options.
3. Includes 2,000,000 Options to be issued to related parties and 1,950,000 Options to be issued to employees and contractors. Refer to Sections 5.4 and 5.10 for details of related party remuneration and interests in the Company's securities.

Key Dates	
Prospectus Date	31 March 2021
Retail Offer opens	28 April 2021
Retail Offer closes	5 May 2021
Settlement of the Offer	7 May 2021
Issue of Shares under the Offer (Completion of the Offer)	10 May 2021
Expected despatch of holding statements	12 May 2021
Shares expected to begin trading on the ASX on a normal settlement basis	14 May 2021

Dates May Change

The dates above are indicative only and may change without notice. The Company and the Lead Manager reserve the right to vary any and all of the times and dates of the Offer without prior notice (including, subject to the ASX Listing Rules, the Corporations Act and other applicable laws, to close the Offer early, extend the date the Offer closes, to accept late Applications or to cancel the Offer before Settlement). If the Offer is cancelled before the issue of Shares, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Applicants are encouraged to submit their Application

Forms as soon as possible after the Offer opens.

No cooling-off rights apply to the Offer. The admission of the Company to the Official List and the quotation and commencement of trading of the Shares is subject to confirmation from the ASX.

Unless otherwise indicated, all times stated throughout the Prospectus are Sydney time.

How to invest

Applications for Shares can be made in accordance with the procedures described in this Prospectus. Instructions on how to apply for Shares are set out in Section 9 and on the back of the Application Form.

CHAIR'S LETTER

Dear Investor,

On behalf of the Board, it is my pleasure to offer you the opportunity to become a shareholder of Audeara Limited (**Audeara** or the **Company**).

Audeara was incorporated on 23 February 2015 by Brisbane based doctors and engineers, Dr James Fielding, Dr Chris Jeffery and Alex Afflick. Audeara is a hearing health technology company that has developed a hearing profile algorithm used to personalise sound output to the needs of the individual. The first product to be designed, commercialised and produced is the Audeara A-01 headphone with accompanying BT-01 Bluetooth transceiver.

We are striving to build a unique Australian hearing health technology company and leverage our brand in our core market segments. We focus on customers who use our solution to tailor sound to their unique hearing profile. This is primarily achieved by selling through audiology clinics. By doing so, we hope to enhance the experience of sound for millions of people, both in Australia and internationally.

Our platform allows customers with hearing deficits to enjoy sound personalised for their unique hearing profile, offering a superior sound experience and quality. We are driven by increasing awareness about the importance of hearing health and encouraging users to avoid the use of high volume as a substitute for premium sound quality. We believe in a world that sounds better, not louder. In achieving this aim, we are proud to partner with leading global audiology chains, as well as local independents, who offer our products from a position of educated authority. In recognition of our value to this community, we are registered with the Federal Government Operated Hearing Services Program (HSP), the National Disability

Insurance Scheme (NDIS) and available through the Department of Veterans' Affairs Rehabilitation Appliances Program (RAP).

Audeara's first commercialised products have demonstrated sales growth and validate our brand's potential. We've secured framework distribution agreements in the US and Europe with potential to serve as our platform for international expansion into a \$5.7 Billion USD market. The Offer will position Audeara to support the growth of our reseller network in Australia and grow that network abroad. This includes an expansion of our product offering, increased production capacity and increased sales and marketing capability.

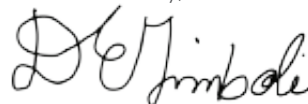
In support of these growth opportunities, Audeara is now seeking to raise \$7,000,000 through the issue of 35,000,000 New Shares at the Offer Price of \$0.20 per Share.

This Prospectus contains detailed information about the Offer, the industry sectors in which Audeara operates, and the historical financial information of Audeara, as well as the key risks associated with an investment in the Company. These key risks are set out in Section 4.

It is important that you to read this Prospectus carefully, and in its entirety, before deciding whether to invest in the Company.

On behalf of the Board of Directors, I look forward to welcoming you as a Shareholder.

Yours Sincerely,



David Trimboli
Chair

SECTION 1

Investment Overview

1.1 Introduction

Topic	Summary	Section
Who is Audeara and what does it do?	Audeara was incorporated on 23 February 2015, founded by Brisbane based doctors and engineers, Dr James Fielding, Dr Chris Jeffery and Alex Afflick. Audeara is a hearing health technology company that has developed a hearing profile algorithm used to personalise sound output to the needs of the individual. The first product to be designed, commercialised and produced is the Audeara A-01 headphone with accompanying BT-01 Bluetooth transceiver. Audeara's mobile application (the Audeara App) uses a proprietary personalisation algorithm and software interface to produce tailored audio for users of associated audio listening devices. Audeara's technology platform allows customers to enjoy sound personalised for their unique hearing profile, offering a superior sound experience and quality, while promoting the importance of their hearing health. Audeara's A-01 product offering is noise-cancelling consumer headphones that deliver high-quality and personalised audio to users. The headphones are designed for use in mainstream applications, such as listening to music, streaming movies, and television, video chat and PC and console gaming. Audeara's headphones may be categorised as assistive listening devices (ALDs).	Section 3
What is Audeara's technology?	Audeara's technology platform is an audio personalisation system. It uses a processor that communicates with a user via the Audeara App and an audio transducer that, responsive to the processor, delivers modulated sound to the user via an audio listening device. Audeara uses its App to create a personalised hearing profile for the user. Based on that profile, output from Audeara's audio devices is modified so that it is optimised for the user, offering improved sound quality at a lower volume. The platform aims to deliver enhanced sound quality for the user, while engaging with the user about the importance of their hearing health. The current offering from Audeara is not a medical device, but instead, aims to encourage interaction with trained audiological professionals.	Section 3.3

Topic	Summary	Section
What industry does Audeara operate in?	While falling within the broader headphones market, the hearing health niche is Audeara's core market for which its products were developed. Since its inception in 2015, Audeara has leveraged its hearing health technology to establish itself as an emerging supplier of headphones into the hearing health market in Australia. Audeara is positioned to commence expansion internationally into the USA, the UK, rest of Europe and the Asia-Pacific regions.	Sections 2 and 3
Why is the Offer being conducted?	The Offer is being conducted to provide Audeara with capital to: (a) build scale in Audeara's core hearing health market in Australia by expanding its reseller network to position the Company for larger sales volumes; (b) expand and diversify its core products to cater for additional market segments it has chosen to pursue in Australia and overseas; (c) enhance and facilitate greater commercial opportunities for its business and provide a platform for growth; (d) provide greater access to capital markets to enable the Company to pursue the growth and expansion of its Business and to provide a liquid market for its shares; and (e) enhance and facilitate greater commercial opportunities for its business and provide a platform for growth.	Sections 3.14 and 9.4

1.2 Key features of Audeara

Topic	Summary	Section
How does Audeara generate revenue?	Audeara currently generates revenue through sales of its A-01 headphones and BT-01 bluetooth transceiver. Audeara plans to generate additional revenue by: (a) increasing sales volume of its existing products, expanding its product offerings and entering new markets, in a staged and disciplined manner; (b) exploring technology licensing models in the future in non-core markets; and (c) exploring and pursuing where appropriate, applications of its technology as a medical device.	Section 3, 3.4 and 3.11

Topic	Summary	Section
Who are Audeara's customers?	Audeara has established relationships with retail partners in the Australian hearing health market, including chains of audiologists and new market entrants such as opticians offering hearing health services. To this end, Audeara has entered into reseller agreements with major players in the Australian hearing health market, including the Federal Government-operated Hearing Australia.	Sections 2, 3 and 3.12
Where are the operations of Audeara located?	Audeara's head office is located in Brisbane, Australia. Audeara's products are manufactured through a third party manufacturer in Shenzhen, China.	Section 3
Who are Audeara's competitors?	Within the hearing health market, specifically in audiology clinics, there are a number of options open to persons seeking to improve the quality of their listening experience. These include hearing aids (in some cases, with Bluetooth capability) or other hearing aid compatible streaming and assistive listening devices. Audeara's primary direct competitor for its headphones in audiology clinics is the Sennheiser range of hearing health products, which may be substituted for Audeara's products, based on personal preference. Within the broader headphones market, there are other product offerings in segments not currently being pursued by Audeara.	Sections 2 and 3.18
What is Audeara's growth strategy?	Audeara's priority is to expand its reseller network to additional outlets in Australia as its core market, followed by international expansion using a similar third party sales model in each market. Audeara has entered into framework distribution agreements covering the USA, and Germany as well as the Asia-Pacific, with the intention to develop these markets with additional resources generated by the Offer. Audeara hopes to expand its product offering by adapting its technology for use in other devices in future. Audeara's proprietary technology platform is scalable and can be leveraged into other hearing devices and markets. This creates potential for Audeara's products to penetrate the broader headphones market in niche segments where a focus on hearing health has been or may be developed, such as gaming and education. Audeara may explore registration as a medical device to capitalise on the capabilities of the technology platform for formalised medical applications in future. Such opportunities include the use of the technology in a hearing screening device, a formal diagnostic device and a hearing protection and exposure monitoring device.	Sections 2, 3.8 and 3.14

Topic	Summary	Section
What are the key advantages of an investment in Audeara?	The Directors are of the view that an investment in Audeara provides the following non-exhaustive list of advantages: (a) Revenue generating: Audeara is revenue generating with \$965,0000 in revenues for the twelve month period to 31 December 2020, based on the first two fully commercialised products driven by its technology platform, while servicing only a small portion of Audeara's addressable market; (b) Proprietary technology platform: Audeara has developed a proprietary technology platform protected by patents that drives and differentiates its products; the first product using this technology has been commercialised; (c) Addressable market: Audeara is addressing the hearing health market segment that is growing along with the strong growth in the wider headphones market. Consumers are becoming more health conscious, which is helping to drive growth in the hearing health niche; (d) Distribution network: Audeara has developed a strong sales and distribution channel through relationships with audiology clinics and other providers of audiology services and is actively working to expand this network. This is, in part, due to positioning its devices as complimentary to hearing aids and cochlear implants; (e) Government funding: Audeara is an accredited NDIS provider and both the NDIS and other government subsidised programs, such as the HSP and Department of Veterans' Affairs (RAP), fully fund the provision of Audeara's products to eligible program participants; (f) Approvals: Audeara's products have received certification under electronic devices regulation in Australia and other key markets; (g) Scalable business model: Audeara's technology platform is scalable and can be leveraged across multiple market segments and channels; (h) Continued investment in technology development: Audeara intends to invest in further development efforts to improve and expand its technology platform and products; (i) Few direct competitors: Audeara's niche marketing approach through third party resellers and distributors has positioned Audeara in the hearing health segment where there are few direct competitors; and (j) Management team: Audeara has a highly credible and experienced team to progress the ongoing development and expansion of the Company's technology and business.	Section 3.7

Topic	Summary	Section
What is Audeara's key financial information?	Audeara is currently making an annual loss. This is not unexpected for a company in a growth phase. Year on year wholesale revenue growth was 110% to 30 June 2020. A summary of the financial history of the Company is in the Financial Information Section in Section 6.	Section 6
What is Audeara's dividend policy?	The Board can provide no guarantee as to the extent of future dividends, as these will depend on, among other things, the actual levels of profitability and the financial and taxation position of the Company at the time.	Section 10.13

1.3 Key risks for the Company

There are a number of potential risks associated with the Company in which it operates in, which may impact their financial performance. Some of the risks are summarised below and are described in Section 4.

Topic	Summary	Section
Customer concentration	As at the date of this Prospectus, Audeara currently has significant customer concentration through sales into the Federal Government operated Hearing Australia. While Audeara is growing revenue through other partners and aims to broaden its customer base, loss of key customers at this stage would be materially adverse to Audeara.	Section 4.2(a)
Hearing Services Program (HSP) and NDIS program risk	Audeara is included on the Appointed Supplier Contact List and Fully Subsidised Device Schedule of the HSP and is also a registered provider of hearing equipment and assistive products for personal care and safety in all states (except Western Australia) under the NDIS. Should Audeara lose its status as a HSP authorised supplier or NDIS provider in the short to medium term, the result will be materially adverse to the Company.	Section 4.2(b)
Government funding	Currently, Audeara's sales in Australia are driven by availability of government funding schemes to end-users of its devices. Should such funding cease to be available or should the criteria by which persons qualify for such funding change, there is a risk that there may be an adverse impact on sales of Audeara devices and as a result, on Audeara's financial performance.	Section 4.2(c)
Loss of key customers	Audeara could lose key customers due to a range of events. The loss of any one or more of the Company's material customer contracts will materially and adversely affect Audeara's revenue, profitability and growth.	Section 4.2(d)

Topic	Summary	Section
Loss making operation, future capital needs and additional funding	As at the date of this Prospectus and as set out in Section 6, Audeara is currently loss making and is not cash flow positive. Although the Directors consider that the Company will, on Completion of the Offer, have sufficient working capital to carry out its stated objectives, there can be no assurance that such objectives can continue to be met in the future without securing further funding. Should Audeara require additional funding, there can be no assurance that additional financing will be available on acceptable terms or at all. Any inability to obtain additional financing, if required, would have a material adverse effect on the Audeara's business, financial condition and results of operations.	Section 4.2(e)
Early stage business and market risks	Audeara's business is at an early stage of development with products that have only recently been commercialised. With a limited trading and product sales history, there is low visibility on the future demand for the Company's products, within Australia or overseas. The ongoing and future demand for the Company's products, in existing and target markets, is still being established and is uncertain. There is a risk that there may not be sufficient demand for the Company's products for their ultimate sustainable commercial exploitation.	Section 4.2(f)
Dilution risk	If Audeara needs to raise capital in future, Existing Shareholders may be diluted, although the Directors will seek to mitigate dilution with pro rata entitlement offers, where deemed appropriate.	Section 4.2(g)
Additional Requirements for Capital	The funds raised under the Offer are considered sufficient to meet the Company's budgeted expenditure over the first two years, as set out in Sections 9.5 and 9.6. Additional funding may be required if operational costs exceed Audeara's estimates and will be required once those funds are depleted. Failure to obtain sufficient financing for Audeara's activities may result in delay or abandonment of its strategy. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.	Section 4.2(h)
Future profitability is uncertain	Audeara is still in the early sales stage for its technology. To date, it has funded its operations principally through issuing securities (both equity and convertible debt securities), seeking research and development tax refunds and by applying for grants. There is no guarantee that Audeara will be able to grow its product sales through market adoption of its products, the latter being crucial for revenue generation and profitability of the Company. Audeara's ability to operate profitably in the short term will depend on its ability to successfully penetrate its target market in Australia and in the longer term, international markets. If Audeara fails to increase its market share in its key markets, it may never become profitable.	Section 4.2(i)

Topic	Summary	Section
COVID-19	The COVID-19 pandemic has had a material impact on world economic conditions, including Australia, including from resulting government restrictions on the movement of people. This has resulted disruption of supply chains. 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. Such disruptions caused by ongoing outbreaks of COVID-19 or another pandemic may adversely impact the financial performance of the Company.	Section 4.2(j)
Competition from new entrants	Audeara is subject to risk from competitors including the introduction of new and emerging technologies or inventions. Potential future competitors may include companies with substantially greater resources and access to larger markets. Therefore, competitors may succeed in developing products that are more effective or otherwise commercially superior to those developed, or being developed, by Audeara, or which could render Audeara's products obsolete and/or otherwise uncompetitive. To the extent possible, Audeara plans to mitigate this risk by implementation of its own R&D and product development programs over time.	Section 4.2(k)
Risk of superseding technology	There is a risk that new technology will be developed that will supersede Audeara's technology. Additionally, new technologies require significant resources for development and experience lengthy commercialisation timelines. To the extent that Audeara's patent strategy does not secure and obtain monopoly rights, Audeara intends to invest in research and development to mitigate the risk that other competitor technologies will supersede the current and future product offerings developed by Audeara. However, Audeara cannot guarantee that its technology will not be superseded.	Section 4.2(l)
Product pipeline	It is possible that Audeara will not succeed in its research and development endeavours and will be unable to produce a sufficiently wide product range to meet its customers' demands. This may adversely impact the Company's growth strategy.	Section 4.2(m)

Topic	Summary	Section
Product liability risk	Audeara's products consist of aggregated electronic components powered by a lithium ion battery. While Audeara considers the risk to be low, should any Audeara product cause injury to a person, considerable reputational damage may be caused to Audeara from the perspective of its suppliers, customers and regulators. Any resulting injury may also result in a loss of contracts with Audeara's customers, significant product recall costs or compensation payments. All of these circumstances may have a material adverse effect on Audeara's revenue, profitability and growth. It is possible that product warranty or product liability claims against Audeara could arise from defects in products supplied by Audeara. Claims could be made including for product liability or damage or loss arising from defective products.	Section 4.2(n)
Manufacturing risk and concentration	Audeara sources key material components for its devices from third party suppliers and in particular, one key aggregator. The delivery of such components may be delayed, or a specific supplier may not be able to deliver at all. There is a risk that key components provided by third party suppliers may be defective. Audeara's products may be subject to product quality risks, with the effect that Audeara's products may not be functional or meet customer's expectations. Suppliers to Audeara operate production lines that are vulnerable to critical breakdowns, disrupting supply of Audeara's products.	Section 4.2(o)
Supplier risk	Audeara's success is dependent upon its ability to manufacture its products on a commercial scale with outsourced manufacturers, with continuity of supply. Any delays or difficulties in the future manufacture of products, including as a result of unexpected termination of key agreements with the Company's manufacturers, may have a material adverse effect on the Company, including reputational damage.	Section 4.2(p)
New markets risk	Audeara intends to expand its product offerings into new geographies and markets. Entering a new market or segment carries the risk that the product offering does not meet the needs of the market or segment at an acceptable price point, the product does not meet the relevant regulatory standards and/or the underlying intellectual property is not registrable in the market.	Section 4.2(r)
Product price variation	Prices of Audeara's products are affected by variations in market supply and demand. A decrease in demand for Audeara's products may result in Audeara having to reduce the prices of its products, reducing revenue and profit.	Section 4.2(s)

Topic	Summary	Section
Failing to match production to demand	Audeara's objectives are dependent on its ability to meet commercial orders for its products. There is a risk that Audeara will not be able to increase its production capacity quickly enough, while maintaining appropriate quality standards, to meet increased incoming orders. Any inability to meet orders (including as to compliance with quality standards) could result in lost revenue and may also cause reputational damage with particular customers and in the market more broadly, affecting Audeara's financial performance and position.	Section 4.2(t)
Disruption of business operations	Audeara is exposed to a range of operational risks relating to both current and future operations. Such operational risks include equipment failures, IT system failures, external services failures, industrial action or disputes, geopolitical tensions and natural disasters. While Audeara endeavours to take appropriate action to mitigate these operational risks, one or more of these risks may have a material adverse impact on the performance of the Company.	Section 4.2(u)
Intellectual Property risk	There may be circumstances where Audeara's intellectual property cannot be protected or is subject to unauthorised disclosure, infringement or challenge by a third party, causing Audeara to incur significant costs. Enforcing Audeara's intellectual property rights may be an expensive and protracted process for which there can be no guaranteed outcome. Some parties may be able to utilise their greater financial resources to sustain the costs of litigation or proceedings that are greater than resources available to Audeara for that purpose. There can be no assurance that any patents Audeara may own or licence now and in the future will afford Audeara a competitive advantage, commercially significant protection of the intellectual property, or that any of the products that may arise from the intellectual property will have commercial application.	Section 4.2(v)
Information systems and cyber risk	Audeara is reliant on information technology to operate its business. Despite measures Audeara has put in place to protect its network and information which is stored on its systems, it is possible that those measures may be breached or otherwise found to be inadequate. Unauthorised third party access to these information technology systems and the potential theft of client, supplier and other information could expose Audeara to reputational damage, claims by customers, loss of customers, theft, a disruption of supply to clients, legal action and regulatory scrutiny. The failure of the Company to maintain the confidentiality of its information may result in a breach of law and cause significant operational, financial and reputational damage (such as claims from Audeara's customers or end-users) or the imposition of penalties if regulatory action is taken against Audeara.	Section 4.2(w)

Topic	Summary	Section
Insurance risk	Audeara has obtained insurance where it is considered appropriate for its needs. However, Audeara would not expect to be insured against all risks, either if appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue. Accordingly, Audeara may not be fully insured against all losses and liabilities that could arise from its operations. If Audeara incurs losses or liabilities for which it is uninsured, Audeara may be adversely impacted.	Section 4.2(x)
Litigation or claims	In the ordinary course of its business, Audeara may be subject to the risk of litigation and other disputes with its customers, employees, consultants, lessors, regulators and other third parties. Proceedings may result in high legal costs, adverse monetary judgments and/or damage to Audeara's reputation, which ultimately is likely to have an adverse effect on the financial performance of Audeara. As at the date of this Prospectus, Audeara is not facing any legal action, litigation or arbitration.	Section 4.2(y)
Regulatory and accreditation risk	Audeara has the certifications required for supply of its products. Audeara has to satisfy certain requirements to continue supplying its products to resellers for sale through government funded programs such as the NDIS and HSP. The legislative frameworks in Australia and other countries where Audeara may seek to operate may vary without notice and adversely impact the Company. Audeara considers that its devices and software do not require registration under the <i>Therapeutic Goods Act 1989</i> (Cth) as medical devices. However, should this position change or Audeara make the decision for commercial reasons to proceed with registration, Audeara will make changes to its business model with impacts on its revenue and costs.	Section 4.2(z)
Dependence on key personnel	The success of Audeara depends to a significant extent on the ability, performance and experience of its key personnel. The loss of key personnel or an inability to recruit or retain suitable replacement or additional personnel may impact Audeara's ability to develop and implement its strategies, which may have an adverse effect on its future financial performance.	Section 4.2(aa)

Topic	Summary	Section
Reliance on relationships and alliances	Audeara has relationships with government, technical and advisory parties and other stakeholders in its industry, including distributors and resellers, with whom contract terms lack minimum order volumes and whose support for Audeara is relationship based. Audeara's success, in part, depends upon continued successful relationships with these parties. The loss of one or more of these relationships or a change in the nature or terms of one or more of these relationships may have a material adverse impact on the financial position and prospects of Audeara.	Section 4.2(bb) and 4.2(q)
Potential variability in dividend payments	Payment of dividends is at the discretion of the Directors and will be a function of a number of factors, including future capital and research and development requirements, capital management initiatives, the general business environment, operating results and the financial condition of Audeara, potential strategic growth opportunities, taxation considerations, the level of retained earnings and available franking credits and any contractual, legal or regulatory restrictions on the payment of dividends by the Company. The Directors are unable to give any assurance regarding the payment of dividends in the future, if any and if dividends are declared, whether franking credits will attach to dividends.	Section 4.2(cc)
Liquidity and realisation risk	There is currently no public market through which the Shares of Audeara may be sold. On Completion of the Offer, there can be no guarantee that an active market will develop or that the price of Audeara's Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of Audeara's Shares and may prevent investors from acquiring more Shares or disposing of Shares they have acquired under the Offer. It may also affect the prevailing market price at which the Shareholders can sell their Shares. This may result in Shareholders who acquired Shares receiving a market price for their Shares at less or more than the Offer Price. On completion of the Offer: (a) Existing Shareholders will hold 66.67% of Shares on issue; and (b) 44.98% of Shares and 50.63% of Options on issue are expected to be subject to ASX escrow for between 12 months from their date of issue and 24 months from the date of Audeara's listing.	Sections 4.2(dd) and 9.9

Topic	Summary	Section
Risk of force majeure events	Force majeure events, or events beyond the control of the Company, may occur within or outside Australia that could affect the world economy, the operations of Audeara and the price of Shares. These events include war, acts of terrorism, civil disturbance, politician intervention and natural disasters.	Section 4.2(ee)
Research and Development Tax risk	Audeara is eligible for the Australian Government's R&D Tax Incentive program and has historically received the refundable cash R&D Tax Offset, which the Company uses to offset its research and development costs each year. Cash receipts in respect of the R&D Tax Offset scheme amounted to \$461,000 over FY19 and FY20. The impacts on the Financial Information have been discussed in Section 6. The legislation is complex, the issues are technical and should some or all of the Company's previous R&D refunds may be clawed back, this may have a material adverse impact on the Company.	Sections 4.2(ff) and 4.2(gg) and 6
Currency risk and lack of hedging	Audeara is exposed to foreign currency risk, mainly through its foreign currency cash balances, receivables and payables denominated in foreign currencies. Currently, the Company does not have any currency hedging arrangements in place, but this may change if the Directors form the view that the cost of such arrangements is appropriate.	Section 4.2(hh)

1.4 General risks for investors

Some of the risks facing investors in securities in general, are summarised below and set out in more detail in Section 4.3, including risks relating to:

- (a) Securities investments and share market conditions
- (b) Macroeconomic conditions
- (c) Taxation changes
- (d) Accounting Standards changes
- (e) Trade policy
- (f) Unforeseen risks
- (g) Combinations of risks.

1.5 Directors and Management

Topic	Name, Experience	Section
Who are the Directors of the Company?	Dr James Fielding (Founder – CEO & Managing Director) Dr Fielding completed dual bachelor's degrees in Business Management and Biomedical Science at University of Queensland. After working in finance and public relations in New York City, Dr Fielding gained graduate entrance into a Bachelor of Medicine/Bachelor Surgery, earning a scholarship for the University of Queensland's Medical Leadership Program, being an adapted MBA program for medical school students, conferring a Graduate Certificate of Executive Leadership. Dr Fielding has left full time clinical medicine to focus on developing Audeara's business as its Managing Director and Chief Executive Officer.	Section 5.1(b)
	Mr David Trimboli (Non-Executive Chairman) Mr 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.	Section 5.1(a)
	Mr Pasquale Rombola (Non-Executive Director) Mr Rombola has extensive experience in the investment banking industry in Australia, United Kingdom and Asia specialising in Asian and Australian equities at both Morgan Stanley and Deutsche Bank. He held a variety of roles with Morgan Stanley, including Head of the ASEAN Equity and Global Head of the Asia Equity Sales. Mr Rombola 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.	Section 5.1(c)

Topic	Name, Experience	Section
Who are the key management of the Company?	Mr Alex Afflick (Chief Technical Officer) In 2013, Mr Afflick graduated with a Bachelor of Electrical Engineering with honours (majoring in control systems) at Queensland University of Technology, after which he gained industry experience working as a Software Engineer for a specialised systems engineering firm based in Brisbane. In this role, he developed software skills in 3D game development, real-time device messaging and communication frameworks, web application development, and IOT cloud computing for systems engineering applications. Mr Afflick has experience working in a range of industries including underground mining, defence, smart cities and commercial development. Alex is a founder and the technical lead for Audeara, having been instrumental in the company's product development since its inception.	Section 5.2
	Mr Jason Thorogood (Chief Operating Officer) Mr Thorogood has over 25 years' experience in a number of senior roles in London and Zurich. Since coming to Australia in 2014, he has advised a number of start-ups and early venture enterprises. He completed an MBA and MSc from Curtin University, Perth, in 2016. He has been involved with Audeara since 2017 and became a full-time member of the team from January 2019.	
	Peter Harding-Smith (CFO and Company Secretary) Mr Harding-Smith 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). He has over 30 years' experience in company secretarial and financial roles.	

1.6 Significant interests of key Shareholders and related parties

Topic	Summary	Section																																													
Who are the Existing Shareholders and what will their interest be at Completion of the Offer?	<table><thead><tr><th>Holder</th><th>Shares prior to the Offer</th><th>%</th><th>Shares at Completion of the Offer</th><th>%</th></tr></thead><tbody><tr><td>Audeara Investments Pty Ltd¹</td><td>15,235,460</td><td>21.76%</td><td>15,235,460</td><td>14.51%</td></tr><tr><td>JDB Services Pty Ltd</td><td>12,466,708</td><td>17.81%</td><td>12,466,708</td><td>11.87%</td></tr><tr><td>CJ New Ventures Pty Ltd²</td><td>9,668,657</td><td>13.81%</td><td>9,668,657</td><td>9.21%</td></tr><tr><td>James Fielding Family Pty Ltd³</td><td>8,214,264</td><td>11.73%</td><td>8,214,264</td><td>7.82%</td></tr><tr><td>Alex Afflick</td><td>4,980,823</td><td>7.12%</td><td>4,980,823</td><td>4.74%</td></tr><tr><td>Other Existing Holders</td><td>19,434,087</td><td>27.76%</td><td>19,434,087</td><td>18.51%</td></tr><tr><td>New Shareholders</td><td></td><td></td><td>35,000,000</td><td>33.33%</td></tr><tr><td>Total</td><td>70,000,000</td><td>100.00%</td><td>105,000,000</td><td>100.00%</td></tr></tbody></table>	Holder	Shares prior to the Offer	%	Shares at Completion of the Offer	%	Audeara Investments Pty Ltd ¹	15,235,460	21.76%	15,235,460	14.51%	JDB Services Pty Ltd	12,466,708	17.81%	12,466,708	11.87%	CJ New Ventures Pty Ltd ²	9,668,657	13.81%	9,668,657	9.21%	James Fielding Family Pty Ltd ³	8,214,264	11.73%	8,214,264	7.82%	Alex Afflick	4,980,823	7.12%	4,980,823	4.74%	Other Existing Holders	19,434,087	27.76%	19,434,087	18.51%	New Shareholders			35,000,000	33.33%	Total	70,000,000	100.00%	105,000,000	100.00%	Sections 5.3 and 9.8
	Holder	Shares prior to the Offer	%	Shares at Completion of the Offer	%																																										
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1. Entity controlled by Mr Trimboli, Chairman.																																															
2. Entity controlled by Dr Chris Jeffery, a founder of Audeara.																																															
3. Entity controlled by Dr James Fielding, Managing Director and CEO.																																															
What significant benefits are payable to Directors and connected with the Company?	On Completion of the Offer, the number of securities held by the Directors, or in which the Directors have an interest, is expected to be as follows ¹ :	Sections 5.3, 5.4, 10.6 and 10.7.																																													
	<table><thead><tr><th>Name</th><th>Shares¹</th><th>% of total Shares</th><th>Options⁴</th><th>Remuneration⁵</th></tr></thead><tbody><tr><td>James Fielding²</td><td>8,214,264</td><td>7.82%</td><td>1,250,000</td><td>\$240,000</td></tr><tr><td>David Trimboli³</td><td>15,235,460</td><td>14.51%</td><td>300,000</td><td>\$72,000</td></tr><tr><td>Pasquale Rombola</td><td>351,588</td><td>0.33%</td><td>450,000</td><td>\$60,000</td></tr></tbody></table>		Name	Shares ¹	% of total Shares	Options ⁴	Remuneration ⁵	James Fielding ²	8,214,264	7.82%	1,250,000	\$240,000	David Trimboli ³	15,235,460	14.51%	300,000	\$72,000	Pasquale Rombola	351,588	0.33%	450,000	\$60,000																									
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1. Assumes the Directors do not participate in the Offer. Rights and liabilities attaching to Shares are set out in Section 10.6.																																															
2. Held though James Fielding Family Pty Ltd as trustee.																																															
3. Held through Mr Trimboli's controlling interest in Audeara Investments Pty Ltd.																																															
4. The terms of issue of the Options are set out in Section 10.7.																																															
5. Excludes statutory superannuation.																																															

Topic	Summary	Section
Will any Shares be subject to restrictions on disposal following Completion of the Offer?	44.98% of Shares and 50.63% of Options are expected to be escrowed upon Listing. No Shares issued under the Offer will be subject to escrow.	Section 9.9
What related party arrangements are in place?	Details of the Company's policy for arrangements with related parties are set out in Section 5.9. These include director engagement agreements and Options.	Section 5.9

