

## QUARTERLY REPORT

For the period ending 31 December 2016

### HIGHLIGHTS

---

- ❖ Apple approves IQbuds™ for release on App Store
  - ❖ The first units of IQbuds™ were produced
  - ❖ Major North American Distribution Agreement with WYNIT Distribution, LLC
  - ❖ Launch of online store [www.nuheara.com/iqbuds-preorder](http://www.nuheara.com/iqbuds-preorder) to accept pre-orders for estimated Quarter 1, 2017 availability.
  - ❖ IQbuds™ receives CES 2017 Innovation Award in the “Tech for a Better World” category.
  - ❖ Capital Raise – the Company successfully completed an oversubscribed capital raise from institutional and sophisticated investors to raise A\$4.984 million.
- 

Nuheara Limited (ASX: NUH) (‘Nuheara’ or the ‘Company’) is pleased to provide an update of the Company’s activities for the quarter ended 31 December 2016.

### ENGINEERING & MANUFACTURING

During the quarter, Nuheara reached significant production milestones in its commercialisation of IQbuds™:

- After submission and review, Nuheara received approval from Apple for the IQbuds™ App to be released on the App Store. The IQbuds™ App was the final major technical component to be developed and completed for the IQbuds™. The App provides a simple and intuitive user interface that controls the IQbuds™ hardware (earbuds and charging case) and the IQbuds™ firmware (Nuheara’s intelligent proprietary software running within the earbuds). The approval of the Android version of the IQbuds™ App is pending.
- The first units, from the Company’s world leading contract manufacturing facility at Flextronics, were produced and shipped to a third-party certification bodies in the USA, Canada, Australia, New Zealand and Europe for final approval. Approval from these certification bodies will enable distribution and retail sale in specific regions of the world.

With staggered approval dates of the various certifications, it is expected that pre-order customers in these regions will be fulfilled throughout the course of January and February 2017. Retail availability is then expected in March/April 2017.

## **SALES & MARKETING**

A North American (USA and Canada) distribution agreement for IQbuds™ with one of the region's premier consumer electronics and wearables distributors WYNIT Distribution, LLC ("WYNIT") was signed in November. WYNIT serves a wide range of customers from large national retailers, including Best Buy, Walmart and Target to independent resellers through dedicated business units and strategically located distribution facilities in the USA and Canada.

The sales and marketing team worked tirelessly during the quarter in the lead up to the global launch of IQbuds™ at the Consumer Electronics Show (CES) in Las Vegas during the first week of January 2017. The CES is the world's largest consumer electronics trade show which serves as the Launchpad for the presentations and exhibiting of new products and technologies in the consumer electronics industry. Expenses relating to Nuheara's attendance at CES in January 2017 are included as operating cash flows in the quarterly cash flow report that follows under payments for advertising and marketing activities.

The Company also launched its own online store ([www.nuheara/iqbuds-preorder](http://www.nuheara/iqbuds-preorder)) to accept pre-orders for estimated Quarter 1, 2017 availability.

### ***Awards***

Nuheara received a CES 2017 Innovation Award announced at CES Unveiled, an event held in New York City on 10 November 2016. The awards were announced in advance of CES 2017 held in Las Vegas, Nevada in early January, 2017 where IQbuds™ was showcased along with other winners.

IQbuds™ scored highly across all judging criteria, and it joins a small percentage of other products that are given this honour each year from the approximately 4,000 exhibiting companies from around the world.

## **CORPORATE & FINANCE**

### ***Capital Raising***

Nuheara completed a \$4.984m share placement with 83.07 million new ordinary shares issued at a price of \$0.06 per share. The placement was oversubscribed, with strong support from new and existing international and Australian based investors.

Proceeds from the placement will be used to fund the production and marketing of IQbuds™:

- Ramping up further retail partnership trials and discussions beyond North America and Australia.
- Supporting traditional and digital marketing initiatives that will help to drive sales in all regions.
- Expand market access beyond consumer electronics retail by including programs to support pharma/drug store, telco and hearing channels.

- Increase inventory levels with Nuheara’s contract manufacturer, Flextronics, that in turn will ensure adequate product levels are maintained to support the diversification and expansion of the retail opportunities.

Following the very successful capital raising, co-lead manager Foster Stockbroking, initiated research coverage on Nuheara. The full report can be seen on Nuheara’s website at [www.nuheara.com/asx-announcements/](http://www.nuheara.com/asx-announcements/).

The Company is well funded to continue to pursue its manufacturing, inventory, and sales and marketing plans, with approximately \$4.218 million in cash reserves at the end of the December 2016 quarter. With approval given by shareholders at the November 2016 annual general meeting for a further share placement of up to \$6 million, the company remains on track to continue to pursue its plans for mass production and sales and marketing activities.

## MINERAL ASSETS

There has been no change in the interests or to the activities of mining tenements during the quarter. The following table represents the Company’s interests in mining tenements (though its wholly owned subsidiary Wild Acre Metals (Peru) SAC) as at 31 December 2016:

MINING TENEMENT REGISTER		
	Tenement	Interest %
<b>PERU:</b>		
Sambalay 1	010180210	100%
Sambalay 2	010180310	100%
Sambalay 3	010185310	100%
Salvador	010227410	100%
Salvador	010328310	100%

## 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 Secretaries

Susan Hunter	-	Company Secretary
Jean-Marie Rudd	-	Joint Company Secretary

### 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 31 December 2016

636,895,996 ordinary shares (194,802,321 subject to escrow)

Unlisted Options on issue:

- 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
- 
- 11,000,000 options expiring 30 November 2019 @ \$0.09 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")**

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(226)	(691)
(b) product manufacturing and operating costs	(481)	(482)
(c) advertising and marketing	(233)	(447)
(d) leased assets		
(e) staff costs	(571)	(932)
(f) administration and corporate costs	(323)	(551)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	8
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)	68	1,033
Unearned income – IQbuds pre-sales		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,767)</b>	<b>(2,063)</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(165)	(434)
(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)		
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(165)</b>	<b>(434)</b>
<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	4,984	4,984
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	(275)	(264)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>4,709</b>	<b>4,721</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	1,441	1,994
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,767)	(2,063)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(165)	(434)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,709	4,721
4.5	Effect of movement in exchange rates on cash held		
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>4,218</b>	<b>4,218</b>

<b>5. Reconciliation of cash and cash equivalents</b>		<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts			
5.1	Bank balances	2,168	1,441
5.2	Call deposits	2,050	-
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,218</b>	<b>1,441</b>

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	125
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	

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

<b>7.</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
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	

<b>8.</b>	<b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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.		



9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	(80)
9.2	Product manufacturing and operating costs*	(1,395)
9.3	Advertising and marketing	(422)
9.4	Leased assets	0
9.5	Staff costs	(669)
9.6	Administration and corporate costs	(302)
9.7	Other (provide details if material)	(45)
	Payments to acquired property, plant and equipment	
<b>9.8</b>	<b>Total estimated cash outflows</b>	<b>(2,913)</b>

\*Includes advance inventory purchases

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: 31/01/2017

(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.