

Quarterly Activities Report

For the quarter ended 30 September 2021

Resurgent retail sales underpin 112% growth for Nuheara

Nuheara Limited (ASX: NUH) delivered strong first quarter performance: generating \$1.1 million in customer receipts and \$1.2 million in invoiced sales revenue. Significant quarter on quarter growth in Traditional Retail (TR) sales ensured Nuheara was well placed as retail conditions improve with the post pandemic recovery.

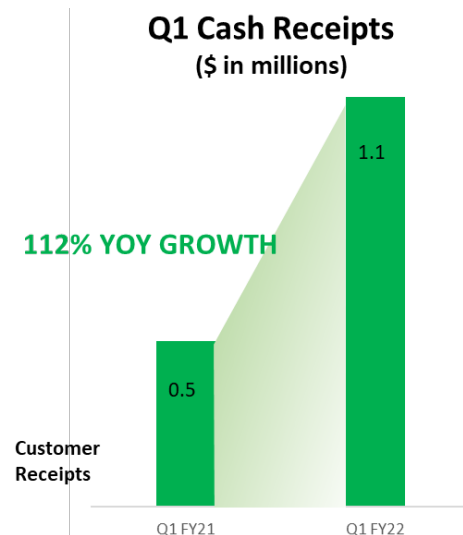
- **Q1 FY22 customer receipts up 112% to \$1.1 million** (Q1 FY21: \$0.5 million), supported by Traditional Retail and Direct To Consumer (DTC) cash receipts.
- **Q1 FY22 invoiced product revenue down 35% to \$1.2 million** (Q1 FY21: \$1.8 million which was inclusive of significant backorders from FY20) supported by resurgent growth in Traditional Retail (TR) sales.
- **20% increase in Average Selling Price (ASP)** of IQbuds² MAX to \$478 in Q1 FY22 from \$405 (FY21).
- **Driven by the US' TR sales rebound**, TR represented 43% (\$0.5 million) of total sales in Q1 FY22 up from 19% in Q4 FY21.
- **DTC sales strengthened in Australia but softened in US** due to differing regional purchasing options, with US TR reopening and Australia in lockdown.
- **Strong balance sheet** with \$3.7 million cash and no debt at 30 September 2021. A R&D tax rebate of \$1.7 million is expected to be received in Q2 FY22.
- **Strong inventory levels** provide a solid foundation to deliver continued growth in sales during Q2 FY22, seasonally the largest quarter of the year.
- **As expected, post quarter TR sales resurgence continues** with October 2021 month to date invoiced TR sales exceeding total Q1 FY22 TR sales.

Nuheara Co-founder & CEO Justin Miller said:

“The first quarter has provided a solid start to the new financial year in both cash receipts and invoiced sales. This is particularly pleasing as we navigated dramatic changes in retail business conditions, particularly in our major sales region of the US.

“Nuheara’s DTC sales sites, our revenue mainstay during the depths of the COVID-19 pandemic, continue to deliver. However, the resurgent retail sales growth we are now seeing through our US retail partners re-opening highlights the benefits of our diversified sales channel growth strategy.

“We are in a strong position to continue our growth trajectory, with DTC, OEM and now TR all proving themselves at various stages over the past 18 months. As retail and supply chains return to normalcy, we look forward to all our diversified sales channels delivering within the same quarter.”



Perth, 27 October 2021: Nuheara Limited (ASX: NUH), transforming the way people hear by creating smart and affordable hearing solutions, is pleased to present this quarterly activities report alongside its Appendix 4C for the quarter ended 30 September 2021 (Q1 FY22).

SALES AND REVENUE

Nuheara continued to deliver strong sales in Q1 FY22, with total invoiced product sales of \$1.2 million. While this result is 35% down on the corresponding quarter in the previous year, this was primarily due to a major proportion of Q1 FY21 invoiced product sales being inclusive of FY20 backorders.

The underlying growth of the business is better reflected in the more than doubling of Q1 customer receipts, from \$0.5 million in Q1 FY21 to \$1.1 million in Q1 FY22.