1.7 Proposed use of funds and key terms and conditions of the Offer

Topic	Summary	Section																								
What is the Offer?	The Offer is an invitation to apply for 35,000,000 Shares at an issue price of \$0.20 per Share. The Offer is expected to raise \$7,000,000 (before costs of the Offer). The Offer comprises the Broker Firm Offer and the Institutional Offer. The Shares being offered to New Shareholders under the Offer will represent approximately 33.33% of the Shares on issue at Completion of the Offer. The free float will be approximately 55.02% of the Shares on issue on Completion of the Offer.	Sections 9.1 and 9.3																								
Who are the issuers of this Prospectus?	Audeara Limited (ACN 604 368 443), a company incorporated in Victoria, Australia.	Section 3.1																								
What is the proposed use of funds raised under the Offer?	The funds received under the Offer will be used as follows: <table> <tr> <th>Year 1</th><th>Amount proposed</th><th>Percentage of year one expenditure</th></tr> <tr> <td>Product Development</td><td>\$650,000</td><td>15.69%</td></tr> <tr> <td>Investment to scale up operations</td><td>\$1,850,000</td><td>44.67%</td></tr> <tr> <td>Cost of offer</td><td>\$834,000</td><td>20.12%</td></tr> <tr> <td>Working Capital</td><td>\$429,000</td><td>10.37%</td></tr> <tr> <td>Repayment of overdraft facility used to repay related party loan</td><td>\$179,000</td><td>4.32%</td></tr> <tr> <td>Other costs arising from admission to the ASX</td><td>\$200,000</td><td>4.83%</td></tr> <tr> <td></td><td>\$4,142,000</td><td>100.00%</td></tr> </table>	Year 1	Amount proposed	Percentage of year one expenditure	Product Development	\$650,000	15.69%	Investment to scale up operations	\$1,850,000	44.67%	Cost of offer	\$834,000	20.12%	Working Capital	\$429,000	10.37%	Repayment of overdraft facility used to repay related party loan	\$179,000	4.32%	Other costs arising from admission to the ASX	\$200,000	4.83%		\$4,142,000	100.00%	Section 9.5
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Topic	Summary	Section																		
What is the proposed use of funds raised under the Offer? (continued)	<table> <tr> <th>Year 2</th><th>Amount Proposed</th><th>Percentage of year two expenditure</th></tr> <tr> <td>Product Development</td><td>\$200,000</td><td>7.00%</td></tr> <tr> <td>Invest to scale up operations</td><td>\$1,850,000</td><td>64.73%</td></tr> <tr> <td>Working Capital</td><td>\$808,000</td><td>28.27%</td></tr> <tr> <td></td><td>\$2,858,000</td><td>100.00%</td></tr> <tr> <td>Gross Cash Proceeds from Offer</td><td>\$7,000,000</td><td></td></tr> </table>	Year 2	Amount Proposed	Percentage of year two expenditure	Product Development	\$200,000	7.00%	Invest to scale up operations	\$1,850,000	64.73%	Working Capital	\$808,000	28.27%		\$2,858,000	100.00%	Gross Cash Proceeds from Offer	\$7,000,000		
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Gross Cash Proceeds from Offer	\$7,000,000																			
How is the Offer structured and who is eligible to participate in the Offer?	The Offer comprises: (a) the Retail Offer, consisting of the Broker Firm Offer; and (b) the Institutional Offer. No general public offer of Shares will be made under the Offer.	Sections 9, 9.1, 9.3, 9.10, 9.14 and 9.16																		
Is the Offer underwritten?	Yes. The Offer is fully underwritten by the Lead Manager.	Sections 9.1 and 10.4(h)																		
Will the Shares be quoted on ASX?	Audeara will apply to ASX for admission to the official list of ASX and quotation of Shares on ASX under the code AUA within 7 days after the date of this Prospectus. It is anticipated that quotation will initially be on a normal settlement basis. Completion of the Offer is conditional on ASX approving that application. If approval is not given within three months after the date of this Prospectus, the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.	Section 9.19																		
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer and the Institutional Offer will be determined by agreement between the Lead Manager and the Company having regard to the allocation policies outlined in Sections 9.3, 9.10, 9.11(e) and 9.14(b). With respect to the Broker Firm Offer, it is a matter for the participating brokers how they allocate Shares among their retail clients.	Sections 9.3, 9.10, 9.11(e) and 9.15(b)																		
Is there any brokerage, commissions or stamp duty payable by Applicants?	No brokerage, commission or stamp duty will be payable by Applicants on the acquisition of Shares under the Offer.	Section 9.10																		

Topic	Summary	Section
What are the tax implications of investing in the Shares?	A summary of certain Australian tax consequences of participating in the Offer and investing in Shares is set out in Section 10.11. The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	Section 10.11
How can I apply for Shares?	Broker Firm Offer Applicants Broker Firm Offer Applicants may apply for Shares by completing a valid Broker Firm Offer Application Form attached to or accompanying this Prospectus and following the instructions of their Broker who invited them to participate in the Broker Firm Offer.	Section 9.11(b)
	Institutional Offer Applicants The Lead Manager has separately advised Institutional Investors of the application procedure under the Institutional Offer.	Section 9.15
What is the minimum Application size?	The minimum Application size under the Broker Firm Offer is \$2,000 of Shares (10,000,000 Shares) in aggregate.	Section 9.11(c)
When will an Applicant receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched to successful Applicants on or around 12 May 2021.	Section 9.10
Can the Offer be withdrawn?	The Company may withdraw the Offer at any time before the allocation and issue of Shares to successful Applicants under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).	Section 9.18
Where can I find out more information about this Prospectus or the Offer?	All enquiries in relation to this Prospectus should be directed to the Audeara IPO Offer Information Line on: ► within Australia 1300 214 698; or ► outside Australia: +61 3 9415 4227, from 8.30am to 5.00pm (Sydney time), Monday to Friday (excluding public holidays). If you have any questions about whether or not to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, tax adviser, lawyer or other professional adviser before deciding whether or not to invest.	

SECTION 2

Market Report

Market Report

The Headphones Market

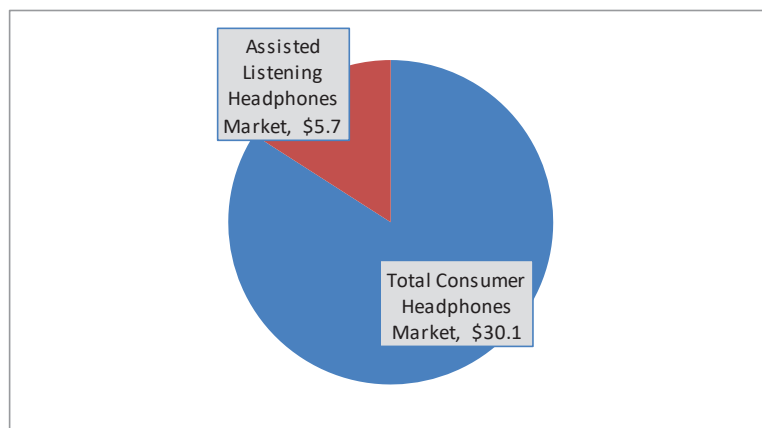
March 2021

This report describes the headphones market, with specific reference to assisted listening headphones. This report has been commissioned from Frost & Sullivan by Audeara Ltd. (hereafter referred to as **Audeara** or **the Company**).

Executive Summary

Whilst its products are suitable for all headphone users, offering the benefit of improved sound quality compared to standard headphones, Audeara is focused on the hearing-impaired segment of the population, including those who may receive reimbursement for headphones through government programmes. The potential market for assisted listening headphones is substantial ,given the proportion of individuals with hearing loss, and is estimated at US\$5.7 billion globally by 2025. This figure is calculated by applying the percentage of the population with hearing loss in Australia (19% by 2025, which is assumed to be representative of the global percentage) to the total global headphone market size of US\$30.1 billion by 2025.

Figure 1: Headphones Market Opportunity, 2025



Source: Frost & Sullivan. Data is in US\$ billions

This potential market opportunity calculation excludes any sales to users who, whilst they do not currently suffer from hearing loss, are concerned to protect their hearing whilst using headphones. The ‘health conscious’ buyer is a key market driver for the sector, in line with a growing concern to protect hearing health in both work and recreation settings. Other drivers for the sector include

the rapidly growing incidence of hearing loss and the growing adoption of headphone usage in a range of situations.

1. Introduction and Background

Audeara has developed noise-cancelling consumer headphones that deliver high-quality and personalised audio to users. The headphones are designed for use in mainstream applications, such as listening to music, watching movies, videocalls and gaming, and are individually calibrated through a smartphone app that creates a personalised hearing profile for the user, and optimises sound based on that profile. Audeara's headphones may be categorised as assistive listening devices (ALDs), a definition that also includes a range of non-competing products such as personal amplifiers and amplified telephones. The term "assisted listening headphones" is used in this report to describe this type of headphone.

Whilst they are consumer headphones, assisted listening headphones are optimally suited for individuals with hearing loss, providing a much improved audio experience over normal headphones, or for individuals concerned to protect their hearing whilst using headphones (defined as the "hearing health" segment of the headphones market). Assisted listening headphones are likely to be purchased based on the underpinning technology that enhances the hearing experience and protects hearing, rather than on attributes such as appearance, form factor or price, which are likely to be the key buying criteria for general headphones.

In some cases, the purchase of assisted listening headphones may be reimbursable for specific individuals, for example under Australia's Hearing Services Program (HSP). To date, Audeara has focused on the hearing health segment rather than the broader consumer headphones market. However, the hearing health segment represents a large and growing market opportunity, given the significant and growing incidence of hearing impairment, and increasing awareness of hearing health in the population. These factors are likely to create a growing market opportunity for assisted listening headphones.

This report describes the market opportunity available to Audeara, specifically in the headphones sector, and within the broader context of hearing health devices. Information in this report has been collected from publicly-available sources, including government statistics, trade associations, company websites and reports, press articles, and analyst reports.

2. Headphones Market

2.1 Definition

Headphones are stereo devices designed to enable high-quality sound consumption. Form factors for headphones include "over-the-ear" and "on-ear" devices with physical head or neck bands which connect the two earpieces, and "in-ear" devices or earbuds which have separate earpieces

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and which are held in the ear by friction. Headphones may be connected to an audio device through a cord or using cordless technology, primarily Bluetooth. The most common use cases for headphones are consuming audio or audiovisual (AV) content, such as music, movies or games, through a digital device.

Headphones may be categorised as consumer or professional devices. Professional devices are principally designed for individuals working in settings where ongoing telephonic conversation is needed, such as in call centres, and typically incorporate a microphone as well as earpieces.

Major consumer headphone brands include Apple (including Beats), Bose, Sony, Panasonic, Harman, and Skullcandy.

Consumer headphones may be segmented by tier, with premium devices offering enhanced sound quality and selling at above-average retail prices (typically US\$250+). These are typically used by heavy audio and AV users desiring a higher quality sound experience. Assisted listening headphones are included in each tier of the consumer market.

The professional headphones market includes corded and cordless products, used in both office and contact centre settings. Major professional headphone brands include Poly, GN Audio, Sennheiser and Logitech.

2.2 Market Drivers

A number of factors are stimulating the market for headphones:

- Increased consumption of audio and AV content in public places (such as on public transport) where the user wishes to reduce external sound. The ubiquity of smartphones in particular is driving use of headphones;
- Increased use of music and AV streaming services, with rapid increases in available content;
- The increased performance of wireless headphones, which are easier to use and more convenient than corded products;
- Increased outdoor lifestyles that encourage use of headphones on activities such as walking or jogging;
- The introduction of headphones with additional features such as active noise cancellation, and particularly cordless products;
- Consumers' desire for an optimised sound experience that also offers long term hearing health benefits;
- Growth in “customer contact” activities that drive use of professional headphones; and
- Overall growth in assistive listening devices use due to increased prevalence of hearing loss.



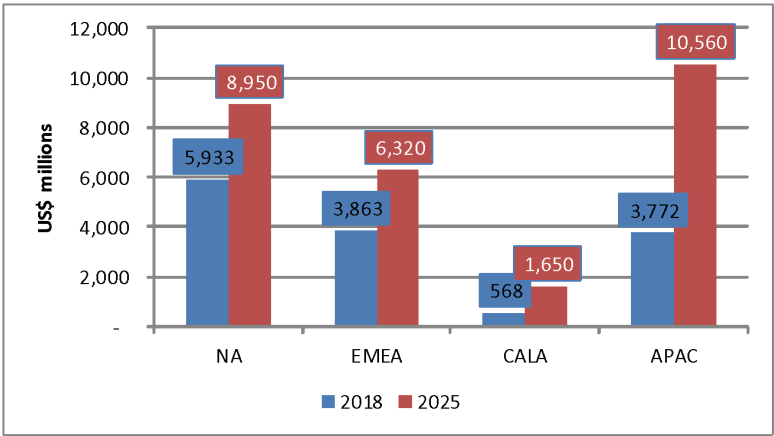
2.3 Market Size

2.3.1 Consumer Headphones

In 2018, global sales of consumer headphones were approximately US\$14.1 billion. The largest single market is North America (NA) at US\$5.93 billion, followed by Europe, Middle-east and Africa (EMEA) (US\$3.86 billion), Asia-Pacific (APAC) (US\$3.77 billion) and Central and Latin America (CALA) (US\$568 million).¹ Premium headphones are estimated to account for around 50% of the total consumer headphones market.

By 2025, the consumer headphones market is forecast to reach US\$27.5 billion, growing at a CAGR of 10% between 2018 and 2025. The fastest growth will be in the CALA and APAC regions.²

Figure 2: Consumer Headphones Market Size by Region, 2018 and 2025



Source: Frost & Sullivan, Analysis of the Global Consumer Headphones Market, 2020

2.3.2 Professional Headphones

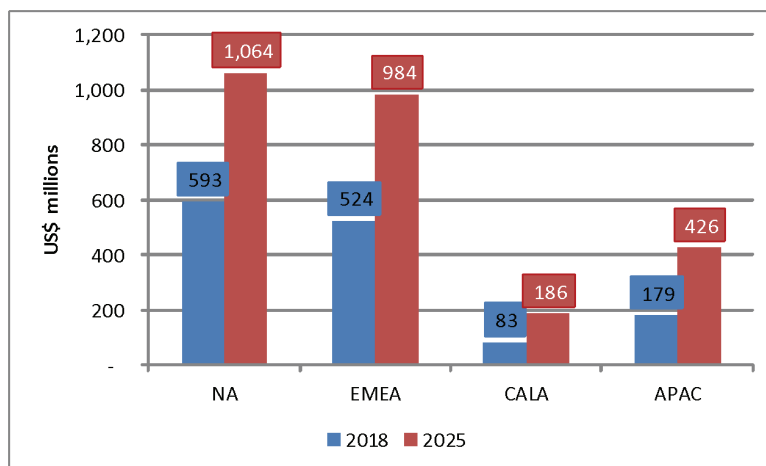
In 2018, the professional headphones market was estimated at \$1.38 billion, and is forecast to increase to \$2.66 billion in 2025 at a CAGR of 9.8%. As with consumer headphones, the fastest growth will be in the APAC and CALA regions.³

¹ Frost & Sullivan, Analysis of the Global Consumer Headphones Market, 2020

² Ibid

³ Frost & Sullivan, Growth Opportunities in the Global Professional Headset Market, Forecast to 2025

Figure 3: Professional Headphones Market Size by Region, 2018 and 2025



Source: Frost & Sullivan, Growth Opportunities in the Global Professional Headset Market, Forecast to 2025

The total headphones market (including both consumer and professional devices) was therefore estimated at \$15.5 billion in 2018, and is forecast to grow to \$30.1 billion by 2025.

3. Hearing Health Devices Market

3.1 Definition

The broader hearing health devices market in which Audeara operates includes a range of products designed to support hearing for individuals with hearing loss, including traditional hearing aids, cochlear implants and ALDs. ALDs are products that can be used by individuals with hearing loss to improve their access to sound and assist them in performing daily tasks that require them to be aware of sounds in their immediate environment – such as at home, at work or in public spaces.⁴ Hearing aids are generally excluded from this definition, with ALDs including products such as:

- Assisted listening headphones;
- Personal amplifiers (devices that increase sound levels and reduce background noise for a listener);
- Amplified telephones;
- Alerting devices; and
- Hearing loop (induction loop) or FM systems that amplify sound in public places.

⁴ Hearnnet, (accessed from <https://hearnet.org.au/hearing-technology/assistive-listening-devices>)

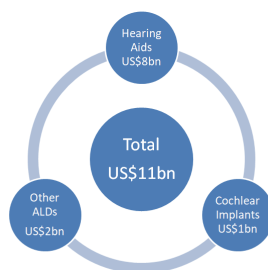
3.2 Market Size

Globally, the hearing aid market is estimated at around 15 million units sold annually⁵, at a value of US\$8 billion.⁶ The cochlear implant market is estimated at around US\$1.0 billion.⁷ Excluding headphones, the ALD market is estimated at US\$2bn annually.⁸

Data specifically on the market size of assisted listening headphones is not available, although currently these are estimated to form only a small part of the total headphones market.

The total hearing health devices market (including hearing aids, cochlear implants, and ALDs (excluding assisted listening headphones)) is therefore approximately US\$11 billion.

Figure 4: Hearing Health Devices Market Size, Global, 2021



Source: Frost & Sullivan

Sale and distribution of hearing health products is generally through specialist clinics/hearing health retailers. These include a number of companies operating globally, such as Amplifon, Demant, Sonova and WS Audiology. Additionally, optometry service providers such as Specsavers have also entered the hearing health market. Data on the number of locations for these providers is given below.

Table 1: Leading Hearing Health Providers and Locations per Company, Australia and Global, 2021

Company	Number of Locations (Australia)	Number of Locations (Global)
Amplifon	300+	~11,000
Demant	400+	~2,500
Sonova	130+	3,300+
WS Audiology	N/A	N/A
Specsavers	330	2,111

Sources: company websites and presentations

⁵ British Irish Hearing Instrument Manufacturers Association (BIHIMA), (accessed from <https://www.bihima.com/news/uk-europe-still-dominant-player-global-hearing-industry/>)

⁶ Imarc, (accessed from <https://www.imarcgroup.com/hearing-aid-market>)

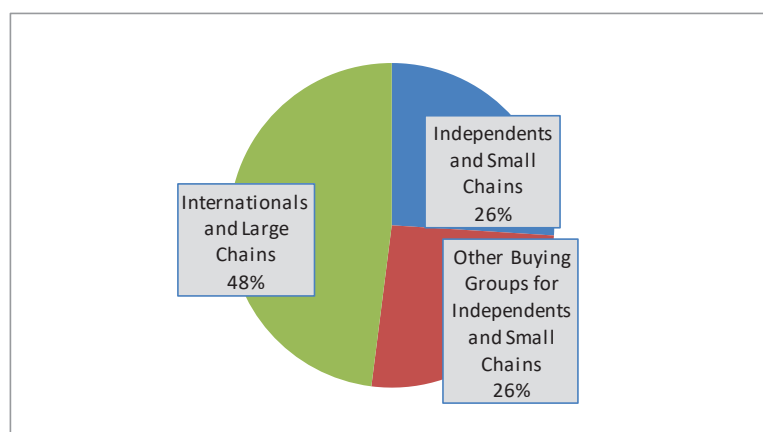
⁷ Frost & Sullivan estimate

⁸ Ibid

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In the US, about 26% of hearing aid sales in the private market (i.e. excluding sales through the veteran's affairs program) are made via independent retailers, and 48% through the 10 largest retailers, of which Costco is the largest.⁹

Figure 5: Hearing Aid Market by Retailer Type, US, 2016



Source: Hearing Health and Technology Matters, Status of the Independent U.S. Hearing Aid Retail Market, accessed from <https://hearinghealthmatters.org/waynesworld/2018/status-independent-u-s-hearing-aid-retail-market/>

4. Hearing Loss

4.1 Definition and Causes

Hearing loss refers to the inability to hear as well as someone with normal hearing - hearing thresholds of 25 dB or better in both ears – and can be mild, moderate, severe or profound, with the term deafness usually applied to profound hearing loss. The cause of hearing loss can be congenital or acquired. Congenital causes include hereditary and non-hereditary genetic factors or complications during pregnancy and childbirth, including infections such as rubella or syphilis, birth asphyxia or severe neonatal jaundice. Acquired causes can include infectious diseases such as measles and meningitis, chronic ear infections, ageing, and occupational or recreational exposure to loud noise and sounds.¹⁰

The principal treatments for hearing loss are hearing aids for mild-to-severe hearing loss and cochlear implants for severe-to-complete hearing loss. However, these treatments can be expensive (especially cochlear implants), and many individuals affected by hearing loss are unable

⁹ Hearing Health and Technology Matters, Status of the Independent U.S. Hearing Aid Retail Market, accessed from <https://hearinghealthmatters.org/waynesworld/2018/status-independent-u-s-hearing-aid-retail-market/>

¹⁰ WHO, Deafness and hearing loss, (accessed from <https://www.who.int/news-room/fact-sheets/detail/deafness-and-hearing-loss>)

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to access these treatments. For example, in the US among adults aged 70 and older with hearing loss who could benefit from hearing aids, fewer than 30% have used a hearing aid. For adults aged 20 to 69, only 16% who could benefit from wearing hearing aids have ever used them.¹¹ The World Health Organization (WHO) estimates that globally only 17% of those who could benefit from use of a hearing aid actually use one.¹²

Additionally, the concern to protect hearing from damage due to occupational or recreational exposure to loud noise or sounds is driving demand for products such as hearing protection products.

4.2 Impacts

Hearing loss creates functional, social and emotional and economic impacts. Functional impacts result in a reduced ability to communicate with others, and can lead to reduced academic performance amongst children. Social and emotional impacts include exclusion from social activities, resulting in loneliness and mental health issues. The economic impact includes costs for health systems in diagnosis and treatment, costs of educational support and reduced productivity.

Globally, the WHO estimates that hearing loss costs US\$750 billion per year.¹³ In Australia, the financial costs of hearing loss in 2020 are estimated at \$20 billion, resulting from:

- Health system costs of \$1.0 billion, primarily resulting from expenditure on hearing aids;
- Productivity losses of \$16.2 billion, primarily resulting from below-average employment of individuals with hearing loss; and
- Other costs of \$2.8 billion, including informal care costs and other financial costs.

Additionally, the value of lost wellbeing resulting from hearing loss is quantified as 98,001 disability adjusted life years (the years of productive life lost), equating to an economic cost of \$21.2 billion.¹⁴

4.3 Incidence

Individuals with hearing loss represent a significant and growing percentage of the world's population. Based on the WHO definition of disabling hearing loss (DHL) (hearing loss greater than 40 dB in the better hearing ear in adults (15 years or older) and greater than 30 dB in the better hearing ear in children (0 to 14 years)), in 2018 466 million people (6.1% of the global population) were hearing-impaired. By 2050, this is forecast to increase to 930 million people.¹⁵ Globally, 1 billion young adults are at risk of permanent, avoidable hearing loss due to unsafe listening practices.¹⁶

¹¹ National Institute on Deafness and Other Communication Disorders (NIDCD), Quick Statistics About Hearing, (accessed from <https://www.nidcd.nih.gov/health/statistics/quick-statistics-hearing>)

¹² WHO, Deafness and hearing loss, (accessed from <https://www.who.int/en/news-room/fact-sheets/detail/deafness-and-hearing-loss>)

¹³ Ibid

¹⁴ Hearing Care Industry Association (HCIA), the Social and Economic Cost of Hearing Loss in Australia, 2020

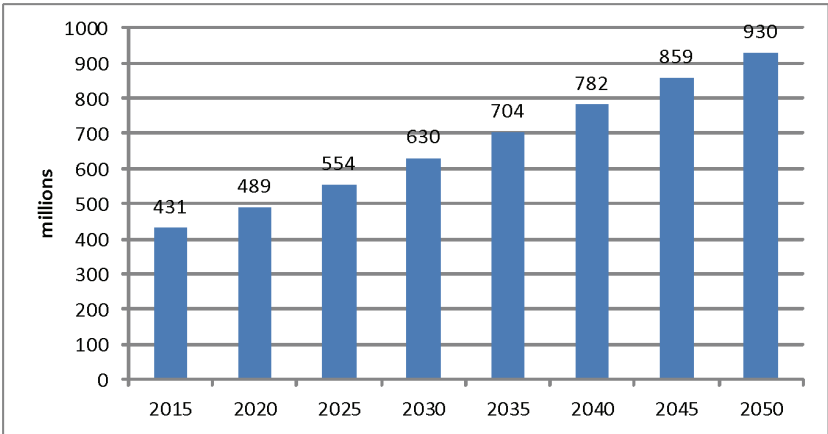
¹⁵ WHO global estimates on prevalence of hearing loss, 2020

¹⁶ WHO, Deafness and hearing loss



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Figure 6: Number of People with DHL, Global, 2015 to 2050



Source: WHO global estimates on prevalence of hearing loss, 2018

In the US, an estimated 48 million people (about 15% of the population) have some degree of hearing loss, including an estimated one in five teenagers. Hearing loss is the most common service-related disability for military veterans, with 2.7 million veterans receiving either disability compensation for service-connected hearing disabilities or treatment for related hearing issues. Despite its significant incidence, many individuals suffering from hearing loss are not seeking treatment, with an individual with hearing loss on average waiting seven years before seeking treatment.¹⁷

In Australia, an estimated one-in-six (17%) of Australians is estimated to suffer from hearing loss or about 4.35 million people based on the 2020 population, and this is expected to increase to one-in-four by 2050.¹⁸

Key data on hearing loss is summarised below.

Table 2: Hearing Loss, Key Data, Global, 2021

By Age Group	20% of teenagers	33% of people aged 64-75	50% of people over 75
By Location	6% of the global population (489 million people)	17% of the Australian population (4.35 million people)	15% of the US population (48 million people)

Sources: WHO global estimates on prevalence of hearing loss, 2018; HCIA, The Facts About Hearing Health in Australia; Hearing Loss Association of America, Hearing Loss Facts and Statistics; Hearing Health Foundation, Hearing Loss & Tinnitus Statistics (accessed from <https://hearinghealthfoundation.org/hearing-loss-tinnitus-statistics>)

¹⁷ Hearing Loss Association of America, Hearing Loss Facts and Statistics
¹⁸ HCIA, The Facts About Hearing Health in Australia

4.4 Promotion of Hearing Health

Given the increasing incidence of hearing loss, governments are increasingly introducing a range of policies and programmes to promote the concept of hearing health and reduce incidence of hearing loss. For example, Australia's Roadmap for Hearing Health, published in 2019 by the Hearing Health Sector Committee, sets out a series of future directions and priorities for the hearing sector that will lead to short (next two years), medium (three to five years) and long-term (five to seven years) improvements in hearing health for Australians, structured in six domains. One of the key domains of the Roadmap – Preventing Hearing Loss – sets out a range of actions to reduce incidence of hearing loss, including measures that address hearing loss caused by recreational activities, including use of personal audio devices. These measures include developing and implementing safe listening mechanisms to reduce harm from personal audio devices, and campaigns to promote the safe use of personal audio devices.¹⁹

5. Market Opportunity

Whilst its products are suitable for all headphone users, offering the benefit of improved sound quality compared to standard headphones, Audeara is focused on the hearing-impaired segment of the population, including those who may receive reimbursement for headphones through government programmes. Whilst this segment is smaller than the overall headphones market, potentially it is still substantial, given the proportion of individuals with hearing loss.

The market opportunity for assisted listening headphones for individuals with hearing loss has been estimated by applying the percentage of individuals in the population with hearing loss to the total headphones market (consumer and professional). A percentage of 17% has been used for 2018 (reflecting the proportion in Australia), and this is forecast to increase to 19% by 2025.²⁰

This potential market opportunity calculation excludes any sales to users who, whilst they do not currently suffer from hearing loss, are concerned to protect their hearing whilst using headphones.

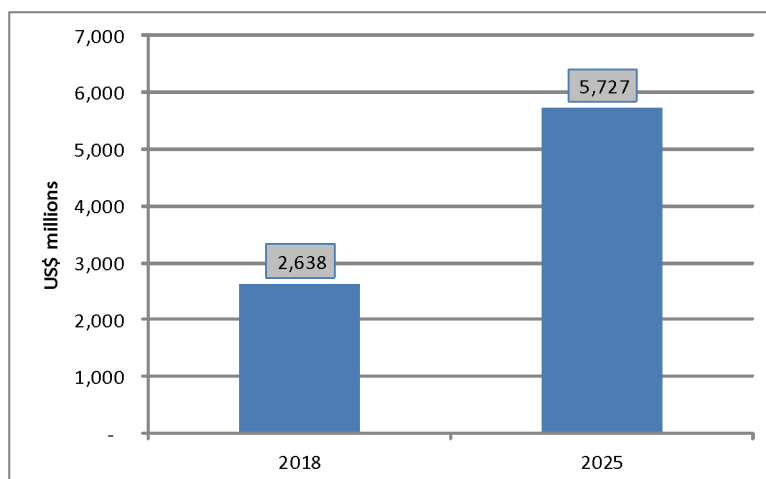
On this basis, the global market opportunity is estimated at US\$2.4 billion in 2018, increasing to US\$5.7 billion by 2025.²¹

¹⁹ Hearing Health Sector Committee, Roadmap for Hearing Health, 2019

²⁰ Hearing Care Industry Association (HCIA), The facts about Hearing Health in Australia

²¹ Frost & Sullivan

Figure 7: Market Opportunity for Assisted Listening Headphones, Global, 2018 and 2025



Source: Frost & Sullivan

6. Market Drivers for Audeara

A number of factors are likely to drive the market opportunity for assisted listening headphones, including:

- Strong growth in the overall use of headphones, driven by increased usage of mobile devices, rapidly growing use of music and AV streaming services, and technology developments such as wireless making use of headphones more convenient;
- Rapidly growing incidence of hearing loss, with its associated social and economic impacts. This will drive a growing need for products which support individuals with hearing loss to participate more fully in everyday activities; and
- Growing concern to protect hearing health in both work and recreational settings, and growing awareness of the potential of personal audio devices to contribute to hearing loss.

Sales of assisted listening headphones can receive reimbursement for eligible individuals in countries where such programmes exist. For example, in Australia, the HSP offers full reimbursement to eligible individuals for ALDs, including headphones. The HSP aims to reduce the impact of hearing loss by providing eligible people with access to hearing services, with eligible individuals including senior Australians, young people (under 26), military veterans, indigenous Australians, and participants in the National Disability Insurance Scheme (NDIS) and the Disability Employment Services (DES) programme.²² Under the HSP, eligible participants are provided with vouchers which can be used for approved devices, with costs met by the government. As at June

²² Department of Health, Hearing Services Program

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2020, there were approximately 750,000 active participants in the HSP.²³ Total expenditure on the HSP was approximately \$590 million in FY2020.²⁴ 3,385 participants were fitted with an ALD in 2019-20.²⁵

As at December 2020, there were 432,649 active NDIS participants, of these 5% (21,079) had hearing impairment as the primary disability.²⁶

Additionally, assisted listening headphones may be available to military veterans and their dependants through the Department of Veterans Affairs (DVA) Rehabilitation Appliances Program (RAP) which provides aids, equipment and home modifications to help clients to live safely and independently, sourced through contracted suppliers.²⁷

The DVA provides Gold Cards and White Cards to veterans which provides free treatment for medical conditions, depending on eligibility. As at September 2020, there were approximately 254,000 DVA health card holders.²⁸ Under the Gold Card, veterans over 70 receive free healthcare for all conditions. Under the DVA White Card, veterans can receive DVA-funded healthcare for their disabilities and conditions accepted as war or service related ("accepted conditions").

Based on DVA data on accepted conditions for veterans of selected conflicts, sensori-neural hearing loss is the second most common accepted condition for veterans of the East Timor, Solomon Islands, Iraq and Afghanistan conflicts (after tinnitus) and the most common for veterans of the Vietnam War. In total, 28,716 veterans have accepted condition status for hearing loss.²⁹

A summary of participant numbers in these programmes is given below.

