

QUARTERLY REPORT

For the quarter ended 31 December 2017

HIGHLIGHTS

- Release of 2018 product and technology roadmap - Nuheara solidifies brand as a global leader in the hearables market with a new “hearing intelligence” corporate positioning supported by an extended suite of new intelligent hearing products
- Release of Custom Tap Touch – a new era of upgradeable and customisable earbuds
- Nuheara continues Brick and Mortar and Online global retail expansion
- Direct sales expansion of online retail platforms – 7 currencies

Nuheara Limited (ASX: NUH) (“Nuheara” or the “Company”) is pleased to provide the Company update and quarterly report for the quarter ended 31 December 2017.

2018 Product and Technology Roadmap/Multi Product Offering

On the market since January 2017, IQbuds™ has set a standard in delivering cutting-edge augmented hearing capabilities, and went on to win seven international innovation awards.

In 2018 the Company will expand its product offering with the release of two newly developed intelligent hearable products in the “assistive audio” market.

In development for over 12 months, the new products are a direct result of the Nuheara’s foresight and ongoing commitment to Research and Development in hearing intelligence. More importantly these new products, together with IQbuds™, provide a suite of intelligent hearing solutions that underpin and directly target the changing hearing market landscape.

The new products will target opposite ends of the intelligent hearing market, with a lower priced lifestyle product, LiveIQ, and also a new hi-tech more personalised and customisable product featuring Artificial Intelligence (AI) functionality via neural networks, IQbuds BOOST.

Brand Repositioning

In preparation for the Company’s multi-product offering, Nuheara took the opportunity to reposition its corporate branding to better reflect the company’s global leadership position in the research, development, manufacture and sales of intelligent hearing devices.

Nuheara’s newly developed brand incorporates “Hearing Intelligence” as a key component of its corporate positioning going forward:



Custom Tap Touch

In another significant development during the quarter, Nuheara released Customer Tab Touch – a new era of upgradeable and customisable earbuds.

The team at Nuheara has always been working on making IQbuds™ better. From the outset, IQbuds™ were designed to allow customers to improve their user experience via regular firmware upgrades.

These upgrades have allowed IQbuds™ to improve the level of personalization and customization that consumers demand today. After all, headphones and earbuds are personal wearable products whose goal should be to deliver an optimized hearing experience that is personal to the consumer.

Custom Tap Touch is an industry first – no other truly wireless earbud gives customers the power to create their own personalized tap touch controls. Now customers can choose between 9 different functions for their 6 tap touch controls on their IQbuds™. This means they can choose between world on/off and world on/pause music for advanced noise control, change location settings, activate SIRI/Google Now, volume up, volume down, next track, back track, and play/pause.

Tap touch reduces the user's need to touch their phone, giving the control back to the user with a simple touch on the IQbuds™ that they have set according to their preferences.

Key Executive Appointment – VP Strategy and Business Development

With an emphasis on strategic aspirations and new product releases, Nuheara made a key executive appointment in Dave Thompson to the newly created position of VP of Strategy & Business Development.

Mr Thompson is a product and brand development innovator in the global consumer and professional headset markets. As the founder and CEO of Audiofly (www.audiofly.com), Mr Thompson built a company that gained a global reputation as one of the leaders in high end professional headphones. An exit from Audiofly and a subsequent desire to return his family to Perth from the US, presented Nuheara with a wonderful opportunity to secure his services.

Mr Thompson will be working closely with the Nuheara sales, brand and product development teams, as well as our external strategic and retail partners.

Sales and Marketing

Global Retail and Online Expansion

IQbuds™ are now selling in leading retailers in the USA such as Best Buy, Brookstone, Amazon and by other leading retailers across Europe, the Middle East and Australia.

During the quarter, Nuheara expanded its direct to consumer retail platform, with the company's online shopfront now operating in seven major currencies. With these platform enhancements, the Company now has the capability to directly reach, transact and then ship IQbuds™ to the majority of countries globally, independent of third party retailers. Direct online customers were also offered the convenience of instalment-based payment plans for purchases in Australia with Afterpay and in the US with Partial.ly, further enhancing direct revenue opportunities.

Nuheara now transacts in Australian Dollars, US Dollars, Canadian Dollars, UK Pounds Sterling, European Euro, New Zealand Dollar and the Hong Kong Dollar. Upon the placement of an order, each of these transactions are then seamlessly processed by one of the Company's four warehouses located in Sydney, Los Angeles, London or Hong Kong for direct shipment.