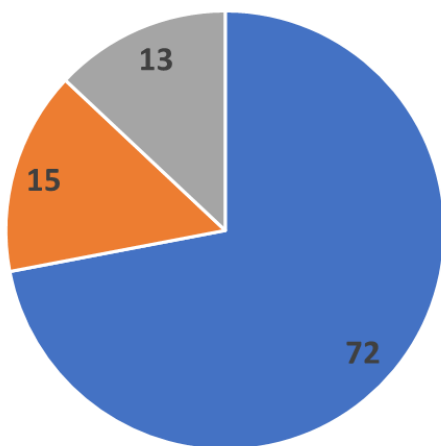
The Company did not generate any OEM services related revenue in Q1 FY22, having invoiced one-off OEM Services revenue of \$1.7m for HP in Q1 FY21.

Price increases for IQbuds² MAX were implemented during the quarter in most regions around the world, including the US. This translated to an increase in the Average Selling Price (ASP) from \$400 per unit in Q4 FY21 to \$478 per unit in Q1 FY22.

Sales by Region

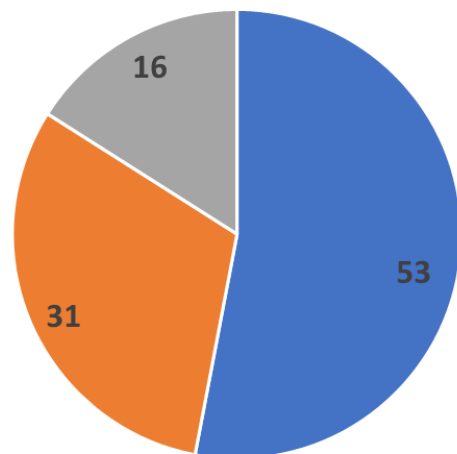
Domestic product sales gained momentum over the quarter with 31% of all sales in Q1 FY22 originating in Australia, up 10% from Q1 FY21 and up 105% from Q4 FY21. International sales over the Northern hemisphere summer had an expected temporary downturn, with 69% of all sales in Q1 FY22 being offshore (from 85%). North America had 53% of Nuheara’s market share for the quarter.

Q4 FY 21 Invoiced Sales by Region (%)



■ North America ■ Australia ■ Rest of World

Q1 FY 22 Invoiced Sales by Region (%)

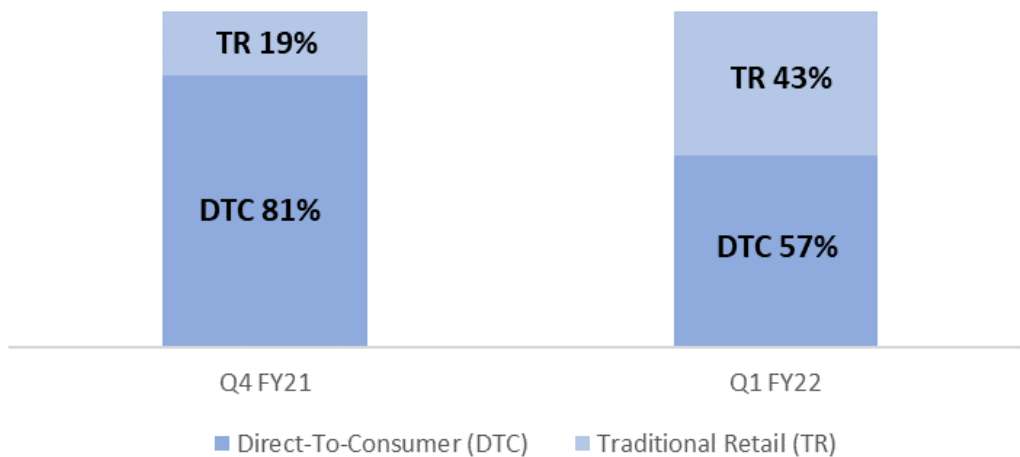


■ North America ■ Australia ■ Rest of World

Sales by Channel

Nuheara’s diversified sales channel growth strategy delivered on its strategic intent to cover all bases for the purchasing consumer. Global sales by channel changed dramatically over the course of the quarter, in part fuelled by the Northern hemisphere summer and the re-opening of TR stores in the US as they returned from COVID-19 related closures, while Australian stores were still closed due to lockdowns. OEM did not contribute during the quarter.

