

24 May 2022

Company Announcements Platform
Australian Securities Exchange
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

By Electronic Lodgement

Dear Sirs

Appendix 4C: Quarter Ended 31 March 2022 - Amended

The Appendix 4C for the quarter ended 31 March 2022 has been updated for the insertion of additional information in section 7.6 regarding R&D funding secured on 6 April 2022 which was noted previously in section 8.6.2 of Appendix 4C. On 9 May 2022, Nuheara received the full amount of this R&D funding (\$1,118,052), which is repayable at any time prior to receipt of the R&D Refund or deducted from the R&D Refund which is expected to be up to \$2 million for FY22 and is anticipated to be received by the Company in Q3 2022.

Sections 8.6.1 and 8.6.2 have also been revised to explain why the Company does not expect it will continue the current level of net operating cash flows for the time being and to note the R&D funding secured after quarter end on 6 April 2022. There were significant one-off or non-recurring expenses in the March 2022 as outlined in the attached Appendix 4C.

By order of the Board



Susan Park
Company Secretary

Appendix 4C - AMENDED

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")

31 March 2022

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	724	3,522
1.2 Payments for		
(a) research and development ⁽¹⁾	(287)	(1,177)
(b) product manufacturing and operating costs ⁽²⁾	(1,438)	(3,000)
(c) advertising and marketing ⁽³⁾	(690)	(2,638)
(d) leased assets	-	-
(e) staff costs	(834)	(2,392)
(f) administration and corporate costs ⁽⁴⁾	(1,114)	(2,705)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	(5)	(25)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,774
1.8 Other (provide details if material) ⁽⁵⁾	(811)	(778)
1.9 Net cash from / (used in) operating activities	(4,454)	(7,417)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
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- 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) Comprising payments for production of IQbuds² MAX to stock warehouses to provide the Company with the necessary consumer electronics stock buffer as new Hearing Aid products are brought to market next financial year.
- 3) Advertising and marketing is lower than previous quarters as the Company set up its team in the new US operational centre to capitalise on the growth opportunities that lie ahead in that region, including medical devices and expanding retail presence.
- 4) Expenditure is higher than last quarter due to timing of creditor payments due to the Christmas/New Year period, and specific one-off or non-recurring payments for the ISO13485:2016 application and external audit, and other annual expenditure particular to the start of the calendar year such as IT subscriptions.
- 5) International legal fees for protection of the Company's IP (trademarks and patents)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(2)	(85)
(d) investments	-	-
(e) intellectual property ⁽¹⁾	(1,065)	(3,606)
(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	(1,067)	(3,691)

- 1) Comprising capitalised development costs of \$1,044k (YTD \$3.6m) and capitalised patent and trademark applications of \$20k (YTD -\$33k).

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	1,067	2,688
3.2 Proceeds from issue of convertible debt securities	-	3,000
3.3 Proceeds from exercise of options	-	63

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(91)	(211)
3.5	Proceeds from borrowings ⁽¹⁾	100	100
3.6	Repayment of borrowings ⁽¹⁾	(21)	(21)
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	1,055	5,619

1) Insurance premium funding

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,253	7,276
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,454)	(7,417)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,067)	(3,691)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,055	5,619
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,787	1,787

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	1,620	6,086
5.2	Call deposits	167	167
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)	1,787	6,253

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
218
-

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

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.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

**Total facility
amount at quarter
end
\$A'000**

**Amount drawn at
quarter end
\$A'000**

2,400

2,400

-

-

-

-

2,400

2,400

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.

Secured Redeemable Convertible Security

Lender: Healthcare 2030, LLC

Amount: \$3.0 million for \$3.18 million worth of shares (Subscription Shares)

Conversions: \$600k @ \$0.013 on 07/02/2022

Interest: Nil

Maturity Date: 30/06/2023

Security: Security provided by way of the issue of 9.8 million Subscription Shares that will be credited or returned to the Company upon expiration or termination of the Funding Agreement.

R&D Tax Loan

Nuheara entered into an R&D loan funding agreement on 6 April 2022 under which Nuheara is entitled to receive funding of up to 80% of its presently earned (as at 28/02/2022) Australian supplier incurred R&D tax incentive rebate in respect of FY22 (**R&D Refund**).

Lender: Innovation Structure Finance Co., LLC (Radium Capital) (Grantor)

Amount: \$1,118,052

Interest: 14%pa

Final Tax Claim Date: 31/10/2022

Security: General Security Agreement and Featherweight Security Agreement over the Company's present and future assets including all of Nuheara's right, title and interest in:

- a) the R&D Refund, the proceeds of the R&D Refund and the Grantor's rights to apply for or obtain the R&D Refund;
- b) any Claim the Grantor may have against any party arising out of or in connection with the R&D Refund, any application for a R&D Refund or any failure to generate or receive the R&D Refund, including but not limited to, any claim or rights against the Grantor's tax agent, accountants or advisers; and
- c) all books and records of the Grantor relevant to the R&D Refund, all advice provided by Grantor's tax agent, accountants or advisers in relation to the R&D Refund or any application of the R&D Refund, all applications, filings or registrations with any Government Agency in relation to the R&D Refund (or application thereof) or to the preparation or lodgement of the Grantor's tax return.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(4,454)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,787
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (Item 8.2 + item 8.3)	1,787
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.4

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. There were significant one-off or non-recurring expenses in the March quarter that will not be repeated in the next quarter. These include

- \$1.4m in production costs to stock our warehouses. We are not planning any mass production activity in the next quarter. This will enable the Company to focus its attention on product sales through our existing established DTC channel and gains in mainstream retail partnerships in the lead up to the development of medical devices into the market (see further below).
- \$811k for international legal fees for protection of the Company's IP (trademarks and patents) with the majority of costs now incurred.
- Specific one-off or non-recurring uncapitalised payments for the clinical trials and FDA submission.
- ISO13485:2016 application and external audit, and other annual expenditure particular to the start of the calendar year such as subscriptions for IT software.

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 interests of its shareholders.

As noted in 7.6 above, the Company secured funding of \$1,118,052 by way of advance funding of its presently earned (as at 28/02/2022) Australian supplier incurred R&D tax incentive rebate in respect of FY22. This provided Nuheara with the ability to match cash flows to its R&D requirements and provide additional funding. The R&D Refund is expected to be up to \$2 million for FY22 and is anticipated to be received by the Company in Q3 2022.

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:

On 12 April, Nuheara announced it had taken the final step in its plans to secure US FDA clearance for its self-fitting hearing aid by providing its 510(k) submission to the FDA. This submission solidifies Nuheara's expansion plans into the regulatory approved medical device market, which also aligns with the much-awaited US Over-the-Counter Hearing Aid final rule publication expected by the end of September 2022.

The Company's growth opportunities are expected to increase significantly as a result of its entry into the medical device market.

Importantly, in the interim, sales focus has turned to furthering the expansion and development of our maturing Traditional Retail partners and Nuheara has built a stock level in excess of \$7m in anticipation of increased sales in this channel.

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: 29 April 2022

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.