

QUARTERLY REPORT

For the quarter ended 31 March 2018

HIGHLIGHTS

- Strong growth numbers reported for H1 FY18 – record half year revenue
- Nuheara launches new suite of smart personal hearing devices at CES2018 in Las Vegas, USA
- Partnership with HEARing CRC and National Acoustic Laboratories: first hearable to utilise international, industry recognised NAL-NL2 for hearing aids
- Partnership with global semiconductor manufacturer ams AG to launch LiveIQ: Active Noise Cancellation Wireless Earbuds
- Expansion of global hearing health care sales channel
- Appointment of ex Microsoft executive to the Nuheara Board
- Ear ID™ receives clinical validation
- IQbuds BOOST™ – pre-orders opened early due to strong buyer interest
- Strong IQbuds BOOST™ pre-orders and shipping commenced on 23 April 2018, as promised
- Australian Government registers Nuheara to \$539m Hearing Services Program

27 April 2018 – Perth, Australia

Nuheara Limited (ASX: NUH) (“Nuheara” or the “Company”) is pleased to provide the Company update and quarterly report for the quarter ended 31 March 2018.

Strong growth numbers reported for H1 FY18

Nuheara was pleased to report strong sales growth in its interim financial results for the half-year ended 31 December 2017 (H1 FY18) with unit sales up 49% on H2 FY17. Online unit sales were up 43% and brick and mortar retail sales were up 55%.

Within the six-month period, the Company successfully turned around a -26% Gross Profit (GP) margin in H2 FY17 to a +27% GP margin in H1 FY18. This is largely due to the increase in scale and performance of later stage production runs. Logistics efficiencies also played a significant role in the GP margin improvement with a 60% reduction in shipping costs per unit.

Launch of New Suite of Products

Nuheara solidified its brand as a global leader in smart personal hearing devices that enhance and amplify human experiences with the announcement of a suite of new intelligent hearing products. Launched at the annual Consumer Electronic Show (CES) in Las Vegas in January, IQbuds BOOST™ and Live IQ™ were showcased to the world. The new products will expand Nuheara’s offerings in both consumer electronics and hearing solutions, thereby leveraging existing and growing relationships in both sales channels.

In development for over 12 months, these new products support Nuheara’s ongoing commitment to research and development and leading the smart hearable devices market.

IQbuds BOOST™

IQbuds BOOST™ is the first smart personal hearing device to utilise international, industry-recognised NAL-NL2, used in hearing aids, provides deeper, more sophisticated levels of personalisation, customisation, and amplification than that provided by Nuheara’s existing IQbuds™ product.

Nuheara plans to leverage the US Over the Counter Hearing Act 2017 for the expansion of IQbuds BOOST™ as the first and only company to currently meet the US legislative regulations.

Due to strong global market interest from distributors, retailers and consumers, the Company brought forward its IQbuds BOOST™ pre-order opening to 26 February 2018. Shipping commenced from the Company's global warehouses from 23 April 2018, as promised.

The Company is well prepared to support an ever-strengthening hearing health care sales channel that will now carry two of Nuheara's products – IQbuds™ and IQbuds BOOST™. These products will support consumers with varying hearing needs and more importantly, provide choice with distinct product feature sets and price points. Our global hearing health care product initiatives are all about providing accessibility and affordability in a rapidly changing hearing market landscape."

Live IQ™

Live IQ™ integrates Nuheara's unique hearing intelligence capabilities with Active Noise Cancellation (ANC) – all in a true wireless earbud form. It is the world's first wireless earbud to offer advanced hybrid ANC capabilities. Hybrid ANC utilises both feedforward ANC and feedback ANC by placing microphones on the inside (in the ear canal) and outside the earbud. Live IQ™ uniquely uses two outside microphones and one inside microphone for a total of three.

The Live IQ™ earbuds feature touch-sensing controls: a simple tap turns noise cancellation on and off, to give the user the choice to hear ambient noise as well as the audio output from the speaker, or to listen in silence. Both Apple's Siri® and the Google Assistant voice control systems can be activated through voice and tap controls of Live IQ™.

The battery supports four hours of talk time between charges, and 12 hours on-the-go time.

Priced at under US\$200, Live IQ™ opens up a broader consumer market for Nuheara without compromising the level of intelligence the market has come to expect from the Company.

Live IQ™ will be available for pre-order mid-year prior to an expected 2018 northern hemisphere summer delivery.

Ear ID™

Nuheara has developed a new proprietary and innovative technology process called Ear ID™ which, via assessment, creates a unique personal hearing profile by evaluating the users' own hearing capabilities. Ear ID™ is a sophisticated technology stack that incorporates Nuheara's proprietary hearing assessment technology with the NAL-NL2 non-linear prescription procedure that is then used to calibrate IQbuds BOOST™.