Invoiced Sales by Channel



MEDICAL DEVICE CLINICAL TRIAL TO SUPPORT GROWTH ACROSS MULTIPLE SALES CHANNELS

In August, Nuheara announced that it will commence a medical device clinical trial to test the safety and effectiveness of the Company’s newly developed range of hearing aid products, to support Nuheara’s planned expansion into clinically tested and regulatory approved medical devices.

Nuheara engaged National Acoustics Laboratories (NAL) under the terms of a Clinical Trial Agreement (CTA) to assist with conducting the clinical trial.

The results of the clinical trial will support Nuheara expanding its global hearing solutions by meeting hearing aid compliance requirements initially with the US Food and Drug Administration (FDA), the European Union (EU Mark) and the Australian Therapeutic Goods Administration (TGA).

Ethical approval to commence the clinical trial was received in September and the trial itself commenced in October.

Following the success of the trial, which is being completed in conjunction with biocompatibility testing and obtaining UL certification, Nuheara plans to proceed with a 510(k) submission to the FDA for approval of a Class II, self-fitting air conduction, wireless hearing aid – 21 CFR Part 874-3325, Product Code: QDD (Self-fit Category). This FDA submission is expected to be made during Q3 FY22.

The planned submission also supports the Company’s plan to secure broad FDA self-fit hearing aid clearance in time to meet the expected demand for a new category of the Over-the-Counter (OTC) hearing aids in the US. The regulations for the OTC category, which specifically target individuals with mild-to moderate hearing loss, was announced post the conclusion of the quarter.

OTC hearing aids will be a different class of hearing aid from the current FDA self-fit category and Nuheara's clinical trial plan provides the potential of having multiple self-fit hearing aid products in the US market.

Following the US FDA submission, a successful medical device trial will also provide Nuheara with the basis to enter any regulated hearing device market, globally, through further regional based regulatory submissions.

EXPENDITURE

Research and development

Research expenditure that is directly attributable to development activities is capitalised as an intangible asset under Australian Accounting Standards. As a result, expenditure of \$1.4 million has been capitalised this quarter (Q1 FY22), representing 34% growth on the same quarter last year (Q1 FY21: \$1.0 million) and is shown as "Payments to Acquire Intellectual Property" under cash flows from investing activities at item 2.1(e). This movement is mainly attributable to work on new generation of products, including work performed towards accreditation as a medical device Company.

Product manufacturing and operating costs

The sale of Nuheara's third generation product, IQbuds² MAX, continued during the quarter. Orders have been placed for ongoing production runs for the remainder of the calendar year and into 2022. Cash outlay of \$0.5 million in Q1 FY22, down of 64% over the comparative quarter last year (Q1 FY21: \$1.3 million), is predominantly attributable to payment for completed units.

Advertising and marketing

Advertising and marketing spend of \$0.9 million in Q1 FY22 was 121% more than the same quarter last year (Q1 FY21: \$0.4 million). Advertising and marketing spend is directed towards the generation of online sales (DTC) and traditional retail sales channel support.

Staff costs

Consistent with R&D expenditure noted above, employment expenses related to employees working on R&D activities have also been capitalised as an intangible asset under Australian Accounting Standards. Staff costs of \$309k in Q1 FY22 represented a 10% reduction in comparison with the same quarter last year (Q1 FY21: \$344k) with movement mainly attributable to the amounts capitalised.

The remaining staff costs represent corporate, operations, finance, administration, and marketing employees, including related party payments for non-executive Director fees, and salaries paid to executive Directors during the period (refer item 6.1).

Payments to related parties in Q1 FY22 were \$200k, which related to fees paid to non-executive directors and the executive directors' cost of payroll for the period.

Administration and corporate costs

Administration and corporate costs of \$1 million in Q1 FY22, were 18% higher than the same quarter last year (Q1 FY21: \$0.8 million). The movement relates mainly to the timing of creditor payments and an increase in trademark activity.

MINERAL ASSETS

There has been no change in mineral assets held during the quarter.

Nuheara's remaining mining asset consists of an 80% interest in a Net Smelter Royalty located in Northern Peru, held by its subsidiary Terrace Gold Pty Ltd. Nuheara intends to divest the asset as soon as it is commercially practical to do so.

INVESTOR BRIEFING DETAILS

Justin Miller (Co-founder & CEO) and Jean-Marie Rudd (CFO) will host an investor webinar at 12:30pm AEDT / 9.30am WST today. Following the presentation, participants will have an opportunity to ask them questions.