Table 3: Participants in Government Programmes, Australia, 2021

Programme	Participants
DVA – Gold Card	115,905
DVA – White Card	138,798
NDIS active participants with hearing loss as the primary impairment	21,079
HSP clients fitted with ALD	3,385

Sources: ¹ DVA, Stats at a Glance, September 2020; NDIS, Quarterly report: 2020-21 Q2; Hearing Services Program, Annual Program Statistics 2019-2020

²³ Hearing Services Program, Annual Program Statistics 2019-2020

²⁴ HCIA, the Social and Economic Cost of Hearing Loss in Australia, 2020

²⁵ Hearing Services Program, Annual Program Statistics 2019-2020

²⁶ NDIS, Quarterly report: 2020-21 Q2

²⁷ RAP overview, (accessed from <https://www.dva.gov.au/providers/rehabilitation-appliances-program-rap/rap-overview>)

²⁸ DVA, Stats at a Glance, September 2020

²⁹ DVA, Accepted Conditions for Veterans of Selected Conflicts, September 2020

7. Disclosure

This is an independent report prepared by Frost & Sullivan. Save for the preparation of this report and services rendered in connection with this report for which normal professional fees will be received, Frost & Sullivan has no interest in Audeara Ltd. and no interest in the outcome of the initial public offer (IPO). Payment of these fees to Frost & Sullivan is not contingent on the outcome of the transaction. Frost & Sullivan has not and will not receive any other benefits (including any commissions) and there are no factors which may reasonably be assumed to have influenced the contents of this report nor which may be assumed to have provided bias or influence. Frost & Sullivan consents to the release of this report in the Prospectus in the form and context in which it is included. As at the date of this report, this consent has not been withdrawn. Frost & Sullivan does not hold a dealer's license or Financial Services License. This report does not constitute advice in respect of the transaction.

SECTION 3

Company Overview

3.1 Background

Audeara's mission is to ensure that all people have the best possible sound experience regardless of their hearing ability and can monitor their hearing health.

Audeara's founders originally set out to build a medical device that would make hearing tests quicker and more accessible, but during that process, they realised how information could be used to tailor sound according to the needs of each user to create personalised sound. This vision gave rise to the Audeara technology platform – premium audio processing that enhances music, entertainment and communication by focusing on what really matters – what listeners can hear.

Audeara is a hearing health technology company that has developed a hearing profile algorithm used to personalise sound output to the needs of the individual. The first product to be designed, commercialised and produced using this technology is the Audeara A-01 headphone with accompanying BT-01 Bluetooth transceiver.

3.2 Audeara's key development milestones

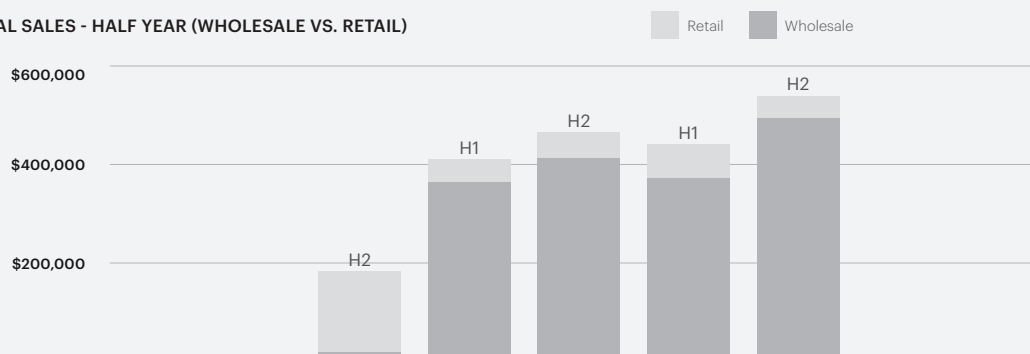
Audeara was incorporated as a proprietary company on 23 February 2015 by Brisbane based doctors and engineers, Dr James Fielding, Dr Chris Jeffery and Alex Afflick, after the founders identified a market opportunity for the development of a range of unique, personalised audio solutions.

Between 2015 and 2016, Audeara designed, engineered, prototyped and manufactured its pilot headphone product. This process entailed development of Audeara's proprietary algorithms, firmware and software and identifying suitable chipsets, hardware and manufacturing capability, as well as establishing sales, marketing and distribution systems.

The Audeara business was officially launched on Kickstarter in March 2017. On Kickstarter, Audeara attracted over AUD\$100,000 of orders for its headphones on the first day of its campaign and closed with sales in excess of AUD\$450,000. First products for these orders were shipped in March 2018.

COMPANY TIMELINE

TOTAL SALES - HALF YEAR (WHOLESALE VS. RETAIL)



2015 - 2017	2018	2019	2020	2021
THE BEGINNING	CONSUMER FOCUS	HEALTH FOCUS	CLINIC GROWTH	GROWTH
2015 - The Beginning 2016 - R&D Research + Brand 2017 - Pre Sale Campaign KICKSTARTER	3000 Orders 60+ Countries Amazon AU/UK/US JD.com - China amazon JD.COM	Focus on Audiology Sector First Clinic Sales Hearing Australia NDIS/DVA/HSP 	AUSTRALIA Strong and Consistent \$ through COVID 200 ► 600/1581 Clinics 3/5 'Big Five' Clinic Groups 	AUSTRALIA Setup to onboard remaining clinics USA Westone Distribution Westone

During 2018, in preparation for validating the products for retail sale, online sales of Audeara's products continued, including from platforms in China, USA and the UK. Market recognition gained from these activities coincided with Audeara gaining registration with key Australian government programs that subsidise the cost of Assistive Listening Devices (ALDs) for eligible recipients (see Section 3.11(c)).

During 2019, the Company entered into reseller and distribution arrangements with key players in what has become Audeara's core market, hearing health. This channel has opened up opportunities for Audeara's products in Australia and abroad.

Audeara was converted to a public company in 2020, with a view to pursuing a listing on the ASX.

With ongoing product refinements, Audeara's headphones are now sold via e-commerce channels and through distribution and reseller arrangements in Australia, focusing on the hearing health market.

3.3 Audeara's proprietary technology platform

(a) Summary of Audeara's personalised listening technology

What is the technology?

Audeara has developed a proprietary audio personalisation process that uses a software interface from its mobile software application to produce tailored audio for users of Audeara audio listening devices.

How does the technology work?

In technical terms, Audeara's technology platform is a sound delivery system. It uses a processor that communicates with a user via an interface (the Audeara App) and an audio transducer that, responsive to the processor, delivers modulated sound to the user via an audio listening device. The processor determines compensatory weights (personalised adjustments) at each of a number of audio frequencies for the user, based on the user's responses inputted

via the Audeara App. The Audeara App elicits those responses from the user via a hearing assessment and applies the resulting personalised adjustments by implementation of Audeara's proprietary algorithm to modulate sound delivered via the audio transducer.

What hardware does the technology operate through?

The user's listening device may be headphones or any other Audeara audio listening device. Audeara has elected to develop headphones as the initial device for delivery of its personalised listening technology to consumers.

INITIAL DEVICE: AUDEARA A-01

- User generates a hearing profile using the Audeara App
- Software adjusts left & right ear independently using the hearing profile
- Profile is stored in the headphone and sound is personalised for user (Music, TV, Phone, Videocalls, Gaming)



1. Measure

Every person hears differently and your left ear hears differently to your right.

2. Tailor

Your Audeara headphones tailor the audio to your individual hearing.

3. Experience

Find new parts in your favourite song. Hear notes you didn't know were missing.

3.4 Business Model

3.5 Overview

Audeara generates revenue through sales of the A-01 and BT-01, its personalised listening products, primarily through its network of Australian resellers, mainly audiologists.

Audeara has leveraged its personalised listening technology to establish itself as an emerging supplier of assistive listening devices into the hearing health market in Australia. Audeara's business model aims to expand and consolidate its position in its core market by capitalising on its third-party sales driven model, both in Australia and overseas.

3.6 Scalable platform

Audeara's business model currently focuses on leveraging its technology platform by selling assistive listening devices in the form of headphones through its network of distributors and resellers. Audeara plans to expand its product offering by adapting its technology for use in other devices. While Audeara has focused on organically growing sales through its network of audiologists to date, there is potential for its products to penetrate the broader headphones market in segments where a focus on hearing health may be developed, such as gaming and education.

3.7 Audeara's advantage

Audeara's advantage is its personalised listening technology. The technology uses audio processing that enhances music, entertainment, sound and communication by personalising output to what each listener can actually hear. Using that technology, Audeara aims, through its hardware devices (the first being its A-01 headphones) to provide a world class listening experience for all people, regardless of their hearing ability.

Based on its hearing health focus, Audeara's devices rely on its technology to offer both a utility and potential health advantage over regular commercial headphones by delivering potential for better sound perception at a healthier, lower volume. While not positioned as a medical device, Audeara's personalised sound advantage has proved particularly attractive to users with impaired hearing.

3.8 Positioned for growth

Education and public awareness of the importance of hearing health are increasing as consumer interest in the personal wellness sector grows. There is growing concern amongst consumers to protect hearing in both work and recreational settings.

There is strong growth in the use of headphones expected to 2025, particularly in the Asia-Pacific region, driven by increased usage of mobile devices, rapidly growing use of music and AV streaming services and technology developments such as wireless, making use of headphones more convenient.

A growing incidence of hearing loss is expected over the same period, which will have adverse social and economic impacts. In Australia, the value of lost wellbeing resulting from hearing loss is quantified as 98,001 disability adjusted life years (the years of productive life lost due to hearing loss), equating to an economic cost of \$21.2 billion.

HEARING LOSS IS A PROBLEM BEING WORSENER BY:

- an ageing population
- behavioural noise induced hearing loss in young people
- industrial hearing loss from occupational hazards

NUMBER OF PEOPLE SUFFERING FROM HEARING LOSS¹

BY AGE GROUP



1 in 5
teenagers



1 in 3
over the age of 65



50%
over the age of 75

BY LOCATION



6%
of the global population
(499 Million people)



17%
of Australia
(4.3 Million people)



15%
of the USA
(50 Million people)

ADDITIONALLY:

- Hearing loss is the most common service-related disability for military veterans in the USA : 2.7 million veterans. ²
- 9% of Dementia cases are linked to preventable hearing loss. ²
- 1 billion young adults are at risk of permanent, avoidable hearing loss due to unsafe listening practices. ¹

1. Frost & Sullivan - Market Report: The Headphones Market March 2021

2. thelancet.com - Dementia prevention, intervention, and care: 2020

Audeara expects this trend to drive a growing need for products (such as Audeara's) that can be used by individuals with hearing impairment to improve their access to sound. The global market for headphones for individuals with hearing loss, of which Audeara's products have been positioned to form part, is already worth an estimated US\$2.4 billion annually and forecast to reach US\$5.7 billion by 2025.

An attractive feature of Audeara's devices in its core hearing health market, is that they are not offered in *competition* with established hearing devices, such as hearing aids and cochlear implants, to treat hearing loss. Rather, they work in tandem with them to enhance the user's listening experience. This allows users to wear Audeara's headphones while using other assistive listening devices to receive the benefit of all of them, simultaneously.

This symbiosis has allowed Audeara to build its sales channel through audiology practices whose core products and services include hearing aids and hearing tests.

The Directors believe that the dual advantages of better sound quality and potential hearing health benefits offered by Audeara's headphones position the Company well to address the needs of the global hearing health market. Audeara's technology is attractive to users in every segment in a broader market that is becoming increasingly aware of protecting hearing health.

3.9 Audeara's Products

(a) Product Portfolio

Audeara has developed and commercialised its A-01 Bluetooth headphones as its first listening device delivering its personalised sound technology. In addition, Audeara has commercialised a Bluetooth accessory (BT-01) to transmit from non-Bluetooth sources.



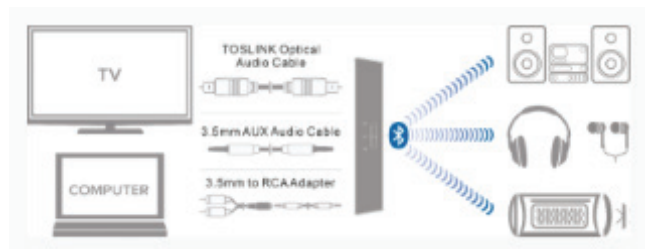
(b) A-01 headphones

The A-01 headphones are Audeara's current flagship hardware product.



(c) BT-01 Wireless receiver

Audeara's BT-01 transceiver is a sleek and compact Bluetooth audio transmitter that seamlessly streams Hi-Fi digital audio wirelessly from TV's or wired music system to Bluetooth headphones or speakers.



(d) Audeara's proprietary App and software platform

Audeara has developed and owns the proprietary software and firmware that performs hearing analysis and creates a personalised hearing profile for each user. Together, they deploy that profile in Audeara's hardware devices to produce personalised sound. This software and firmware are the cornerstone of Audeara's personalised sound platform and will underpin all of its hardware devices.

The App is available for download from the *Apple iTunes* store and for *Android, Google Play*. It has been translated into traditional and simplified Chinese and Japanese.

3.10 Product components and manufacturing

Audeara's hardware products (currently comprising its A-01 headphones and BT-01 wireless transceiver) are built to Audeara's specifications using approved third party-sourced materials and components from a small number of suppliers and an aggregator.

3.11 Audeara's Revenue model

(a) Product sales

Audeara's revenue is driven primarily from sales of its products into discrete segments of the headphones market, with a focus on its products' positioning as assistive listening devices, through its reseller and distributor network. Audeara also sells its products online directly to end-users.

(b) Technology licensing

Although not currently part of Audeara's revenue model, additional revenue streams may eventually be derived by the licencing of Audeara's current and future technology.

(c) Government funding and subsidies for Audeara's products

Audeara is also a registered provider of hearing equipment and assistive products for personal care and safety in all states (except Western Australia, where registration is pending) under the NDIS. The NDIS funds all reasonable and necessary hearing services for NDIS participants aged 26 and over who are not able to access the HSP. The NDIS also funds additional reasonable and necessary hearing supports where they are not available to participants via the HSP, including for people under 26.

The NDIS is participant-driven, meaning that the participant (or their plan manager, as applicable) can choose to spend their plan budget as they see fit. Practically, this means that eligible NDIS participants can purchase both hearing aids and Audeara's products, fully subsidised, provided their budget allows.

Audeara is authorised by the Commonwealth Department of Health to supply its A-01 Headphones and BT-01 Bluetooth Transceiver bundle to service providers under the HSP. The HSP funds hearing services for Australian citizens and permanent residents, including children and young people under 26, who satisfy its eligibility criteria.

The HSP is a supplier-driven "either, or" system, which means that eligible voucher holders can elect to receive a hearing aid or Audeara's products, fully subsidised.

In addition to the HSP and NDIS, Audeara is also able to sell its products fully subsidised to eligible participants of the Department of Veterans' Affairs Rehabilitation Appliances Program.

Audeara also receives funds under the Australian government's Research and Development Grant scheme and its Export Development Grant scheme and expects these to continue, at least in the medium term.

PARTICIPANTS IN GOVERNMENT PROGRAMMES

AUSTRALIA, 2021

	Eligible participants ¹
DVA Gold Card holders	115,905
NDIS active participants with hearing loss as the primary impairment	21,079
HSP Clients fitted with an ALD	3,385
NDIS total active participants (excluding hearing loss)	411,570

1. Frost & Sullivan - Market Report, The Headphone Market March 2021

3.12 Product sales and distribution channels

(a) Australia – hearing health channels

Audeara has focused on the Australian market to establish its brand, ensure its supply chain management is optimised and gain an understanding of product sell-through rates, production and stock logistics. To this end, Audeara has entered into reseller agreements with major players in the Australian hearing health market including the Federal Government-operated *Hearing Australia*.

Through these channels, Audeara's headphones are currently available for sale in ~ 600 of the 1581 permanent audiology locations in Australia.

Audeara's priority is to expand its reseller network to those remaining retail outlets in Australia as its core market before embarking on international expansion.

(b) Government funding support

Audeara's strategy to expand in the Australian assistive listening device segment of the hearing

health market is supported by end-users' access to government-funded initiatives covering the cost of its headphones. In this regard, refer to Section 3.11(c).

(c) Overseas distribution frameworks

Audeara has entered into a number of agreements as a platform to commence expansion of its hearing health channel outside Australia. Audeara intends to utilise its increased resources after Listing to commence exploiting these new channels. In this regard, see Section 3.14.

3.13 Research and Development and the Product Roadmap

Audeara aims to leverage its technology platform utilised in its commercialised A-01 headphones and BT-01 wireless receiver to offer, in time, a range of hardware devices. For example, in relation to its headphones, the product pipeline may eventually include:

- (a) the A-02 successor to its current A-01 headphone, with improved functionality and design for the target market;

- (b) the Orchestral, an ear-worn, headphone style device that attenuates sound to a comfortable level, gives a very high fidelity signal, maintains signal balance, and has several options for orchestral musicians' comfort and practicality;
 - (c) the G-01, optimised for the gaming market; and
 - (d) Bluetooth accessories for the above, optimised for TVs, wired music systems and for musicians.
- (b) **Expanding its distribution network:** Audeara intends to focus on expanding the number of its resellers in Australia and to expand on its platform in overseas markets, initially focussing on its audiology channel as a platform for expansion into the broader hearing health market via distribution and other arrangements;

3.14 Strategy post listing

Following successful completion of the Offer, Audeara's principal strategies will be:

- (a) **Increasing production of its current headphones and peripherals:** Audeara will allocate funds raised towards increasing the scale of production of its headphones, to enable increased distribution and sales in the Australian and foreign target markets and drive demand for its products;

PRODUCT ROADMAP

CURRENT RANGE

A-01



The original Audeara product, incorporating the proprietary personalisation algorithm and packaged in a high quality, Bluetooth noise cancelling, over the ear headphone.

BT-01



A sleek and compact Bluetooth audio transceiver that streams Hi-Fi digital audio wirelessly from your TV or wired music system to your favourite pair of Bluetooth headphones or speakers.

2021 RANGE

A-02



The next generation in Audeara headphones, taking consumer feedback to refine for the target market. Everything great from the A - 01 in a new design and enhanced functionality.

BT-02



A sleek and compact Bluetooth audio transmitter that streams Hi-Fi digital audio wirelessly from your TV or wired music system with an updated, simplified pairing for two headphones at once using a digital display.

FUTURE POTENTIAL

MUSICIANS

An ear-worn, headphone style device that attenuates sound to a comfortable level while maintaining a very high fidelity signal.

KIDS

Volume limited headphones that don't sacrifice sound quality by using Audeara personalisation platform.

GAMING

Enhance every gaming session with personalised wireless audio.

- (c) **Marketing and Promotion:** Audeara intends to implement marketing, advertising and promotional initiatives in Australia and its other target markets to raise the profile and market awareness of the Audeara brand;
- (d) **New geographies:** Audeara intends to capture market share in the United States, United Kingdom, European Union and Asian markets, using its international framework agreements as a springboard; and
- (e) **Research and Development:** Audeara will continue to undertake research and development activities to further develop and improve its range of products in the hearing health market, as well as into other discrete segments of the broader market where hearing health devices have attractive potential, such as education and gaming.

INDUSTRY OVERVIEW – CLINICS

Audiology Clinics

A group of international audiology clinics traditionally dominate the Hearing Health retail industry, namely Amplifon, William Demant, Sonova Group AG, WSA, GN Resound and Starkey Hearing Technologies. Large optical chains like Specsavers and Fielmann are also moving into the Audiology industry and thus become opportunities for Audeara growth.

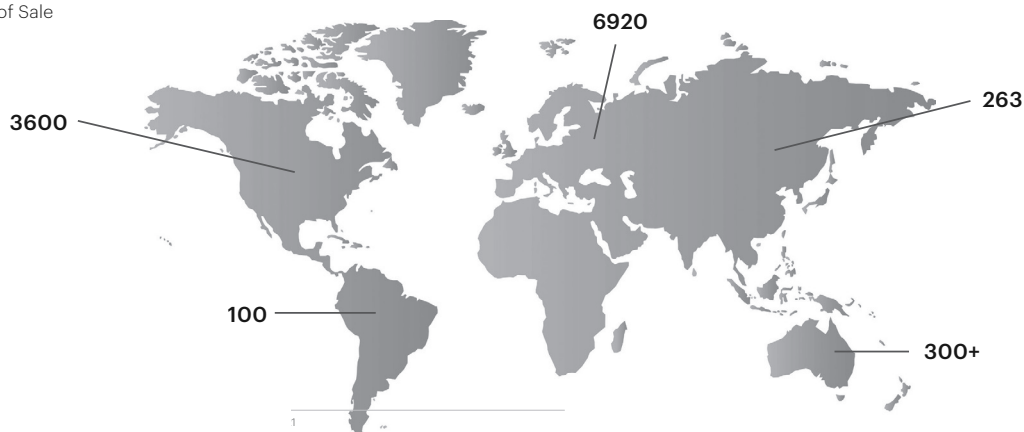
Australia is a well respected market for international brands due to the quality of the healthcare industry, the quality of the education sector and clinicians and the similarity in consumer demographics to larger Western regions such as US and EU.

Leading Hearing Health Providers and Locations per Company, Australia and Global, 2021

	Number of Locations (Australia) ¹	Number of Locations (Global) ¹
Amplifon	300+	~11,000
Demant	400+	~2,500
Sonova	130+	3,300+
Specsavers	330	2,111

International footprint of example hearing health provider: Amplifon

~11000 Points of Sale



¹ Frost & Sullivan - Market Report, The Headphone Market March 2021

3.15 Intellectual Property

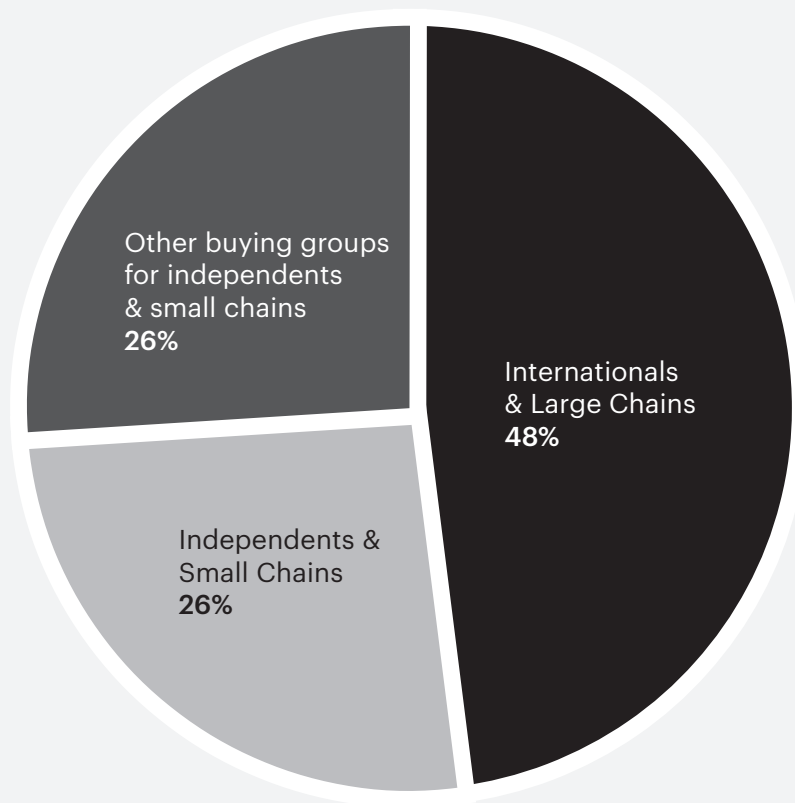
Audeara owns and controls proprietary elements of its products, which are aggregated with hardware inputs from its manufacturers. The key proprietary element of Audeara's technology is its interface between its software, firmware and hardware that performs hearing analysis and drives sound personalisation.

Audeara's intellectual property is comprised of:

- (a) unregistered trade secrets, protected by confidentiality obligations;
- (b) copyright in its software source code and algorithms;
- (c) registered trademarks in 3 classes, (9, 10 & 42) in Australia, USA and China;
- (d) an innovation patent in Australia (Innovation Patent No. 2016100861);

INDUSTRY OVERVIEW – US HEALTH MARKET¹

- The top 10 hearing aid retailers have a combined market share of approximately 48%
- The top 5 hearing aid retailers have a combined market share of 40%



1. Frost & Sullivan - Market Report, The Headphone Market March 2021

- (e) a provisional patent application in Australia (No. 2015902532);
- (f) a patent application in the USA (Application No. 15/196, 256); and
- (g) a patent application in China (PRC) (Application No. 201811545860.8).

Audeara is considering expansion of its patent portfolio through the PCT international system.

Please refer to the Intellectual Property Expert Report in Section 8 for further details on the Company's intellectual property portfolio.

3.16 Reimbursement

In the hearing health market, users of Audeara's products receive reimbursement from the NDIS and other schemes operated by the Commonwealth Department of Health and Department of Veteran's Affairs. This represents an attractive advantage for Audeara's hardware products over broader market offerings (Refer to Section 3.11(c)).

As Audeara implements its strategy to expand into foreign markets in future, it will explore opportunities to secure consumer reimbursement for its products from government or other funders, where available.

3.17 Regulatory position

(a) Medical device registration and reimbursement

Audeara's headphones are not currently registered or positioned as medical devices. If registrable, Audeara's products would likely be classified as *Class 1 medical devices*. To obtain such registration, Audeara would need to seek and obtain approval from the relevant regulating authority in each market, such as the Food and Drug Administration (FDA) in the USA or the Therapeutic Goods Administration (TGA) in Australia.

Such registrations may assist in meeting requirements for reimbursement in addition to those already available for Audeara's products and may open up new sales channels and product development pathways. Audeara will therefore consider seeking medical device registrations in markets where the cost of doing so is justified by potential reimbursement and other benefits likely to be generated.

(b) Electronic devices permits

Generally, in each market where Audeara's hardware is offered, permits or certifications are required for the sale of electronic goods. Audeara's hardware products are electronic goods and Audeara must therefore obtain and maintain those permits or certifications.

To that end, the following are key regulatory jurisdictions for Audeara in which it has or seeks (on the basis that it reasonably expects to obtain) certification or permitting under relevant electronic goods regulations:

Market	Authority	Certification	Status	
			Obtained	Sought
Australia	Australian Communications and Media Authority (ACMA)	Supplier to apply a compliance label to a product, before supplying it to the Australian market	✓	
Taiwan	Telecommunications Act	Taiwan's Telecommunications Act certification	✓	
China	National Accreditation Service for Conformity Assessment (CNAS)	Accreditation of certification by CNAS	✓	
Japan	Ministry of Internal Affairs and Communications of Japan and administered by the Telecom Engineering Centre (TELEC)	TELEC technical standards certification	✓	
Korea	Korea Communications Commission (KCC)	KCC Regulations for broadcasting and communications services		✓
United Kingdom	The Waste Electrical and Electronic Equipment (WEEE) Regulations 2013	(WEEE) Regulations 2013 place responsibilities on users, producers and distributors of electrical and electronic equipment, including registration	✓	
United States of America	<i>FCC Title 47, Part 15</i>	Requires all products with electrical signals >9kHz, whether or not they have a radio, to be subject to certification before sales in the USA	✓	
European Union	The EU Radio Equipment Directive 2014/53/EU (RED)	Regulatory framework by certification for sale of "radio equipment " based on requirements for health, safety, electromagnetic compatibility and use of the radio spectrum	✓	
Germany	The Waste Electrical and Electronic Equipment Act	Governs the sale, return and disposal of electrical and electronic equipment pursuant to the WEEE Directive 2002/96/EC		✓

3.18 Competitive landscape

Within the hearing health market, specifically in audiology clinics, there are a number of options open to persons seeking to improve the quality of their listening experience. These include hearing aids (in some cases, with Bluetooth capability) or other hearing aid compatible streaming and assistive listening devices.

Should a user wishing to enhance their listening experience choose headphones as their solution (with or without other devices such as a hearing aid), Audeara's primary direct competitor for its headphones is the Sennheiser range of hearing health products, which may be substituted for Audeara's products, based on personal preference.

Within the broader headphones market, there are other product offerings in segments not currently being pursued by Audeara.

SECTION 4

Risks

4.1 Introduction

Audeara is subject to various risks. Some of these are specific to Audeara's business activities, while others are of a general nature. Individually, or in combination, these risk factors may affect the future operating and financial performance of Audeara, its investment returns and the value of its Shares.

The principal risk factors are described below. While some of these risks can be mitigated using appropriate safeguards and systems, many are outside the control of the Company and cannot be mitigated. There may be other risks which Directors are unaware of at the time of issuing this Prospectus which may impact on the Company, its operations or the valuation and performance of the Shares. The importance of different risks may change and other risks may emerge in the future.

The risks set out in this Section 4 are not an exhaustive list of the risks associated with Audeara or the industry in which it operates, or an investment in the Shares either now or in the future, and this information should be used as guidance only and read in conjunction with all other information presented in this Prospectus.

Before applying for Shares, any prospective investor should be satisfied that they have a sufficient understanding of the risks involved in making an investment in Audeara and should consider whether the Shares are a suitable investment, having regard to their own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in the Shares, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest.

4.2 Risks specific to an investment in Audeara

(a) Customer Concentration

Audeara has significant customer concentration, particularly among resellers who sell Audeara products to their customers who receive government funding. While Audeara has entered into other distribution arrangements (see Section 10.4(a), 10.4(b), 10.4(c), 10.4(d)) and aims to broaden its customer base, loss of any such key customer may be materially adverse to Audeara.

(b) HSP and NDIS Program risk

Audeara was included on the Appointed Supplier Contact List and Fully Subsidised Device Schedule of the HSP as at 23 September 2020. Audeara is also a registered provider of hearing equipment and assistive products for personal care and safety in all states (except Western Australia, where registration is sought) under the NDIS. While Audeara intends to expand its distribution channels, should Audeara lose its status as a HSP authorised supplier or NDIS provider, the result may be materially adverse to the Company.

(c) Government funding

Currently, Audeara's sales are supported by availability of government funding schemes to end-users of its devices. Should such funding cease to be available or should the criteria by which persons qualify for such funding change, there may be an adverse impact on sales of Audeara devices and as a result, on Audeara's financial performance.

(d) Loss of key customers

Even if Audeara succeeds in expanding its customer base, Audeara could lose key customers due to a range of events, including failure to renew a contract, weakening of customer relationships, disputes with customers, failure to remedy a contractual breach, occupational health and safety concerns, failure to deliver products on time, consolidation of customers, insolvency of distributors or resellers, increased competition or lack of input supply.

The loss of any one or more of the Company's material customer relationships may materially and adversely affect Audeara's revenue, profitability and growth.

(e) Loss making operation, future capital needs and additional funding

As at the date of this Prospectus and as set out in Section 6, Audeara is currently loss making and is not cash flow positive, meaning it has been reliant on raising funds from investors to continue to fund its operations and product development. Although the Directors consider that the Company will, on Completion of the Offer, have sufficient working capital to carry out its stated objectives and to satisfy the anticipated current working capital and other capital requirements set out in this Prospectus, there can be no assurance that such objectives can continue to be met in the future without securing further funding. The future capital requirements of the Company will depend on many factors, including the pace and magnitude of the development of its business and sales. Audeara may need to raise additional funds from time to time to finance the ongoing development and commercialisation of its technology and to meet its other longer-term objectives. Should Audeara require additional funding, there can be no assurance that additional financing will be available on acceptable terms or at all. Any inability to obtain additional financing, if required, would have a material adverse effect on the Company's business, financial condition and results of operations.

(f) Early stage business and market risks

Audeara's business and products are still at an early stage of development. Investors should consider the inherent risks encountered by an emerging company with products that have only recently been commercialised. With a limited trading and product sales history, there is low visibility on

the future demand for the Company's products, within Australia or overseas. The sales potential of Audeara's products is still at a relatively early commercial stage. The ongoing and future demand for the Company's products, in existing and target markets, is still being established and is uncertain. There is a risk that there may not be sufficient demand for the Company's products for their ultimate sustainable commercial exploitation.

(g) Dilution risk

In the future, the Company may elect to issue Shares or engage in capital raisings to fund investments or acquisitions that the Company may decide to undertake. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares and capital raisings.

