

COMPANY UPDATE & QUARTERLY REPORT

For the quarter ended 31 March 2017

HIGHLIGHTS

- ❖ IQbuds™ launched at Consumer Electronics Show 2017 in Las Vegas, USA
 - ❖ Commenced shipping \$1.5 million in pre-orders from 5,500+ customers in 80+ countries
 - ❖ Receipts from customers for IQbuds™ totaled \$451K for the quarter. This was predominantly derived from the Nuheara's webstore.
 - ❖ Production ramp of IQbuds™ continues with yield rates remaining very high.
 - ❖ All orders received before 10th April have now been manufactured and shipped from Flex to Nuheara warehouses, which have now been commissioned in Sydney, Los Angeles and London.
 - ❖ Broader retail supply has now commenced and will continue into Q2 2017, including partnerships and stock shipments to leading retailers Best Buy, Amazon and Brookstone and Fry's.
 - ❖ Successful implementation of IQbuds™ with Best Buy's Ignite Program and achievement of first in-store retail sales.
 - ❖ Capital Raising – the Company announced an oversubscribed capital raise of \$4.4 million from institutional and sophisticated investors and opened a Share Purchase Plan to allow opportunity for all shareholders to invest in same terms.
 - ❖ Hiring of senior marketing executive with 10+ years marketing experience at Microsoft to drive global marketing strategy
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Nuheara Limited (ASX: NUH) ('Nuheara' or the 'Company') is pleased to provide a Company update and the quarterly report ended 31 March 2017.

The quarter was exceptionally busy for Nuheara, with the launch of IQBuds™ at the Consumer Electronics Show in Las Vegas, development of global sales channel relationships, global product certification confirmations and achievement of a series of production, shipping and sales & marketing milestones.

PRODUCTION AND LOGISTICS

- FCC certification for the USA, CE certification for Europe and IC certification for Canada were approved during the quarter, paving the way for fulfillment of USA, European and Canadian pre-order customers and allow subsequent commencement of broader retail sales into these regions.
- Production ramp of IQbuds™ continues with yield rates remaining very high.
- All orders received prior to 10th April 2017 have now been manufactured and shipped from Flex to Nuheara warehouses.
- Majority of customer pre-orders have now been fulfilled with the remainder currently in the process of being on-shipped from the Company's warehouses.

Shipping

Nuheara continues to fulfill early backer orders from its Indiegogo campaign and for online orders, with all orders for IQbuds™ now being finalised. As part of this fulfillment process and to assist with the expedition of future orders, the Company also commissioned 3PL (Third Party Logistic) warehouses in Sydney, Los Angeles and London.

With the finalisation of the shipment of back-orders imminent, unallocated stock is expected in all warehouses by mid-May from which, the Company expects to meet ongoing demand.

SALES & MARKETING

In February 2017, Nuheara launched its USA retail presence with Best Buy, the leading consumer electronics retailer in North America with more than 1,400 stores in the USA and a further 200 stores in Canada and Mexico. Nuheara was invited to participate in Best Buy's Ignite Program that is designed to give customers access to the latest technology from some of the world's most inventive entrepreneurs and startups in consumer electronics. The Ignite program lays the foundation for potential broader in-store deployments into the second quarter of 2017.

During March 2017, Nuheara announced that it is expanding its global IQbuds™ online and in-store retail presence with new partners Amazon and Brookstone. IQbuds™ will now be available for sale at these top tier retailers plus leading CE retailers such as Fry's from mid-May 2017, after backorders from the Company's Indiegogo crowdfunding campaign and www.nuheara.com pre-order sales have been shipped.

These new retail partnerships will strategically position Nuheara for rapid consumer adoption across the North American consumer electronics retail market.

Sales and marketing initiatives on a new retail category of "Assistive Audio" have now fostered a diversified range of interested global retailers and distributors including multi-national consumer electronics retailers, specialty retail/duty free stores, pharmacies/drug stores, and audiological practitioners and hearing chains.

Marketing and Sales Appointments

To continue to drive and support global sales Nuheara recently appointed to two marketing resources based out of offices in San Francisco and Seattle. This includes a Senior Marketing Director with 10+ years global marketing experience at Microsoft.

It has also appointed a sales resource out of an office in the UK to drive sales in the UK and Europe.

CES 2017

Nuheara launched IQbuds™ at the world’s largest consumer electronics show in Las Vegas during the first week of 2017.

Nuheara completed more than 3,000 personal fittings and demonstrations of IQbuds™ over the 4 days of the show, which led to extensive media coverage and third party review of IQbuds™.

With Apple’s recent release of Airpods, the Hearables market opportunity continues to mature and grow. Therefore, it was significant that Nuheara was the only hearables company that chose to demonstrate its finished product at CES 2017. As a result, the company gained significant global media, distribution and retail attention, and most importantly, recognition that IQbuds™ is a Hearables leader. This position was further endorsed with IQbuds receiving 3 major awards at the show – “Best for Innovation” award from tech/lifestyle magazine EFTM, “Tech for a Better World” CES 2017 Innovation Award, “Best of CES” Wearable Technology Twice Picks Awards.

Awards

In addition to the 3 awards received at the very successful Consumer Electronics Show in Las Vegas, Nuheara was also the proud winner of the “Company Innovation Award” at the Australian American Chamber of Commerce Australia Day celebration in San Francisco in January.

