

## QUARTERLY REPORT

For the quarter ended 31 December 2019

31 January 2020 – Perth, Australia

Nuheara Limited (**ASX: NUH**) (**Company** or **Nuheara**), is pleased to provide its Quarterly Report for the quarter ended 31 December 2019.

During the quarter, Nuheara continued to focus on the development of multiple sales channels, with significant progress achieved across Direct to Consumer (DTC) and third-party channels.

Cash receipts for the quarter (net of returns) were \$910k, around 101% higher than the September 2019 quarter (\$452k) and 180% higher than the June 2019 quarter (\$325k). Contributing to this was a strong marketing effort by the company to monetise inventory of existing products ahead of the release in 2020 of Nuheara's third generation product – IQbuds<sup>2</sup> MAX. The return on marketing spend has been strong with the December Quarter also benefiting from successful seasonal sales events including Back Friday, Cyber Monday and Boxing day promotions.

The Company maintained a strong cash balance of \$3.54M at 31 December 2019, which has since been supplemented by a \$2.5M convertible note funding facility negotiated after the end of the quarter (refer announcement dated 24 January 2020). The additional funding will support the Company in funding the mass production of the recently launched IQbuds<sup>2</sup> MAX – Nuheara's third generation product.

Increasing market awareness has been critical in driving Nuheara's sales success in all channels. Driving deeper Nuheara product awareness globally will be the key to continued sales success. With new products to be released in 2020, we believe we now have a solid platform for continued growth in both DTC and traditional retail.

Nuheara has moved beyond its start-up phase and created global inroads with significant retail partnerships and strong growth with its direct-to-consumer strategy.

### DIRECT TO CONSUMER

It is pleasing that the Company has achieved this record quarterly growth with Nuheara's second generation product, IQbuds BOOST, which is still proving to be a market superior technology platform. This provides validation of the Company's leading-edge technology and products but more importantly, validates the Nuheara DTC sales model's ability to reach and transact with global customers. Other significant DTC statistics for the quarter, over the same period last year include:

- DTC transactions up 193%
- New website visitors up 150%

Furthermore, these results support scalability in our DTC model and, in turn, confidence that further sales and marketing investment will drive the Company's aspiration in achieving mass sales.

The majority of our new customers have never previously purchased a hearing assistance device. So, with every new Nuheara product sale made, we continue to shape the smart hearing category as an alternative to expensive legacy hearing solutions. Our products are proven to be world leading and clearly fulfilling an unmet need. We are showing we can sell our products effectively to our customers through online channels.

## **WALGREENS**

Following a significant uptake in DTC sales, Nuheara is delighted to bring a globally unique hearing retail experience to a pharmacy giant such as Walgreens – one of USA’s leading pharmacy chains. Nuheara’s smart hearing products, IQbuds BOOST and IQstream TV are now available online at [www.walgreens.com](http://www.walgreens.com). Nuheara’s products are the only hearing related devices currently offered by Walgreens in the US - either online or in store.

In preparation for this launch, Nuheara and Walgreens have worked closely to integrate their respective online systems and provide a discrete and convenient method for customers to acquire affordable and accessible assistive hearing solutions. The result is a seamless Nuheara DTC sales experience directly from the Walgreens website.

Powered by Nuheara marketing assets and Nuheara’s logistical backend, Walgreens’ customers are now able to purchase Nuheara products directly from the Walgreens website with delivery to their own home, or for pick up at their nearest Walgreens store. Walgreens has 9,277 stores across all 50 US states.

Walgreens has more than 90 million active subscriber members, which provides significant opportunity for Nuheara to continue to broaden its US market penetration and brand awareness.

Launched the week commencing 16 December 2019, the first Walgreens email campaign featuring Nuheara products targeted more than 10 million of their members.

Walgreens interacts with approximately 8 million customers per day across its stores and online. With their front-end branding and customer reach, coupled with Nuheara’s innovative products and back-end DTC hearing retail experience, it offers significant retail sales potential for both companies.

## **BOARD APPOINTMENTS**

Since the last quarter, Nuheara welcomed the following board appointments to build upon the Company’s strong foundations and drive the Company’s global strategy and capability:

### **David Buckingham**

Effective from 1 November 2019, Mr David Buckingham was appointed as a Non-executive Director to the Nuheara board. Mr Buckingham’s career spans extensively across technology, growth, mergers and acquisitions and disrupting entrenched industries by focusing on service and the customer experience.

Most recently, Mr Buckingham held both CEO and CFO roles with ASX200 listed companies in Navitas and prior to that iiNet.

Mr Buckingham’s proven record in growing disruptive technological companies will add value to Nuheara going forward.

### **The Hon. Cheryl Edwardes AM**

Effective from 1 January 2020, Nuheara welcomed The Hon. Cheryl Edwardes AM as a Non-executive Director and Chairperson to the Nuheara board. Her appointment compliments what is now a majority independent board.

Mrs Edwardes has a strong legal and governance background with an extensive career spanning across government and business. She is a former Attorney General for Western Australia, a Board member of the Foreign Investment Review Board (FIRB), on the Board of the West Australian Football Commission, and is a non-executive director on a number of ASX-listed boards, including some as Chairperson.