(h) Additional Requirements for Capital

The funds raised under the Offer are considered sufficient to meet the budgeted expenditure of the Company over the first two years, as set out in Sections 9.5 and 9.6. Additional funding may be required if costs exceed Audeara's estimates and will be required once those funds are depleted. To effectively implement its business and operations plans in the future and to meet any unanticipated liabilities or expenses which Audeara may incur, additional equity or other finance may be required.

Failure to obtain sufficient financing for Audeara's activities may result in delay or abandonment of its strategy. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

(i) Future Profitability is uncertain

Audeara is still in the early sales stage for its technology. To date, it has funded its operations principally through issuing securities, seeking research and development tax refunds and by applying for grants. There is no guarantee that Audeara will be able to grow its product sales through market adoption of its products, the latter being crucial for revenue generation and profitability of the Company. Audeara's ability to operate profitably in the short term will depend on its ability to successfully further penetrate its target market in Australia and in the longer term, international markets. If Audeara fails to increase its market share in its key markets, it may never become profitable.

Other factors that will determine Audeara's profitability are its ability to manage costs, its ability to execute its development and growth strategies, economic conditions in the markets in which it operates, competitive factors and regulatory developments. Accordingly, the extent of future profits, if any, and the time required to achieve a sustained profitability are uncertain. Moreover, the level of any profitability cannot be predicted.

(j) COVID-19 Pandemic risk

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. Such disruptions caused by ongoing outbreaks of COVID-19 or another pandemic may adversely impact the financial performance of the Company.

(k) Competition from new entrants

Audeara is subject to risk from competitors, including the introduction of new and emerging technologies or inventions. While Audeara closely monitors existing and emerging technology of relevance to its business, potential competitors may include companies with substantially greater resources and access to larger markets. Therefore, competitors may succeed in developing products that are more effective or otherwise commercially superior to those developed, or being developed, by Audeara, or which could render Audeara's products obsolete and/or otherwise uncompetitive.

Audeara may not always be able to match its competitors in both functionality and price. General technological development in Audeara's key industries may render some of Audeara's products obsolete or subject to significant pricing pressure as customers move to the use of substitute products and technologies.

To the extent possible, Audeara plans to mitigate this risk by implementation of its own research and development and product innovation programs over time.

(l) Risk of superseding technology

There is a risk that new technology will be developed that will supersede Audeara's technology. Additionally, new technologies require significant resources for development and experience lengthy commercialisation timelines. To the extent that Audeara's patent strategy does not secure and obtain monopoly rights, Audeara intends to invest heavily in research and development to mitigate the risk that other competitor technologies will supersede the current and future product offerings developed by Audeara. However, Audeara cannot guarantee that its technology will not be superseded.

(m) Product pipeline

It is possible that Audeara will not succeed in its research and development endeavours and will be unable to produce a sufficiently wide product range to meet its customers' demands. This may adversely impact the Company's growth strategy.

(n) Product liability risk

Audeara's products consist of aggregated electronic components powered by a lithium ion battery. While Audeara considers the risk to be low, should any Audeara product cause injury to a person, considerable reputational damage may be caused to Audeara from the perspective of its suppliers, customers and regulators. Any resulting loss of contracts with Audeara's customers may also result in significant product recall costs and compensation payments. All of these circumstances may have a material adverse effect on Audeara's revenue, profitability and growth.

It is possible that product warranty or product liability claims against Audeara could arise from defects in products supplied by Audeara. Claims could be made including for product liability or damage or loss arising from defective products.

(o) Manufacturing risk and concentration

Audeara sources key material components for its devices from third party suppliers and in particular, one key aggregator. The delivery of such components may be delayed, or a specific supplier may not be able to deliver at all, which may lead to a longer sales cycle or may force Audeara to shift to another supplier. There is a risk that the Company could be disrupted if no alternative suppliers were able to be sought.

There is a risk that key components provided by third party suppliers may be defective. Audeara's products may be subject to product quality risks, with the effect that Audeara's products may not be functional or meet customer's expectations. This may lead to requirements for the Company to improve or refine its products, which may diminish operating margins or lead to losses.

Suppliers to Audeara operate production lines that are vulnerable to critical breakdowns, as a failure of one portion of the line can result in the entire line becoming idle. This poses a material potential financial risk to the Company.

(p) Supplier risk

Audeara's success is dependent upon its ability to manufacture its products on a commercial scale with outsourced manufacturers, with continuity of supply and in accordance with current good manufacturing practices prescribed by regulatory authorities. Any delays or difficulties in the future manufacture of products, including as a result of unexpected termination of key agreements with the Company's manufacturers, may have a material adverse effect on the Company.

Should Audeara's outsourced manufacturing facilities be disrupted or agreements terminated unexpectedly, it may not be able to source alternate methods of creating its products within a reasonable time and could suffer reputational damage.

Audeara's distribution arrangements may be terminated at the discretion of the counterparties, which could, in cases of material distribution agreements, materially adversely affect the Company.

(q) Third party risk

Audeara's manufacturers and its own operations require the involvement of a number of third parties, including suppliers and contractors. Financial failure, default or contractual non-compliance on the part of such third parties may have a material impact on the operations and performance of Audeara.

(r) New markets risk

Audeara intends to expand its product offerings into new geographies and markets. Any efforts to enter a new market or segment space hold the risks that the product offering does not meet the needs of the market or segment at an acceptable price point, the product does not meet the relevant regulatory standards and/or the underlying intellectual property is not registrable in the market. New markets usually cost substantially more to penetrate than a known market and involve higher risk.

(s) Product price variation

Prices of Audeara's products are affected by variations in market supply and demand. A decrease in demand for Audeara's products, whether as a result of the actions of competitors or general economic conditions, may result in Audeara having to reduce the prices of its products, reducing revenue and profit. However, it is likely that Audeara's competitors will be affected in the same way as Audeara.

(t) Failing to Match Production to Demand

Audeara's objectives are dependent on its ability to meet commercial orders for its products. There is a risk that Audeara will not be able to increase its production capacity quickly enough, while

maintaining appropriate quality standards, to meet increased incoming orders. Any inability to meet orders (including as to compliance with quality standards) could result in lost revenue and may also cause reputational damage with particular customers and in the market more broadly, affecting Audeara's financial performance and position.

Audeara mitigates this risk by closely coordinating with its customers to understand their forward product requirements.

(u) Disruption of business operations

Audeara is exposed to a range of operational risks relating to both current and future operations. Such operational risks include equipment failures, IT system failures, external services failures, industrial action or disputes and natural disasters. While Audeara endeavours to take appropriate action to mitigate these operational risks, one or more of these risks may have a material adverse impact on the performance of the Company.

The business of Audeara may be affected by various factors which are beyond the control of Audeara, such as industry reforms. Audeara is dependent on the ongoing, efficient operation of its systems and infrastructure. Risks that may threaten Audeara's operations include failure of critical machinery, power, gas, water supply and industrial action affecting its supply chain. The operations of Audeara and its suppliers involve risks to employees, contractors, and plant and equipment, including the risk of accidents arising from malfunction of equipment, natural disasters and force majeure. Such events may not always be foreseen or insured against and are beyond the control of Audeara. The occurrence of such events may result in damage to the operations of Audeara or its suppliers, including Audeara's reputation and may have a material adverse effect on Audeara's revenue, profitability and growth.

(v) Intellectual property risk

There may be circumstances where Audeara's intellectual property cannot be protected or is subject to unauthorised disclosure, infringement or challenge by a third party. The Company may incur significant costs in asserting its rights in such circumstances. Even a registered patent can be invalidated in certain circumstances.

There can be no assurance that any patents Audeara may own or control or licence now and in the future will afford Audeara a competitive advantage, commercially significant protection of the intellectual property, or that any of the products that may arise from the intellectual property will have commercial application.

There is always a risk of third parties claiming involvement in technological discoveries. Further, competition in retaining and sustaining protection of intellectual property and the complex nature of intellectual property can lead to expensive and lengthy patents disputes, for which there can be no guaranteed outcome. Some parties may be able to utilise their greater financial resources to better sustain the costs of litigation or proceedings.

As at the date of this Prospectus, no third parties have made any claims against Audeara for intellectual property infringement.

(w) Information systems and cyber risk

Audeara is reliant on information technology to operate its business. Despite measures Audeara has put in place to protect its network and information which is stored on its systems, it is possible that those measures may be breached or otherwise found to be inadequate. Unauthorised third party access to these information technology systems and the potential theft of client, supplier and other information could expose Audeara to reputational damage, claims by customers, loss of customers, theft, a disruption of supply to clients, legal action and regulatory scrutiny.

Any of these events could adversely impact Audeara's reputation, business, financial condition and financial performance.

(x) Insurance risk

Audeara has obtained insurance where it is considered appropriate for its needs. However, Audeara would not expect to be insured against all risks, either if appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue. Accordingly, Audeara may not be fully insured against all losses and liabilities that could unintentionally arise from its operations. If Audeara incurs losses or liabilities for which it is uninsured, the value of the Shares may be at risk.

(y) Litigation or claims

In the ordinary course of its business, Audeara may be subject to the risk of litigation and other disputes with its customers, employees, consultants, lessors, regulators and other third parties. Proceedings may result in high legal costs, adverse monetary judgments and/or damage to Audeara's reputation, which ultimately may have an adverse effect on the financial performance of Audeara.

As at the date of this Prospectus, Audeara is not facing any legal action, litigation or arbitration.

(z) Regulatory and accreditation risk

Audeara does not require any regulatory licences to conduct its current business (except as set out in Section 3.17(b)), but does have to comply with certain requirements to remain eligible to supply its products to resellers for sale through government funded programs such as the NDIS and HSP.

The legislative frameworks in Australia and other countries where Audeara may seek to operate may vary without notice and adversely impact the Company, in particular in relation to its operations and profitability. For example, changes in a jurisdiction's legislation (or government policy)

which affect the ability of end-users to obtain funding or reimbursement for the acquisition of Audeara products from public sources may adversely affect the sales of those products in that relevant jurisdiction.

Audeara is exposed to risks of changes in applicable laws and changes to the interpretation of existing laws. These changes in law may negatively affect Audeara and/or the returns received by Shareholders. Failures by Audeara to comply with legislative, accreditation or regulatory requirements may result in loss of key customers and/or reputational damage which may have a material adverse effect on Audeara's business, net assets, financial condition and operational results.

While Audeara considers that its devices and software do not require registration under the Therapeutic Goods Act 1989 (Cth) as medical devices, should this position change and registration become a requirement, Audeara will be compelled to make changes to its business model and that may cause increased costs for Audeara.

(aa) Dependence on key personnel

The success of Audeara depends to a significant extent on the ability, performance and experience of its key personnel. The loss of key personnel or an inability to recruit or retain suitable replacement or additional personnel may impact Audeara's ability to develop and implement its strategies, which may have an adverse effect on its future financial performance.

There can be no assurance that Audeara will be able to attract or retain sufficiently qualified scientific, technical and management personnel or maintain its relationship with key scientific and professional organisations and contractors. The loss of key scientific, technical, professional or management personnel and the associated corporate knowledge of those people could have a detrimental impact on Audeara and may adversely affect Audeara by impeding the achievement of its research, product development and commercialisation objectives.

(bb) Reliance on relationships and alliances

Audeara has relationships with government, technical and advisory parties and other stakeholders in its industry, including distributors with whom contract terms are loose and whose support for Audeara is relationship based. Audeara's success, in part, depends upon continued successful relationships with these parties. The loss of one or more of these relationships or a change in the nature or terms of one or more of these relationships may have a material adverse impact on the financial position and prospects of Audeara.

(cc) Potential variability in dividend payments

The payment of dividends by the Company is at the discretion of the Directors and will be a function of a number of factors, including future capital and research and development requirements, capital management initiatives, the general business environment, operating results and the financial condition of Audeara, potential strategic growth opportunities, taxation considerations, the level of retained earnings and available franking credits and any contractual, legal or regulatory restrictions on the payment of dividends by the Company. The Directors are unable to give any assurance regarding the payment of dividends in the future, if any. Finally, if and when dividends are declared, the Directors are unable to give any assurance in relation to whether franking credits attaching to dividends can be given by Audeara. Shareholders should otherwise be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

(dd) Liquidity and realisation risk

There is currently no public market through which the Shares of Audeara may be sold. On Completion of the Offer, there can be no guarantee that an active market will develop or that the price of Audeara's Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of Audeara's Shares and may prevent investors from acquiring more Shares or disposing of Shares they have acquired under the Offer. It may also affect the prevailing market price at which the Shareholders can sell their Shares. This may result in Shareholders who acquired Shares receiving a market price for their Shares at less or more than the Offer Price.

On completion of the Offer, Existing Shareholders will hold 66.67% of Shares on issue. 44.98% of Shares and 50.63% of Options on issue will be subject to ASX escrow restricting dealing in them for between 12 and 24 months (see Section 9.9). The absence of any sale of these Shares by Existing Shareholders during the escrow period may cause, or at least contribute to, limited liquidity in the market for the Company's Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares.

(ee) Risk of force majeure events

Force majeure events, or events beyond the control of the Company, may occur within or outside Australia that could affect the world economy, the operations of Audeara and the price of Shares. These events include war, acts of terrorism, civil disturbance, politician intervention and natural disasters.

(ff) Research and Development Tax risk

Audeara is eligible for the Australian Government's R&D Tax Incentive program and has historically received the refundable cash R&D Tax Offset which the Company uses to offset its research

and development costs each year. Applications for the R&D Tax Incentive have been an area of active enquiry from the Australian Taxation Office and AusIndustry. Cash receipts in respect of the R&D Tax Offset scheme amounted to \$711,000 over FY18, FY19 and FY20. The impacts on the Financial Information have been discussed in Section 6. The legislation is complex, the issues are technical and should some or all of the Company's previous R&D refunds may be clawed back, this may have a material adverse impact on the Company.

(gg) Australian Government R&D incentives may change

Audeara's development program includes anticipated receipt of tax refunds based on the Company's actual research and development spending. If the status of the Company or its connected entities should change or the Australian Federal Government changes its R&D incentive program in a manner which adversely affects the amount of funds available or the timing of receipt of such funds, there is a risk that the Company may need to obtain additional funds to complete the program.

No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company. As a result, the Company's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Company from commercialising its intellectual property and generating revenues.

(hh) Currency risk and lack of hedging

Audeara is exposed to foreign currency risk, mainly through its foreign currency cash balances, receivables and payables denominated in foreign currencies. The Group's exposures are mainly against the US dollar (USD) and are managed through continuous monitoring of movements in exchange rates, and by settling foreign currency purchases with proceeds from foreign currency income.

Currently, the Company does not have any currency hedging arrangements in place, but this may change if the Directors form the view that the cost of such arrangements is appropriate. This means the Company does not currently have measures in place to soften the adverse effect of currency movements.

(ii) Privacy risk

Audeara seeks to ensure that it has appropriate security measures and risk management systems in place to maintain the confidentiality and privacy of information collected in relation to its customers, end-users, employees and other sources of personal information.

Audeara employs measures to ensure the security of its data. However, those security measures are subject to various risks including computer viruses, electronic theft, physical damage resulting in a loss or corruption of data, operating system failures, third party provider failures or similar disruptions. Audeara's efforts to combat these risks might not be successful and there is a risk that a data breach may occur, or a third party may gain access to confidential information of Audeara's customers, employees or other personal information. The failure of the Company to maintain the confidentiality of this information could result in a breach of law and cause significant operational, financial and reputational damage (such as claims from Audeara's customers or end-users) or the imposition of penalties if regulatory action is taken against Audeara.

(jj) Transition from a Public Unlisted to Public Listed Company

As part of its listing, the Company will implement governance systems and processes that appropriate to manage its compliance with legislative and ASX Listing Rule requirements. There is a risk that, prior to or as a consequence of these systems and processes being implemented, unforeseen circumstances may arise that could have an impact on Audeara's financial performance.

4.3 Investment and general risks

(a) Securities investments and share market conditions

There are risks associated with any securities investment. The prices at which the securities trade may fluctuate in response to a number of factors.

The price of Shares may rise or fall in relation to the Offer Price and investors who decide to sell their Shares, after Listing of the Company on the ASX, may not receive the full amount of their original investment.

Furthermore, the share market may experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of companies. These factors may materially adversely affect the market price of the securities of the Company, regardless of the Company's operational performance. Neither the Company nor the Directors warrant the future performance of the Company, or any return of an investment in the Company nor the price of Shares.

Share market conditions are affected by many factors, including movements in local and international stock exchanges, general economic outlook, interest rates and inflation rates, exchange rate fluctuations, changes in investor sentiment towards equities or particular market sectors, domestic and international economic and political conditions, political instability, short selling and other trading activities, the demand for, and supply of, capital, government taxation, market supply, competition and demand and other legal, regulatory or policy changes or force majeure events.

(b) Macroeconomic conditions

General economic conditions, changes in government policy, amendments to legislation, movements in interest rates, inflation and currency exchange rates may have an adverse impact on the Company's operations as well as its ability to finance its business model.

(c) Trading in Shares may not be liquid

Once the Shares are quoted on the ASX, there can be no guarantee that an active trading market for the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid.

(d) Taxation changes may negatively affect the Company

There is the potential for changes to tax laws and changes in the way tax laws are interpreted. Any change to the current tax rates imposed on the Company (including in foreign jurisdictions where relevant) may affect returns to Shareholders.

There may be tax implications arising from applications for Shares, participation in any on-market buy-back and/or on the future disposal of Shares. Further, the tax treatment of a Shareholder's investment may be impacted by legislative changes in tax law or the interpretation of tax laws (including goods and services taxes, rules relating to deductible liabilities and stamp duty taxes). Any changes to the current rate of company income tax may impact Shareholder returns, and any change in tax rules and tax arrangements could have an adverse impact on the level of dividend franking and Shareholder returns. Potential investors should consult their professional tax adviser before deciding whether to apply for Shares pursuant to this Prospectus

(e) Accounting standards may change

Australian Accounting Standards are set by the Australian Accounting Standards Board (AASB) and are outside the control of either the Company or its Directors and senior management. The AASB is due to introduce new or refined Australian Accounting Standards in the coming years, which may affect future measurement and recognition of key income statement and balance sheet items, including revenue and receivables. There is also a risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key income statement and balance sheet items, including revenue and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB, or changes to the commonly held views on the application of those standards, could materially adversely affect the financial performance and position reported in the Company's consolidated financial statements.

(f) Trade policy

The access to international markets of Audeara's customers may be limited in the future, depending on trade policy. The Company's performance may, if Audeara develops a significant offshore business, be adversely affected by such changes in trade policy and, in particular, the trade policies of the USA and Europe.

(g) Unforeseen risks

There may be other risks which Directors or management are unaware of at the time of issuing this Prospectus which may impact on Audeara, its operations and/or the valuation and performance of the Shares.

(h) Combination of risks

Audeara may be subject to a combination of risks, including any of the risks outlined in this Section 4, which could affect the performance valuation, financial performance and prospects of the Company.

4.4 Speculative investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above risk factors and others not specifically referred to above, may materially affect the future financial or operational performance of the Company and the value of the securities offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or market value. Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Offer Shares pursuant to this Prospectus.

SECTION 5

Key Persons and Corporate Governance

5.1 Board of Directors

The Company is managed by the Board of Directors. The Board's and management's focus will be to generate value for Shareholders.

The Board comprises 3 Directors as at the date of this Prospectus, namely:

- (a) David Trimboli;
- (b) James Fielding; and
- (c) Pasquale "Paddy" Rombola.

The names and details of the Directors in office or proposed to assume office at close of the Offer, are:

Mr David Trimboli Non-Executive Chairman	Mr Trimboli invested 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. Since leaving Glencore, after a successful float on both the London and Hong Kong stock exchanges, he established two investment vehicles, one based in Switzerland and the other based in Australia, the latter being Seefeld Investments Pty Ltd. The Board does not consider Mr Trimboli to be an independent Director.
Dr James Fielding CEO and Managing Director	Dr Fielding completed dual bachelor's degrees in business management and Biomedical Science at University of Queensland. After working in finance and public relations in New York City, Dr Fielding gained graduate entrance into a Bachelor of Medicine/ Bachelor Surgery, earning a scholarship for the University of Queensland's Medical Leadership Program, being an adapted MBA program for medical school students, conferring a Graduate Certificate of Executive Leadership. Dr Fielding was based at the Royal Brisbane and Women's Hospital before leaving full time clinical medicine to focus on developing Audeara's business as its Managing Director and Chief Executive Officer. The Board does not consider Dr Fielding to be an independent Director.
Pasquale "Paddy" Rombola Non-Executive Director	Mr Rombola has extensive experience in the investment banking industry in Australia, United Kingdom and Asia specialising in Asian and Australian equities at both Morgan Stanley and Deutsche Bank. He held a variety of roles with Morgan Stanley, including Head of the ASEAN Equity and Global Head of the Asia Equity Sales. Mr Rombola 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. The Board considers Mr Rombola to be an independent Director.

5.2 Senior Management

Audeara's senior management is summarised below:

Mr Alex Afflick Chief Technical Officer	In 2013, Mr Afflick graduated with a Bachelor of Electrical Engineering with honours (majoring in Control Systems) at Queensland University of Technology, after which he gained industry experience working as a Software Engineer for a specialised systems engineering firm based in Brisbane. In this role, he developed software skills in 3D game development, real-time device messaging and communication frameworks, web application development, and IOT cloud computing for systems engineering applications. Mr Afflick has experience working in a range of industries including underground mining, defence, smart cities and commercial development. Alex is a founder and the technical lead for Audeara, having been instrumental in the company's product development since its inception.
Jason Thorogood Chief Operating Officer	Mr Thorogood has over 25 years' experience in a number of senior roles in London and Zurich in commodity Trading. Since coming to Australia in 2014, he has advised a number of start-ups and early venture enterprises with Seefeld Investments Pty Ltd, including Expede, Dapper Apps, and Nutrifert, (now Advantage Agriculture). He completed an MBA and MSc from Curtin University, Perth, in 2016. Mr Thorogood has been involved with Audeara since 2017 and became a full-time member of the team from January 2019.
Peter Harding-Smith Chief Financial Officer and Company Secretary	Mr Peter Harding-Smith has had a finance career spanning over 30 years. In the last 15 years, he has focused on the SME public company space as Chief Financial Officer and Company Secretary for a number of entities, including Silver Chef Limited, Orbis Gold Limited and Armour Energy Limited. Mr Harding-Smith 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).

5.3 Directors' Interests in securities as at the date of this Prospectus

As at the date of this Prospectus, the interest of the Directors (and their respective associates) in securities of the Company are set out in the table below.

Name	Shares ¹	% of total Shares	Options ⁴
James Fielding ²	8,214,264	7.82%	1,250,000
David Trimboli ³	15,235,460	14.51%	300,000
Pasquale Rombola	351,588	0.33%	450,000

Notes:

1. Assumes the Directors do not participate in the Offer. Rights and liabilities attaching to Shares are set out in Section 10.6.
2. Held through James Fielding Family Pty Ltd as trustee.
3. Held through Mr Trimboli's controlling interest in Audeara Investments Pty Ltd.
4. The terms of issue of the Options are set out in Section 10.7.

5.4 Remuneration of Directors

(a) Dr James Fielding

Details of Dr Fielding's Executive Services Agreement are set out in Section 10.4(g)(ii). He will receive a salary of \$240,000 per annum (exclusive of statutory superannuation).

Except as set out in this Prospectus, in the 2 years prior to the date of this Prospectus, Dr Fielding received \$240,000 in salary from the Company. In addition, upon admission of the Company to the Official List of ASX, Dr Fielding will be paid \$40,000 in previously accrued but unpaid salary.

Dr Fielding has been offered 1,250,000 Options, subject to the Company being admitted to the Official List of ASX. Terms and conditions of the Options are set out in Section 10.7.

(b) Mr David Trimboli

Mr Trimboli, the Company's Non-Executive Chairman, has entered into an engagement letter with the Company. He will receive a fee of \$72,000 per annum (exclusive of statutory superannuation). Except as set out in this Prospectus, in the 2 years prior to the date of this Prospectus, Mr Trimboli or entities controlled by him received no salary from the Company. In addition, upon admission of the Company to the Official List of ASX, Mr Trimboli will be paid \$40,000 in previously accrued but unpaid salary.

Mr Trimboli's letter of engagement is summarised in Section 10.4(g)(i).

Mr Trimboli has been offered 300,000 Options, subject to the Company being admitted to the Official List of ASX. Terms and conditions of the Options are set out in Section 10.7.

(c) Mr Pasquale Rombola

Mr Rombola, Non-Executive Director, has entered into an engagement letter with the Company. He will receive a fee of \$60,000 per annum (exclusive of statutory superannuation). Except as set out in this Prospectus, in the 2 years prior to the date of this Prospectus, Mr Rombola or entities controlled by him received no salary from the Company.

Mr Rombola's letter of engagement is summarised in Section 10.4(g)(iii).

Mr Rombola has been offered 450,000 Options, subject to the Company being admitted to the Official List of ASX. Terms and conditions of the Options are set out in Section 10.7.

5.5 Remuneration pool for Non-executive Directors

Under the Constitution, the Board may decide the remuneration from Audeara to which each non-executive Director is entitled for their services as a Director. However, the total amount of fees paid to all non-executive Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by Audeara in general meeting. This amount has been fixed at \$380,000 per annum.

5.6 Employee Share Option Plan

The Company has adopted an Employee Share Option Plan (ESOP) in which Directors and employees may invited to participate. To date, only the directors have been offered securities under the ESOP. However, a total of 3,950,000 Options will be offered to staff and directors (including those in Section 5.3) upon admission of the Company to the Official List of ASX).

Terms and conditions of the Options are set out in Section 10.7 and a summary of the ESOP Plan Rules is set out in Section 10.8.

5.7 Other Fees

A Director may be paid fees or other amounts in addition to those set in out Sections 5.3 and 5.4 as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

5.8 Related Party Arrangements

The Company's policy in respect of related party arrangements is as follows:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- (b) for the Board to consider such a matter, the Director who has a material personal interest must not be present while the matter is being considered at the meeting and may not vote on the matter.

The Company has entered into the following related party transactions:

- (a) executive services agreements or letters of engagement with each of its Directors on standard terms (refer to Section 10.4(g));
- (b) Deeds of Indemnity, Insurance and Access with each of its Directors on standard terms (refer to Section 10.4(g)(iv)); and
- (c) the Offer of Options described in Section 5.4.

Aside from the above, there are no other related party agreements or arrangements.

5.9 Directors' Interests

Other than as set out in this Prospectus, no Director or proposed Director holds at the date of this Prospectus, or held at any time during the last two years before the date of lodgement of this Prospectus with ASIC, had any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Company or the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person to a Director or proposed Director to induce him or her to become, or to qualify as, a Director; or for services provided by a Director or proposed Director in connection with the formation or promotion of the Company or the Offer.

5.10 ASX Corporate Governance Council Principles and Recommendations

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the Company's policies and procedures with openness and integrity, commensurate with the Company's needs.

To the extent applicable, the Company has adopted the 4th edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current Board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are detailed below. The Company's full Corporate Governance Plan will be available in a dedicated corporate governance information section of the Company's website at www.audeara.com.

(a) Board of Directors

The Board is responsible for the corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. Clearly articulating the division of responsibilities between the Board and management will help manage expectations and avoid misunderstandings about their respective roles and accountabilities. In general, the Board assumes (amongst others) the following responsibilities:

- (i) driving the strategic direction of the Company and defining the Company's purpose, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- (ii) approving the Company's statement of values and Code of Conduct to ensure the desired culture within the Company is maintained and monitoring the implementation of such values and culture at all times;
- (iii) ensuring that an appropriate framework exists for relevant information to be reported by management to the Board;
- (iv) when required, challenging management and holding it to account, appointment and replacement of the Chief Executive Officer/ Managing Director, other senior executives and the Company Secretary and the determination of the terms and conditions of their employment, including remuneration and termination;
- (v) approving the Company's remuneration framework and ensuring it is aligned with the Company's purpose, values, strategic objectives and risk appetite;
- (vi) monitoring the timeliness and effectiveness of reporting to shareholders;
- (vii) reviewing and ratifying systems of audit, risk management (for both financial and non-financial risk) and internal compliance and control, codes of conduct and legal compliance to minimise the possibility of the Company operating beyond acceptable risk parameters;
- (viii) approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- (ix) approving and monitoring the budget and the adequacy and integrity of financial and other reporting such that the financial performance of the Company has sufficient clarity to be actively monitored;
- (x) approving the annual, half yearly and quarterly accounts;
- (xi) approving significant changes to the organisational structure;
- (xii) approving decisions affecting the Company's capital, including determining the Company's dividend policy and declaring dividends;
- (xiii) recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them (in accordance with the ASX Listing Rules if applicable);
- (xiv) ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making; and

- (xv) procuring appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively and to deal with new and emerging business and governance issues.

The Company is committed to ensuring that appropriate checks are undertaken before the appointment of a Director and the Company has in place written agreements with each Director which detail the terms of their appointment.

(b) Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meetings. The Board currently consists of 2 non-executive Directors (of whom 1 is considered independent by the Board) and 1 Executive Director.

As the Company's activities develop in size, nature and scope, the composition of the Board and the implementation of additional corporate governance policies and structures will be considered.

(c) Identification and management of risk

The Board's collective experience will assist in the identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

(d) Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

(e) Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

(f) Remuneration arrangements

The remuneration of any Executive Director will be decided by the Board and must not be calculated as a commission on, or percentage of, operating revenue.

In addition, subject to any necessary Shareholder approval, a Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director (e.g. non-cash performance incentives such as Options).

Directors are also entitled to be paid reasonable travel and other expenses incurred by them in the course of the performance of their duties as Directors.

The Board reviews and approves the Company's remuneration policy in order to ensure that the Company is able to attract and retain executives and Directors who will create value for Shareholders, having regard to the amount considered to be commensurate for an entity of the Company's size and level of activity as well as the relevant Directors' time, commitment and responsibility.

The Board is also responsible for reviewing any employee incentive and equity based plans and offers under them, including the appropriateness of performance hurdles and total payments proposed.

(g) Securities trading policy

The Board has adopted a policy that sets out the guidelines on the sale and purchase of Securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the Executive Directors). The policy generally provides that the written acknowledgement of the Chairman (or the Board in the case of the Chairman) must be obtained prior to trading.

(h) Diversity policy

The Board values diversity (in its broader sense) and recognises the benefits it can bring to the organisation's ability to achieve its goals. However, given the current stage of the Company's operations and number of employees, the Company has determined at this stage not to formally adopt a diversity policy. The Company will re-assess this as the Company grows.

(i) Audit and risk

The Company will not have a separate audit or risk committee until such time as the Board is of a sufficient size and structure and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee, including but not

limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control and risk management systems and the external audit function.

(j) External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company. The Board from time to time will review the scope, performance and fees of those external auditors.

5.11 Departures from Recommendations

Following Listing, the Company will be required to report any departures from the Recommendations in its annual financial report. The Company's departures from the Recommendations as at the date of this Prospectus are detailed in the table below.

Principles and Recommendation	Explanation for Departures
1.5 A listed entity should have a diversity policy and disclose that policy at the end of each reporting period.	The Company does not comply with Recommendation 1.5. The Company has not formally established a diversity policy given the current stage of its operations and small number of employees.
2.1 The board of a listed entity should have a nomination committee.	The Company does not comply with Principle 2.1. The Company is not of a relevant size to consider formation of a nomination committee to deal with the selection and appointment of new Directors and as such, a nomination committee has not been formed. Nominations of new Directors are considered by the full Board. If any vacancies arise on the Board, all directors are involved in the search and recruitment of a replacement. The Board has taken a view that the full Board will hold special meetings or sessions as required. The Board is confident that this process for selection (including undertaking appropriate checks before appointing a person or putting forward to Shareholders a candidate for election) and review is stringent and full details of all Directors will be provided to Shareholders in the annual report and on the Company's website.

