

Quarterly Activities Report

For the quarter ended 31 March 2023

Nuheara quickly achieves \$1 million in invoiced sales of its world first US FDA cleared OTC self-fitting hearing aid

Quarterly activities report for the 3 months ended 31 March 2023 (Q3 FY23)

KEY HIGHLIGHTS

- Achieved first \$1 million in invoiced OTC Hearing Aid sales within two months of product availability
- Successful launch of HP Hearing PRO at CES 2023 in Las Vegas, January 2023
- Commenced mass production of HP Hearing PRO and shipping to the US, with production and shipment volumes rapidly growing'
- US retail footprint rapidly expanding to new retail points of sale including Target and CVS, underpinning future sales growth
- Recent senior executive appointments and enhanced organisational structure better supports current US footprint and future OEM/ODM growth opportunities
- Successful \$3 million capital raising cornerstoned by Realtek, Nuheara's largest shareholder and strategic partner
- Leroy Liu (Yean-Shao Liu) appointed as a Non-executive Director to the Nuheara board. Mr Liu is the Chief Strategy Officer (CSO) at Realtek Semiconductor Corporation

PERTH, AUSTRALIA: Nuheara Limited (ASX:NUH) (Nuheara) is pleased to present this quarterly activities report alongside its Appendix 4C for the quarter ended 31 March 2023 (Q3 FY23).

Commenting on the progress made over Q3 FY23, Nuheara Co-founder and Managing Director Justin Miller said: "The March 2023 quarter was a landmark period in the company's history. We are incredibly excited to be mass producing our world-first US FDA approved self-fit OTC hearing aid, and to be shipping these hearing aids to the US. Nuheara has now achieved its first \$1 million in invoiced OTC Hearing Aid sales within two months of product availability. Having built and continuing to grow our go-to-market channels in the US, and with a fast growing back-order book of sales, we are delighted to now see our hearing aids on US retail shelves and to be growing revenues this quarter and significant cash receipts into the next quarter."

HP HEARING PRO SUCCESSFULLY LAUNCHED

The HP Hearing PRO by Nuheara, the world's first US FDA cleared self-fitting hearing aid, was successfully launched to great acclaim at CES in Las Vegas on 5 January 2023. The Company has received substantial interest from, and is progressing multiple discussions with, US retailers, Original Equipment Manufacturers (OEMs), Original Design Manufacturers (ODMs) and healthcare providers as a result.



Figure 1: Nuheara booth at CES 2023

The HP Hearing PRO is a CES® 2023 Innovation Awards Honoree award winner.

COMMENCED MASS PRODUCTION AND SHIPMENT OF HP HEARING PRO

At the end of February 2023, Nuheara achieved the first shipment of its HP Hearing PRO hearing aids, having commenced the mass production phase for this hearing aid earlier that month.

With OTC Hearing Aids a new substantial retail category in the US covering 38 million people, retailers and other healthcare providers responded very positively to the launch and product availability of the HP Hearing PRO.

PRODUCTION AND SHIPMENT LEVELS RAMPING UP

In response to the retail interest for the HP Hearing PRO, Nuheara has shipped and invoiced \$1 million to the end of April 2023. This \$1 million milestone was quickly achieved within the first 8 weeks of production.

Nuheara continues to ramp up production and, if required, could reach current production line maximum capacity by August 2023. Nuheara's contract manufacturer has the ability to introduce further production lines or alternatively, reduce the capacity of the current production line based on retail demand.

US RETAIL FOOTPRINT RAPIDLY EXPANDING, TO UNDERPIN FUTURE GROWTH IN SALES

On the back of the successful launch of the HP Hearing PRO at CES in January 2023, Nuheara has been building retail engagements across the US and other regions. These retail engagements represent some of the largest and most exclusive retailers available to sell the HP Hearing PRO.

Best Buy increases number of stores

Best Buy is Nuheara's longest retail partner with the relationship now extending beyond 5 years. Throughout these years Best Buy has trialled many forms of retail to appeal to a broad hearing audience with Nuheara's hearable products. Consequently, when OTC regulations finally came to fruition in October 2022, Best Buy was the best prepared retailer to place OTC hearing product directly into store.

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 will increase this Hearing Display store count to 554 stores, for which Nuheara expects to receive stocking orders during the course of Q4 FY23.



