

Quarterly Activities Report

For the quarter ended 30 September 2022

Nuheara now able to sell US OTC regulated devices

Key highlights for Q1 FY23

- **Strategic partnership with Realtek to develop next generation hearing aid products with Realtek's advanced chipset**
- **Successful capital raising via placement at nil discount to previous closing price**
- **Realtek cornerstoned the successful placement and also provided follow-on funding**
- **OTC hearing aid market to open for Nuheara following receipt of US FDA clearance for self-fitting OTC hearing aid**
- **HP Hearing PRO launched**
- **Nuheara sets the stage for new and multiple global revenue streams from Realtek partnership and OTC Hearing Aid opportunities**

PERTH, AUSTRALIA: Nuheara Limited (ASX:NUH) (**Nuheara**) is pleased to present this quarterly activities report alongside its Appendix 4C for the quarter ended 30 September 2022 (Q1 FY23).

STRATEGIC PARTNERSHIP WITH REALTEK TO DEVELOP NEXT GENERATION HEARING AID PRODUCTS WITH REALTEK'S ADVANCED CHIPSET

On 1 July 2022, Nuheara announced a strategic partnership (Partnership) from Taiwan based Realtek Semiconductor Corporation (Realtek).

Nuheara and Realtek are partnering to develop chipset (Integrated Circuits or ICs) and technology solutions to globally penetrate multiple hearing related markets. These include the global True Wireless Stereo (TWS) with Personal Sound Amplification Product (PSAP) chipset market and the regulated OTC Hearing Aid market.

Founded in 1987, Realtek is a Taiwanese semiconductor company with annual sales of US\$3.8 billion (2021). Realtek currently design, manufacture and sell a variety of microchips globally and its product lines broadly fall into three categories: communications network ICs, computer peripheral ICs, and multimedia ICs.

The Partnership will initially help Nuheara to deliver its next generation of hearing aid products by integrating Realtek's advanced chipset. With this experience, the Partnership will expand to co-

developing TWS PSAP chipset and technology solutions for the broader consumer electronics market. Components of Nuheara's Intellectual Property including smart hearing processing and self-fit technology are planned to be embedded on Realtek ICs, for which Nuheara will receive a royalty fee for each IC sold. Nuheara will also offer Realtek customers full earbud design and manufactured solutions for an agreed services fee per implementation.

SUCCESSFUL CAPITAL RAISING AT NIL DISCOUNT TO PREVIOUS CLOSING PRICE

Underpinning the Partnership was a placement of 17,083,334 ordinary shares at \$0.12, being equal to the closing price of Nuheara's shares on the day prior to the capital raising announcement. A total of \$2.05 million was raised, with Realtek providing a cornerstone investment of \$1.7 million, and a further \$0.35 million came from existing shareholders that are sophisticated investors. The funds raised will be used for product research and development, Medical Device/Hearing Aid market and regulatory development, and working capital.

FOLLOW-ON FUNDING FROM REALTEK

On 8 September 2022, Nuheara announced a follow-on round of funding from Realtek, raising \$2.5 million via a Convertible Note. This funding was on top of Realtek's earlier \$1.7 million investment (above).

CASH RECEIPTS FOR QUARTER

On limited marketing expense, in response to retailers resetting the hearing category for OTC, the Company generated \$486k in cash receipts derived predominantly from non regulated hearing device sales.

CLOSE-OUT OF SUBSCRIPTION AGREEMENT

On 27 June 2022, Healthcare 2030 issued a final subscription notice for the remaining shares under the Subscription Agreement entered into in December 2021. The issue of the shares finalised and closed out the subscription agreement with Healthcare 2030.

US OTC HEARING AID MARKET OPENS FOR NUHEARA FOLLOWING RECEIPT OF US FDA CLEARANCE, AND HP HEARING PRO LAUNCHED

On 17 August 2022, Nuheara welcomed the US FDA's landmark final ruling, establishing a regulatory category for over-the-counter (OTC) Hearing Aids in the United States.

In a world first, and most significantly for Nuheara, the ruling allowed hearing aids within the OTC category to be sold directly to consumers in stores or online without a medical exam or fitting by an audiologist. After a 60-day enacted period, the commencement of OTC hearing aid consumer retail sales came into effect on 17 October 2022.

The US FDA received over 1,000 public comment submissions on the proposed rule change. The majority of submissions reflected that American people and healthcare professionals agreed on the significant positive impact that OTC hearing aids could have.