Principles and Recommendation	Explanation for Departures
2.2 The board of a listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	The Board does not maintain a formal Board Skills Matrix, as the Board considers that such a matrix is not necessary given the current size and scope of the Company's operations. The Board may adopt such a matrix at a later time as the Company's operations grow and evolve.
2.4 A majority of the board of a listed entity should be independent directors.	Given the Company's present size and scope, it is currently not the Company's policy to have a majority of independent Directors. Directors have been selected to bring specific skills and industry experience to the Company. The Board has an expansive range of relevant industry experience, financial, legal and other skills and expertise to meeting its objectives. The Board currently comprises one independent Director.
4.1 The board of a listed entity should have an audit committee of at least three members that are non-executive.	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.
7.1 The board of a listed entity should have a risk committee.	The Board has not established a separate Risk Management Committee. The Board is ultimately responsible for risk oversight and risk management. Discussions on the recognition and management of risks are considered by the Board. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify having a separate risk committee.
8.1 The board of a listed entity should have a remuneration committee of at least three members, a majority of whom are independent.	The Board as a whole performs the function of the Remuneration Committee, which includes setting the Company's remuneration structure, determining eligibilities to incentive schemes, assessing performance and remuneration of senior management and determining the remuneration and incentives of the Board. The Board may obtain external advice from independent consultants in determining the Company's remuneration practices, including remuneration levels, where considered appropriate. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify having a separate Remuneration Committee.

SECTION 6

Financial Information

6.1 Introduction

The financial information for Audeara in this Section has been prepared by Audeara and includes:

- (a) Historical Financial Information for Audeara comprising:
 - (i) Summary historical profit and loss statements for the years ended 30 June 2019 (FY19) and 30 June 2020 (FY20) and the six months ending 31 December 2019 (HY20) and 31 December 2020 (HY21) (the **Historical Statements of Profit and Loss**);
 - (ii) Summary historical cash flow statements for the years ended 30 June 2019 (FY19) and 30 June 2020 (FY20) and the six months ending 31 December 2019 (HY20) and 31 December 2020 (HY21) (the **Historical Statements of Cash Flows**); and
 - (iii) Summary historical statement of financial position as at 31 December 2020 (the **Historical Statement of Financial Position**),
 (collectively, the **Historical Financial Information**).
 - (b) Pro forma historical Statement of Financial Position as at 31 December 2020 and the associated details of the pro forma adjustments. (the **Pro Forma Historical Statement of Financial Position**).
- (collectively the **Financial Information**).

The Financial Information should be read together with other information contained in this Prospectus, including:

- (a) Basis of preparation and presentation of the Financial Information in Section 6.2;
- (b) Management discussion and analysis of Financial Information in Section 6;
- (c) The risk factors in Section 4;
- (d) Audeara's significant accounting policies as set out in Appendix 1;
- (e) An assessment of the impact of COVID-19 set out in Section 4.2(j);
- (f) The description of the use of proceeds of the Offer described in Section 9.5;
- (g) The Investigating Accountant's Report set out in Section 7; and
- (h) The indicative capital structure described in Section 9.7.

All amounts disclosed in Section 6 and the appendices are presented in Audeara's functional currency, Australian Dollars, unless otherwise noted, and are rounded to the nearest thousand. Some numerical tables included in this Prospectus have been subject to rounding adjustments. Any differences between totals and sums of components in tables contained in this Prospectus are due to rounding.

Investors should note that past performance is not an indication of future performance.

6.2 Basis of Preparation of the Financial Information

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the historical financial performance, cash flow and financial position of Audeara.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board (AASB), which are consistent with the International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board. The Financial Information is presented in an abbreviated form and does not contain all of the disclosure provided in an annual financial report prepared in accordance with the Australian Accounting Standards and the Corporations Act.

Certain significant accounting policies relevant to the Financial Information are disclosed in Appendix 1. The Directors of Audeara are responsible for the preparation and presentation of the Financial Information.

The Prospectus does not contain prospective financial information. Upon considering the requirements of ASIC Regulatory Guide 170, the Directors concluded that any prospective financial information would contain a broad range of outcomes and therefore its inclusion would be potentially misleading.

(a) Historical Financial Information

The Historical Financial Information has been extracted from the audited historical financial statements for FY19 and FY20 and the reviewed interim financial statements for HY21. In presenting the Historical Financial Information in this Prospectus, certain line items have been grouped differently to the Audeara audited financial statements. Groupings for presentation purposes are included with the notes to each section below.

The FY19 financial statements from which the Historical Financial Information has been extracted are Tier 2 general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. These financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements.

The financial statements prepared for FY20 were general purpose financial statements.

The HY21 interim financial statements from which the Historical Financial Information has been extracted, which include HY20 comparatives, are Tier 2 general purpose financial statements that have been prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 ‘Interim Financial Reporting’, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (‘AASB’). Compliance with AASB 134 ensures compliance with IAS 34 ‘Interim Financial Reporting’.

The financial statements for FY19 and FY20 were audited and the interim financial statements for HY21 reviewed by the Company’s auditors, KPMG, in accordance with Australian Auditing Standards. In all cases the auditor issued an unqualified opinion but with an emphasis of matter drawing attention to the “Going Concern Basis of Preparation of Financial Statements” note in the financial statements. That note sets out matters that indicate that a material uncertainty exists that may cast doubt on the

Company’s ability to continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amount stated in the financial report. Those matters are as follows:

- (i) For the half year ended 31 December 2020, the Company has incurred a loss before income tax of \$283,000 (31 December 2019 \$(461,000)) and had negative cash flow from operating activities of \$401,000 (31 December 2019 \$(231,000)) for the period. As at 31 December 2020, the Company has a net current asset deficiency of \$648,000 and a deficiency of net assets of \$1,376,000.
- (ii) Despite the improvement in financial performance, the Company requires additional capital for its continued sales growth, re-structure of its current funding arrangements and on-going investment in products and sales channels.
- (iii) Directors have prepared a cash flow forecast for the next 12 months which indicates that the Company will have sufficient funds available to it to continue as a going concern. The cash flow forecast is underpinned by a successful IPO and settlement of convertible notes through their conversion to shares rather than settlement in cash.
- (iv) In the event that the Company is unable to complete its IPO as planned, the Company does not currently have sufficient funds available to settle convertible notes and meet anticipated working capital requirements.

(b) Pro Forma Historical Statement of Financial Position

The Pro Forma Historical Statement of Financial Position presented at Section 6.5 has been prepared by the Directors of Audeara and shows the Historical Statement of Financial Position at 31 December 2020 after adjusting for certain pro Forma adjustments identified by the Directors to reflect the effects of the Offer as if it had occurred on that date. The Pro Forma Adjustments are detailed at Section 6.5.

The Pro Forma Historical Statement of Financial Position has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Fundraising and/or Prospective Financial Information by KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division ("KPMG Transaction Services")) Their Investigating Accountant's Report can be found in Section 7 Investors should note the scope and limitations of the Limited Assurance Investigating Accountant's Report.

(c) Explanation of certain non-IFRS financial measures

Audeara uses certain measures to manage and report on its business that are not recognised under IFRS or Australian Accounting Standards. These measures are collectively referred to in this section 6 and under Regulatory Guide 230 Disclosing Non-IFRS Financial Information published by ASIC as "non-IFRS financial measures". The principal non-

IFRS financial measures that are referred to in this Prospectus are as follows:

- (i) EBITDA is earnings or losses before interest, taxation, depreciation and amortisation.
- (ii) EBIT is earning or losses before interest and taxation.

Although Audeara believes that these measures provide useful information about the financial performance of the business they should be considered as supplements to the income statement measures that have been presented in accordance with Australian Accounting Standards and not as a replacement for them. As these non-IFRS financial measures are not based on IFRS (of Australian Accounting Standards), they do not have standard definitions, and the way Audeara calculates these measures may differ from similarly titled measures used by other companies. Investors and readers of this Prospectus should therefore not place undue reliance on these non-IFRS financial measures.

6.3 Historical Statements of Profit and Loss

The table below sets out Audeara's Historical Statements of Profit and Loss for the years ended 30 June 2019 (FY19) and 30 June 2020 (FY20) and the six months ended 31 December 2019 (HY20) and 31 December 2020 (HY21).

Historical Statements of Profit and Loss				
AUD (\$'000)	FY19 12 months Audited	FY20 12 months Audited	HY20 6 months Reviewed	HY21 6 months Reviewed
Sales	582	903	464	526
COGS	(345)	(563)	(312)	(286)
Gross Margin	237	340	152	240
<i>Gross Margin %</i>	40.8%	37.7%	32.9%	45.6%
Other Income	374	547	28	221
Operating Expense	(2,064)	(1,167)	(562)	(624)
EBITDA	(1,453)	(280)	(382)	(163)
D&A	(4)	(38)	(12)	(30)
EBIT	(1,457)	(318)	(393)	(193)
Interest	(43)	(136)	(68)	(90)
NPBT	(1,500)	(454)	(462)	(283)
Tax	–	–	–	–
NPAT	(1,500)	(454)	(462)	(283)

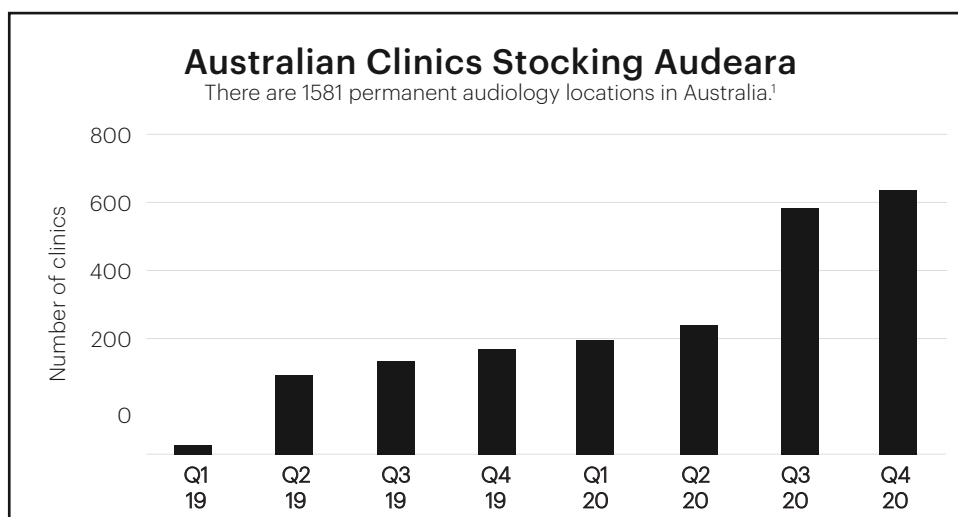
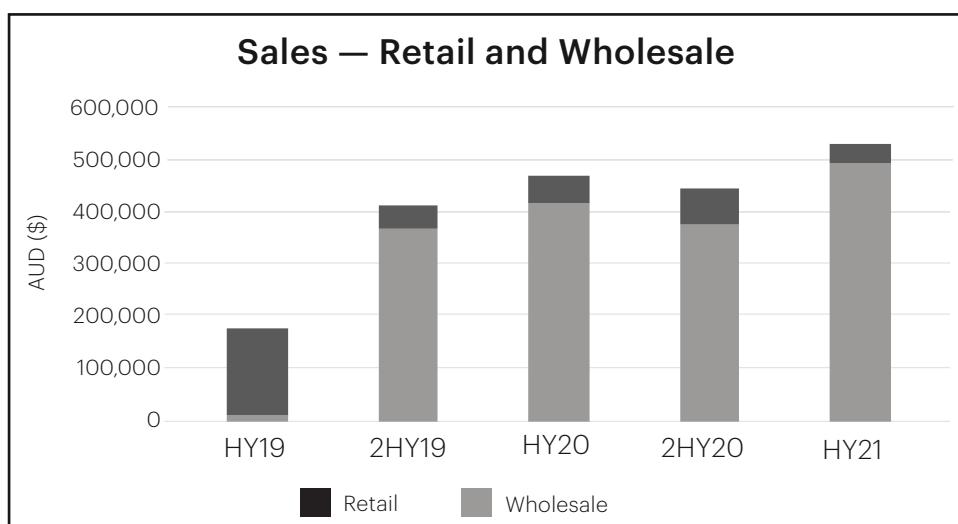
Management discussion and analysis of the Historical Statements of Profit and Loss

(a) Sales

Audeara's sales are currently generated through the sale of the A-O1 headset and the BT-O1 receiver. In FY19 the Company generated most of its sales through retail distribution channel with Amazon in the USA, UK and Australia and through a crowdfunding campaign into China. The second half of FY19 saw the Company refocus its sales to wholesaling into Australian Audiology clinics.

The move to the Audiology clinics commenced with the supply agreement with the Federal Government owned Hearing Australia group. Subsequently further supply agreements have been secured with independently owned and operated clinics, as well as a number of large internationally owned groups.

The below graph details Audeara sales in half yearly intervals, broken down into Retail and Wholesale channels. There was a decrease in 2HY20 sales due to market conditions, however sales increased in HY21 underpinned by securing a supply agreement with Amplifon Australia.



1. hearing.services.gov.au - Annual Program Statistics June 30 2020

(b) Cost of Goods Sold

Retail sales resulted in higher distribution cost (including product returns), especially during the Crowdfunding retails sales, in which Audeara incurred extra cost in relation to the distribution of the AO1. These costs were exacerbated during the first half of FY20 with the exit from retails sales. With the move into Audiology wholesale market in Australia, distribution costs were reduced through improved efficiency in transportation and handling, resulting in a lower overall landed cost.

(c) Other Income

Other income is composed of R&D tax incentives, export development grants and other Federal and State Government incentives, including JobKeeper.

Also included in other income are gains and losses from the Convertible Notes resulting from changes in the fair value of the option embedded in the Notes and modifications made to the maturity dates of the Notes.

(d) Operating Expenses

In the retail consumer led product validation phase of the business Audeara utilised a number of external consultants and costs of customer acquisition that included marketing expenses such as ecommerce advertising.

With the change in focus to wholesale sales through audiology clinics the operations of the company were streamlined, resulting in a decrease in operating expenditure while still growing revenues. This was due to the reduction in international consultants and ecommerce advertising that was not required to secure supply agreements with clinic groups within Australia.

FY20 and HY21 also include costs relating to the Offer that will not re-occur in future years (FY20: 56,000, HY21: \$136,000).

(e) Interest Expense

Audeara has utilised Convertible Notes to fund the business since FY19. A facility of \$1,500,000 was approved by the Board and has been issued over the 18-month period, finalising in September 2020. Interest expense increased as the quantum of Notes on issued increased.

On Completion of the Offer, the Convertible Notes are converted into equity, which will result in no further interest expense from the current funding strategy. Readers on the Prospectus should focus on the Sales, COGS and Operating Expenditure to obtain an understanding of the performance of the business.

6.4 Historical Statements of Cash Flows

The table below sets out Audeara's Historical Statements of Cashflows for the years ended 30 June 2019 (FY19) and 30 June 2020 (FY20) and the six months ended 31 December 2019 (HY20) and 31 December 2020 (HY21).

Historical Statements of Cash Flows				
AUD (\$'000)	FY19 12 months Audited	FY20 12 months Audited	HY20 6 months Reviewed	HY21 6 months Reviewed
Cash flow from Operations				
Cash receipts from customers	701	1,319	548	785
Cash paid to suppliers and employees	(2,416)	(1,614)	(779)	(1,186)
Cash used in operating activities	(1,715)	(295)	(231)	(401)
Interest received	–	–	–	–
Interest paid	(17)	(13)	(7)	(2)
Research and development tax incentives	251	242	242	219
Net Cash Flow from Operating	(1,481)	(66)	4	(184)
Cash flow from Investing				
Acquisition of property, plant and equipment	(3)	(1)	(1)	(2)
Acquisition of intangible assets	(12)	(16)	(10)	(6)
Net Cash Flow from Investing	(15)	(17)	(11)	(8)
Cash flow from Financing				
Proceeds from issue of share capital	150	–	–	–
Repayment of borrowings	–	(1)	5	–
Proceeds from borrowings	1	–	–	–
Repayment of lease liabilities	–	(29)	(4)	(25)
Issue of convertible notes	754	–	–	744
Loan to related parties	(8)	(5)	(1)	–
Loan from related parties	161	–	–	–
Net Cash Flow from Financing	1,058	(35)	–	719
Net Cash Flow	(438)	(118)	(7)	527
Cash at the beginning of the period	305	(134)	(134)	(252)
Cash at the end of the period	(133)	(252)	(141)	275

Management discussion and analysis of the Historical Statements of Cash Flows

(a) Operating Cash Flows

The Company has historically been loss making as it incurred discretionary expenses to grow the retail business, which has led to operating cash flow being in deficit. As a result of the move into wholesale, the level of discretionary expenditure has decreased, resulting in a reduction of the deficit. Movements in operating activities cash flow arise due to timing differences of payments made/received.

(b) Investing Cash Flows

Payments relating to the protection on the Company's intellectual property.

(c) Financing Cash Flows

In FY19, Audeara raised \$150,000 through a share issue and \$153,000 through loans from related parties. The related party loans will be repaid prior to the Offer. Further funding was obtained to support the business through the issue of convertible notes in FY19 and then again in HY21. The convertible notes will be converted into Shares prior to the Completion of the Offer.

6.5 Historical and Pro Forma Historical Statement of Financial Position

The table below sets out Audeara's Historical and Pro Forma Statement of Financial Position at 31 December 2020, adjusted for certain pro forma events, including the impact of the Offer and the proposed new financing structure as if it had been in place as at 31 December 2020 to prepare the Pro Forma Historical Statement of Financial Position.

The Pro Forma Statement of Historical Financial Position is provided for illustrative purposes and is not represented as being necessarily indicative of Audeara's view of its financial position upon Completion of the Offer or at a future date. Further information on the sources and uses of funds of the Offer is contained in Sections 1.7 and 9.5.

Historical and Pro Forma Historical Statement of Financial Position					
AUD (\$'000)	Notes	Reviewed 31 December 2020	Pro Forma Converting Notes to equity	Pro Forma Impacts of the Offer	Pro Forma 31 December 2020
Current Assets					
Cash and cash equivalents	6.5(b)	274	–	5,788	6,062
Trade and other receivables		114	–	–	114
Inventories		89	–	–	89
Other assets		220	–	–	220
Total Current Assets		697	–	5,788	6,485
Non-Current Assets					
Trade and other receivables		14	–	–	14
Property, plant and equipment		2	–	–	2
Intangibles		38	–	–	38
Right-of-use assets		34	–	–	34
Total Non-Current Assets		88	–	–	88
Total Assets		785	–	5,788	6,573
Current Liabilities					
Trade and other payables		108	–	–	108
Lease liability		38	–	–	38
Loans and borrowings	6.5(c)	179	–	(179)	–
Employee benefits		73	–	–	73
Provisions		5	–	–	5
Other payables		66	–	–	66
Convertible note liability	6.5(c)	876	(876)	–	–
Total Current Liabilities		1,345	(876)	(179)	290
Non-Current Liabilities					
Convertible note liability	6.5(c)	766	(766)	–	–
Convertible note derivative	6.5(c)	36	(36)	–	–
Employee benefits		14	–	–	14
Total Non-Current Liabilities		816	(802)	–	14
Total Liabilities		2,161	(1,679)	(179)	304
Net Assets/(Liabilities)		(1,376)	1,679	5,967	6,269
Equity					
Share capital	6.5(d)	1,976	1,679	6,556	10,211
Accumulated losses		(3,352)	–	(590)	(3,942)
Total Equity		(1,376)	1,679	5,967	6,269

(a) Pro forma adjustments

The following transactions and events contemplated in this Prospectus which are to take place on or before Completion of the Offer, referred to as the pro forma adjustments, are presented as if they, together with the Offer, has occurred on or before 31 December 2020 and are set out below.

With the exception of the pro forma transactions noted below, no material transactions have occurred between 31 December 2020 and the date of this Prospectus which the Directors consider require disclosure.

Pro forma transactions:

1. The Completion of the Offer, raising \$7,000,000 through the issue of 35,000,000 New Shares at an issue price of \$0.20 per Share, less the impact of Notes 2, 4 and 5 below;
2. Repayment of Related Party Loans – Prior to the issue of the Prospectus, Audeara will clear all Related Party Loans, which will reduce Cash by \$179,000. Refer to Section 6.3(c) for further detail on Loans, Borrowings and Convertible Notes.
3. The conversion of the principal, accrued interest and derivative liability on the convertible notes into a total of 10,654,953 Shares.
4. Cash costs associated with the Offer totalling \$834,000 (excluding GST), with those costs directly attributable to the issue of New Shares in relation to the Offer being \$444,000. These costs are offset against contributed equity. The remaining costs of the Offer of \$390,000, which are not directly attributable to the issue of New Shares are expensed through accumulated losses.

5. Dr James Fielding and Mr David Trimboli deferred remuneration to support the Company during its growth phase. In recognition of the deferred remuneration, a once off payment of \$40,000, will be paid to Dr Fielding and Mr Trimboli. Similarly, a once off payment of \$40,000 will be made to an Executive on the same basis. Two executives will each receive a \$40,000 signing bonus. All payments are subject to Audeara Completing the Offer and are inclusive of superannuation.
6. The Company has authorised the issue of 3,950,000 unlisted options, subject to Completion of the Offer and admission to the ASX. The vesting condition of the options result in no expense being recognised on Listing, therefore no pro forma adjustment is required.

A deferred tax asset has not been recognised in relation to the capitalised Offer costs due to the uncertainty surrounding the flow if economic benefits that will flow in future periods.

(b) Cash and cash equivalents

Audeara expects that it will have sufficient cash to fund its operational requirements and business objectives following the offer. The following table shows the pro forma adjustments to cash and cash equivalents.

Note (i) – Cash and cash equivalents		
	Pro forma adjustment	AUD (\$'000)
Reviewed cash and cash equivalents at 31 December 2020		274
Pro Forma adjustments:		
Capital raise from the Offer	1	7,000
Repayment of related party loans	2	(179)
Cost of issue	4	(444)
Other capital raise costs	4	(390)
Other costs arising from admission to the ASX	5	(200)
Total Pro Forma adjustments		5,788
Pro Forma cash and cash equivalents at 31 December 2020		6,062

(c) Loans, Borrowings and Convertible Notes

On completion of the Offer, Audeara will be unencumbered from all Loans, Borrowings and Convertible Notes.

Notes refer to the pro forma transactions in Section 6.5(a) for further details.

Note (ii) – Loans, Borrowings and Convertible notes		
	Pro forma adjustment	AUD (\$'000)
Reviewed balances at 31 December 2020:		
– Related party loans		179
– Convertible notes		1,679
Reviewed Loans, Borrowings and Convertible Notes at 31 December 2020		1,858
Pro Forma adjustments:		
Repayment of related party loans	2	(179)
Conversion of the principal, accrued interest and derivative liability on the convertible notes to shares	3	(1,679)
Total Pro Forma adjustments		(1,858)
Pro Forma balances at 31 December 2020:		
– Related party loans		–
– Convertible notes		–
Pro Forma Loans, Borrowings and Convertible Notes at 31 December 2020		–

(d) Share Capital

As a result of the offer, Audeara expects to have 105,000,000 Shares on issue. Refer Section 9.7 for a further breakdown of shareholder.

Note (iii) – Share Capital			
	Pro forma adjustment	AUD (\$'000)	Number of shares
Reviewed Share capital at 31 December 2020		1,976	59,345,047
Pro Forma adjustments:			
Conversion of the principal, accrued interest and derivative liability on the convertible notes to shares	3	1,679	10,654,953
Capital raised from the Offer	1	6,556	35,000,000
Total Pro Forma adjustments		8,235	45,549,853
Pro Forma Share Capital at 31 December 2020		10,211	105,000,000

(e) Unlisted options

3,950,000 unlisted options were issued on the following allocation:

Holder	Options
James Fielding	1,250,000
David Trimboli	300,000
Pasquale Rombola	450,000
Total director options	2,000,000
Employee options	1,950,000
Total options on issue	3,950,000

These options will convert to Shares on a one for one basis, exercisable at \$0.30 per option with an expiry date of 3 years from the date of admission to the ASX and vest equally on the anniversary of being granted.

Key assumptions used in the valuation of the options are detailed below:

- Assumption Director and employee options
- Stock price \$0.20
- Exercise price \$0.30
- Expiry Date 3 years from admission to the ASX
- Expected future volatility 85%
- Risk Free Rate 0.3"
- Dividend yield 0%

(f) Description of Banking Facilities

Following Completion of the Offer, Audeara's principal sources of funds will be cash flow from operations. Audeara will operate normal transactional banking facilities however access to the overdraft facility will cease on Completion.

The majority of Audeara's capital expenditure relates to expenditure on office fit-outs, information technology hardware and software purchases.

Audeara expects that it will have sufficient cash flow from operations to meet its operational requirements for two years following the completion of the offer. Audeara expects that its operation cash flows will position Audeara to grow its business in its target markets.

6.6 Dividend Policy

The Directors have no current intention to pay dividends on Shares, as it is their intention to reinvest all cashflow into the business in order to maximise its growth. Accordingly, no dividends are expected to be paid in the near term following the Listing.

The payment of dividends by the Company (if any) is at the discretion of the Directors and will be a function of a number of factors (many of which are outside the control of the Directors), including the general business environment, the financial results of the business, cashflows and financial conditions of the Company, future funding requirements, considerations, any contractual, legal or regulatory restrictions on the payment of dividends by the Company and other factors the Board deem relevant. The Directors do not provide any assurance in respect of the future level of dividends paid by the Company (nor the level of franking of, or conduit foreign income attaching to, any future dividends paid by the Company).

SECTION 7

Investigating Accountant's Report



KPMG Financial Advisory Services (Australia) Pty Ltd

Australian Financial Services Licence No. 246901

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The Directors
Audeara Limited
13/76 Doggett St
Newstead QLD 4006

31 March 2021

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report

Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by Audeara Limited ("Audeara Limited") to prepare this report for inclusion in the prospectus to be dated 31 March 2021 ("Prospectus"), and to be issued by Audeara Limited, in respect of the proposed IPO of Audeara ("Transaction").

Expressions defined in the Prospectus have the same meaning in this report.

This Investigating Accountant's Report should be read in conjunction with the KPMG Transaction Services Financial Services Guide included in the Prospectus.

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the pro forma historical statement of financial position described below and disclosed in the Prospectus.

The pro forma historical statement of financial position is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma Historical Statement of Financial Position

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the pro forma historical statement of financial position of Audeara Limited (the responsible party) included in the Prospectus.

KPMG Financial Advisory Services (Australia) Pty Ltd is an affiliate of KPMG. KPMG, an Australian partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.
The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

Liability limited by a scheme approved under Professional Standards Legislation.



The pro forma historical statement of financial position has been derived from the historical financial information of Audeara Limited, after adjusting for the effects of pro forma adjustments described in section 6.5a of the Prospectus. The pro forma historical statement of financial position of Audeara Limited as at 31 December 2020 is set out in section 6.5 of the Prospectus (the “Pro Forma Historical Statement of Financial Position”). The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 6.2 of the Prospectus. Due to its nature, the Pro Forma Historical Statement of Financial Position does not represent the company’s actual or prospective financial position.

The Pro Forma Historical Statement of Financial Position has been compiled by Audeara Limited to illustrate the impact of the event(s) or transaction(s) described in Note 6.5a on Audeara Limited’s financial position as at 31 December 2020. As part of this process, information about Audeara Limited’s historical statement of financial position (the “Historical Statement of Financial Position”) has been extracted by Audeara Limited from Audeara Limited’s interim financial statements for the six month period ended 31 December 2020.

The interim financial statements of Audeara Limited for the six months ended 31 December 2020 were reviewed by KPMG in accordance with Australian Auditing Standards. The review opinion issued to the members of Audeara Limited relating to those financial statements was unqualified. However included within KPMG’s report was an emphasis of matter drawing attention to the “Going Concern Basis of Preparation of Financial Statements” Note in the interim financial statements. KPMG noted that conditions disclosed in the Going Concern Basis of Preparation of Financial Statements Note, indicate a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the interim financial statements. KPMG’s conclusion was not modified in respect of this matter.

For the purposes of preparing this report we have performed limited assurance procedures in relation to Pro Forma Historical Statement of Financial Position in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Pro Forma Historical Statement of Financial Position is not prepared or presented fairly, in all material respects, by the directors in accordance with the stated basis of preparation as set out in section 6.2 of the public document.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would



have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Historical Statement of Financial Position is prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

Directors' responsibilities

The directors of Audeara Limited are responsible for the preparation of the Pro Forma Historical Statement of Financial Position, including the selection and determination of the pro forma transactions and/or adjustments made to the Historical Statement of Financial Position and included in the Pro Forma Historical Statement of Financial Position.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Conclusions

Review statement on the Pro Forma Historical Statement of Financial Position

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Statement of Financial Position, as set out in section 6.5 of the Prospectus is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in section 6.2 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and Audeara Limited's accounting policies.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed transaction, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of Audeara Limited and from time to time, KPMG also provides Audeara Limited with certain other professional services for which normal professional fees are received.

General advice warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.



Restriction on use

Without modifying our conclusions, we draw attention to section 6.2 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the prospectus.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Matthew Kelly'.

Matthew Kelly
Representative



KPMG Financial Advisory Services (Australia) Pty Ltd

ABN 43 007 363 215

Australian Financial Services Licence No. 246901

Financial Services Guide

Dated 31 March 2021

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) ('**KPMG Transaction Services**'), and Matthew Kelly as an authorised representative of KPMG Transaction Services, authorised representative number 000404260 (**Authorised Representative**).

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representative and how they can be contacted;
- The services KPMG Transaction Services and its Authorised Representative are authorised to provide;
- How KPMG Transaction Services and its Authorised Representative are paid;
- Any relevant associations or relationships of KPMG Transaction Services and its Authorised Representative;
- How complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- The compensation arrangements that KPMG Transaction Services have in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Transaction Services.

This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS).

The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Transaction Services and the Authorised Representative are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- Deposit and non-cash payment products;
- Derivatives;
- Foreign exchange contracts;
- Government debentures, stocks or bonds;
- Interests in managed investments schemes including investor directed portfolio services;
- Securities;
- Superannuation;
- Carbon units;
- Australian carbon credit units; and
- Eligible international emissions units, to retail and wholesale clients.

KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215, Australian Financial Services Licence No.246901 is an affiliate of KPMG.

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Liability limited by a scheme approved under Professional Standards Legislation.



We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Transaction Services to provide financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representative's responsibility to you

KPMG Transaction Services has been engaged by Audeara Limited (Client) to provide general financial product advice in the form of a Report to be included in Prospectus (Document) prepared by Audeara Limited in relation to its IPO (Transaction).

You have not engaged KPMG Transaction Services or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Transaction Services nor the Authorised Representative are acting for any person other than the Client.

KPMG Transaction Services and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General advice

As KPMG Transaction Services has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Transaction Services may receive, and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Transaction Services \$30,000 for preparing the Report. KPMG Transaction Services and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Transaction Services' representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

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Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representative know. Formal complaints should be sent in writing to The AFSL Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than **45 days** after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Transaction Services or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly at:

Address: Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 56 55 62

Facsimile: (03) 9613 6399

Email: info@afca.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1800 931 678 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover in accordance with section 912B of the *Corporations Act 2001(Cth)*.

Contact details

You may contact KPMG Transaction Services or the Authorised Representative using the contact details:

KPMG Transaction Services
A division of KPMG Financial Advisory
Services (Australia) Pty Ltd
Level 38, Tower Three
300 Barangaroo Avenue
Sydney NSW 2000
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Matthew Kelly
C/O KPMG
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

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SECTION 8

Intellectual Property Expert's Report

Michael Buck IP

Patent and Trade Mark Attorneys

25 February 2021

The Directors
Audeara Pty Ltd
13/76 Doggett Street
Newstead QLD 4006

Our ref: AUD01.1M

Dear Directors

INTELLECTUAL PROPERTY REPORT: Audeara Pty Ltd

This report has been prepared by Michael Buck Intellectual Property (hereinafter "Michael Buck IP") for inclusion in a Prospectus required for lodging at the Australian Securities and Investments Commission, which we understand is for the purpose of raising funds for Audeara Pty Ltd through the issue of securities.