Figure 2: Best Buy Hearing Display's in Store featuring HP Hearing PRO by Nuheara

Fuel Medical

Fuel Medical's over 3,000 Ear, Nose and Throat (ENT) practice, audiology practice, university medical clinic and hospital brick and mortar medical based clinics have the opportunity to offer Nuheara's HP Hearing PRO throughout the US. Product availability for Fuel customers is set for early May 2023.

Target.com

In advance of Target making OTC Hearing Aid devices available in store (expected late 2023), HP Hearing PRO has already been added to Target.com, Target's online store, with product available before the end of April 2023.

CVS.com

Similar in the approach to Target, CVS is expected to make OTC Hearing Aid devices available in store in late 2023. CVS, one of the world's largest healthcare companies, has already made HP Hearing PRO available online on CVS.com which has over 47 million US digital subscribers. HP Hearing PRO became available for purchase on 24 April 2023.

Crutchfield

Crutchfield is a US retailer specialising in a wide range of electronics. It reaches its audience via web and physical catalogue. Cost effective marketing and example of retailers now doing the education on OTC hearing aid availability. Crutchfield commenced shipping mid-March 2023.

CRUTCHFIELD
Legendary Service since 1974TM

Better hearing made more accessible & affordable

For many people, some amount of hearing loss is a fact of life. But for those looking to get their hearing back, the price of prescription hearing aids can be off-putting. Fortunately, there's a new option: over-the-counter (OTC) hearing aids are a more affordable solution for those looking to improve their daily life and hear more of the world around them. Read on to learn more about how they work.

What are over-the-counter hearing aids?

Over-the-counter (OTC) hearing aids are a recent addition to the world of consumer electronics, thanks to a new FDA ruling. OTC hearing aids can be bought without a hearing test or doctor's prescription. Traditional prescription hearing aids can cost thousands of dollars. OTC hearing aids are more affordable and easier to acquire.

Over-the-counter versus prescription

There are a few small but important differences between OTC and prescription hearing aids. OTC hearing aids won't help if you have severe hearing loss. That's a task that prescription hearing aids are designed to handle. Prescription hearing aids are made for your ears and are programmed by a medical professional. OTC hearing aids depend on the user to set them up. With proper calibration (usually done with a smartphone app), they can boost the frequencies your ears have trouble with.

What makes them different from personal sound amplifiers?

You may have seen over-the-counter devices that look similar to hearing aids. These are called "personal sound amplifiers." They work by amplifying all the sounds around you. OTC hearing aids, on the other hand, boost specific frequencies and are tailored to your hearing needs. That's a great benefit for general use, but you may find that some frequencies are boosted a little too much. OTC hearing aids specifically target the frequencies you have trouble hearing and boost them to an intelligible level.

Who should buy OTC hearing aids?

OTC hearing aids are for people who have perceived mild-to-moderate hearing loss. If you've found yourself having difficulty understanding others in conversation, or if you find yourself needing to turn up music or TV a lot to hear and enjoy it, you might have some hearing loss. While you don't need a doctor's advice to purchase OTC hearing aids, we recommend seeing an audiologist first to make sure there's nothing more serious going on with your hearing or health.

Over-the-counter hearing aids have many different settings depending on your hearing needs. They work by targeting specific frequency ranges (the range of human speech is somewhere between 125 Hz and 255 Hz), and boosting them to an intelligible level. You can make adjustments to which frequencies are boosted in the app.

Important notes:

You must be 18 years or older to purchase these products. OTC hearing aids are designed for users with perceived mild-to-moderate hearing loss. Please consult your physician to see if OTC hearing aids are the right option for your specific hearing needs.

Different flavors to suit your style

Self-fitting app control
HP and Nuheara teamed up to produce HP Hearing PRO self-fitting hearing aids. They use four directional microphones to achieve a 20% improvement in speech in noisy environments. Maybe best of all, the clinically validated HP Hearing app (available for AndroidTM and iOSTM) lets you dial in the hearing aids precisely to match your specific hearing needs.
HP Hearing PRO over-the-counter hearing aids with Bluetooth[®] - \$699.00

Keep unwanted noise out
These sleek OTC hearing aids from Sony sport a modern, out-of-the-way appearance. They were developed in collaboration with WS Audiology and deliver clear, prescription-grade sound. The hearing aids can automatically adjust ambient noise to keep the sounds you need to hear front and center.
Keep OTC PRO over-the-counter hearing aids with Bluetooth[®] - \$699.00

