

QUARTERLY REPORT For the period ending 30 June 2016

HIGHLIGHTS

- ❖ Successful pre-order sales campaign, resulting in excess of \$1Million of IQbuds™ sales to over 3,500 customers in 82 countries.
- ❖ Confirmation of world leading Flextronics as Contract Manufacturer of IQbuds™.
- ❖ Successful completion of expected milestones in production pathway, with IQbuds™ shipping remaining on track to commence in December 2016.
- ❖ IQbuds™ Product Demonstrations, Magical Listening Tour, completed across 7 cities in Australia, USA and Canada to very positive consumer response.
- ❖ IQbuds™ awarded Most Disruptive Technology at premier Western Australian technology awards.
- ❖ CES 2017 – announced subsequent to the end of quarter that, with the Company on track to commence shipping in December 2016, it will exhibit IQbuds™ at world leading Consumer Electronics trade fair CES in Las Vegas in January 2017.

Nuheara Limited (ASX: NUH) ('Nuheara' or the 'Company') is pleased to provide an update of the Company's activities for the quarter ended 30 June 2016.

ENGINEERING

Production Pathway

Nuheara has previously announced plans to commence commercial production of IQbuds™. The Company is pleased to report on the successful completion and progress of these production milestones including:

- Apr 2016 Selection of Contract Manufacturer - **COMPLETED**
- May 2016 Hardware Components Ordered for Production - **COMPLETED**
- Jul 2016 Product tooling commences - **COMPLETED**
- Oct/Nov 2016 Contract Manufacturing Test production run commences – **SET UP IN PROCESS**
- Dec 2016 Initial “early supporter” production run and shipping commences
- Jan/Feb 2017 Contract Manufacture production ramp up and shipping

The Company remains on track to achieving its remaining production milestones and commencing shipping in December 2016.

Contract Manufacturer - Flex

Nuheara entered into a manufacturing agreement with Flextronics (“Flex”) to manufacture the Company’s IQbuds™ and related accessories. Flex are recognised as one of the world’s top Contract Manufacturers and design, build ship and service complete packaged consumer products for some of the world’s largest technology companies including Apple, Hewlett Packard, Lenovo, Microsoft and Fitbit. As part of this agreement, Flex are currently in the process of setting up IQbuds™ test production runs and completing the build of Nuheara’s production test equipment.



Nuheara’s latest IQbuds™ and charging case prototypes

SALES & MARKETING

Completion of pre-order campaign

Nuheara’s 60- day campaign pre-order campaign on the Indiegogo platform, officially closed on Friday, June 3rd. During the course of this campaign the Company sold 3632 set of IQbuds which represented sales orders of \$USD 729,871. The Company has since continued to utilise the Indiegogo platform for futher orders and from June 4 through to June 30 received a further \$USD \$28,235 in pre-order sales.

Demonstration of IQbuds – Magical Listening Tour

In conjunction with the pre-order campaign, Nuheara team members visited 7 cities across Australia, USA and Canada to personally demonstrate the IQbuds working wearable prototypes. The Company hosted over 400 people and was designed to allow supporters to personally try out the IQbuds so that the Company could gain valuable firsthand feedback on the product performance and market fit. The succesful tour resulted in conserdable global press and exposure for the Company.

Awards

Nuheara was awarded The Most Disruptive Technology category at the 25th annual Western Australian Information Technology and Telecommunications Alliance (WAITTA) INCITE Awards which showcases Western Australian ICT innovation and excellence.

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As a category winner, Nuheara now goes on to represent Western Australia at the National iAwards held in Melbourne on 1st September 2016. The iAwards are regarded as the most inclusive and elite technological awards program in Australia.

KEY APPOINTMENTS

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



Dr. Erik Östlin – Principal Engineer (Audio)

17 years in R&D and product development specializing in electro acoustics and RF channel measurements and modelling, PhD in Applied Signal Processing.

CORPORATE

The Company incorporated a wholly owned US subsidiary Nuheara Inc. to facilitate employment and business for Nuheara in the Americas region.

Grant Mooney resigned as a director (Non-Executive Chairman) and Company Secretary. Susan Hunter was appointed Company Secretary and Justin Miller is currently the Interim Executive Chairman. The Company is currently undertaking a global search for a permanent Non-Executive Chairman.

MINERAL ASSETS

During the Quarter, the Company renewed a total of 5 tenements through its wholly owned subsidiary Wildacre Metals (Peru) S.A.C. These tenements include Sambalay 1, 2 & 3 and also Salvador 1 & 2. The Company is currently undertaking a valuation process on these tenements, with a view to divesting these assets at the appropriate time.

FINANCE

The Company is well funded to continue to pursue its product development plans and had approximately \$1.99 million in cash reserves at the end of the June 2016 quarter. This did not include a total of \$939,210 that is currently being held by the Company's pre-order partner Indiegogo and is expected to be transferred to Nuheara in August 2016.

CORPORATE INFORMATION

ASX Code

NUH

Board of Directors

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

Company Secretary

Susan Hunter

Principal Place of Business

Unit 5

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Northbridge WA 6003

Phone: (+618) 6555 9999

Email: admin@nuheara.com

Internet: www.nuheara.com

Registered Address

Suite 4

6 Richardson Street

West Perth WA 6005

Share Registry

Security Transfer Registrars Pty Ltd

770 Canning Highway

APPLECROSS WA 6153

Phone: (+618) 9315 2333

Issued Capital as at 30 June 2016

553,822,613 ordinary shares (206,052,321 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 admitted on the basis of commitments

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

Name of entity

Nuheara Limited

ABN

29 125 167 133

Quarter ended ("current quarter")

30 June 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers		
1.2 Payments for (a) staff costs	(371)	(488)
(b) advertising and marketing	(190)	(207)
(c) research & development	(394)	(407)
(d) leased assets		
(e) other working capital	(42)	(521)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	5	11
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (Cash on acquisition)	-	28
Net operating cash flows	(992)	(1,584)

+ See chapter 19 for defined terms.

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Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(992)	(1,584)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	(202)	(212)
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	-	150
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other (Due Diligence Costs Nuheara)		(177)
Other (Rental deposits paid)	(26)	(26)
Net investing cash flows	(228)	(265)
1.14 Total operating and investing cash flows	(1,220)	(1,849)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	3,750
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings		
1.18 Repayment of borrowings		
1.19 Dividends paid		
1.20 Other (Share issue costs)	(17)	(284)
Net financing cash flows	(17)	3,466
Net increase (decrease) in cash held	(1,237)	1,617
1.21 Cash at beginning of quarter/year to date	3,228	374
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter*	1,991	1,991

*NOTE: Item 1.23 does not include US\$697,457 (AUD \$939,210 with exchange rate at June 30 of \$0.7426) that is currently held by Indiegogo on Nuheara's behalf as a result of Nuheara's pre-order campaign sales to June 30 2016. This figure is Net of fees (Indiegogo, Paypal, Bank and Credit Card) and expected to be transferred to Nuheara in August 2016.

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	174
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

Director's and consulting fees and Superannuation paid to Directors or Director related entities.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities		
3.2	Credit standby arrangements		

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Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	491	3,228
4.2 Deposits at call	1,500	
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.23)	1,991	3,228

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does ~~/does not*~~ (delete one) give a true and fair view of the matters disclosed.

Sign here: ..  Date: 29 July 2016.
 (Director)
 Print name: Justin Miller

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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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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