1. Executive Summary

This report identifies the Audeara Pty Ltd (hereinafter "Audeara") intellectual property (hereinafter "IP") portfolio, including all intellectual property rights ("IPRs") that list Audeara as owner. This is structured as follows:

- Section 2 addresses patent and patent applications;
- Section 3 addresses trade secrets;
- Section 4 addresses trade marks;
- Section 5 addresses miscellaneous IP matters;
- Section 6 addresses IP risks; and
- Section 7 addresses proprietorship of Audeara's IP.

2. Patents and Patent Applications

The status summary of the patent portfolio provided in this report was prepared by Michael Buck IP and is correct to the best of our knowledge after conducting

Michael Buck IP ABN 68 626 920 269
Mail: PO Box 78, Red Hill, QLD 4059, Australia
Street: 159 Musgrave Road, Red Hill, Brisbane, Australia

Phone: +61 7 3369 2226
E-mail: mail@mbip.com.au
Web: www.PatentsAndTrademarks.com.au

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reasonable due diligence and research, as at the date of this report.

This section summarises the status of any patents or patent applications in the name of Audeara that we are aware of.

2.1 Background

Patents protect inventions and provide a monopoly in exchange for an inventor's full disclosure of the invention to the public. In Australia, a patent provides protection for novel, inventive and useful inventions for a limited-time monopoly of, typically, up to twenty years.

This report is based on information generated by searches undertaken on 25 February 2021.

2.2 Patent search methodology

Our patent name index searches were conducted through the records of patent databases, including IP Australia, the United States Patent and Trademark Office, the World Intellectual Property Organization, the European Patent Register and the National Intellectual Property Administration (Chinese Patent Office) to ascertain whether there were any patents or patent applications filed or registered in the name of Audeara.

A select number of patent name index searches were also conducted in the names of key executives that are employed by Audeara to determine whether there were any key patent rights held by such executives outside of Audeara and which may impact the exploitation by Audeara of its proprietary systems.

All results are subject to the accuracy and completeness of the records searched.

2.3 Status of patent rights

There are 6 pending patent applications or granted patent rights in the name of Audeara. There are no pending patent applications or granted patent rights in the names of key executives of Audeara.

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Australian Innovation Patent No. 2016100861 is granted but not certified. The Australian Innovation Patent No. 2016100861 relates to “A Customisable Personal Sound Delivery System”.

United States Patent Application No. 16/043,351 is allowed and is expected to be granted on 3 March 2021.

United States Patent Application No. 17/155,465 is a continuation application of United States Patent Application No. 16/043,351 and is currently pending and published. United States Patent Application No. 17/155,465 will undergo examination in due course.

Chinese Patent Application No. 201811545860.8 is currently pending and published. Chinese Patent Application No. 201811545860.8 will undergo examination in due course.

Australian Patent Application No. 2019312034 and European Patent Application No. 19840139.0 were filed as national phase applications will claiming priority from PCT Application No. PCT/AU2019/050764.

Australian Patent Application No. 2019312034 is currently pending and will undergo examination in due course.

European Patent Application No. 19840139.0 is currently pending and will undergo examination in due course.

Each of the pending and allowed patent applications relate to a “Calibration Method for Customizable Personal Sound Delivery Systems”.

The following table details the status and standing of each of the Patents or Patent Applications in the name of Audeara.

Official Number	Filing Date	Title	Applicant	Country	Status
2016100861	14 Jun 2016	A Customisable Personal Sound Delivery System	Audeara Pty Ltd	Australia	Granted
2019312034	23 Jul 2019	Calibration Method for Customizable Personal Sound Delivery Systems	Audeara Pty Ltd	Australia	Pending

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16/043,351	24 Jul 2018	Calibration Method for Customizable Personal Sound Delivery Systems	Audeara Pty Ltd	United States of America	Allowed
17/155,465	24 Jul 2018	Calibration Method for Customizable Personal Sound Delivery Systems	Audeara Pty Ltd	United States of America	Pending
201811545860.8	14 Dec 2018	Calibration Method for Customizable Personal Sound Delivery Systems	Audeara Pty Ltd	China	Pending
19840139.0	23 Jul 2019	Calibration Method for Customizable Personal Sound Delivery Systems	Audeara Pty Ltd	Europe	Pending

3. Trade Secrets

Audeara has undertaken considerable development activity, which has given rise to a pool of knowledge, some of which may provide a basis for future formalised protection (such as patents) and some of which is retained confidentially for internal use to aid subsequent development activities (such as trade secrets).

Audeara has trade secrets that extend beyond the formalised protection described above and has in place a formalised written IP policy to prevent leakage of trade secrets, further bolstered by a combination of policies that pertain to:

- storage of information, documents, and reports generated by employees either in limited access folders or in restricted access electronic or physical storage facilities;
- imposition of contractual IP obligations on contractors engaged to carry out work on behalf of Audeara to maintain secure storage of the information generation or return of such information to Audeara and ensure ownership by Audeara of IP generated by contractors of relevant IP;
- subjecting all staff, contractors and collaborators to an Audeara confidentiality agreement, either alone or as part of an employment or contractor/consultant agreement; and
- reminding staff, consultants and collaborators of the confidential and valuable nature of the information at appropriate times.

4. Trade Marks

4.1. Background

A trade mark is a sign used in the course of trade to distinguish the goods and/or services of one trader from those of another trader. Trade marks are therefore an indicator of origin and/or characteristic(s) of goods and/or services provided by, or authorised by, the trade mark owner. Trade marks include distinctive words, devices, symbols, logos, phrases, colours, aroma, and shape of product. Trade mark applications in Australia undergo examination by IP Australia on absolute (descriptiveness) and relative (prior existing marks) grounds.

Unlike registered patents, designs, and even copyright, registered trade marks can last perpetually provided they are used in respect of the goods/services for which they are registered, and renewed. Like patents, trade mark protection can be sought overseas under the Paris Convention relying on a 6-month priority period.

However, unlike patents, national/overseas trademark protection can be sought even if the trade mark has been used prior to filing (subject to no prior third party rights existing). Overseas trade mark protection is often sought using the Madrid Protocol system. The Madrid Protocol provides for a centralised administrative process with subsequent national/regional entry into pre-designated jurisdictions. Subsequent jurisdictions can be added to an existing Madrid Protocol international registration.

If no objection is received from a designated country within a prescribed period of 12 months (18 months for some countries), the trade mark is automatically deemed registered for that country. For countries not party to the Madrid Protocol, direct (Paris Convention or non-Paris Convention) applications can be filed and have to comply with the local national requirements for registration.

This report is based on information generated by searches undertaken on 25 February 2021.

4.2. Trade mark search methodology

Trade marks searches were conducted through world trade mark databases to locate trade marks and trade mark applications filed in the name of Audeara.

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4.3. Status of trade mark rights

The following table details the status and standing of each of the Trade Marks in the name of Audeara.

Official Number	Filing Date	Mark	Applicant	Classes	Country	Status
1828424	27 Feb 2017	AUDEARA	Audeara Pty Ltd	9, 10, 42	Australia	Registered
26081796	28 Aug 2017	AUDEARA	Audeara Pty Ltd	10	China	Registered
26081795	28 Aug 2017	AUDEARA	Audeara Pty Ltd	42	China	Registered
26081797	28 Aug 2017	AUDEARA	Audeara Pty Ltd	9	China	Registered
87584449	25 Aug 2017	AUDEARA	Audeara Pty Ltd	9, 10, 42	United States of America	Registered
1938498	04 Jul 2018	AUDEARAGRAM	Audeara Pty Ltd	9, 42	Australia	Registered

All six of the trade marks are registered.

The trade marks have been filed in various combinations of classes 9, 10 and 42, with descriptions that appear to relate generally to the goods and services provided by Audeara, as detailed below.

Registered trade marks 1828424 and 87584449 in Australia and the United States of America, respectively, for “Audeara” relate to the following goods and services provided in classes 9, 10 and 42:

Class 9: Computer hardware, computer firmware; downloadable software containing sound recordings; application software namely applications for customising headphone and earphone response parameters to suit individual users; computer databases including databases located on a global computer network; electronic tools and software for the building, keeping, updating, maintaining and accessing of databases including databases located on a global computer network; downloadable online electronic publications; apparatus for recording, transmission or reproduction of sound; audio equipment and apparatus including headphones, earphones, loudspeakers; headsets for mobile phones; mobile and handheld computers, digital electronic devices, wireless devices, smart phones and devices connectable to a global computer network; audio mixers; sound mixers; sound mixers with integrated amplifiers, acoustic conduits; acoustic couplers; acoustic coupling devices; acoustic membranes; acoustic meters; acoustic separation units; apparatus for wireless transmission of acoustic information; sound level meters; sensors, power cables and connectors; none of the foregoing being used as software for audiometers, optoacoustic emissions

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measurement, tympanometers, electrocochlegraphy and brainstem response or other hardware used by audiologists

Class 10: Therapeutic instruments and apparatus including therapeutic instruments and apparatus for the hearing impaired; therapeutic and assistive devices adapted for the disabled including therapeutic and assistive devices adapted for the hearing impaired; programmable hearing devices for the hearing impaired; acoustic amplifiers for the hearing impaired; electronic hearing apparatus including adjustable headphones used to address the different level of hearing impairment of each ear; listening apparatus for the hearing impaired; testing apparatus for the hearing impaired; parts and accessories for all of the foregoing

Class 42: Scientific and technological services and research and development relating thereto; industrial design, analysis and research services; Design and development of computer hardware, firmware; design and development of apparatus for recording, transmission or reproduction of sound; design and development of audio equipment and apparatus; design and development of headphones, earphones, loudspeakers; headsets for mobile phones; design and development of methods for delivery of sound and audio recordings including heightened clarity sound and audio recordings resultant from recording hearing deficiencies and adjusting method of delivery accordingly; provision of software as a service designed to facilitate the delivery of sound and audio recordings; providing search engines for obtaining data accessible by way of a global computer network; providing online non-downloadable software for monitoring and controlling the delivery and reproduction of sound and audio recordings; engineering services including electrical engineering services, electronic engineering services, mechanical engineering services; information, advisory and consultancy services relating to all of the foregoing; none of the foregoing services being used in conjunction with software designed to facilitate the function of audiometers, optoacoustic emissions measurement, tympanometers, electrochlegraphy or other hardware used by audiologists

Registered trade marks 26081796, 26081795 and 26081797 in China for “Audeara” relate to the following goods and services provided in classes 9, 10 and 42:

Class 9: Computer hardware; Computer software; Downloadable software containing sound recordings; Downloadable online electronic publications; Headsets for mobile phones; Mobile and handheld computers; Smart phones; Acoustic meters; Sensors; Computers; Computer peripherals; Computer programs [downloadable software]; Computer programs for the Internet and the World Wide Web; Computer software for authorizing access to the database; Computer software for database management; Sound transmitting apparatus; Sound recording apparatus; Sound reproduction apparatus; Loudspeakers; Headphones; Earphones; Wireless apparatus; Mixers; Acoustic couplers; Diaphragms [acoustics]; Digital sound processors; Wireless transmission devices for sound information; Sound level meters; Power cables; Electrical connectors.

Class 10: Medical apparatus and instruments; Apparatus for use in medical analysis; Diagnostic apparatus for medical purposes; Apparatus for the treatment of deafness; Medical hearing aid; Electronic hearing aid; Medical testers; Hearing aids for the deaf; Ear trumpets; Hearing protectors; Ear plugs [ear protection devices].

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Class 42: Scientific research and development; Technical research; Engineering design services; Mechanical engineering research; Engineering survey; Industrial design; Design and development of computer software; Consultancy in the design and development of computer hardware; Update and maintenance of computer software; Design and development of multimedia products; Software as a service [SaaS]; Providing search engines for the internet; Design and development of computer firmware.

Registered trade mark 1938498 in Australia for “Audeagram” relates to the following goods and services provided in classes 9, 42:

Class 9: Computer hardware, computer firmware; downloadable software containing sound recordings; application software namely applications for customising headphone and earphone response parameters to suit individual users; computer databases including databases located on a global computer network; electronic tools and software for the building, keeping, updating, maintaining and accessing of databases including databases located on a global computer network; downloadable online electronic publications; apparatus for recording, transmission or reproduction of sound; audio equipment and apparatus including headphones, earphones, loudspeakers; headsets for mobile phones; mobile and handheld computers, digital electronic devices, wireless devices, smart phones and devices connectable to a global computer network; audio mixers; sound mixers; sound mixers with integrated amplifiers, acoustic conduits; acoustic couplers; acoustic coupling devices; acoustic membranes; acoustic meters; acoustic separation units; apparatus for wireless transmission of acoustic information; sound level meters; sensors, power cables and connectors

Class 42: Scientific and technological services and research and development relating thereto; industrial design, analysis and research services; Design and development of computer hardware, firmware; design and development of apparatus for recording, transmission or reproduction of sound; design and development of audio equipment and apparatus; design and development of headphones, earphones, loudspeakers; design and development of methods for delivery of sound and audio recordings including heightened clarity sound and audio recordings resultant from recording hearing deficiencies and adjusting method of delivery accordingly; provision of software as a service designed to facilitate the delivery of sound and audio recordings; providing search engines for obtaining data accessible by way of a global computer network; providing online non-downloadable software for monitoring and controlling the delivery and reproduction of sound and audio recordings; engineering services including electrical engineering services, electronic engineering services, mechanical engineering services; information, advisory and consultancy services relating to all of the foregoing

5. Miscellaneous IP Matters

Distribution/JV/Partner agreements: Audeara has not entered into any agreements that include a licence or transfer of Audeara's IP.

- Valuation of the IP: No valuations of Audeara's IP have been conducted.

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- Previous and current litigation (actual or threatened) regarding the IP:
There is no previous, current or threatened litigation in relation to Audeara's IP.
- Security of data and software: procedures and policies have been implemented to ensure the security, confidentiality and integrity of data and software.

6. IP Risks

As shown above, Michael Buck IP has reviewed patent and trade marks registers for filings in the name of Audeara or key executives thereof. No searches were conducted to determine whether the Audeara marks are capable of registration or the possibility of infringing third party trade mark rights. Michael Buck IP has not conducted overseas patent and trade mark searches for freedom to register the Audeara trade marks or any potential patent rights that they may be eligible for. Confidential information, such as client/customer lists/data, pricing, sourcing of components/products, manufacturing etc., are often at risk of loss of confidentiality e.g. by unauthorised third party access or accidental or intended (malicious) staff access.

Staff - and anyone with access to the data - must be limited by employment agreements containing IP clauses explaining the person's duty regarding IP and confidential information and, although these clauses are included in Audeara's employment and contractor agreements, the validity of such clauses has not been assessed for this report.

7. Proprietorship of IP

A patent for an invention may only be granted to the inventor(s) or to a person who has entitlement to the invention by way of assignment, employment contract, or other means. In the preparation of this report, we have not assessed the validity of any future patent applications that Audeara may wish to file. Although we have not assessed the validity of future inventorship status or undertaken detailed review of putative assignment documents, based on the documentation provided to us to prepare this Report, we are not aware of issues that may invalidate Audeara's claim to ownership, or invalidate the inventorship status, of future patent applications as at the time of this

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report. Similarly, the same holds true to proprietorship of other forms of IP, including trade marks.

8. About Michael Buck IP

Michael Buck IP is an independent firm of Australian patent and trade marks practitioners. All of the IP listed in this report has been prepared either by a third party IP service provider or Michael Buck IP. The veracity of information obtained from third party sources is not guaranteed. Neither Michael Buck IP nor any of its directors has, or is entitled, to any shares in Audeara. This report has been prepared at the request of the directors of Audeara, and Michael Buck IP will be paid at commercial rates for the preparation of this report. Michael Buck IP has no involvement in the ownership, operations or management of Audeara as a business or service offering.

This report has been prepared by Jeremy Moller, a Registered Patent and Trade Mark Attorney of Michael Buck IP, and Geraldine Rimmer, a Registered Trade Mark Attorney of Michael Buck IP.

Yours faithfully,



Jeremy Moller
Principal, Patent and Trade Mark Attorney
jeremy@mbip.com.au



Geraldine Rimmer
Senior Associate, Trade Mark Attorney
geraldine@mbip.com.au

SECTION 9

Details of the Offer

9.1 Description of the Offer

This Prospectus relates to an offer of 35,000,000 Shares by Audeara at the Offer Price to raise \$7,000,000 (before costs and expenses).

At close of the Offer, 70,000,000 Shares will be held by Existing Shareholders (which includes Shares to be issued upon conversion of Convertible Notes when the Company is admitted to the Official List) and subject to escrow agreements described in Section 9.9. All Shares will rank equally with each other.

9.2 Underwriting

The Offer has been fully underwritten by the Lead Manager. A summary of the Underwriting Agreement, including the events which would entitle the Lead Manager to terminate the Underwriting Agreement, is set out in Section 10.4(g).

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

9.3 Structure of the Offer

The Offer comprises:

- (a) the Retail Offer, consisting of the Broker Firm Offer – which is open to Australian resident retail clients of participating brokers, who have a registered address in Australia and who receive an invitation from a Broker to acquire Shares under this Prospectus and are not in the United States; and
- (b) the Institutional Offer – which consists of an offer to Institutional Investors in Australia, New Zealand and certain other jurisdictions around the world, made under this Prospectus.

The allocation of Shares between the Institutional Offer and Broker Firm Offer was determined by agreement between the Lead Manager and the Company.

For further information regarding the allocation of Shares within each of the Broker Firm Offer and the Institutional Offer, see Sections 9.11 (Broker Firm Offer) and 9.14 (Institutional Offer).

No general public offer of Shares will be made under the Offer.

9.4 Why is the Offer being conducted?

The Offer is being conducted to:

- (a) pursue Audeara's commercial objectives in Australia, including increased production, distribution and sale of its A-01 headphones and accessories through its distributor network;
- (b) build scale in Audeara's core hearing health market in Australia to position the Company for larger sales volumes and the stronger supply chain that such scale requires, based on anticipated expansion of the Company's retail reseller network in Australia;
- (c) enhance and facilitate greater commercial opportunities for Audeara's business and provide a platform for growth;
- (d) expand and diversify Audeara's core products to cater for additional market segments it has chosen to pursue in Australia and corresponding segments in foreign markets;
- (e) provide greater access to a liquid capital market to enable Audeara to pursue the growth and expansion of its Business and to provide the Company's Shareholders with liquidity for their shareholdings;

- (f) provide the Company access to capital markets which it expects will provide additional financial flexibility to pursue further growth opportunities, including, but not limited to, marketing, product development, operations and other growth opportunities;
- (g) achieve a listing on ASX to broaden the Company's shareholder base and provide a liquid market for its Shares;
- (h) allow some investors to realise part or all of their investment in Audeara; and
- (i) assist the Company in attracting and retaining staff.

9.5 Sources and proposed use of funds

The Offer is underwritten and will raise \$7,000,000.

Following the Offer, it is anticipated that the following funds will be available to the Company:

	AUD (\$'000)
Reviewed cash and cash equivalents at 31 December 2020	274
Pro Forma adjustments¹:	
Proceeds of the Offer ²	7,000
Repayment of related party loans	(179)
Cost of the Offer	(444)
Other capital raising costs	(390)
Other costs arising from admission to the ASX	(200)
Total Pro Forma adjustments	5,788
Pro Forma cash and cash equivalents at 31 December 2020	6,062

Notes:

1. Refer to the pro-forma consolidated statement of financial position Section 6 and the Investigating Accountant's Report set out in Section 7 of this Prospectus for further details.
2. See Section 10.15 for information regarding costs of the Offer.

The following table shows the intended use of funds from the Offer, together with the existing cash reserves in the two year period following admission of the Company to the Official List:

Year 1	Amount proposed	Percentage of year one expenditure
Product Development	\$650,000	15.69%
Investment to scale up operations ¹	\$1,850,000	44.67%
Cost of offer ²	\$834,000	20.12%
Working Capital ³	\$429,000	10.37%
Repayment of overdraft facility used to repay related party loan ⁴	\$179,000	4.32%
Other costs arising from admission to the ASX ⁵	\$200,000	4.83%
	\$4,142,000	100.00%

Year 2	Amount Proposed	Percentage of year two expenditure
Product Development	\$200,000	7.00%
Invest to scale up operations ¹	\$1,850,000	64.73%
Working Capital ³	\$808,000	28.27%
	\$2,858,000	100.00%
Gross Cash Proceeds from Offer	\$7,000,000	

1. Include expansion of activities internationally and domestically covering, but not limited to, sales, marketing, brand development, consultancy, software/firmware/hardware, research and development, infrastructure development and acquisitions
2. See Section 10.15 for information regarding costs of the Offer. The Lead Manager Fee is 5% of funds raised under the Offer. For terms and conditions relating to the Lead Manager and Underwriter, refer to Section 10.4(h). For a breakdown of costs of the Offer, refer to Section 10.15
3. Working capital includes, audit fees, insurance costs, legal fees, ASX fees, share registry costs, an allocation for office and other corporate overhead and is otherwise unallocated. General working capital may also be used to accelerate research and development.
4. Refer to the pro-forma consolidated statement of financial position Section 6
5. See sections 5.4 and 6.5 for information on deferred remuneration and executive bonus payments.

Shareholders should note that the above estimated expenditures will be subject to modification on an ongoing basis depending on the results obtained from the Company's activities. Due to market conditions, the development of new opportunities and/or any number of other factors (including the risk factors outlined in Section 4), actual expenditure levels may differ significantly from the above estimates.

9.6 Adequacy of funds raised

The Board believes that on Completion of the Offer, the Company will have sufficient funds available from the proceeds of the Offer and its operations to fulfil the purposes of the Offer and carry out its stated business objectives.

The use of further equity funding will be considered by the Board where it is appropriate to accelerate a specific project or strategy. The Company may require further financing in the future. See Section 4 for further details about the risks associated with Audeara's future capital requirements.

9.7 Capital Structure

On completion of the Offers, the capital structure of the Company will be as set out below:

Shares:

Total number of Shares on issue as at the date of this Prospectus ¹	70,000,000
Shares to be issued under Offer ²	35,000,000
Total number of Shares on completion of the Offer	105,000,000

Notes:

1. Certain of the Shares currently on issue may be subject to ASX escrow provisions restricting their transferability as set out in Section 9.9. Shares issued under this Prospectus will rank equally with the existing Shares on issue. The key rights attaching to the Shares are summarised at Section 10.6 of this Prospectus. Refer to Section 5.10 for the interests of Directors in the Company's securities.
2. On the assumption that no Existing Shareholders subscribe for Shares under the Offer, the proportion of Shares held by Existing Shareholders following completion of the Offer will be 66.67%.

Options:

Options offered to Directors and employees	3,950,000 ¹
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Notes:

1. The terms of the Options are set out in Section 10.7. Includes 2,000,000 Options to be issued to related parties and 1,950,000 Options to be issued to employees and contractors. Refer to Sections 5.4 and 5.9 for details of related party remuneration and interests in the Company's Securities.

9.8 Substantial Shareholders

Shareholders (and their associates) holding an interest in 5% or more of the Shares on issue as at the date of this Prospectus and their expected holdings at Completion of the Offer are set out in the table below.

Holder	Shares prior to the Offer	%	Shares at Completion of the Offer	%
Audeara Investments Pty Ltd ¹	15,235,460	21.76%	15,235,460	14.51%
JDB Services Pty Ltd	12,466,708	17.81%	12,466,708	11.87%
CJ New Ventures Pty Ltd ²	9,668,657	13.81%	9,668,657	9.21%
James Fielding Family Pty Ltd ³	8,214,264	11.73%	8,214,264	7.82%
Alex Afflick	4,980,823	7.12%	4,980,823	4.74%
Other Existing Holders	19,434,087	27.76%	19,434,087	18.51%
New Shareholders			35,000,000	33.33%
Total	70,000,000	100.00%	105,000,000	100.00%

Notes:

1. Entity controlled by Mr Trimboli, Chairman.
2. Entity controlled by Dr Chris Jeffery, a founder of Audeara.
3. Entity controlled by Dr James Fielding, Managing Director and CEO.

Audeara will announce to ASX details of its top 20 Shareholders (following completion of the Offer) prior to the Shares commencing trading on ASX.

9.9 Escrow arrangements

ASX will classify certain existing securities on issue in the Company as being subject to the restricted securities provisions of the Listing Rules. Restricted securities will be required to be held in escrow for up to 24 months and will not be able to be sold, mortgaged, pledged, assigned or transferred for that period without the prior approval of ASX. During the period in which these securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a security holder to dispose of its securities in a timely manner.

None of the Shares issued pursuant to the Offer are expected to be restricted securities. All of the Shares issued to the Lead Manager (or its nominees) are expected to be restricted securities.

The Company anticipates that upon Listing, approximately 47,233,156 Shares and 2,000,000 Options may be classified as restricted securities by ASX, which Shares comprise approximately 44.98% of the Company's Shares on issue and 50.63% of all Options on issue, at Completion of the Offer.

Prior to the Company's Shares being admitted to Official Quotation on the ASX, the Company will enter into escrow agreements with, or issue a restriction notice to, the recipients of any restricted securities in accordance with the ASX Listing Rules and the Company will announce to ASX full details (quantity and duration) of the securities required to be held in escrow prior to the Shares commencing trading on ASX.

9.10 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary Shares in the Company).
What are the rights and liabilities attached to the Shares being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 10.6.
What is the consideration payable for each Share being offered?	The Offer Price is \$0.20 per Share.

Topic	Summary
What is the Offer period?	The key dates, including details of the Offer Period, are set out in the key dates on page of this Prospectus. These key dates are indicative only and may change. Unless otherwise indicated, all times are stated in Sydney time. The Company and the Lead Manager reserve the right to amend any or all of the times and dates of the Offer without notice subject to the ASX Listing Rules, the Corporations Act and other applicable laws, including closing the Offer early, extending the Offer, deferring the date of Completion of the Offer, accepting late Applications either generally or in particular cases, allotting Shares at different times to investors, or to cancel or withdraw the Offer without prior notice. If the Offer is cancelled or withdrawn before the allocation and issue of Shares to successful Applicants, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. No Shares will be issued on the basis of this Prospectus later than the Expiry Date. The quotation and commencement of trading of the Shares is subject to confirmation from ASX.
How much is to be raised under the Offer?	\$7,000,000 will be raised under the Offer (before costs of the Offer).
Is the Offer underwritten?	Yes, the Offer is fully underwritten.
Who is lead managing the Offer?	The Lead Manager is Morgans Corporate Limited ACN 010 539 607.
What is the minimum and maximum Application size under the Broker Firm Offer?	The minimum Application under the Broker Firm Offer is \$2,000 of Shares in aggregate (10,000 Shares). There is no maximum Application size under the Broker Firm Offer, however the Company and the Lead Manager reserve the right to reject any Application or to allocate to an Applicant a lesser number of Shares than that applied for. For more information, see Section 9.11.
What is the allocation policy?	The allocation of Shares between the Institutional Firm Offer and Broker Firm Offer will be determined by the Lead Manager and the Company, having regard to the allocation policies outlined in Sections 9.3, 9.10, 9.11(e) and 9.15(b). In respect of the Broker Firm Offer, it is a matter for each Broker to determine how they will allocate Shares among their eligible retail clients.

Topic	Summary
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or about 12 May 2021.
Will the Shares be quoted?	The Company will apply to ASX within seven days of the Prospectus Date for its admission to the Official List, and quotation of Shares by, ASX under the code 'AUA'. Completion of the Offer is conditional on the ASX approving this application. If permission is not granted for the official quotation of the Shares on ASX within three months after the Prospectus Date (or any later date permitted by law), the Offer may be withdrawn and all Application Monies received by the Company will be refunded (without interest), as soon as practicable in accordance with the requirements of the Corporations Act. For more information, see Section 9.19.
When are the Shares expected to commence trading?	It is expected that trading of the Shares on ASX will commence on or about 14 May 2021. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. The Company and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Audeara IPO Offer Information Line, by a Broker or otherwise.
Are there any escrow arrangements?	Yes. Details are provided in Section 9.9.
Is any brokerage payable in respect of the Offer?	No brokerage, stamp duty or other costs are payable by Applicants.
Application Monies held in trust	Application Monies will be held in trust for Applicants until the allotment of the Shares under the Offer. Any interest that accrues will be retained by the Company.
Are there any tax considerations?	Yes. Refer to Section 10.11.

Topic	Summary
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. See Section 10.4(h) for details of various fees payable by the Company to the Lead Manager pursuant to the Underwriting Agreement between the Company and the Lead Manager.
What should you do with any enquiries?	All enquiries in relation to this Prospectus should be directed to Audeara IPO Information Line on 1300 214 698 within Australia and +61 3 9415 4227 (outside Australia) from 8:30am to 5:00pm (Sydney time) Monday to Friday (excluding public holidays). All enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should consult with your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

9.11 Broker Firm Offer

(a) Who may apply

The Broker Firm Offer is open to clients of participating Brokers who have a registered address in Australia and who received an invitation from a Broker to acquire Shares under this Prospectus and are not in the United States. You should contact your Broker to determine whether you can receive an allocation of Shares under the Broker Firm Offer.

(b) How to apply

Applicants under the Broker Firm Offer should contact their Broker to request a copy of this Prospectus and Broker Firm Offer Application Form, or download a copy at <https://audearaoffer.thereachagency.com>. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Broker Firm Application Form and Application Monies are received before 5:00pm (Sydney time) on the Closing Date or any earlier closing date as determined by your Broker.

Broker clients should complete and lodge their Broker Firm Offer Application Form with the

Broker from whom they received their invitation to participate in the Broker Firm Offer. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Broker Firm Offer Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with a Broker Firm Offer Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The Company, the Lead Manager and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Firm Offer opens at 9:00am (Sydney time) on 28 April 2021 and is expected to close at 5:00pm (Sydney time) on 5 May 2021. The Company and the Lead Manager may elect to close the Broker Firm

Offer or any part of it early, extend the Broker Firm Offer or any part of it, or accept late Applications either generally or in particular cases. The Broker Firm Offer, or any part of it, may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible after the Offer opens. Please contact your Broker for instructions.

(c) Is there a minimum or maximum Application size?

The minimum Application size under the Broker Firm Offer is \$2,000 of Shares in aggregate (10,000 Shares). There is no maximum Application size under the Broker Firm Offer, however the Company and the Lead Manager reserve the right not to accept Applications in the Broker Firm Offer that are from persons they believe may be Institutional Investors or reject or scale back any Applications (or aggregation of Applications) in the Broker Firm Offer which are for more than \$250,000 of Shares. The Company may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

(d) How to pay

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by your Broker.

(e) Broker Firm Offer allocation policy

The allocation of Shares to Brokers will be determined by the Lead Manager, in agreement with the Company. Shares which are allocated to Brokers for allocation to their Australian or New Zealand retail resident clients will be issued to the Applicants nominated by those Brokers (subject to the right of the Company and the Lead Manager to reject, aggregate or scale back Applications). It will be a matter for each Broker as to how they allocate Shares among their clients, and they (and not the Company or the Lead Manager) will be responsible for ensuring that retail clients who have received an allocation from them receive the relevant Shares.

(f) Application acceptance and Application Monies

Applicants in the Broker Firm Offer will be able to call the Audeara IPO Offer Information Line after the Issue Date on 1300 214 698 (within Australia) or +61 3 9415 4227 (outside Australia) from 8.30am to 5.00pm (Sydney time), Monday to Friday (excluding public holidays) to confirm their allocation. Applicants under the Broker Firm Offer will also be able to confirm their allocation through the Broker from whom they received their allocation.

However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Audeara IPO Offer Information Line or confirmed your allocation through the Broker from whom you received your allocation.

9.12 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by you to the Company to apply for Shares in the dollar amount specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form. To the extent permitted by law, an Application by an Applicant may not be varied and is irrevocable.

An Application may be accepted by the Company in respect of the full number of Shares specified in the Application Form (or the dollar value equivalent) without further notice to the Applicant. The Company reserves the right to decline any Application if it believes any provisions or procedures in this Prospectus, the Application Form or other laws or regulations may not be complied with in relation to the Application.