The public comments also revealed, as expected, that the dominant hearing aid manufacturers strongly opposed the proposed rule, including using industry-funded “astroturf” campaigns intended to distort public opinion. Despite the incumbent hearing aid manufacturers’ efforts to jeopardise such an important ruling, the FDA formally ruled in favour of the OTC category for hearing aids.

This historical rule change enables an estimated 38 million Americans who experience some hearing loss to hear better.

Following this landmark law, and having received US FDA clearance (as announced in a separate announcement released on ASX today), Nuheara plans to bring to market its first medical device as the HP Hearing PRO under its worldwide Trademark License Agreement for use of HP trademarks on Nuheara’s hearing aids, personal sound amplification devices and accessories.

Initial orders have been placed from retailers and ecommerce partners for availability throughout the US. The recommended retail price for a pair of HP Hearing PRO hearing aids along with a charge case for on-the-go charging is US\$699.00. Currently in the US, hearing aids are sold at an average cost of US\$4,726 per pair and can be as much as US\$10,000 or more per pair through licensed audiologist and licensed hearing aid retailers.

Nuheara is well positioned with its OTC hearing aids through the trademark license agreement with HP Inc., that will be initially available at Best Buy retail stores in the US. OTC hearing aids will become a significant part of Nuheara’s future as the Company continues to innovate and bring new hearing products to market.

EXPENDITURE

Research and development

Research expenditure that is directly attributable to development activities is capitalised as an intangible asset under Australian Accounting Standards. As a result, expenditure of \$677k was capitalised in Q1 FY23, which was lower than the comparative quarter last year (Q1 FY22: \$1.4 million), and is shown as “Payments to Acquire Intellectual Property” under cash flows from investing activities at item 2.1(e). Expenditure is mainly attributable to work on new generation products, including work performed towards accreditation as a medical device Company.

Product manufacturing and operating costs

As previously outlined, the Company did not undertake any production activities during Q1 FY23, resulting in a quarter-on-quarter reduction in product manufacturing and operating spend. Cash outlays of \$1.1 million were incurred during Q1 FY23 to secure long lead time componentry in advance of the Company’s preparations to recommence Hearing Aid manufacture, a 22% increase over the previous quarter (Q4 FY22: \$871k).

Advertising and marketing

Invoiced product revenue was up 21% on the previous quarter. With a primary focus on building Traditional Retail sales, and not DTC sales, advertising and marketing spend was cut in Q4 FY22 and Q1 FY23.

Staff costs

Consistent with R&D expenditure noted above, employment expenses related to employees working on R&D activities are also capitalised as an intangible asset under Australian Accounting Standards.

Staff costs of \$969k in Q1 FY23 represented a 20% increase over Q4 FY22: \$805k with movement mainly attributable to the timing of payments and amounts capitalised.

The remaining staff costs represent corporate, operations, finance, administration, and marketing employees, including related party payments for non-executive Director fees, and salaries paid to executive Directors during the period (refer item 6.1).

Payments to related parties

Payments to related parties in Q1 FY23 were \$116k, which related to fees paid to non-executive directors and the executive directors' cost of payroll for the period.

Administration and corporate costs

Administration and corporate costs of \$388k in Q1 FY23 were 63% higher than Q4 FY22's \$238k. The movement relates mainly to the timing of payments.

APPOINTMENT OF AUDITOR

On 22 July 2022, the Company announced the appointment of new auditors, SW Audit (formerly ShineWing Australia). The appointment follows the resignation of SW WA Audit Pty Ltd (formerly Walker Wayland WA Audit Pty Ltd) and ASIC's consent to the resignation in accordance with s329(5) of the Corporations Act 2001. The change of auditor arose because SW WA Audit Pty Ltd's practice merged into SW Audit.

MINERAL ASSETS

In May 2022, Nuheara announced that it had entered into an agreement for the sale of its remaining non-core mining royalty asset to SilverStream SEZC (SilverStream), a wholly owned subsidiary of Vox Royalty Corp. (TSX-V: VOX) (Vox).

Nuheara's remaining mining asset consists of a Net Smelter Royalty (NSR) located in Peru, held by its 80% owned subsidiary Terrace Gold Pty Ltd (Terrace Gold). Vox has entered into a sale and purchase agreement with Terrace Gold to acquire all of Terrace Gold's rights and interests in an agreement with Lumina Copper S.A.C, which includes the right to receive the El Molino 0.5% NSR royalty in Peru.