Press

On the back of extensive press coverage Nuheara IQbuds™ received during CES, it continues to be recognised as a leader in the truly wireless earbud category with positive press coverage in Australia and North America. It recently received an Editors Choice rating from leading technology publication DigitalTrends. (<http://www.digitaltrends.com/headphone-reviews/nuheara-iqbuds-review/>) IQbuds™ are the only truly wireless earbud to receive this rating.

Distribution and Retail

With certifications completed in Australia, the USA, Canada and Europe, certified IQbuds™ production samples (complete with retail packaging) were sent to numerous retailers and distributors for final review and approval. Nuheara has now commenced shipping to retailers and distributors in the USA and Australia.

Nuheara also completed the design and development of its POP (Point of Purchase) retail display. These innovative displays will be placed in major retail outlets, run video and sound to allow a potential purchaser to gain the IQbuds™ experience in store, without the need to personally fit the IQbuds™ in the ear. This POP was displayed at CES and was very well received by retailers and partners.

COLLABORATIVE RESEARCH INTO CONCENTRATION DISORDERS

Nuheara is exploring collaborations to investigate evidence based research on how IQbuds™ and its related technology can potentially benefit children and adults who have concentration and auditory processing difficulties such as Auditory Processing Disorder (APD), Autism, Sensory Processing Disorder (SPD) and Attention Deficit Hyperactivity Disorder (ADHD).

The Company has now received final ethical approval from leading Australian university, Curtin University on a research study involving IQbuds™ to trial with children with Autism. A similar research study, for children with Auditory Processing Disorder, is still awaiting final ethical approval from another leading Australian University. The Company is also exploring collaborations with Universities in the USA.

As the Company developed its Super Intelligent Noise Control (SINC™) technology and demonstrated IQbuds™ to thousands of people during 2016, it gained first hand insights into wider applications for IQbuds™ beyond its core business. Through these demonstrations and beta testing, Nuheara has seen promising results in the positive effect on young children and adults who have a range of concentration and auditory processing challenges.

CORPORATE & FINANCE

Capital Raising

On 29 March 2017, Nuheara announced a \$4.4 million share placement with 55 million new ordinary shares issued at a price of \$0.08 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 help fund ongoing development and promotion of the Company's IQbuds™ product, including next generation versions, and to meet general working capital expenses.

The placement was keenly sought by new investors that add strategic value to the Company's register, including two cornerstone multinational institutional funds.

At the same time the Company also advised that it would undertake a Share Purchase Plan (SPP) to raise up to \$2.6 million. The SPP is offered to existing eligible shareholders to subscribe for up to \$15,000 worth of shares (with a minimum application of \$2,500) in the Company at the same issue price as the placement; \$0.08 per share. The closing date for the SPP is Friday, 28 April 2017.

The Company is well funded to continue to pursue its manufacturing, inventory, and sales and marketing plans, with approximately \$5.5 million in cash reserves at the end of March 2017. The company remains on track to continue to pursue its plans for ramping up mass production and sales and marketing activities.

R&D Tax Incentive Rebate

During March, Nuheara received a R&D Tax Incentive rebate of \$411,175 (plus \$991 interest) from the Australian Taxation Office on behalf of AusIndustry. The R&D Tax Incentive provides a cash rebate to support Australian companies undertaking research and development activities. During the year ended 30 June 2016, Nuheara incurred eligible R&D expenditure from which the tax rebate was calculated.

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 March 2017:

MINING TENEMENT REGISTER		
	Tenement	Interest %
PERU:		
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	PO Box 335
Northbridge WA 6003	Northbridge WA 6865
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 March 2017

636,895,996* ordinary shares (151,088,035 subject to escrow)

Unlisted Options on issue:

- 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
- 10,500,000 options expiring 30 November 2019 @ \$0.09 each
- 1,500,000 options expiring 16 February 2020 @ \$0.115 each

*Excludes shares related to the March 2017 capital raising that were issued on 3rd and 5th April 2017.

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 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	451	1,484
1.2 Payments for		
(a) research and development	(199)	(210)
(b) product manufacturing and operating costs	(475)	(944)
(c) advertising and marketing	(206)	(653)
(d) leased assets	-	-
(e) staff costs	(486)	(705)
(f) administration and corporate costs	(331)	(882)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	17	25
1.5 Interest and other costs of finance paid	-	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	411	411
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(818)	(1,475)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(165)	(599)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	(601)	(2,008)
(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	(766)	(2,607)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	2,877	7,861
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	(9)	(271)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	2,868	7,590

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	4,218	1,994
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(818)	(1,475)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(766)	(2,607)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,868	7,590
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	5,502	5,502

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	3,894	2,168
5.2	Call deposits	1,608	2,050
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)	5,502	4,218

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	127
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.

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	

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.		

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	(200)
9.2	Product manufacturing and operating costs*	(1,600)
9.3	Advertising and marketing	(600)
9.4	Leased assets	-
9.5	Staff costs	(550)
9.6	Administration and corporate costs	(350)
9.7	Other (provide details if material)	
	Payments to acquire property, plant and equipment	(60)
	Payments to acquire intellectual property**	(600)
9.8	Total estimated cash outflows	(3,960)

* Includes advance inventory purchases

** Includes expenditure on trade mark registrations and development costs directly attributable to development activities (eg. Salaries) that are capitalised as an intangible under Australian Accounting Standards.

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:



(Director)

Date: 28/04/2017

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.