The Company and the Lead Manager reserve the right to reject any Application which is not correctly completed or which is submitted by a person whom they believe is ineligible to participate in the Retail Offer, or to waive or correct any errors made by the Applicant in completing their Application.

Successful Applicants in the Retail Offer will be issued Shares at the Offer Price. Acceptance of an Application will give rise to a binding contract, conditional on settlement and quotation of Shares on ASX on an unconditional basis.

9.13 Application Monies

The Company reserves the right to decline any Application in whole or in part, without giving any reason. Application Monies received under the Broker Firm Offer will be held in a special purpose account until Shares are issued to Successful Applicants. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part

of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down. No refunds pursuant solely to rounding will be provided.

Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of your cheque(s), bank draft(s) or BPAY® payment. If the amount of your cheque(s), bank draft(s) or BPAY® payment for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares or your Application may be rejected.

9.14 Institutional Offer

(a) Invitations to Bid

Under the Institutional Offer, Institutional Investors in Australia, New Zealand and certain other eligible jurisdictions outside the United States were invited to bid for an allocation of Shares under this Prospectus. The Lead Manager separately advised Institutional Investors of the Application procedures for the Institutional Offer. Offers and acceptances in the Institutional Offer are made under this Prospectus and are at the Offer Price per Share.

(b) Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer was determined by the Lead Manager by agreement with the Company.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Lead Manager. The allocation policy was influenced, but not constrained, by the following factors:

- (i) number of Shares bid for by particular Applicants;
- (ii) the timeliness of the bid by particular Applicants;
- (iii) the Company's desire for an informed and active trading market following Completion of the Offer;
- (iv) the Company's desire to establish a wide spread of institutional Shareholders;
- (v) overall anticipated level of demand under the Broker Firm Offer and Institutional Offer;
- (vi) the size and type of funds under management of particular Applicants;
- (vii) the likelihood that particular Applicants will be long-term Shareholders; and
- (viii) other factors that the Company and the Lead Manager considered appropriate.

9.15 Acknowledgements by Applicants

Each Applicant under the Offer will be deemed to have:

- (a) agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- (b) acknowledged having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- (c) declared that all details and statements in their Application Form are complete and accurate;
- (d) declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- (e) acknowledged that, once the Company or a Broker receives an Application Form, it may not be withdrawn;
- (f) applied for the number of Shares at the AUD amount shown on the front of the Application Form;
- (g) agreed to being allocated and issued the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- (h) authorised the Company and the Lead Manager and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- (i) acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
- (j) acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and taxation issues) of the Applicant(s);
- (k) declared that the Applicant(s) is/are a resident of Australia (except as applicable to the Institutional Offer), or otherwise satisfies the requirements in Section 9.14];
- (l) acknowledged and agreed that the Offer may be withdrawn by the Company and or may otherwise not proceed in the circumstances described in this Prospectus; and
- (m) acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

9.16 Restrictions on distribution of this Prospectus

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside of Australia.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States, and may only be distributed to persons outside the United States to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the US Securities Act or the securities law of any state of the United States and may not be offered, sold, re-sold, pledged or transferred in the United States except in accordance with US Securities Act registration requirements or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable state securities law.

Each Applicant under the Offer will be taken to have represented, warranted and agreed as follows:

- (a) it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and applicable US state securities laws;
- (b) it is not in the United States;

- (c) it has not sent and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- (d) it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

9.17 Discretion to extend or withdraw the Offer

The Company may withdraw the Offer at any time before the issue of Shares to successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest). The Company and the Lead Manager also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

9.18 ASX listing, registers and holding statements

(a) Application to the ASX for listing of the Company and quotation of Shares

The Company will apply within seven days of the Prospectus Date for admission to the Official List and quotation of the Shares on the ASX. The Company's expected ASX code will be 'AUA'.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.

If permission is not granted for the official quotation of the Shares on ASX within three months after the Prospectus Date (or any later date permitted by law), all Application Monies received by the Company will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by the Company from time to time), the Company will be required to comply with the ASX Listing Rules.

(b) CHESS and issuer sponsored holdings

The Company has applied, or will apply prior to Listing, to participate in the ASX's Clearing House Electronic Sub-register System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are affected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Security holder Reference Number (**SRN**) of issuer sponsored holders.

Shareholders will subsequently receive statements showing any changes to their shareholding. Share certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

SECTION 10

Additional Information

10.1 Incorporation

The Company was incorporated in Australia on 23 February 2015 having ACN 604 368 443.

10.2 Company tax status and financial year

The Company has a balance date of 30 June. The Company is tax resident in Australia and subject to Australia income tax at a rate of 27.5%.

10.3 Corporate structure

The Company does not have any active subsidiaries.

10.4 Material contracts

The material contracts entered into by the Company are set out below.

(a) Australian Government Hearing Services Program Agreement

On 25 July 2018, the Company entered into a Deed of Standing Offer with the Commonwealth Department of Health. The material terms of the Deed are as follows:

- (i) the Department authorises the Company to sell its A-01 Headphones and BT-01 Bundle to service providers accredited under Section 20 of the *Hearing Services Administration Act 1997* (Cth), who resell the products to customers authorised under Section 13 of the Act to participate in the Hearing Services Program's voucher system;
- (ii) the Company is permitted to sell its products to service providers for a maximum agreed price;
- (iii) while participating in the Hearing Services Program, the Company is required to maintain combined public and product liability insurance, workers' compensation insurance and professional indemnity insurance;
- (iv) the Deed includes indemnities in favour of the Department for any act or omission of the Company in connection with the Deed; and
- (v) the Deed may be terminated by either party by providing the other party with written notice.

On 29 June 2020, the Company and the Department entered into a deed of variation which, amongst other things, extended the term of the Deed until such time as either party exercises a right to terminate it. The deed of variation provides that on 29 June of each year of the term, the Department may conduct a review of the Deed and following this review, the Department may terminate the Deed by providing at least 20 business days' written notice.

As at the date of writing, the Company's A-01 Headphones and BT-01 Bundle are approved by the Department and registered as fully subsidised, non standard devices for participation in the Hearing Services Program. This means that the devices are free to eligible customers when purchased through participating service providers.

(b) National Disability Insurance Scheme (NDIS)

As at 31 December 2020, the Company was a registered provider of hearing equipment and assistive products for personal care and safety with the National Disability Insurance Scheme (NDIS). The Company is awaiting formal renewal of its registration, which is expected in due course.

Registration with the NDIS means that the Company is able to sell its products directly to NDIS participants who choose to spend their individual daily adaptive equipment or assistive products for hearing budgets to purchase Audeara's products.

(c) Local Reseller Agreements

The Company is party to multiple Reseller Agreements with Australian stockists for the resale of its products in Australia.

These Agreements, generally:

- (i) grant non-exclusive rights to resell the Company's products in Australia;
- (ii) do not require resellers to purchase any minimum volume of products;

- (iii) set the price at which products will be sold by the Company to the reseller;
- (iv) do not prevent the resellers from selling similar products from other suppliers; and
- (v) may be effectively terminated by the reseller at any time by that reseller failing to submit a purchase order for products to the Company.

The Agreements do not generally guarantee any minimum volume of sales for the Company.

(d) International Distribution Agreements framework

The Company has entered into multiple Distribution Agreements with overseas distributors which provide framework terms for the Company's proposed expansion into new markets.

As with the Company's local Reseller Agreements described in section (c), these Distribution Agreements, generally:

- (i) do not require distributors to purchase any minimum volume of products;
- (ii) set the price at which products will be sold by the Company to the distributor or otherwise the terms on which products will be made available to the distributor for distribution in the relevant territory;
- (iii) do not prevent the distributors from selling similar products from other suppliers; and
- (iv) may be effectively terminated by the distributor at any time by that distributor failing to submit a purchase order for products to the Company.

The Agreements may include sales targets, however do not generally guarantee any minimum volume of sales for the Company.

No material revenue has been derived from these Agreements to date. Refer to Section 3.14 and 9.4.

(e) Manufacturing agreement

Manufacturing of the current Audeara product range is contracted to a company based in Shenzhen, PRC. The agreement does not lock either the Company or the supplier into any minimum quantity of supplies.

(f) Australian warehousing and logistics

The Company has engaged Help Enterprises Limited (Help Enterprises) to receive delivery of products from its product manufacturer, warehouse those products in Australia and fulfil orders placed by its Australian stockists.

The terms under which Help Enterprises is engaged, provide that the products remain at the Company's risk at all times and do not impose any performance obligations on Help Enterprises in respect of the timely fulfilment of orders or otherwise.

(g) Premises lease

The Company entered into a lease for its head office premises, located at 13/76 Doggett Street, Newstead QLD 4006 on 24 September 2019. The term of the lease is two years, commencing 30 September 2019.

Possible exposures of the tenant under the lease include:

- (i) Repair & maintenance obligations: the tenant is subject to market standard repair and maintenance obligations.
- (ii) Notice to remedy breach: in the event of non-payment of rent, the landlord may terminate, re-enter or forfeit the lease upon giving reasonable notice.
- (iii) Damage or destruction: in the event of any damage or destruction to part or whole of the premises which renders the tenant unable to continue to occupy the premises, the tenant is not liable to pay rent, or the rent is reduced in proportion to the reduction in usability.

- (iv) Make-Good: undertaking of make-good works is likely to be a significant cost to the tenant, and is most likely to be a material liability of the tenant.
- (v) Fire Compliance: the tenant must arrange fire compliance servicing at its own cost.
- (vi) Tenant's Works: the tenancy is provided as is and any tenancy works will be at the tenant's cost, subject to receiving the landlord's approval.

(h) Director agreements

- (i) Non-executive Director Engagement – Mr David Trimboli

The Company has entered into a Non-Executive Director Engagement with Mr Trimboli for services provided to the Company as non-executive Director (and Chair), with remuneration only accruing and payable on, and from, the date of the Company's Listing. Mr Trimboli is also entitled to be paid reasonable travel, hotel and other expenses. Mr Trimboli's engagement continues until terminated by either party on three months' notice (or immediately by the Company on certain specified grounds, such as misconduct or incapacity).

Refer to Section 5.4(b) for particulars of Mr Trimboli's remuneration pursuant to this engagement and Section 5.3 regarding Mr Trimboli's interests in the Company's securities.

- (ii) Executive Employment Agreement – Dr James Fielding

The Company has entered into an Executive Employment Agreement with Dr James Fielding as Chief Executive Officer.

The engagement of Dr Fielding under the Agreement commences on the date of the Company's Listing 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.

Dr Fielding is subject to a restraint of trade restricting competition with the Company in Australia for up to 24 months from termination of his employment.

Refer to Section 5.4(a) for particulars of Dr Fielding's remuneration pursuant to this agreement.

The remuneration of Dr Fielding will be reviewed 12 months from the commencement date and every 12 months thereafter or as otherwise agreed between the parties.

Dr Fielding has the interests in the Company's securities set out in Section 5.3.

- (iii) Non-executive Director Agreement – Mr Pasquale Rombola

The Company has entered into a Non-Executive Director Engagement with Mr Rombola on standard commercial terms. The Company has agreed to pay Mr Rombola for services provided to the Company as non-executive Director, with remuneration only accruing and payable on, and from, the date of the Company's Listing.

Mr Rombola is also entitled to be paid reasonable travel, hotel and other expenses.

The engagement of Mr Rombola continues until terminated by either party on three months' notice (or immediately by the Company on certain specified grounds, such as misconduct or incapacity).

Refer to Section 5.4(c) for particulars of Mr Rombola's remuneration pursuant to this engagement and Section 5.3 regarding Mr Rombola's interests in the Company's securities.

- (iv) Deeds of Indemnity, Insurance and Access and directors' and officers' insurance

The Company has entered into a Deed of Access, Indemnity and Insurance with each Director. Each such Deed entitles the Director to access

board papers, be indemnified from liability and to have the Company take out directors' and officers' insurance to the extent the Company is able to obtain it. The Company may also make a payment in relation to legal costs incurred by these persons in defending an action for a liability, or resisting or responding to actions taken by a government agency or a liquidator. Each such deed applies to the extent permitted by law.

Audeara has entered into contracts of insurance to insure the Directors and executives of the Company against liability to the extent permitted by the Corporations Act.

(i) Underwriting agreement

The Offer is being underwritten by the Lead Manager pursuant to an underwriting agreement, dated on or about the date of this Prospectus, between the Lead Manager and the Company (Underwriting Agreement). Under the Underwriting Agreement, the Lead Manager has agreed to arrange, manage and underwrite the Offer.

(i) Commissions, fees and expenses

Pursuant to the Underwriting Agreement, the Company has agreed to pay the Lead Manager a management fee equal to 1.00% of the Offer proceeds and an underwriting fee equal to 4.00% of the Offer proceeds. These fees are payable to the Lead Manager on settlement of the Offer.

The Company has also agreed to pay or reimburse the Lead Manager for certain other agreed costs and expenses, including legal costs, incurred by the Lead Manager in relation to the Offer.

(ii) Termination rights not subject to materiality

The Lead Manager may terminate the Underwriting Agreement without cost or liability by notice to Company if any of the following events has occurred or occurs at any time before Completion of the Offer:

(A) (index fall) the S&P/ASX 200 Index published by ASX is at any time more than 10% below its level as at 5:00pm on the Business Day immediately preceding the date of the Underwriting Agreement;

(B) (material adverse change in financial markets) any of the following occurs:

- (1) any material adverse change or disruption to the political conditions or financial markets of Australia, the United Kingdom, the United States of America, Japan the People's Republic of China, Hong Kong, Singapore, South Korea, any member state of the European Union, or the international financial markets or any change or development involving a prospective change in national or international political, financial or economic conditions;
- (2) a general moratorium on commercial banking activities in Australia, the United States of America, the United Kingdom, Japan, the People's Republic of China, Hong Kong, Singapore, South Korea or any member state of the European Union is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
- (3) trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for one day on which that exchange is or would otherwise be open for trading;

(C) (material adverse change) an event occurs which is, or is likely to give rise to:

- (1) a materially adverse change in the assets, liabilities, financial position or performance, profits, losses, earnings or prospects of the Company from those disclosed in this Prospectus; or
- (2) a materially adverse change in the nature of the business conducted by the Company as disclosed in the Prospectus;

(D) (Offer Documents) the Lead Manager forms the view (acting reasonably) that:

- (1) there is an omission from the Prospectus or any Supplementary Prospectus of material required by the Corporations Act to be included;
- (2) the Prospectus contains a statement which is untrue, inaccurate, misleading or deceptive or likely to mislead or deceive (whether by inclusion or omission); or
- (3) the Prospectus does not contain all information required to comply with all applicable laws;

(E) (section 730 notice) a person gives a notice to the Company under section 730 of the Corporations Act;

(F) (Supplementary Prospectus)

- (1) the Company lodges a Supplementary Prospectus; or
- (2) the Lead Manager forms the view (acting reasonably) that a Supplementary Prospectus must be lodged with ASIC under the Corporations Act;

(G) (disclosures in Due Diligence) the Lead Manager forms the view (acting reasonably) that any information supplied by or on behalf of the Company to the Lead Manager in relation to the Company or the

Offer as part of the due diligence process is or becomes misleading or deceptive in a material respect, or information material to the Company or the Business has not been disclosed as part of the due diligence process;

(H) (withdrawal of consent)

- (1) any person whose consent to the issue of the Prospectus or any Supplementary Prospectus is required by section 720 of the Corporations Act and who has previously consented to the issue of the Prospectus or any Supplementary Prospectus withdraws such consent;
- (2) any person gives a notice under section 733(3) of the Corporations Act; or
- (3) any person (other than the Lead Manager) who has previously consented to the inclusion of their name or any statement in the Prospectus or any Supplementary Prospectus withdraws that consent;

(I) (withdrawal of Prospectus) the Company withdraws the Prospectus or the Offer, or indicates that it does not intend to proceed with the Offer or any part of the Offer;

(J) (offer of refund to investors) any circumstance arises after lodgement of the Prospectus that results in the Company either repaying money received from persons who have applied for Offer Shares or offering persons who have applied for Offer Shares an opportunity to withdraw their application for Offer Shares and be repaid their application money;

(K) (unable to issue Offer Shares) the Company is prevented from issuing the Offer Shares by applicable laws, an order of a court or a Government Agency, within the time required by the Listing Rules;

- (L) (ASX approval) any ASX approvals obtained by the Company in connection with the Offer are withdrawn, qualified (other than by customary conditions acceptable to the Lead Manager) or withheld (or ASX indicates to the Company or the Lead Manager that the approval is likely to be withdrawn, qualified or withheld);
- (M) (ASX Waivers and ASIC Modifications) any of the ASX Waivers or ASIC Modifications obtained in connection with the Offer are withdrawn, revoked or amended without the prior written approval of the Lead Manager;
- (N) (Certificate) the Company does not provide a certificate to the Lead Manager certifying matters such as the Company's compliance with its obligations under the Underwriting Agreement and the representations and warranties given by it being true and correct as and when required by the Underwriting Agreement, or a statement in any certificate so given is untrue in any material respect, incorrect or misleading or deceptive;
- (O) (Encumbrance) other than as disclosed in the Prospectus or as required by applicable laws, the Company or any other Group Member creates or agrees to create an Encumbrance over the whole or a substantial part of its business or property;
- (P) (Insolvency) the Company becomes insolvent, or an act occurs or an omission is made which may result in the Company becoming insolvent;
- (Q) (Timetable) any event specified in the timetable is delayed for more than two Business Days without the prior written approval of the Lead Manager;
- (R) (Escrow Agreements) any escrow agreement:
 - (1) is terminated, void, avoided, illegal, invalid, unenforceable or materially limited in its effect, any condition precedent in it is not satisfied by its due date (or becomes incapable of satisfaction by its due date and is not waived), any party commits a material breach of it or any party to it has the right to, or purports in writing to, terminate, rescind or avoid all or a material part of the agreement (or any person so alleges); or
- (2) is amended in any material respect without the prior written consent of the Lead Manager;
- (S) (change in Directors and senior management) a change in the Directors or any member of the senior management of the Company, or any such person dies or becomes permanently incapacitated;
- (T) (action against Directors and senior management)
 - (1) a Director or any member of the senior management of the Company is charged with a criminal offence relating to any financial or corporate matter;
 - (2) any Government Agency commences any public action against the Company, any of the Directors or any member of the senior management of the Company, or announces that it intends to take any such action; or
 - (3) any Director or any member of the senior management of the Company is disqualified under the Corporations Act from managing a corporation;
- (U) (debt facilities)
 - (1) the Company breaches, or defaults under, any provision, undertaking, covenant or ratio of a material debt or financing arrangement or any related documentation to which that entity is a party which has, or may have, a material adverse effect on the Company; or

- (2) there occurs:
 - (i) an event of default;
 - (ii) a review event which gives a lender or financier the right to accelerate or require repayment of the debt or financing; or
 - (iii) any other similar event, under or with respect to any such debt or financing arrangement or related documentation;

(V) (Material Contracts) if any of the obligations of the relevant parties under any of the material contracts referred to in Section 10.4 are not capable of being performed in accordance with their terms (in the reasonable opinion of the Lead Manager) or if all or any part of any of the contracts:

- (1) is terminated, withdrawn, rescinded, avoided or repudiated;
- (2) ceases to have effect, otherwise than in accordance with its terms;
- (3) is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, withdrawn, rescinded, avoided or withdrawn or of limited force and affect, or its performance is or becomes illegal; or
- (4) is breached, or there is a failure by a party to comply.

(iii) Termination rights subject to materiality

The Lead Manager may terminate the Underwriting Agreement without cost or liability by notice to Company if any of the following events has occurred or occurs at any time before Completion of the Offer and the Lead Manager reasonably believes that the event:

- (A) has, or is likely to have, a materially adverse effect on the success of the Offer, the ability of the Lead Manager to market or promote the Offer, the willingness of persons to apply for, or settle obligations to subscribe for, Offer Shares under the Offer or the price or likely price at which Shares are likely to trade on ASX after Completion of the Offer; or
- (B) has or may give rise to a liability for the Lead Manager or a contravention by the Lead Manager of the Corporations Act or any other applicable law.

These termination events are:

- (C) (breach of document or warranty) the Company fails to comply with any of its obligations under the Underwriting Agreement, or any representation or warranty by the Company in the Underwriting Agreement is or becomes incorrect;
- (D) (hostilities) in respect of any one or more of Australia, the United States of America, any member state of the European Union, Indonesia, Japan, Russia, the People's Republic of China:
 - (1) hostilities not existing on the date of the Underwriting Agreement commence (whether or not war has been declared);
 - (2) a major escalation in existing hostilities occurs (whether or not war has been declared);
 - (3) a declaration is made of a national emergency or war; or
 - (4) a terrorist act is perpetrated in any of those countries or a diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world;

- (E) (change in law) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of the Commonwealth of Australia or any State or Territory of Australia a new law, or the Government of Australia, or any State or Territory of Australia, the Reserve Bank of Australia, or any Minister or other Government Agency of Australia or any State or Territory of Australia, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement);
- (F) (pandemic) a pandemic, epidemic or large-scale outbreak of a disease (including without limitation SARS, swine or avian flu, H5N1, H7N9, COVID-19 or a related or mutated form of these) not existing on the date of the Underwriting Agreement occurs or in respect of which there is a major escalation, involving any one or more of Australia, New Zealand, the United States of America or a country in the Oceania region;
- (G) (unauthorised changes) the Company:
 - (1) disposes, or agrees to dispose, of the whole, or a substantial part, of its Business or property other than as contemplated in the Prospectus;
 - (2) ceases or threatens to cease to carry on the Business;
 - (3) alters its capital structure, other than as contemplated in the Prospectus; or
 - (4) amends its Constitution;
- (H) (compliance with regulatory requirements) a contravention by the Company of the Corporations Act, the Listing Rules, its Constitution or any other applicable law or regulation;
- (I) (legal proceedings) the commencement of legal proceedings against the Company or any Director; or

- (J) (unauthorised public statements) the Company issues a public statement concerning the Offer which has not been approved by the Lead Manager (such approval not to be unreasonably withheld or delayed).

(iv) Indemnity

Subject to certain exclusions relating to, amongst other things, the fraud, wilful misconduct or gross negligence of the Lead Manager or certain representatives (as finally judicially determined), Company agrees to keep the Lead Manager and certain representatives of the Lead Manager indemnified from and against all losses suffered or incurred in connection with the Offer and the appointment of the Lead Manager pursuant to the Underwriting Agreement.

(v) Conditions, warranties, undertakings and other items

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company to the Lead Manager (as well as common conditions precedent, including conducting due diligence, lodgement of this Prospectus and ASX granting the waivers necessary to enable the Offer to proceed in accordance with the timetable).

The representations and warranties given by Company include, but are not limited to, matters such as its capacity, the validity of its obligations under the Underwriting Agreement, its status, its solvency and the compliance of the Offer and Prospectus with the Corporations Act, ASX Listing Rules and all other applicable laws. The Company has also given additional representations and warranties as to matters such as, without limitation, the Business, litigation, taxation, data privacy, financial information, anti-money laundering and anti-bribery.

The undertakings given by Company relate to matters including, but not limited to, provision of and consultation with the Lead Manager in respect of ASIC or ASX correspondence and notification of breach to the Lead Manager.

In addition, the Company has undertaken:

- (A) that it will not, without the prior consent of the Lead Manager, at any time after execution of the Underwriting Agreement and before the expiration of 12 months after Completion of the Offer, issue, agree to issue, offer for subscription or grant any option over, or indicate in any way that it may or will issue, agree to issue, offer for subscription or grant any option over, any Shares, Options or other securities of the Company; and
- (B) to carry on its business in the ordinary course from the date of the Underwriting Agreement until Completion of the Offer, except with the prior written consent of the Lead Manager.

10.5 Potential control effects of underwriting

As at the date of this Prospectus, the Lead Manager is not a Shareholder of the Company. The Lead Manager is also not a related party of the Company for the purpose of the Corporations Act. However, if the Lead Manager (and/or any one or more sub-underwriters appointed by it) are required to subscribe for Shortfall Shares under the Underwriting Agreement, this will result in it becoming a Shareholder of the Company.

The Offer Shares represent approximately 33.33% of the total Shares on issue at Completion of the Offer. As such, the maximum voting power that the Lead Manager (or a sub-underwriter) may acquire pursuant to the underwriting arrangements (assuming no investors subscribe for Offer Shares under the Offer and all Shortfall Shares are allocated to one person) is 33.33% representing 35,000,000 Shares.

10.6 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

(a) Introduction

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules, the ASX Settlement Operating Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the Official List.

(b) Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each Share held.

If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote.

(c) Meetings of Shareholders

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules. The Company must give Shareholders at least 28 days' written notice of a general meeting.

(d) Dividends

The Board may pay interim and final dividends that, in its judgment, the financial position of the Company justifies. The Board may also pay any dividend required to be paid under the terms of issue of a share, and fix a record date for a dividend and the timing and method of payment.

For further information in respect of the Company's proposed dividend policy, see Section 6.16.

(e) Transfer of Shares

Subject to the ASX Listing Rules, the Corporations Act and the Escrow Deeds, the Shares are freely transferable.

The Board may decline to register, or prevent registration of, a transfer of Shares or apply a holding lock to prevent a transfer in accordance with the Constitution, the Corporations Act or the ASX Listing Rules.

(f) Issue of further Shares

Subject to the Corporations Act and the ASX Listing Rules, the Board has full discretion to issue new Shares and grant options over unissued Shares.

(g) Winding up

If the Company is wound up, then subject to the Constitution, the Corporations Act and the rights or restrictions attached to any Shares or classes of Shares, Shareholders will be entitled to any surplus property of the Company in proportion to the number of Shares held by them.

If the Company is wound up, the liquidator may, with the sanction of a special resolution of Shareholders, divide the property of the Company amongst the Shareholders and decide how the property will be divided between the Shareholders.

(h) Unmarketable parcels

Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the Board may sell the Shares of a Shareholder who holds less than a marketable parcel by following the procedures set out in the Constitution.

(i) Share buy-backs

Subject to the Corporations Act and the ASX Listing Rules, the Company may buy back Shares on terms and at times determined by the Board.

(j) Variation of class rights

At present, the Company's only class of Shares on issue is Shares. The rights attached to any class of Shares may be varied in accordance with the Constitution and the Corporations Act.

(k) Dividend reinvestment plan

Subject to the ASX Listing Rules, the Constitution authorises the Directors, on any terms and at their discretion, establish a dividend reinvestment plan (under which any Shareholder may elect that the dividends payable by the Company be reinvested by a subscription for new Shares).

(l) Directors – appointment and removal

Under the Constitution, the minimum number of Directors that may comprise the Board is three and the maximum is fixed by the Directors but may not be more than nine unless the Company resolves otherwise at general meeting. Directors are elected at annual general meetings of the Company. Retirement will occur on a rotational basis so that no Director (excluding the Managing Director) holds office without re-election beyond the third annual general meeting or three years following the meeting at which the Director was last elected (whichever is longer). The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

(m) Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote in addition to a deliberative vote unless there are only two Directors present or entitled to vote, in which case the chairperson of the meeting does not have a second or casting vote and the proposed resolution is taken as lost.

A written resolution of the Board may be passed without holding a meeting of the Board, if all of the Directors sign or consent to the resolution.

(n) Directors – remuneration

The Directors are entitled to be remunerated for an amount determined by the Directors, other than Non-Executive Directors, who will be paid by way of fees for services up to the maximum aggregate sum per annum as may be approved from time to time by the Company in general meeting.

Under the Constitution, Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the Company's business.

Directors' remuneration is discussed further at Section 5.

(o) Powers and duties of Directors

The business and affairs of the Company to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within the power of the Company and are not required by law or the Constitution to be done by the Company in general meeting.

(p) Indemnities

The Company may indemnify each officer of the Company to the full extent permitted by law against all losses or liabilities incurred by that person as an officer of the Company or its related bodies corporate, including, but not limited to, a liability for negligence or for reasonable legal costs on a full indemnity basis. The Company, to the extent permitted by law, may make a payment (whether by way of an advance or interest-free loan) to a Director in respect of legal costs incurred by that person in defending an action for a liability of that person.

The Company, may, to the extent permitted by law, purchase and maintain insurance or pay, or agree to pay, a premium for insurance for each officer of the Company against any liability incurred by that person as an officer of the Company or its related bodies corporate, including, but not limited to, a liability for negligence or for legal costs.

(q) Amendment

The Constitution can only be amended by special resolution passed by at least 75% of the votes cast by Shareholders entitled to vote on the resolution at a general meeting of the Company.

10.7 Summary of the terms of issue of the Options

The terms of the Options, are as follows:

(a) Subscription Price

Nil.

(b) Entitlement

Each Option entitles the holder to subscribe for one Share upon exercise of the Option, subject to satisfaction of the Vesting Condition during the Exercise Period.

(c) Exercise Price

The amount payable upon exercise of each Option will be \$0.30 (**Exercise Price**).

(d) Expiry Date

Each Option will expire 36 months from the date of issue (**Expiry Date**), in accordance with Section (f) below. An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(e) Exercise Period

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**), subject to satisfaction of the Vesting Condition during the Exercise Period.

(f) Vesting Conditions

The Options vest in three equal tranches during the Exercise Period (each a **Vesting Condition**), as follows:

- (i) after 12 months, one-third of the Options vest and are exercisable;
- (ii) after 24 months, one-third of the Options vest and are exercisable; and
- (iii) after 33 months, the remaining one-third of the Options vest and are exercisable up to the Expiry Date.

(g) Notice of Exercise

The Options may be exercised during the Exercise Period by notice in writing to the Company (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(h) Exercise Date

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(i) Timing of issue of Shares on exercise

Within 15 Business Days after the Exercise Date, the Company will:

- (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company; and
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to ensure that there are not secondary trading restrictions on the Shares issued upon exercise of Options.

(j) Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then issued Shares of the Company.

(k) Quotation of Shares issued on exercise

If admitted to the official list of ASX at the time and subject to any ASX escrow applying to the Shares, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options as required by the Listing Rules.

(l) Reconstruction of capital

If at any time the issued capital of the Company is reconstructed, all rights of a Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(m) Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options, subject to the Listing Rules.

(n) Change in exercise price

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(o) Not Quoted

The Options will not be quoted on ASX.

(p) Transferability

The Options are not transferable, but may be issued to an entity or family member nominated by the Director.

10.8 Employee Share Option Plan

The key terms under the ESOP are summarised below:

(a) Operation

The Board is responsible for administering the ESOP in accordance with the ESOP Rules. A grant of Shares, Performance Rights and/or Options under the ESOP will be subject to both the ESOP Rules, ASIC Class Order 14/1000 (or any amendment to or replacement of that Class Order), the ASX Listing Rules, the Corporations Act and the terms and conditions of the specific grant.

(b) Listing Rules

To the extent that any provision in the ESOP is proscribed by the Listing Rules, that provision will have no effect and will not apply to the extent required by the Listing Rules.

(c) Eligibility

The ESOP is open to certain contractors and employees (including Directors, subject to the ASX Listing Rules and the Corporations Act) of the Company who are invited by the Board to participate in the ESOP (**Participants**). The Board may invite Participants to apply for Shares or a right to the issue of a Share, Performance Rights and/or Options under the ESOP in its absolute discretion.

(d) Grant

The Board may offer Participants the right to apply for Shares, Performance Rights and/or Options subject to conditions and/or performance hurdles and terms of issue determined by the Board in its sole discretion, subject to the ASX Listing Rules and the Corporations Act.

(e) Vesting

The vesting of a Performance Right will be conditional on the satisfaction of any conditions and performance hurdles attaching to the Performance Right. Performance hurdles will be determined by the Board in its discretion and specified in the Participant's invitation letter.

Where relevant performance hurdles are met, then the Performance Rights will vest and be convertible into Shares.

The vesting of an Option will be conditional on the satisfaction of any conditions attaching to the Option. Vesting conditions will be determined by the Board in its discretion and specified in the Participant's invitation letter.

Unvested Shares will vest on conditions determined by the Board in its discretion and specified in the Participant's invitation letter.