Nuheara continues to build a global base of diversified retail outlets. These outlets will be well positioned to fully maximise sales opportunities by displaying multiple Nuheara intelligent hearable products, across multiple price points, to customers of varying needs and demographics.

Awards

- Dealerscope Impact Awards 2018 – Winner Headphone Category
- Mashables: The Best Tech of 2017 - Mashables lists Nuheara as #8 of 25 for best tech of 2017 – the only hearable to make the list.
- Digital Trends – Best Everyday Audio Enhancement

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 31 December 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

Directors

Justin Miller
Executive Chairman
Managing Director/Chief Executive Officer

David Cannington
Executive Director/
Executive Vice President of Sales & Marketing

Dr Michael Ottaviano
Independent Non-Executive Director

Company Secretaries

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

ASX Code

NUH

Website and Email

Website: www.nuheara.com
Email: administration@nuheara.com

Issued Capital as at 31 December 2017

798,315,828 ordinary shares. The number of unquoted securities on issue as at 31 December 2017:

Security	Number on issue
Fully Paid Ordinary Shares	151,088,035
Unlisted Options – exercisable at 3 cents on or before 24/2/2019	20,000,000
Unlisted Options – exercisable at 5 cents on or before 31/5/2019	30,000,000
Unlisted Options – exercisable at 4 cents on or before 18/4/2019	3,000,000
Unlisted Options – exercisable at 6 cents on or before 18/4/2019	5,500,000
Unlisted Options – exercisable at 9 cents on or before 20/4/2019	1,000,000
Unlisted Options – exercisable at 9 cents on or before 30/11/2019	10,500,000
Unlisted Options – exercisable at 11.5 cents on or before 16/2/2020	1,500,000
Unlisted Options – exercisable at 9 cents on or before 22/5/2020	4,000,000
Unlisted Options – exercisable at 7.8 cents on or before 2/11/2019	10,000,000
Unlisted Options – exercisable at 12 cents on or before 6/6/2019	10,000,000
Unlisted Options – exercisable at 9 cents on or before 14/7/2020	500,000
Unlisted Options – exercisable at 11.5 cents on or before 24/7/2020	3,000,000
Unlisted Options – exercisable at 9 cents on or before 10/11/2020	1,000,000

Registered Office

Suite 5
28 John Street
Northbridge WA 6003
Phone: +61 (8) 6555 9999
Fax: +61 (8) 6555 9998

Principal Place of Business

Suite 5
28 John Street
Northbridge WA 6003
Phone: +61 (8) 6555 9999
Fax: +61 (8) 6555 9998

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)

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 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	849	1,713
1.2 Payments for		
(a) research and development*	(254)	(269)
(b) product manufacturing and operating costs	(1,083)	(2,683)
(c) advertising and marketing	(616)	(956)
(d) leased assets	-	-
(e) staff costs*	(485)	(1,572)
(f) administration and corporate costs	(732)	(1,214)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	35	42
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)	-	-
1.9 Net cash from / (used in) operating activities	(2,286)	(4,939)

- Excludes expenditure directly attributable to development activities that are capitalised as an intangible asset under Australian Accounting Standards. Refer payments to acquire intellectual property under cash flows from investing activities

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(24)	(6)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	(772)	(1,423)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	4	6
(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	(792)	(1,423)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	9,000
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	120
3.4 Transaction costs related to issues of shares, convertible notes or options	(48)	(528)
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 (6 months) \$A'000
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(48)	8,592

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	8,761	3,405
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,286)	(4,939)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(792)	(1,423)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(48)	8,592
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	5,635	5,635

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	3,170	6,296
5.2	Call deposits	2,465	2,465
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)	5,635	8,761

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	174
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
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. 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	(250)
9.2 Product manufacturing and operating costs*	(1,000)
9.3 Advertising and marketing	(750)
9.4 Leased assets	-
9.5 Staff costs	(1,000)
9.6 Administration and corporate costs	(750)
9.7 Other (provide details if material)	
Payments to acquire property, plant and equipment	(50)
Payments to acquire intellectual property**	(750)
9.8 Total estimated cash outflows	(4,550)

* Includes advance inventory purchases

** Includes expenditure on trade mark registrations and development costs directly attributable to development activities that are capitalised as an intangible asset 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:



Date: 31/1/2018

(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.