Mrs Edwardes' established record in understanding and advising companies during seminal growth periods, are significant experiences that will be invaluable to Nuheara and we are looking forward to working together as a heavy-hitting team during the most critical stage our growth journey.

With Mrs Edwardes' appointment as Non-Executive Chairperson, Nuheara CEO, Justin Miller, will remain on the board and revert from Executive Chairperson to Managing Director. Mr Miller's remuneration remains unchanged.

### **R&D TAX CASH REBATE**

In November, the Company announced the receipt of a Research and Development Tax Incentive cash rebate from the Australian Tax Office of \$1.67M. The R&D Tax Incentive provides a tax cash rebate to support Australian companies undertaking research and development. The rebate is representative of the Company's commitment to provide research leadership in the rapidly changing landscape of global hearing healthcare.

### **MINERAL ASSETS**

Nuheara's portfolio of mining assets consists of net smelter royalties located in Northern Peru (El Molino Gold Project and part of the El Galeno Copper Gold Project, currently owned under joint venture by China Minmetals Corporation and Jiangxi Copper) and in Western Australia (Mt Ida South/Quinns gold projects, currently owned by Alt Resources Ltd). The Western Australian royalty is under contract for sale by way of a Binding Preliminary Sales and Purchase Agreement with SilverStream SEZC, as announced on 24 January 2020.

This announcement has been approved for release by Nuheara's Managing Director Mr. Justin Miller.

## CORPORATE INFORMATION

### Directors

The Hon Cheryl Edwardes *AM*  
Independent Non-Executive Chairman

Justin Miller  
Managing Director/CEO

David Cannington  
Executive Director/ Chief Marketing Officer

Kathryn Foster  
Independent Non-Executive Director

David Buckingham  
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](http://www.nuheara.com)  
Email: [administration@nuheara.com](mailto:administration@nuheara.com)

### Registered Office

190 Aberdeen Street  
Northbridge WA 6003  
Phone: +61 (8) 6555 9999  
Fax: +61 (8) 6555 9998

### Principal Place of Business

190 Aberdeen 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

At the date of this report there were 1,062,210,292 ordinary shares and the following unquoted securities on issue:

Security	Number on issue
Unlisted Options – exercisable at 11.5 cents on or before 16/2/2020	1,000,000
Unlisted Options – exercisable at 9 cents on or before 22/5/2020	3,000,000
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	500,000
Unlisted Options – exercisable at 9 cents on or before 1/3/2021	3,000,000
Unlisted Options – exercisable at 9 cents on or before 17/9/2021	3,500,000
Unlisted Options – exercisable at 9 cents on or before 10/12/2021	1,000,000
Unlisted Options – exercisable at 9 cents on or before 18/3/2022	6,000,000
Unlisted Options – exercisable at 9 cents on or before 17/04/2022	2,500,000

## 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 December 2019

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	910	1,362
1.2 Payments for		
(a) research and development*	(131)	(229)
(b) product manufacturing and operating costs	(223)	(425)
(c) advertising and marketing	(702)	(1,483)
(d) leased assets	-	-
(e) staff costs*	(649)	(1,178)
(f) administration and corporate costs*	(679)	(1,288)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	5
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1,674	1,674
1.8 Other (provide details if material)		
Proceeds from the sale of mining assets held for sale	-	363
<b>1.9 Net cash from / (used in) operating activities</b>	<b>202</b>	<b>(1,199)</b>

\* These numbers exclude expenditure directly attributable to development activities that are capitalised as an intangible asset under Australian Accounting Standards. These capitalised development costs are shown as "Payments to Acquire Intellectual Property" under cash flows from investing activities at 2.1(d).

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	(1)	(16)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property*	(969)	(2,123)
(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>(970)</b>	<b>(2,139)</b>

\* Comprising capitalised development costs of \$921k (YTD \$1,958k) and capitalised patent and trademark expenditure of \$48k (YTD \$165k).

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares Proceeds	-	4,000
3.2 from issue of convertible notes Proceeds	-	-
3.3 from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(14)	(339)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(14)</b>	<b>3,661</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<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	4,325	3,220
4.2	Net cash from / (used in) operating activities (item 1.9 above)	202	(1,199)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(970)	(2,139)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(14)	3,661
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>3,543</b>	<b>3,543</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	850	1,540
5.2	Call deposits	2,693	2,785
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>3,543</b>	<b>4,325</b>

**6. Payments to directors of the entity and their associates**

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

**Current quarter  
\$A'000**

225

-

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 <sup>1</sup>	(300)
9.2 Product manufacturing and operating costs <sup>2</sup>	(1,000)
9.3 Advertising and marketing	(1,000)
9.4 Leased assets	-
9.5 Staff costs	(800)
9.6 Administration and corporate costs	(850)
9.7 Other (provide details if material)	
Payments to acquire property, plant and equipment	(10)
Payments to acquire intellectual property <sup>3</sup>	(1,000)
<b>9.8 Total estimated cash outflows</b>	<b>(4,960)</b>

1. Excludes expenditure directly attributable to development activities that are capitalised as an intangible asset under Australian Accounting Standards (refer item 9.7 "payments to acquire intellectual property").
2. Includes advance inventory purchases
3. Expenditure on trademark 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: 31/01/2020

(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.