(f) Assistance with the exercise of Options

An offer may specify that at the time of exercise of the Options, the Participant may elect or that the Participant and the Directors may agree in writing that the Participant will not to be required to provide payment of the Exercise Price but that on exercise of those Options the Company will transfer or allot to the Participant that number of Shares equal in value to the positive difference between the then market value of the Shares at the time of exercise and the Exercise Price that would otherwise be payable to exercise those Options (with the number of Shares rounded down to the nearest whole Share).

An offer may specify that at the time of exercise of the Options, or Directors may agree in writing at any time prior to exercise of Options, that a sum equal to the aggregate Exercise Price of Options may be advanced by the Company to the Participant as a loan, on the provision that the loan is secured against and repayable only upon the sale of Shares, Options and Performance Rights held by the Participant (whether vested or not) or against other assets acceptable to the Company and repayable on terms agreed by the Directors.

(g) Lapse of Performance Rights and Options

All Performance Rights, Options and Shares that have not vested on or before the expiry date will automatically lapse. Performance Rights, Shares and Options will also lapse if the applicable performance hurdles and/or conditions attaching to them are not met within a prescribed period determined by the Board in its discretion.

(h) Dealing with Performance Rights and Options

Unvested Shares, unvested Performance rights and unvested Options are not transferable, except upon the Participant's death, to its legal personal representative.

(i) Conversion into Shares

Each Performance Right will entitle a Participant to one Share upon vesting. Each Option will entitle a Participant upon vesting to subscribe for one Share at the Exercise Price specified by the Board in the Participant's invitation letter.

Shares issued a result of the vesting and exercise of Performance Rights and/or Options will rank equally with the Shares currently on issue

(j) Maximum number of securities

The Board may grant such number of Shares, Performance Rights and/or Options under the ESOP as the Board determines so long as no limit specified, imposed or calculated by any relevant policy or guideline of ASIC, including any regulatory guide, class order or condition for relief, is exceeded.

(k) Hedging not allowed

If restricted by law, a Participant may not enter into any arrangement for the purpose of hedging, or otherwise affecting their economic exposure to any Options or Performance Rights.

(l) New issues, reorganisations of capital and winding up

(i) Participants holding Options or Performance Rights are not entitled to participate in any new issue of securities to existing holders of Shares in the Company unless:

- (A) their Options or Performance Rights under the Plan have vested; and
- (B) they exercise their Options or Performance Rights and receive Shares before the record date for the determination of entitlements to the new issue of securities and participate as a holder of Shares.

(ii) In accordance with the Listing Rules, the Company will give Participants notice of any new issue of securities before the record date for determining entitlements to the new issue.

- (iii) If the Company makes a pro rata issue of Shares (except a bonus issue) to existing holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of an Option or Performance Right before the record date for determining entitlements to the pro rata issue, the Exercise Price of the Option or Performance Right will be reduced according to the formula specified in the Listing Rules.
- (iv) If the Company makes a bonus issue of Shares to existing holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of an Option or Performance Right before the record date for determining entitlements to the bonus issue, then the number of underlying Shares over which the Option or Performance Right is exercisable will be increased by the number of Shares which the Participant would have received if the Participant had exercised the Option or Performance Right before the record date for the bonus issue. No adjustment will be made to the Exercise Price.
- (v) If there is a reorganisation of the issued capital of the Company (including a consolidation, subdivision, reduction or return) then the rights of a Participant (including the number of Options or Performance Rights to which each Participant is entitled and the Exercise Price) will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

(m) Winding up

If a resolution for a members' voluntary winding up of the Company is proposed (other than for the purpose of a reconstruction or amalgamation) the Board may, in its absolute discretion, give written notice to

Participants of the proposed resolution. Subject to the Option Vesting Conditions or Performance Right Vesting Conditions, the Participants may, during the period referred to in the notice, exercise their Options or Performance Rights.

(n) Fractions of Shares

Fractions in the aggregate number only will be disregarded in determining the total entitlement of a Participant.

(o) Termination of employment or office

- (i) If a Participant ceases to be an officer/employee/contractor due to dismissal for cause or poor performance or any other circumstances determined by the Board to constitute the Participant a Bad Leaver (Bad Leaver), then, subject to compliance with the Listing Rules and the Corporations Act:
 - (A) any Unvested Shares held by the Participant will be forfeited by the Participant;
 - (B) Unvested Options and Unvested Performance Rights held by the relevant Participant will immediately lapse; and
 - (C) Vested Options or Vested Performance Rights that have not been exercised will lapse on the date the person ceases to be an employee/contractor.
- (ii) If a Participant ceases to be an employee/contractor for reasons other than as a Bad Leaver (Good Leaver):
 - (A) all Unvested Shares held by the Participant will be forfeited by the Participant;
 - (B) Unvested Options and Unvested Performance Rights held by the relevant Participant will immediately lapse; and
 - (C) Vested Options or Vested Performance Rights that have not been exercised will continue in force and remain exercisable for 90 days after the Participant ceases to be an employee/contractor.

(p) Change of Control Events

Except to the extent otherwise provided in the offer to a Participant, if a takeover offer for the Company's Shares becomes unconditional or another transaction occurs pursuant to which control of the Company changes (as defined in the Plan Rules, and as permitted by the ASX Listing Rules), all Unvested Shares, Unvested Options and Unvested Performance Rights held by a Participant will automatically vest and become immediately exercisable with such vesting deemed to have taken place immediately prior to the effective date of the Change of Control Event, regardless of whether or not the employment, engagement or office of the Participant is terminated or ceases in connection with the Change of Control Event.

10.9 Interests of Experts and Advisers

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the two year period ending on the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer.

Colin Biggers & Paisley has acted as solicitors to the Offer. In respect of this work, the Company will pay approximately \$215,000 exclusive of GST. Subsequent fees and out of scope matters will be paid in accordance with normal hourly rates. Colin Biggers & Paisley has provided legal services to the Company in the 2 years prior to the date of this Prospectus, for which the Company paid it \$50,000. Colin Biggers & Paisley has not received any other

fees for services to the Company in the 2 years prior to the date of this Prospectus.

Michael Buck IP (**MBIP**) has prepared the Independent Report on Intellectual Property in Section 8 of this Prospectus. In respect of this work, the Company has paid approximately \$3,000 exclusive of GST. MBIP act as the Company's Intellectual Property agents and in the 2 years prior to the date of this Prospectus, have been paid approximately \$26,000 for those services.

Frost and Sullivan has prepared the Market Report in Section 2 of this Prospectus. In respect of this work, the Company has paid approximately \$13,000 exclusive of GST. Frost and Sullivan has not received any other fees for services to the Company in the 2 years prior to the date of this Prospectus.

KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215 has prepared the Investigating Accountant's Report in Section 7 of this Prospectus. In respect of this work, the Company will pay approximately \$30,000 exclusive of GST. The Investigating Accountant has not been paid any other fees for services to the Company in the 2 years prior to the date of this Prospectus.

KPMG have provided auditing and financial account preparation services to the Company for the 2019 and 2020 financial years and the half year to 31 December 2020. In respect of this work, the Company has paid approximately \$110,000 exclusive of GST. KPMG has not been paid any other fees for services to the Company in the 2 years prior to the date of this Prospectus.

Morgans Corporate Limited ACN 010 539 607 has acted as Lead Manager and Underwriter to the Offer. Fees payable to the Lead Manager for this service are set out in Section 10.4(h).

Computershare Investor Services has consented to being named as the Share Registry to the Offer.

10.10 Consents to be named and disclaimers of responsibility

Each of the parties referred to below (each a **Consenting Party**), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the Consenting Parties has given, and has not, before the lodgement of this Prospectus with ASIC, withdrawn their written consent to being named in the Prospectus in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below:

- (a) Morgans Corporate Limited, as Lead Manager and Underwriter to the Offer;
- (b) Colin Biggers & Paisley, as Australian legal adviser;
- (c) KPMG Financial Advisory Services (Australia) Pty Ltd, as Investigating Accountant and to the inclusion of the Investigating Accountant's Report in Section 7 of this Prospectus, in the form and context in which it is included;
- (d) Frost & Sullivan Australia Pty Ltd, as the provider of the Market Report set out in Section 2 of this Prospectus and to the inclusion of that report in that Section, and statements made by it or based on statements made by it, in the form and context in which they are included in this Prospectus;
- (e) KPMG Audit, as auditor in respect of FY19, FY20 and HY21;
- (f) Michael Buck IP Patent and Trademark Attorneys, as the provider of the Independent Report on the Intellectual Property set out in Section 8 of this Prospectus and to the inclusion of that report in that Section, and statements made by it or based on statements made by it, in the form and context in which they are included in this Prospectus;
- (g) Computershare Investor Services Pty Limited, as Share Registry; and
- (h) each Director, in respect of statements made by, or attributed to him in this Prospectus and to the inclusion of those statements in the form and context in which they are included in this Prospectus.

No entity or person referred to above has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to in this Section 10.10 has not authorised or caused the issue of this Prospectus and does not make any offer of Shares.

Statements made by, attributed to or based on statements by third parties have not been consented to and are included in this Prospectus in reliance on ASIC Corporations (Consents to Statements) Instrument 2016/72 relief from the Corporations Act for statements used from published books, journals or comparable publications.

10.11 Australia taxation considerations

The following comments provide a general summary of the Australian income tax, capital gains tax (CGT), goods and services tax (GST) and stamp duty issues for Shareholders who acquire Shares under this Prospectus.

The categories of Shareholders considered in this summary are limited to individuals, complying superannuation entities and certain companies, trusts or partnerships, each of whom holds their Shares on capital account.

This summary does not consider the consequences for Shareholders who are insurance companies, banks, Shareholders that hold their Shares on revenue account for or carry on a business of trading in Shares or Shareholders who are exempt from Australian tax. This summary does not cover the consequences for Shareholders who are subject to Division 230 of the Income Tax Assessment Act 1997 (the Taxation of Financial Arrangements or TOFA regime).

This summary is based on the tax laws in Australia in force as at the Prospectus Date (together with established interpretations of those laws), which may change. This summary does not take into account the tax law of countries other than Australia. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law.

Given that the precise implications of ownership or disposal of Shares will depend upon each Shareholders' specific circumstances, Shareholders should obtain independent advice on the taxation implications of holding or disposing of Shares, taking into account their specific circumstances (including whether they are an Australian tax resident).

(a) Dividends paid on Shares – Australian tax residents

(i) Australian resident individuals and complying superannuation entities

Where dividends on a Share are distributed, those dividends should constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year they derive the dividend. If the Shareholder satisfies the "qualified person" rules (refer to further comments below), the

Shareholder should also include any franking credit attached to the dividend in their assessable income. However such a Shareholder should be entitled to a tax offset equal to the franking credit. The tax offset can be applied to reduce the income tax payable on the Shareholder's taxable income. Where the tax offset exceeds the income tax payable on the Shareholder's taxable income in an income year, the Shareholder should be entitled to a tax refund equal to the amount of the excess.

Where a dividend is unfranked, the Shareholder should generally be taxed at their prevailing tax rate on the dividend received with no tax offset.

(ii) Corporate Shareholders

Corporate Shareholders are also required to include both the dividend and associated franking credit in their assessable income, subject to satisfaction of the qualified person rules. A tax offset should then be allowed up to the amount of the franking credit on the dividend.

An Australian tax resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit attached to the distribution received. This allows the corporate Shareholder to pass on the benefit of the franking credits to its own Shareholder(s) on the payment of dividends.

Where franking credits received by a corporate Shareholder exceeds the income tax payable by that Shareholder, the excess cannot give rise to a refund, but may be able to be converted into carry forward tax losses.

(iii) Trusts and partnerships

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include dividend in

their assessable income in determining the net income of the trust or partnership. Subject to satisfaction of the qualified person rules, such Shareholders should also include any franking credit attached to the dividend in their net income. As a result, a relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the franking credit received by the Shareholder. Notably, as the qualified person rules can be complex in the context of distributions received indirectly via a trust or partnership, it is recommended that Shareholders seek independent advice on the tax consequences arising in these circumstances.

(iv) Qualified person rules

The benefit of franking credits can be denied where a Shareholder does not satisfy the qualified person rules, in which case the Shareholder should not be required to include an amount for the franking credits in their assessable income and should also not be entitled to a tax offset.

Broadly, to satisfy the qualified person rules, a Shareholder must satisfy the holding period rule or, if necessary, the related payment rule.

The holding period rule requires an Shareholder to hold the Shares continuously 'at risk' for not less than 45 days in the period beginning the day after the day on which the Shareholder acquires the Shares, and ending on the 45th day after the Shares become ex-dividend. In the ordinary case, this means that the holding period rule should be satisfied provided that the Share have been held "at risk" for a continuous period of 45 days (not including the date of acquisition or disposal) at some time during the period of ownership of the Shares. Very broadly, Shares should be held "at risk" to the extent that no material "positions" are adopted in relation to the Shares which may

have the effect of diminishing the economic exposure associated with holding the Shares (for example, certain option and derivative arrangements, or agreements to sell the Shares). Under the related payment rule, a different testing period applies where the Shareholder or an associate of the Shareholder has made, or is under an obligation to make, a related payment in relation to the dividend. A related payment is one where a Shareholder or their associate effectively passes on the benefit of the dividend to another person.

The related payment rule requires the Shareholder to have held the Shares at risk for the continuous period of 45 days not including the date of acquisition or disposal during a window which commences on the 45th day before, and ends on the 45th day after the day the Shares become ex-dividend. Practically, the related payment rule should not impact Shareholders who do not pass the benefit of the dividend to another person. Shareholders should obtain their own tax advice to determine if the related payment rule applies in the context of their particular circumstances.

In the event that no related payments are made with respect to a particular dividend, an individual Shareholder may satisfy the qualified person rules on an alternative basis, provided that the Shareholder satisfies the small holding exemption. This exemption should generally be satisfied where the Shareholder is entitled to total franking credits (from all sources) of no more than \$5,000 in the relevant year of income. As indicated above, the qualified person rules can be particularly complex for distributions received by a Shareholder directly or indirectly (for example, via an interposed trust). It is recommended that Shareholders in such situations seek independent taxation advice.

(v) Dividend washing rules

Dividend washing rules can apply in certain cases, such that no tax offset is available (nor is an amount required to be included in assessable income in relation to an attached franking credit) for a dividend received on Shares. Broadly, the rules can apply where Shareholders seek to obtain additional franking benefits by disposing of Shares ex-dividend and re-purchasing a substantially equivalent parcel of Shares cum-dividend on a special market.

Shareholders should seek independent tax advice regarding the dividend washing rules, and consider the impact of these rules, having regard to their own personal circumstances.

(b) Dividends paid on Shares – non-Australian tax residents

Shareholders who are not tax resident in Australia should generally be subject to Australian dividend withholding tax with respect to any unfranked dividends received. Australian dividend withholding tax should be imposed at a flat rate of 30% on the amount of the dividend that is unfranked unless the Shareholder is tax resident in a country that has concluded a double tax treaty with Australia. If that is the case, and the Shareholder is otherwise able to rely on the double tax treaty, the rate of Australian dividend withholding tax may be reduced (typically to 15%), depending on the terms of the double tax treaty.

Dividends received which are fully franked should not be subject to Australian dividend withholding tax.

(c) Disposal of Shares – Australian tax residents

The disposal of a Share by a Shareholder should constitute a CGT event. A capital gain should arise to the extent that the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus certain non-deductible transaction costs). In the case of

an arm's length on-market sale, the capital proceeds should generally equal the cash proceeds from the sale. Where the Shareholder is a partnership, the partners of that partnership (and not the partnership itself) should ordinarily be treated as realising any capital gain arising from the disposal (in their proportionate Shares).

A CGT discount may be applied against any capital gain (after reduction of the capital gain by applicable capital losses) where the entity which realises the capital gain is an individual, complying superannuation entity or trustee. The CGT discount may be applied in these circumstances, provided that the Shares have been held for at least 12 months (not including the date of acquisition or disposal for CGT purposes) and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than trustees of a complying superannuation entity) may be reduced by 50%, after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

If the Shareholder who realises the capital gain and is entitled to the CGT discount is the trustee of a trust (other than the trustee of a complying superannuation entity), the CGT discount may flow through to the beneficiaries of the trust, provided those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss should be realised to the extent that the reduced cost base of a Share (which should generally be calculated in a similar manner to the cost base) exceeds the capital proceeds from its disposal. Capital losses may only be offset against capital gains realised in the same income year or future income years, subject to certain loss

recoupment tests being satisfied. Capital losses cannot be offset against other assessable income. As with capital gains, where the Shareholder realising the capital loss is a partnership, the partners of that partnership (and not the partnership itself) should ordinarily be treated as realising the capital loss (in their proportionate Shares).

(d) Disposal of Shares – Non-Australian tax residents

The disposal of a Share by a Shareholder who is not tax resident in Australia should constitute a CGT event. A capital gain may initially arise to the extent that the capital proceeds on disposal exceed the cost base of the Share.

However, any capital gain initially arising as a result of the CGT event should be disregarded unless the Share constitutes “taxable Australian property”. Broadly, a Share should constitute taxable Australian property if both of the following requirements are satisfied:

- (i) the Shareholder (together with any associates of the Shareholder) holds an interest of at least 10% in the Company at the time of the disposal, or has held such an interest throughout a 12 month period in the 24 months preceding the disposal; and
- (ii) the Company is land rich for Australian income tax purposes (broadly, because more than 50% of the value of the Company’s assets, including those of certain downstream subsidiaries, is comprised by Australian real property interests and/or certain interests in respect of Australian minerals).

A Share should also constitute taxable Australian property if it is used by a Shareholder in carrying on a business in Australia through a permanent establishment (for example, a fixed place of business, such as an office, which is located in Australia).

In the event that a Shareholder who is not tax resident in Australia realises a capital gain in connection with the disposal of a Share that constitutes taxable Australian property, the Shareholder should ordinarily be required to lodge an Australian income tax return including the capital gain. In such circumstances, the Shareholder should generally not be entitled to claim the benefit of the CGT discount to reduce the amount of the capital gain included, but may be able to offset the capital gain with any available capital losses, subject to certain loss recoupment tests being satisfied. The amount of the capital gain, after application of any available capital losses, should be subject to Australian income tax at the Shareholder’s marginal tax rate.

A capital loss should initially be realised by a Shareholder who is not tax resident in Australia to the extent that the reduced cost base of a Share exceeds the capital proceeds from its disposal. However, as with capital gains, a capital loss should be disregarded by the Shareholder unless the Share being disposed of constitutes taxable Australian property. Capital losses which are not disregarded may only be offset against capital gains from the disposal of taxable Australian property in the same income year or future income years, subject to certain loss recoupment tests being satisfied.

Non-resident CGT withholding

New rules have recently been introduced which can apply to the purchaser of certain taxable Australian property, indirect real property interests or options or rights to acquire such property or interest where such property or interest is acquired from a non-Australian resident vendor under contracts entered into on or after 1 July 2017. Pursuant to the new rules, a non-final withholding tax of 12.5% of the purchase price may be applied to such transactions at settlement.

However, the new rules should not apply to the disposal of a Share on ASX (in accordance with a specific exemption).

(e) GST

Shareholders should not be liable for GST from acquiring or disposing of any Shares. Shareholders may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition or disposal of Shares. Separate GST advice should be sought by Shareholders in this respect.

(f) Stamp duty

No stamp duty should be payable by Shareholders on the acquisition of Shares. Under current stamp duty legislation, no stamp duty should ordinarily be payable by Shareholders on any subsequent transfer of Shares whilst the Company remains listed.

Shareholders should seek their own advice as to the impact of stamp duty in their own particular circumstances.

(g) Tax file number (TFN)

Australian tax resident Shareholders may, if they choose, notify the Company of their tax file number (TFN), Australian Business Number (ABN) or a relevant exemption from withholding tax with respect to dividends. In the event that the Company is not so notified, pursuant to the TFN withholding rules, tax should be automatically be deducted at

the highest marginal rate, including where relevant, the Medicare levy, from unfranked dividends and/or other applicable distributions. However, Australian tax resident Shareholders may be able to claim a tax credit/rebate (as applicable) in respect of the tax deducted in their income tax returns.

Shareholders who are not tax resident in Australia should generally be entitled to an exemption from the TFN withholding rules. This means that mandatory withholding may not be required by the Company with respect to unfranked dividends or other relevant distributions paid to such Shareholders, irrespective of whether those Shareholders have notified the Company of their TFN or ABN.

10.12 Foreign selling jurisdictions

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia and New Zealand except to the extent permitted below.

10.13 Dividend Policy

Any future determination as to the payment of dividends will be at the discretion of the Directors and will depend upon matters such as the availability of distributable earnings, Audeara's operating results and financial condition, future capital requirements, general business and other factors considered relevant by the Directors. No assurances in relation to the payment of dividends, or any franking credits that may be attached to such dividends, can be given.

10.14 Forecasts

The Directors have considered the matters detailed in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly,

any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

The Directors consequently believe that, given these inherent uncertainties, it is not possible to include reliable forecasts in this Prospectus.

Refer to Section 3 for further information in respect to the Company's proposed activities.

10.15 Costs of the Offer

The expenses connected with this Prospectus and the Offers are estimated to be approximately \$834,000 exclusive of GST. These expenses are summarised below.

Cash Expenses	\$'000
Cash Commission payable to the Lead Manager	350
Independent Experts' Report costs	17
Legal fees and costs	215
Investigating Accountant's Report	30
ASX Listing Fees	89
ASIC Fee	3
Audit Fee	110
Printing and Typesetting	20
Total cash expenses	834

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the law applicable in New South Wales, Australia and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

10.16 Legal proceedings

Audeara may, from time to time, be party to various disputes and legal proceedings incidental to the conduct of its business. So far as the Directors are aware, as at the Prospectus Date, there is no current or threatened civil litigation, arbitration proceeding or administrative appeal, or criminal or governmental prosecutions of a material nature in which Audeara is directly or indirectly concerned which is likely to have a material adverse impact on the business or the financial position of Audeara.

10.17 Electronic Prospectus

Pursuant to Regulatory Guide 107, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an Electronic Prospectus on the basis of a paper Prospectus lodged with ASIC and the issue of Shares in response to an electronic application form, subject to compliance with certain provisions. If you have received this Prospectus as an Electronic Prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please email the Company and the Company will send to you, for free, either a hard copy or a further electronic copy of this Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the Electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the Application Monies received will be dealt with in accordance with section 722 of the Corporations Act.

10.18 Documents available for inspection

Copies of the following documents are available for inspection during normal business hours at the registered office of the Company:

- (a) this Prospectus; and
- (b) the Constitution.

10.19 Statement of Directors

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in this Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors' knowledge, before any issue of Shares pursuant to this Prospectus.

Each Director has consented to the lodgement of this Prospectus with the ASIC in accordance with section 720 of the Corporations Act and has not withdrawn that consent.

Dated: 31 March 2021



Chairman of the Board

SECTION 11

Glossary

Term	Meaning
Applicant	A person who submits an Application.
Application	An application to subscribe for Shares offered under this Prospectus.
Application Form	The application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility).
Application Monies	The amount of monies accompanying an Application Form submitted by an Applicant.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited or the securities exchange that it operates, as the context requires.
ASX Listing Rules	The listing rules of ASX.
ASX Settlement Operating Rules	The settlement operating rules of ASX.
ATO	Australian Tax Office.
AUD	Australian Dollars.
Audeara	Audeara Limited (ACN 604 368 443).
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board.
Board or Board of Directors	The board of directors of the Company.
BPAY®	The payment mechanism used to pay Application Monies online.
Broker	An ASX participating organisation selected by the Lead Manager and the Company to act as a broker to the Offer.
Broker Firm Applicant	An Australian resident client of a Broker who is offered a firm allocation of Shares under the Broker Firm Offer.
Broker Firm Offer	The offer of Shares under this Prospectus to Australian resident retail clients of participating Brokers who have received participate firm allocation from their Broker, as described in Section 9.11.
Broker Firm Application Form	The Application Form made available with a copy of this Prospectus, identified as the Broker Firm Offer Application Form.
CAGR	Compound annual growth rate.
Shareholder	A registered holder of Shares.
CGT	Capital Gains Tax.
CHESS	ASX's Clearing House Electronic Sub-register System. See Section 9.19.

Term	Meaning
Closing Date	The date on which the Offer is expected to close, being 5 May 2021 in respect of the Retail Offer.
Company	Audeara Limited (ACN 604 368 443).
Completion of the Offer	Completion in respect of the allotment and issue of Shares by the Company.
Consenting Party	Each of the parties listed in Section 10.10.
Constitution	The constitution of the Company.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Director	A member of the Board.
Employees	Employees of Audeara.
Enterprise Value	The sum of the market capitalisation of the Company at the Offer Price less the expected net cash at Completion of the Offer.
Escrow Period	The periods defined in Section 9.9.
Escrowed Shareholders	The holders of Shares that are escrowed for a period of time referred to, and described, in Section 9.9.
Escrowed Shares	Those Shares referred to in Section 9.9.
Existing Shareholders	Shareholders as at the date of this Prospectus and holders of Convertible Notes that convert into Shares upon admission of the Company to the Official List.
Existing Shares	Fully paid ordinary Shares in the capital of Audeara on issue as at the date of this Prospectus, assuming the conversion of all Convertible Notes on issue.
Expiry Date	The date which is 13 months after the Prospectus Date.
Exposure Period	The seven day period after the Prospectus Date, which may be extended by ASIC by a further period of 7 days, during which no Applications may be processed by the Company.
Financial Information	The financial information described as Financial Information in Section 6.
FY	Abbreviation for the Financial Year ending 30 June.
GST	Goods and services tax.
Hearing Australia	A commonwealth government entity created under section 7 of the <i>Australian Hearing Services Act 1991</i> (Cth))
HIN	Shareholder's Holder Identification Number.
HSP or Hearing Services Program	The Hearing Services Program operated by the Federal Government Department of Health.
IFRS	International Financial Reporting Standards.

Term	Meaning
Institutional Investor	Investors who are: ► person who are wholesale clients under Section 761G of the Corporations Act and either “professional investors” or “sophisticated investors” under sections 708(11) and 708(8) of the Corporations Act; or ► institutional investors in certain other jurisdictions, as agreed by the Company and the Lead Manager, to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approved by, any government agency (except one with which the Company is willing in its discretion to comply); and ► provided that in each case such investors are not in the United States.
Institutional Offer	The offer of Shares under this Prospectus to Institutional Investors, as described in Section 9.15.
Investigating Accountant	KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215
Investigating Accountant's Report	The Investigating Accountant's report as set out in Section 7.
Lead Manager	Morgans Corporate Limited ACN 010 539 607
Listing	Admission of the Company to the Official List.
Management	The executive management team of the Company.
Morgans or Morgans Corporate Limited	Morgans Corporate Limited (ACN 010 539 607).
NDIS	National Disability Insurance Scheme.
New Shares	The new Shares to be issued by the Company under the Offer.
New Shareholders	Shareholders who were not Existing Shareholders.
Non-Executive Director	A member of the Board who does not form part of the Company's management.
Offer	The offering of Shares under this Prospectus.
Offer Price	\$0.20 per Share.
Official List	The official list of entities that ASX has admitted to and not removed from listing.
Option	An option to subscribe for a Share.
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document.

Term	Meaning
Prospectus Date	The date on which a copy of this Prospectus is lodged with ASIC, being 31 March 2021.
PSAP	Personal sound amplification products.
Remuneration and Nomination Committee	The Board's remuneration and nomination sub-committee.
Retail Offer	Comprises the Broker Firm Offer.
Securities Trading Policy	The Company's securities trading policy, as adopted by the Board.
Securityholder Communication Policy	The Company's securityholder communication policy, as adopted by the Board.
Share	A fully paid ordinary share in the capital of the Company.
Share Registry	Computershare Investor Services Pty Ltd ABN 48 078 279 277
SRN	Securityholder Reference Number issued by the Share Registry.
TFN	Tax file number.
Underwriter	Morgans Corporate Limited ACN 010 539 607
US Securities Act	The Securities Act 1933.
VWAP	Volume Weighted Average Price.

SECTION 12

Corporate Directory

Issuer's Registered Office

Audeara Limited
Unit 13
76 Doggett Street
Newstead QLD 4006

Lead Manager and Underwriter

Morgans Corporate Limited
Level 29, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

Intellectual Property Advisor

Michael Buck IP Patent and Trademark Attorneys
159 Musgrave Rd
Red Hill QLD 4059

Share Registry

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

Australian Legal Adviser

Colin Biggers & Paisley Lawyers
Level 35, Waterfront Place
1 Eagle Street
Brisbane QLD 4000

Investigating Accountant

KPMG Transaction Services
A division of KPMG Financial Advisory Services
(Australia) Pty Ltd
Australian Financial Services Licence No. 246901
235 St Georges Terrace
Perth WA 6000

Auditor

KPMG
235 St Georges Terrace
Perth WA 6000

Company Website

www.audeara.com

APPENDIX 1

Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Subsequent measurement and gains and losses

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Company

may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. Liabilities for trade and other payables are carried at amortised cost and represent liabilities for goods or services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of these goods and services.

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) 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.

(b) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(c) Convertible notes

The Company has issued convertible notes denominated in Australian dollars that can be converted to ordinary shares at the option of the holder or upon a conversion event.

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.

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.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain and loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the component will flow to the Company. Ongoing repairs and maintenance is expensed as incurred.

Items of property, plant and equipment are depreciated on a straight-line and/or diminishing basis in profit or loss over the estimated useful lives of each component. Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use.

(iii) Depreciation

The Company expenses all costs attributable to the acquisition of assets immediately where the total costs are below AUD \$5,000.

Depreciation methods, useful lives and residual values are reviewed at each financial reporting date and adjusted if appropriate.

(e) Intangible assets

(i) 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.

(ii) Patents

Intangible assets that are acquired by the Company and have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(f) Leases

The Company has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and AASB Interpretation 4. The details of accounting policies under AASB 117 and AASB Interpretation 4 are disclosed separately.

Policy applicable from 1 July 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocated the consideration in the contract of each lease component on the basis of its relative stand-alone prices. However,

for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises an equal right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site of which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lessor transfers ownership of the underlying asset to the Company by the end of the lease term. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if the Company changes its assessment of whether it will exercise a extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the varying value of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Policy applicable before 1 July 2019

(i) Leased assets

Leased assets are operating leases and are not recognised on the Company's statement of financial position.

(ii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on weighted average cost using the first in first out method. Deposits paid for manufactured inventory are recorded as Other Assets until the units are shipped.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Impairment

(i) Non-derivative financial assets

Financial instruments and contract assets

The Company recognises loss allowances for ECLs (expected credit losses) on:

- financial assets measured at amortised cost; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite useful life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its related cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Employee benefits

(i) Long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(i) **Revenue**

(i) Goods sold

Revenue recognition under AASB 15

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.

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. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific product types. In these circumstances, a refund liability and a right to recover returned goods asset are recognised.

(ii) Other income

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. 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.

(iii) Accrued income

Accrued income includes government assistance not yet received where entitlement has been determined to be in the period.

(j) **Finance income and finance costs**

Finance income comprises interest income on funds invested, in addition to realised and unrealised gains on foreign currency. Interest income is recognised as it accrues in profit or loss. Finance costs comprise interest expense on borrowings and bank charges.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(k) **Income tax**

Tax expense comprises current tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will

impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(I) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Where GST is charged receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(m) Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The unwinding of the discount is recognised as finance cost.

(n) Warranties

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(o) Segment reporting

The Company determines and presents operating segments based on the information that internally is provided to the Board of directors ("the Board"), who is the Company's chief operating decision maker.

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are regularly reviewed by the Company's Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

All significant operating decisions are based upon analysis of the Company as one segment. The financial results of this segment are equivalent to the financial statements of the Company as a whole.

The accounting policies applied for internal reporting purposes are consistent with those applied in preparation of the financial statements.

(p) New standards currently effective

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2019.

► AASB 16 Leases

Refer to change in significant accounting policies for a summary of the nature and effects of the changes on the financial statements of the Company.

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