

Quarterly Activities Report

For the quarter ended 30 June 2023

Nuheara successfully building its US growth opportunities

Quarterly activities report for the 3 months ended 30 June 2023 (Q4 FY23)

Q4 FY23 HIGHLIGHTS

- Over \$1 million in invoiced OTC Hearing Aid sales to date and cash receipts of \$0.85 million in the quarter
- US retail footprint rapidly expanding to new retail points of sale including Target and CVS, underpinning future sales growth
- Best Buy continue in store OTC Hearing Aid retail expansion with more than 600 stores by Fall 2023 (US)
- Preparing displays for more than 4,000 new point-of-sales (POS) across a range of very large US retailers for HP Hearing PRO in store deployment in October 2023
- Next generation product with single Realtek chipset progressing as planned with expected 2024 calendar year product release
- Successful \$4.4 million capital raising, at a premium, cornerstoned by Nuheara's largest shareholders in Farjoy, Salter Brothers and Realtek
- Senior executive restructure, as a medical device company, is now complete with the addition of Catherine Morgan as Head of Compliance, Regulatory and Legal

PERTH, AUSTRALIA: Nuheara Limited (ASX:NUH) (Nuheara) is pleased to present this quarterly activities report alongside its Appendix 4C for the quarter ended 30 June 2023 (Q4 FY23).

Commenting on the significant progress made over Q4 FY23, Nuheara Co-founder and Managing Director Justin Miller said: "The June 2023 quarter was as significant for the Company as it has been for the new US OTC Hearing Aid category. Our long-standing retail partner Best Buy expanded its in-store OTC hearing aid displays to more than 500 stores, and has confirmed a further expansion to more than 600 stores by the US Fall. The addition of Target and CVS online, as well as discussions with other large retailers, has paved the way for more in-store retail deployments in the remainder of 2023.

"Nuheara has been at the forefront of building this OTC category and our knowledge and investment is not being missed by these major retailers. To that end, Nuheara is currently preparing in-store displays for more than 4,000 new point of sales for HP hearing PRO, across a range of retailers, to be

deployed in time for the US holiday season commencing in October 2023. Given this huge opportunity, we are increasing our investment in marketing and promotions with these retailers, who are demonstrating their own strong belief in the OTC hearing aid market by making very significant financial investments in marketing, product and prime shop floor space for our HP Hearing PRO.”

US RETAIL FOOTPRINT CONTINUES EXPANSION

Best Buy increases number of stores

Through the course of the quarter, Nuheara’s first HP Hearing PRO shipments were delivered to Best Buy’s 302 stores, all with designated Hearing Displays. From July 2023, Best Buy commenced the increase in Hearing Display store count to 554 stores. This will continue to expand with more than 600 stores now planned for deployment by US Fall 2023.

New retailers enter the OTC market

Ahead of the key US holiday season which traditionally commences in October, Nuheara is well placed amongst a range of very large retailers to continue its in-store retail deployments.

In addition to new online retail expansion for HP Hearing PRO with the likes of Target and CVS, the Company is currently in the process of preparing in-store displays for more than 4,000 new point-of-sales (POS) with a range of very large US retailers. Product orders for these October POS deployments are expected through the course of the current quarter.