To attend the webinar, please pre-register at:

https://us02web.zoom.us/webinar/register/WN_RA8nb1kSSPqYQ_ZDVZUrYA

-ENDS-

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ABOUT NUHEARA

Nuheara is a global leader in smart hearing technology which change people's lives by enhancing the power to hear. As a global pioneer in Hearable products, Nuheara has developed proprietary, multi-functional, personalised intelligent hearing devices that augments a person's hearing. Nuheara is headquartered in Perth, Australia and was the first consumer wearables technology company to be listed on the Australian Stock Exchange (ASX).

In 2016, the Company released its revolutionary wireless earbuds, IQbuds, which allow consumers to augment their hearing according to their personal hearing preferences and connect hands free with their voice-enabled smart devices. In 2020 Nuheara released its third generation IQbuds² MAX. In 2021, Nuheara transformed its operations to include medical device manufacturing for its hearing aid products to meet global demand for mild to moderate hearing loss. Nuheara products are now sold Direct to Consumer (DTC) and in major consumer electronics retailers, professional hearing clinics, pharmacies and speciality retailers around the world. Nuheara products are now sold Direct to Consumer (DTC) and in major consumer electronics retailers, professional hearing clinics, pharmacies and optical chains around the world.

The Company's mission is to transform the way people hear by creating smart hearing solutions that are both accessible and affordable.

For further information, please visit <https://www.nuheara.com/>.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

NUHEARA LIMITED

ABN

29 125 167 133

Quarter ended ("current quarter")

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,126	1,126
1.2 Payments for		
(a) research and development ⁽¹⁾	(655)	(655)
(b) product manufacturing and operating costs ⁽²⁾	(485)	(485)
(c) advertising and marketing	(898)	(898)
(d) leased assets	-	-
(e) staff costs	(309)	(309)
(f) administration and corporate costs	(983)	(983)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
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)	3	3
1.9 Net cash from / (used in) operating activities	(2,200)	(2,200)
1) 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(e).		
2) Includes deposits paid on advanced production of IQbuds ² MAX and HP Elite Wireless Earbuds.		
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(75)	(75)
(d) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(e) intellectual property ⁽¹⁾	(1,398)	(1,398)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) 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	(1,473)	(1,473)

1) Comprising capitalised development costs of \$1,341k (YTD \$1,341k) and capitalised patent and trademark applications of \$57k (YTD \$57k).

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	63	63
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(5)	(5)
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)	-	-
3.10 Net cash from / (used in) financing activities	58	58

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	7,276	7,276
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,200)	(2,200)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,473)	(1,473)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	58	58
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,661	3,661

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	3,494	2,309
5.2	Call deposits	167	4,967
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)	3,661	7,276

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

200

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Directors' fees paid to non-executive Directors and salaries paid to executive Directors

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,200)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,661
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (Item 8.2 + item 8.3)	3,661
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.7

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: No. The Company has allocated funding for inventory to ensure warehouses are sufficiently stocked to meet anticipated demand in the next quarter (seasonally the best revenue generating period of the year).

Additionally, the Company is anticipating the receipt of a Research and Development Tax Incentive cash rebate from the Australian Tax Office for an amount in excess of \$1.7m.

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The Company continues to review appropriate funding opportunities in accordance with its growth strategy that are in the long-term interests of its shareholders

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Nuheara prudently manages its capital, particularly since COVID-19 disruptions over the past 18 months. Meanwhile, orders for IQbuds² MAX sales have remained strong and continue to grow via the DTC online and the retail channels. The Company will be in a robust position to continue its operations and to meet its business objectives.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Date: 27 October 2021

Authorised by: BY THE BOARD
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Further Information

Webinar/Conference Call

Nuheara Managing Director and CEO Justin Miller and CFO Jean-Marie Rudd will hold a webinar to discuss the quarterly results.

Date: Wednesday, 27 October 2021

Time: 12.30pm (AEDT)

Registration Link :

https://us02web.zoom.us/webinar/register/WN_RA8nb1kS_SPqYQ_ZDVZUrYA

Authorised by:

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Managing Director/CEO

David Cannington
Executive Director/Chief Marketing Officer

Kathryn Giudes
Independent Non-Executive Director

David Buckingham
Independent Non-Executive Director

Company Secretaries

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

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