

## COMPANY UPDATE & QUARTERLY REPORT

For the quarter ended 30 June 2017

### HIGHLIGHTS

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- ❖ Completion of backorder shipping and launch of global retail sales
- ❖ Invoiced sales of \$1.7 million for June Quarter which equates to a 123% increase on previous quarter
- ❖ Production of over 17,000 IQbuds™ with stock now available in warehouses located in Sydney, Los Angeles, London and Hong Kong to meet ongoing demand
- ❖ Increase in stock levels have enabled broader order fulfillment across retail sales channels including Best Buy, Brookstone and Fry's
- ❖ Best Buy announces expansion of IQbuds™ to 210 stores
- ❖ Company extended geographical reach with the appointment of leading UK distributor, Maxiim and retailer, Dixons
- ❖ Online offering extended with launch of US Amazon store
- ❖ Company expands global web store presence from USD and AUD transactions to now include CAD, NZD and GBP transactions
- ❖ Nuheara selected to present to US Members of Congress
- ❖ Nuheara wins 2017 Rising Stars Award

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Nuheara Limited (ASX: NUH) ('Nuheara' or the 'Company') is pleased to provide a Company update and the quarterly report ended 30 June 2017.

The quarter was characterised by the completion of pre-order fulfillments, the launching of sales into retail channels and establishment of new retail partnerships. Significantly, the quarterly results do not include any invoiced sales for in store retail expansion announced during the quarter, such as Best Buy and geographical expansion such as Dixons. These expansion orders will be fulfilled in the subsequent quarter.

### PRODUCTION AND LOGISTICS

Manufacturing is maintaining high yields (in excess of 95%) and the volumes necessary to meet orders to major distribution and retail partners around the globe. Additional test systems were introduced in April to increase maximum production and to continue to improve yields.

Certification and compliance testing, and translation of product documentation for Europe has been initiated to ensure IQbuds™ meets the various national regulations as part of the Company's international expansion objectives.

The engineering team is also working on new software features to enhance the IQbuds™ experience. Regular app and firmware updates have been, and will continue to be, released to customers.

## Shipping

Having now completed shipping of all back orders, unallocated stock is now available in our 3PL (third party logistics) warehouses. The stock in these warehouses will be instrumental in meeting ongoing demand.

## SALES & MARKETING

The Company's retail focus remains in North America while leading into the Northern hemisphere summer and its corresponding peak consumer spending period.

The Company is now in-store and online with leading consumer electronics retailers such as Best Buy, Brookstone, Amazon, and Frys in the US. In addition to these, a number of smaller retailers are being supplied via the Company's North American distribution partner Wynit.

Nuheara announced the first of many planned geographical expansions with the introduction of leading UK distributor Maxiim and UK retailer Dixons.

Nuheara also announced the expansion of its online direct sales platform (webstore) from USD and AUD transactions to include CAD, NZD and GBP currencies. These sales will be supplied globally from one of the Company's four commissioned 3PL warehouses located in Sydney (Australia), Los Angeles (USA), London (UK) and Hong Kong.

It is anticipated that retailers will expand the rollout of IQbuds™ to additional stores following excellent performance in their online stores and trial brick and mortar stores.

Channel expansion into Hearing Care Practitioners (HCP) continues with Nuheara exhibiting at the Hearing Loss Association of America (HLAA) convention in Utah, United States and the CLSA Healthcare Conference in Singapore.

## Key Appointment

In May, Nuheara appointed Gavin James as Director of EMEA (Europe, Middle East and Africa) Sales. Gavin has over 20 years experience in the consumer electronic industry for the EMEA market and was most recently Director of Sales for Bragi. Based in the United Kingdom, Gavin's appointment will serve to support the Company's international expansion objectives.

## Nuheara Selected to Present to US Members of Congress

Nuheara was invited to present at CES on the Hill, an invitation-only event to showcase top technology trends to US members of Congress, their staff and media. The event provides lawmakers with a chance to see new technology that has the potential to shape the future, especially in areas that may require changes to regulation. The event was timely and particularly relevant to Nuheara's aspiration of providing a broad hearing health technology product platform, with proposed legislation changes enabling the sale of Over-The-Counter (OTC) Hearing Aids in the US, through Over-the-Counter Hearing Aid Act of 2017.

Nuheara was among 24 of the world's leading innovators and technology companies who presented and displayed at the event this year in Washington DC on April 5, 2017, joining names such as Google, Microsoft, Samsung, LG and Oculus.

The Over-the-Counter Hearing Aid Act of 2017 would allow hearing aids that are intended to be used by adults to compensate for mild-to-moderate hearing loss to be sold over the counter, and would eliminate the requirement that people get a medical evaluation or sign a waiver in order to acquire these hearing aids.

With IQbuds™ price point in the low hundreds of dollars and not thousands, Nuheara has the technology, experience and desire to provide hearing assistance to these people at a far more affordable level.

## **Awards**

### ***Rising Stars Award 2017***

Established in 1993, Business News is Western Australia's premier business publication, featuring a comprehensive digital business news service and weekly print edition. Since 2005, Business News has recognised Western Australia's fastest-growing companies through their Annual Rising Stars Awards.