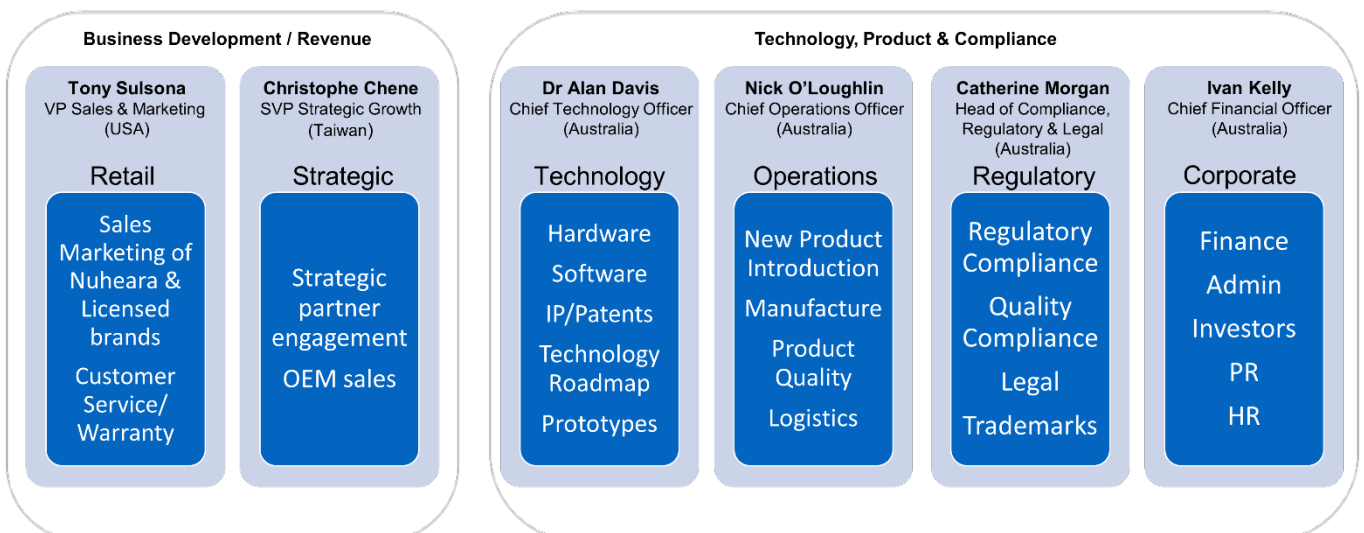
As the Company continues to work diligently on building awareness and sales, these new POS provides Nuheara a significant increase in its current US retail footprint. More importantly this expansion helps to validate the OTC hearing aid retail category as an opportunity with significant upside.

ENHANCED ORGANISATIONAL STRUTURE TO BETTER SUPPORT CURRENT US FOOTPRINT AND FUTURE GROWTH

Nuheara completed its senior executive restructure with the appointment of Catherine Morgan as Head of Compliance, Regulatory and Legal. The enhanced organisational structure is designed to best support:

- being a medical device company
- continuing US OTC hearing aid retail expansion
- maximising its OEM/ODM opportunities.

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STRONGLY SUPPORTED CAPITAL RAISING UNDERPINS US GROWTH

In June 2023, Nuheara successfully completed a capital raise of \$4.4 million (before costs) through a Placement, at a premium to the Company's last closing share price, to sophisticated and professional investors. Existing shareholders Realtek, Farjoy and Salter Brothers cornerstoned the Placement. Funds raised from the Placement will support working capital to ramp up production, marketing, and promotions for the ongoing rollout of Nuheara's world-first US FDA cleared over the counter (OTC) hearing aids in the US.

CASH RECIEPTS

Cash receipts of \$0.85m in the quarter, with the invoicing of the HP Hearing PRO having commenced in March, the Company successfully transitioned from non-regulated products to medical devices.

CASH EXPENSES

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 \$735k was capitalised in Q4 FY23 and is shown as "Payments to Acquire Intellectual Property" under cash flows from investing activities at item 2.1(e). Expenditure is mainly attributable to work on new generation products.

Product manufacturing and operating costs

Product manufacturing and operating costs increased during Q4 FY23, driven by HP Hearing PRO manufacturing which commencing during the previous quarter. Cash outlays of \$1,189k were incurred during Q4 FY23.

Advertising and marketing

Advertising and marketing spend in Q4 FY23 was \$864k, primarily incurred with our retail partners to support the rollout of HP Hearing PRO at their retail points-of-sale.

Staff costs

Consistent with R&D expenditure noted above, employment expenses related to employees working on R&D activities are also capitalised as an intangible asset under Australian Accounting Standards. Staff costs also include 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). Staff cash costs included within cash flows from operating activities of \$718k were incurred in Q4 FY23

Administration and corporate costs

The Company had a net cash inflow from administration and corporate costs in Q4 FY23 of \$156k. This reflected the receipt of \$186k in legal settlement fees relating to a successful trademark defence action, partially offsetting some of the one-off legal costs incurred in prior quarters. Excluding this receipt, administrative and corporate costs were relatively low in the quarter, benefitting from significant cash management of working capital in the period.

Payments to related parties

Payments to related parties in Q4 FY23 were \$268k, which related to fees paid to non-executive directors and the executive director's cost of payroll for the period.

-ENDS-

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ABOUT NUHEARA

Nuheara is a medical device company with smart hearing technology, designed to 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. In 2020 Nuheara released its third generation IQbuds² MAX, recognised by Time Magazine as one of the Best Inventions of the year. 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. In April 2022, Nuheara submitted an FDA 510(k) for its self-fit hearing aid and signed a worldwide trademark licensing agreement with HP Inc to sell its hearing aid products under the HP brand name.

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/>.

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