

QUARTERLY REPORT

For the period ending 30 September 2016

HIGHLIGHTS

- ❖ Successful delivery and assembly of pre-production IQbuds™ prototypes for laboratory and field testing.
 - ❖ Product schedule remains on track for commencement of shipping of IQbuds™ in December 2016.
 - ❖ Key Senior Executive Appointments across Sales, Finance and Manufacturing to support Company's commencement of commercial production, production distribution and expected further IQbuds™ sales.
 - ❖ IQbuds™ recognition continues with awards - the National iAwards and the Curtin University Commercial Innovation Awards.
 - ❖ Capital Raise –after the end of quarter, the Company successfully completed an oversubscribed capital raise from institutional and sophisticated investors to raise A\$4.984 million.
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Nuheara Limited (ASX: NUH) ('Nuheara' or the 'Company') is pleased to provide an update of the Company's activities for the quarter ended 30 September 2016.

ENGINEERING & MANUFACTURING

Nuheara continues to track according to its previous released production and product development schedule. Of major significance to Nuheara's IQbuds™ production pathway, the Company assembled tooled plastics and manufactured circuit boards (pre-production prototypes) and continues to conduct laboratory testing and field demonstrations of the prototypes, in preparation for expected commencement of shipping of IQbuds in December 2016.

The Company has also completed pre-production prototypes of the necessary packaging for product display and shipping.

SALES & MARKETING

With commitments of nearly 4,000 units from 3500 backers in 82 countries from its pre-order campaign and with forward orders from selected retailers in the USA and Australia, Nuheara sold out of its allocated units for sale in 2016. The Company has now launched its own [online store](#) to accept further pre-orders for estimated Quarter 1, 2017 availability, post the Company's official launch of IQbuds™ at CES in Las Vegas in early January.

The Company continues to make progress with its distribution and retail initiatives in North America, Australia and Europe and will update the market as trials and contracts are completed.

Awards

Nuheara was awarded a merit award in the consumer category at the National iAwards and will now represent Australia at the Asia Pacific innovation awards in December in Chinese Taipei. The Company was also successful at the Curtin University Commercial Innovation Awards where its collaborative research was a winner of the Engineering & Science Award for research into leading edge algorithms now implemented in IQbuds™.

KEY APPOINTMENTS

During the course of the quarter, the Company made the following key appointments:



Jean-Marie Rudd – Chief Financial Officer

Appointment of Chief Financial Officer, Jean-Marie Rudd, who has extensive financial and corporate experience with ASX listed companies. Diversified strategic management experience with rapidly expanding domestic and international businesses.



Bruce Borenstein – Vice President Global of Sales

Appointment of Global VP of Sales with over 30 years of sales leadership experience in the global consumer electronics industry, including innovative Bluetooth Headsets. Most recently served as President & CEO of global headset company AfterShokz, selling its innovative headsets through world leading retailers.



HC Gan – Director of Manufacturing & Logistics

Mr. Gan has over 29 years of diversified electronic manufacturing experience in Asia and Australia, in high volume/high speed and low volume/high mix, Original Equipment Manufacturer (OEM) and Electronics Manufacturing Services (EMS) environments.

CORPORATE & FINANCE

The Company is well funded to continue to pursue its manufacturing, inventory, and sales and marketing plans, with approximately \$1.44 million in cash reserves at the end of the September 2016 quarter. This did not include a total of \$4.984 million that was successfully raised subsequent to the close of the quarter.

CORPORATE INFORMATION

ASX Code

NUH

Board of Directors

Justin Miller	-	Executive Chairman, Chief Executive Officer & Managing Director
David Cannington	-	Executive Director, EVP Sales and Marketing
Dr. Michael Ottaviano	-	Non-Executive Director

Company Secretary

Susan Hunter

Principal Place of Business

Unit 5

28 John Street

Northbridge WA 6003

Phone: (+618) 6555 9999

Email: admin@nuheara.com

Internet: www.nuheara.com

Registered Office

Unit 5

28 John Street

Northbridge WA 6003

Share Registry

Security Transfer Registrars Pty Ltd

770 Canning Highway

Applecross WA 6153

Phone: (+618) 9315 2333

Issued Capital as at 30 September 2016

553,822,613 ordinary shares (256,052,321 subject to escrow)

Unlisted Options on issue:

- 2,000,000 options expiring 28 October 2016 @ \$0.20 each
- 7,900,000 options expiring 31 January 2017 @ \$0.15 each
- 2,000,000 options expiring 27 May 2017 @ \$0.10 each
- 8,319,445 options expiring 15 September 2017 @ \$0.10 each
- 500,000 options expiring 20 November 2017 @ \$0.10 each
- 20,000,000 options expiring 24 February 2019 @ \$0.03 each
- 30,000,000 options expiring 31 May 2019 @ \$0.05 each
- 6,000,000 options expiring 18 April 2019 @ \$0.04 each
- 5,500,000 options expiring 18 April 2019 @ \$0.06 each

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

NUHEARA LIMITED

ABN

29 125 167 133

Quarter ended ("current quarter")

30 September 2016

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		
1.2 Payments for		
(a) research and development	(465)	(465)
(b) product manufacturing and operating costs	(1)	(1)
(c) advertising and marketing	(214)	(214)
(d) leased assets		
(e) staff costs	(361)	(361)
(f) administration and corporate costs	(225)	(225)
1.3 Dividends received (see note 3)		
1.4 Interest received	8	8
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material) Unearned income – crowdfunding campaign	965	965
1.9 Net cash from / (used in) operating activities	(293)	(293)

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:		
(a) property, plant and equipment	(269)	(269)
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) 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	(269)	(269)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares		
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	12	12
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
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	12	12

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,991	1,991
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(293)	(293)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(269)	(269)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	12	12
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of quarter	1,441	1,441

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	1,441	491
5.2 Call deposits		1,500
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)*	1,441	1,991

*NOTE: Item 5.5 does not include \$4.984 million raised under a capital raising announced to the market on 27 October 2016.

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2	126
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	0
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

**Current quarter
\$A'000**

Director's fees, consulting fees and salaries and wages paid to Directors or Director related entities.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(429)
9.2 Product manufacturing and operating costs	0
9.3 Advertising and marketing	(131)
9.4 Leased assets	0
9.5 Staff costs	(682)
9.6 Administration and corporate costs	(249)
9.7 Other (provide details if material)	(85)
Payments to acquired property, plant and equipment	
9.8 Total estimated cash outflows	(1,576)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

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.

Sign here:



Date: 31/10/2016

(Director/Company secretary)

Print name: JUSTIN MILLER

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.