Following an impressive year of bringing IQbuds™ to market and global expansion, Nuheara is extremely proud to have been named the Business News Rising Stars overall winner for 2017. Nuheara was also the category winner and recognised for being the top Public Company.

Entrants were judged across a number of metrics, including revenue and staff growth, as well as digital statistics such as usage, web traffic and app downloads. Businesses also needed to present a solid growth strategy and commitment to continued growth to become a Rising Stars finalist.

## **Press**

Positive press coverage continues to roll in, as journalists, online technology entrepreneurs and everyday consumers discover the points of difference and capabilities of IQbuds™ from other hearable technology. Below are some of the recent coverage and mentions of Nuheara this quarter:

- The Australian – “Hey buds, latest Bluetooth devices music to your ears”
- ABC Radio National – “Is this a new way for the noise sensitive to control sound environment?”
- Chipin – “The Best Hearables in 2017 – Smart Wireless Earbuds Review”
- Tektonika – “Wearables from CES 2017 you'll actually use in the office”
- Sirius XM CanadaTalks – The Feed with Amber Mac & Michael B – “Hearables are becoming one of the most popular type of (wearable) products”
- Lewis Hilsenteger - Unbox Therapy – “Minds Blown” and Nuheara's earbuds “give you super powers”.

## CUSTOMER SERVICE

The quarter marked the establishment of the Nuheara Customer Care team with significant challenges being met with delivery and onboarding of IQbuds™ in a short time frame. Resourcing, structures and procedures are continually being enhanced to provide a better and more intuitive user experience.

## CORPORATE & FINANCE

A General Meeting of Shareholders was held on 20 June 2017 to approve and ratify share placements and option issues. All resolutions were passed on a show of hands.

The capital raising was completed on 28 April with a total of \$4.65 million raised by way of a primary placement of \$4,400,000 (before costs) and \$247,500 through a Share Purchase Plan. The funds raised will be used for ongoing development and promotion of the Company's IQbuds™ product, including the buildup of inventory, next generation versions, and to meet general working capital expenses.

With the injection of funds from the recent capital raising the Company's balance sheet has been strengthened. The Company is now funded to continue to pursue its short-term manufacturing, inventory, and sales and marketing plans, with approximately \$3.4 million in cash reserves at the end of June 2017.

## 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 (through its wholly owned subsidiary Wild Acre Metals (Peru) SAC) as at 30 June 2017:

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

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**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: +61 8 6555 9999  
Email: administration@nuheara.com  
Internet: www.nuheara.com

### Registered Office

Unit 5/28 John Street  
Northbridge WA 6003

### Share Registry

Computershare Investor Services Pty Limited  
Level 2, 45 St Georges Terrace  
Perth WA 6000  
Phone: 1300 850 505 (within Australia)  
+61 3 9415 4000 (outside Australia)

### Issued Capital as at 30 June 2017

697,489,746 ordinary shares (151,088,035 subject to escrow)

Unlisted Options on issue:

- 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
- 1,000,000 options expiring 20 April 2019 @ \$0.09 each
- 10,500,000 options expiring 30 November 2019 @ \$0.09 each
- 1,500,000 options expiring 16 February 2020 @ \$0.115 each
- 4,000,000 options expiring 22 May 2020 @ \$0.09 each
- 10,000,000 options expiring 2 November 2019 @ \$0.078 each
- 10,000,000 options expiring 6 June 2019 @ \$0.12 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 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	415	1,899
1.2 Payments for		
(a) research and development	-	(210)
(b) product manufacturing and operating costs	(1,776)	(2,720)
(c) advertising and marketing	(358)	(1,011)
(d) leased assets	-	-
(e) staff costs	(523)	(1,228)
(f) administration and corporate costs	(361)	(1,243)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	33
1.5 Interest and other costs of finance paid	-	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	411
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,595)</b>	<b>(4,070)</b>

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(256)	(852)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	(633)	(2,641)
(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>(886)</b>	<b>(3,493)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	1,771	9,632
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	(387)	(658)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,384</b>	<b>8,974</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	5,502	1,994
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,595)	(4,070)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(886)	(3,493)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,384	8,974
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>3,405</b>	<b>3,405</b>

<b>5.</b>	<b>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	940	3,894
5.2	Call deposits	2,465	1,608
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>3,405</b>	<b>5,502</b>

6. <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	129
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 and salaries and wages paid to Directors or Director related entities.

7. <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	

8. <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.		

<b>9.</b>	<b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1	Research and development	(100)
9.2	Product manufacturing and operating costs*	(2,400)
9.3	Advertising and marketing	(900)
9.4	Leased assets	-
9.5	Staff costs	(1,000)
9.6	Administration and corporate costs	(600)
9.7	Other (provide details if material)	
	Payments to acquire property, plant and equipment	(100)
	Payments to acquire intellectual property**	(700)
<b>9.8</b>	<b>Total estimated cash outflows</b>	<b>(5,800)</b>

\* Includes advance inventory purchases

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

<b>10.</b>	<b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
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: 24/07/2017

(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.