Nuheara engaged Australia's world-leading hearing research organisation NAL, to conduct a clinical study to examine the validity and reliability of Ear ID™ automated hearing assessment technology for its new product IQbuds BOOST™. The Ear ID™ hearing assessment was shown to be as reliable as conventional clinical audiometry when conducted in a quiet environment. 97.5% of the hearing thresholds derived by the Ear ID™ system were within 5dB of those measured on subsequent retests. These results indicate a high level of repeatability of threshold determination using the technology.

Nuheara is continuing development and improvements of Ear ID™ and will deploy future versions into Nuheara's upcoming IQbuds Boost™ product.

Over the past nine months the Company has invested heavily in building our brand, sales channel, marketing, digital assets and the development of two new products. These investments will provide considerable ongoing benefit to Nuheara as we continue to address a very large target market.

Nuheara's expanded suite of products can be leveraged quickly and globally to a significant consumer base given the pre-existing retail and distribution relationships already in place.

New Partnerships

HEARing CRC, National Acoustic Laboratories

Nuheara has partnered with Australia's HEARing Cooperative Research Centre (HEARing CRC) and its member, The National Acoustic Laboratories (NAL), to license its international, industry recognised NAL-NL2 – the only hearable company globally to have access to this technology.

The HEARing CRC brings together NAL, Cochlear and 20 of Australia's leading hearing and healthcare organisations to collaborate on world-leading research and technology translation projects.

NAL-NL2 is a non-linear fitting procedure that has traditionally been used for the prescriptive fitting of hearing aids. It is currently licensed to major international hearing aid companies and audiology equipment manufacturers and is used to fit more hearing aids worldwide than any other system.

Nuheara has developed a new proprietary and innovative process called **Ear ID™**, which creates a unique personal hearing profile by evaluating the users' own hearing capabilities, integrating the international, industry-recognised NAL-NL2 prescription formula. Utilising Artificial Intelligence functionality via neural networks, Ear ID™ then automatically calibrates IQbuds BOOST™ for a truly personalised hearing experience.

Ams AG

The Company also announced its partnership with global leader in the design and manufacture of advanced sensor solutions, ams AG (ams) to launch its new Active Noise Cancellation smart personal wireless earbud, Live IQ™.

Ams is the undisputed leader in active noise cancellation technology. The noise cancelling performance of the AS3412 chip is superb and the guidance from the ams engineers was a great help to our design team in aligning the noise cancelling system with the mechanical and acoustic characteristics of the Live IQ™ earbuds.

Australian Government's Hearing Services Program

On 16 March 2018, Nuheara announced the Company's successful registration as an approved supplier to the Australian Government's Hearing Services Program (HSP).

In the 2017-18 Federal budget, the HSP was allocated \$539m. The forward year estimates are \$566m of funding. The HSP represents a majority share of the overall Australian hearing services market, estimated to be approximately 70% of the total market. The HSP is one of the largest government funded hearing health care programs in the world.

The HSP provides eligible Australians access to free and subsidised hearing devices and related services. Over 3m people in Australia have some form of hearing loss. 70% of those fit into the mild to moderate hearing loss category. The Company will place both IQbuds™ and IQBuds BOOST™ on the Device Schedule as Assisted Listening Devices (ALD).

The registration of Nuheara as a supplier to the HSP is a significant development for the Company, demonstrating its innovative hearing solutions have been recognised as a cost-effective option by the Australian Government.

Sales and Marketing

Hearing Health Care Channel Expansion

It is well reported that 15% of all adults have some degree of hearing impairment. What is largely unknown is that only 20% of those hearing-impaired adults have actually purchased any form of hearing system to offset the impairment. Nuheara's global Hearing Health Care (HHC) product initiatives are designed to provide accessibility and affordability for these hearing challenged consumers; in particular for those with mild to moderate hearing loss who represent the majority that go without any hearing assistance. Accordingly, Nuheara's announcement of its expansion in to the HHC sales channel which targets these consumers, has been very well received.

In February, Nuheara announced the commencement of a focused sales trial through two established retailers in Australia, Hearing Planet and Connect Hearing. The fully surveyed, three-month trial will be undertaken through 15 Sydney-based Connect Hearing clinics by trained staff.

Channel expansion continued during the quarter with the announcement of new retail partner, Acuitis, the leading European specialist in Optical and Hearing retail. Nuheara's intelligent hearing solutions are an excellent match in terms of quality, design and technological advancement for the 66 Acuitis retail stores across Europe.