The upfront consideration issued to Terrace Gold was paid as US\$50,000 in common shares of Vox. The shares were subject to a voluntary escrow period of 4 months and 1 day, expiring on 12 October 2022. It is Terrace Gold's intention to dispose of the shares as soon as practicable. A further payment of US\$450,000 is payable in cash following the registration of the El Molino royalty rights on the applicable mining title in Peru and the satisfaction of other customary completion conditions.

Q1 FY23 INVESTOR WEBINAR BEING HELD TODAY

Justin Miller (Co-founder & Managing Director) and John R. Luna (CEO; based in the US) will host an investor webinar at 10:30am AEDT / 7:30am WST today. Following their presentation, participants will have an opportunity to ask them questions.

To attend the webinar, please register at:

https://us02web.zoom.us/webinar/register/WN_vgp9VjwHRuGx16VrsZYaiw

-ENDS-

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ABOUT NUHEARA

Nuheara is a medical device company with smart hearing technology, designed to change people's lives by enhancing the power to hear. As a global pioneer in Hearable products, Nuheara has developed proprietary, multi-functional, personalised intelligent hearing devices that augments a person's hearing. Nuheara is headquartered in Perth, Australia and was the first consumer wearables technology company to be listed on the Australian Stock Exchange (ASX).

In 2016, the Company released its revolutionary wireless earbuds, IQbuds, which allow consumers to augment their hearing according to their personal hearing preferences. In 2020 Nuheara released its third generation IQbuds² MAX, recognised by Time Magazine as one of the Best Inventions of the year. In 2021, Nuheara transformed its operations to include medical device manufacturing for its hearing aid products to meet global demand for mild to moderate hearing loss. Nuheara products are now sold Direct to Consumer (DTC) and in major consumer electronics retailers, professional hearing clinics, pharmacies and speciality retailers around the world. In April 2022, Nuheara submitted an FDA 510(k) for its self-fit hearing aid and signed a worldwide trademark licensing agreement with HP Inc to sell its hearing aid products under the HP brand name.

The Company's mission is to transform the way people hear by creating smart hearing solutions that are both accessible and affordable. For further information, please visit <https://www.nuheara.com/>.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

NUHEARA LIMITED

ABN

29 125 167 133

Quarter ended ("current quarter")

30 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	468	468
1.2 Payments for		
(a) research and development ⁽¹⁾	(351)	(351)
(b) product manufacturing and operating costs ⁽²⁾	(1,114)	(1,114)
(c) advertising and marketing ⁽³⁾	3	3
(d) leased assets	-	-
(e) staff costs	(969)	(969)
(f) administration and corporate costs	(388)	(388)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(11)	(11)
1.6 Income taxes paid	(6)	(6)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,368)	(2,368)

1) These numbers exclude expenditure directly attributable to development activities that are capitalised as an intangible asset under Australian Accounting Standards. These capitalised development costs are shown as "Payments to Acquire Intellectual Property" under cash flows from investing activities at 2.1(e).

2) Comprising payments for components for future Hearing Aid products.

3) Advertising and marketing costs have been much lower than previous quarters as the Company sets up its team in the new US operational centre to capitalise on the growth opportunities that lie ahead in that region, including medical devices and expanding retail presence.

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) Entities	-	-
(b) Businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property ⁽¹⁾	(682)	(682)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(682)	(682)

1) Comprising capitalised development costs of \$677k) and capitalised patent and trademark applications of \$4k.

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	1,865	1,865
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(23)	(23)
3.5 Proceeds from borrowings ⁽¹⁾	2,500	2,500
3.6 Repayment of borrowings ⁽¹⁾	(74)	(74)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	4,268	4,268

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
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1) Insurance premium funding

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	442	442
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,368)	(2,368)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(682)	(682)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,268	4,268
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,660	1,660

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,502	284
5.2	Call deposits	158	158
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,660	442

6. Payments to related parties of the entity and their associates

6.1	Aggregate amount of payments to related parties and their associates included in item 1	116
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter
\$A'000**

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Directors' fees paid to non-executive Directors and salaries paid to executive Directors

7. Financing facilities

Note: the term 'facility' includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	3,856	3,856
	-	-
	-	-
	3,856	3,856

7.5 Unused financing facilities available at quarter end

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- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Convertible Note

Lender: Realtek Semiconductor Corporation (Realtek)

Subscription: 2,500,000 convertible notes each with a face value of \$1.00. Issued under the Company's Listing Rule 7.1 placement capacity

Amount: \$2.5 million

Maturity Date: 07/09/2024

Conversion Price: \$0.16

Conversion:

- (a) Convertible (in whole or part) by Realtek at any time prior to the Maturity Date.
- (b) Converted into such number of shares as is determined by dividing the conversion amount by the Conversion Price.