Distribution contracts were also announced with Puretone (operating in 48 countries supporting 11,000 independent hearing clinics, Oaktree Products, the US leading provider of clinical supplies to hearing care industry, Intracon UK (T/A PC Werth) serving more than 3,000 UK hearing retailers, Bloom Hearing Clinics (Widex) (expansion from Australia to UK, which will continue with Hong Kong, Singapore and New Zealand based clinics), Grand Audition (26 Hearing Centres across France) and appointment of multiple independent hearing clinics as approved Nuheara resellers.

Awards

- **TWICE Picks: Best of CES 2018**

TWICE is a market leader in serving the B2B needs of the technology and consumer electronics industries. Publishing 20+ times per year, TWICE reports on consumer technology through a suite of digital offerings. As defined by John Laposky, TWICE content director, "TWICE Picks are a microcosm of the collective genius of the technology industry and CES. These products and technologies rise above and highlight the best the tech sector has to offer to improve lives, entertain us and increase our knowledge and our productivity".

Nuheara is extremely proud to be named part of the "TWICE Picks: Best of CES 2018" for the second consecutive year. With IQbuds BOOST™ joining IQbuds™ as an award recipient, such accolades further reaffirm Nuheara's standing as the industry leader in hearable devices and intelligent hearing.

Press/Media

- **TechCrunch** – “Nuheara’s voice amplifying earbuds offer customizable hearing profiles. Like the standard IQbuds before them, I’m impressed with what Nuheara’s been able to do here (IQbuds BOOST) when it comes to amplifying voices. I tried out the new pair in the bustling TechCrunch CES booth and was pretty impressed again.”
- **Electronics360** – “Nuheara Offers Blended Audio Worlds - Intelligent earbuds that allow a user to selectively tune in or out the outside world caught our intrepid writer Pete Brown’s attention at CES 2018.”
- **Consumer Reports** – “The perfect Headphone for Every Activity...An appealing option for the air passenger who wants to travel light.”

Key Board Appointment

In February 2018, Nuheara appointed Ms Kathryn Foster to the Company’s Board of Directors. Ms Foster served as Senior Director of e-commerce strategy in Supply Chain and managed the Sales and Marketing team at Microsoft Store online. Ms Foster has over 20 years’ experience creating and running large internet-based businesses, starting in the late 1990’s on Windows Update.

Prior to becoming a professional director, Ms Foster was Senior Director of Microsoft Store online where she managed the sales and merchandising team for Microsoft Store online across 232 geographies. As the Senior Director, she was responsible for an annual revenue budget in the low billions of dollars. Prior to that, for the inception of the Xbox Games Marketplace, MS Foster set business vision, strategy and drove the technical execution around digital and physical supply chain technology and operations to enable Xbox’s billion-dollar business globally.

Ms Foster holds a Bachelor of Science in International Marketing from Oregon State University and Associate of Science – Computer Science and Information Systems from Shoreline Community University.

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 March 2018:

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/CEO

David Cannington
Executive Director/ EVP Sales & Marketing

Dr Michael Ottaviano
Independent Non-Executive Director

Kathryn Foster
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

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)

Issued Capital as at 31 March 2018

828,315,828 ordinary shares. The number of unquoted securities on issue as at 31 March 2018:

Security	Number on issue
Unlisted Options – exercisable at 3 cents on or before 24/2/2019	20,000,000
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	3,500,000
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
Unlisted Options – exercisable at 9 cents on or before 12/1/2021	1,000,000
Unlisted Options – exercisable at 9 cents on or before 1/3/2021	8,000,000

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 2018

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	1,012	2,725
1.2 Payments for		
(a) research and development*	(220)	(489)
(b) product manufacturing and operating costs	(414)	(3,097)
(c) advertising and marketing	(230)	(1,186)
(d) leased assets	-	-
(e) staff costs*	(731)	(2,303)
(f) administration and corporate costs	(509)	(1,723)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	46
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	(1,088)	(6,027)

*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 (9 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(74)	(80)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property*	(1,112)	(2,535)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	5	11
(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	(1,181)	(2,604)

*Comprising capitalised development costs of \$1,022,000 and capitalised patent and trade mark expenditure of \$90,000

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	1,500	1,620
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(528)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-

+ See chapter 19 for defined terms

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	1,500	10,092

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	5,635	3,405
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,088)	(6,027)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,181)	(2,604)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,500	10,092
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	4,866	4,866

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	2,401	3,170
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)	4,866	5,635

6. Payments to directors of the entity and their associates

Current quarter \$A'000
178
-

6.1 Aggregate amount of payments to these parties included in item 1.2

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

Add notes as necessary for an understanding of the position

	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	(500)
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	(200)
Payments to acquire intellectual property**	(800)
9.8 Total estimated cash outflows	(4,350)

* 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: 27/4/2018

(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.