Interest: 8% pa payable quarterly either (at Realtek's election):

- (a) in cash; or
- (b) converted into such number of shares as is determined by the amount of accrued interest payable divided by the Interest Conversion Price.

Interest Conversion Price means the 30-trading day VWAP of shares immediately prior to the relevant interest payment date, subject to a floor price of \$0.16.

Security:

- (a) Subject to shareholder approval under Listing Rule 10.1, the Company will grant a first ranking security interest over all of its assets to Realtek (Security Interest) to secure payment of the outstanding amount and any accrued interest owed to Realtek (Outstanding Amount).
- (b) If the Company does not obtain shareholder approval by 30 November 2022 or shareholders do not approve the grant of the Security Interest to Realtek, then the Company must, within 15 business days, repay the Outstanding Amount together with three years of interest on the Outstanding Amount at an interest rate of 8% pa.

R&D Tax Loan

Nuheara entered into an R&D loan funding agreement on 6 April 2022 under which Nuheara is entitled to receive funding of up to 80% of its presently earned (as at 28/02/2022) Australian supplier incurred R&D tax incentive rebate in respect of FY22 (**R&D Refund**).

Lender: Innovation Structure Finance Co., LLC (Radium Capital) (Grantor)

Amount: \$1,118,052

Interest: 14%pa

Final Tax Claim Date: 31/10/2022

Security: General Security Agreement and Featherweight Security Agreement over the Company's present and future assets including all of Nuheara's right, title and interest in:

- a) the R&D Refund, the proceeds of the R&D Refund and the Grantor's rights to apply for or obtain the R&D Refund;
- b) any Claim the Grantor may have against any party arising out of or in connection with the R&D Refund, any application for a R&D Refund or any failure to generate or receive the R&D Refund, including but not limited to, any claim or rights against the Grantor's tax agent, accountants or advisers; and
- c) all books and records of the Grantor relevant to the R&D Refund, all advice provided by Grantor's tax agent, accountants or advisers in relation to the R&D Refund or any application of the R&D Refund, all applications, filings or registrations with any Government Agency in relation to the R&D Refund (or application thereof) or to the preparation or lodgement of the Grantor's tax return.

Insurance Premium Funding

Nuheara has entered into short-term funding arrangements for its annual insurance premiums.

Lender: Elantis Premium Funding

Date: 28/02/2022

Amount: \$100,020

Interest: 4.9% flat rate of interest

Term: 10 months

Lender: West Premium Funding

Date: 30/04/2022

Amount: \$137,940

Interest: 2.69% flat rate of interest

Term: 10 months

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,364)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,660
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (Item 8.2 + item 8.3)	1,660
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	.7

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

Yes.

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes

- On 1 July 2022, the Company announced a strategic partnership and new cornerstone investment with Realtek. Underpinning the partnership was a placement of 17,083,334 ordinary shares at \$0.12 for a total of \$2.05m, with Realtek subscribing for \$1.7m and a further \$0.35m allocated to sophisticated investors.
- As noted in 7.6 above, the Company secured funding of \$1,118,052 by way of advance funding of its presently earned (as at 28/02/2022) Australian supplier incurred R&D tax incentive rebate in respect of FY22. This provided Nuheara with the ability to match cash flows to its R&D requirements and provide additional funding. The R&D Refund is expected to be up to \$2 million for FY22 and is anticipated to be received by the Company in Q3 2022.
- The Company continues to review appropriate funding opportunities in accordance with its growth strategy that are in the long-term interests of its shareholders.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes

- On 12 April, Nuheara announced it had taken the final step in its plans to secure US FDA clearance for its self-fitting hearing aid by providing its 510(k) submission to the FDA. This submission solidifies Nuheara's expansion plans into the regulatory approved medical device market, which also aligns with the much-awaited US Over-the-Counter Hearing Aid final rule publication expected by the end of September 2022.
- The Company has paid for components in advance of manufacture of medical devices and, while the Company awaits regulatory approvals to bring Hearing Aid products to market, it still has existing inventory of IQbuds² MAX that continues to be sold in the normal course of business.
- The Company's growth opportunities are expected to increase significantly as a result of its entry into the medical device market.
- The recently announced partnership with Realtek should enable Nuheara to participate in the broader consumer electronics market, whilst focusing on its next generation of hearing aids to a regulated market.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 October 2022

Authorised by: BY THE BOARD
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.