Four unique hearing presets
Lucid Audio's Engage[™] over-the-counter hearing aids sport a slim appearance. Their wide-band hearing assistance takes just a few minutes and tells you which of four built-in hearing presets to select. The Engage is also Bluetooth enabled for music streaming and hands-free calling.
Lucid Audio Engage over-the-counter hearing aids - \$699.00

Plenty of battery for all day hearing help
Kevin and Dece collaborated to create their 12-hour over-the-counter hearing aid. You can use the Kevin app for on-the-go sound adjustments and make self-fitting the hearing aids a breeze. Each of the 12-hour rechargeable battery that calls for up to 10 hours of continuous use before recharging.
Kevin 12H Rechargeable Over-the-counter hearing aids - \$699.00

\$5000 cost to be in 900K homes - will be deducted from AP

Crutchfield is a general merchandise, electronics, automotive, and outdoor store.

Figure 3: Crutchfield catalogue advertising distributed to 900,000 US homes in February 2023

STRATEGIC OEM/ODM OPPORTUNITIES

OTC Hearing Aids represent a new retail category of medical/electronic devices in the US and globally. Nuheara's 8 years of experience designing, manufacturing and selling innovative earbud style hearing devices, and one of the first to embed self-fit- technology, has provided the Company with an advanced market-leading capability to develop next generation OTC hearing devices.



Figure 4: Nuheara's strategic 360-degree approach to the development of hearing devices, with a chipset partner, is providing competitive advantage.

This capability has been significantly advanced with Nuheara's strategic partnership with Realtek, allowing Nuheara to develop single chip, clinically approved, hearing devices. Nuheara has now developed working prototypes of Gen4 products featuring a combined Nuheara and Realtek core, which can then be placed (and tailored) into multiple OTC hearing aid designs. The Gen4 prototypes have now been demonstrated to multiple potential OEM partners who are looking to enter the OTC hearing aid market, with the manufacture of a Nuheara/Realtek provided solution.

This is a significant area of potential growth for the Company. To support this opportunity, Nuheara has appointed Taiwan-based Christophe Chene as SVP of Strategic Growth.

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

As announced today, Nuheara has appointed two senior executives, as well as enhancing its organisational structure to best support:

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

STRONGLY SUPPORTED CAPITAL RAISING UNDERPINS US GROWTH

In March 2023, Nuheara successfully completed a capital raise of \$3 million (before costs) through a Placement to sophisticated and professional investors. Existing shareholder, and strategic investor, Realtek cornerstoned the placement, investing a further \$0.6 million into the Company. Funds raised from the Placement will support working capital to ramp up production for the ongoing rollout of Nuheara's world-first US FDA cleared over the counter (OTC) hearing aids in the US.

LEROY LIU APPOINTED TO THE BOARD OF DIRECTORS

Leroy Liu (Yean-Shao Liu) was appointed a Non-executive Director to the Nuheara board, effective from March 15, 2023. Mr Liu's senior executive career spans extensively across technology, mergers and acquisitions, and venture capital. Based in Taiwan, Mr Liu is the Chief Strategy Officer (CSO) at Realtek Semiconductor Corporation and prior that was APAC GM with Dialog Semiconductor.

CASH RECIEPTS

Cash receipts grew slightly from the previous quarter, however with invoicing of the HP Hearing PRO only commencing in March, the Company did not record any cash receipts from this new product. As such, cash receipts for Q3 FY23 were derived predominantly from non-regulated hearing device sales. This is expected to change for Q4 FY23 where HP Hearing PRO sales will far exceed IQbuds MAX sales.

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 \$665k was capitalised in Q3 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 significantly during Q3 FY23. This was a result of HP Hearing PRO manufacturing commencing during the quarter. Cash outlays of \$824k were incurred during Q3 FY23.

Advertising and marketing

Advertising and marketing spend was increased in Q3 FY23 to \$630k to support key product launches including the new HP Hearing PRO at CES 2023.

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 cash costs of \$1,087k were incurred in Q3 FY23 in line with the prior quarter.

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).

Administration and corporate costs

The Company had a major increase in Administration and corporate costs for the quarter. This was primarily driven by once off legal costs associated with trademark defence and new trademark applications, and the IP management of HP Hearing PRO and next generation of products.

The Company also incurred once off increase in corporate costs for the audit due to a restatement and advice on company structure including an independent expert report.

Payments to related parties

Payments to related parties in Q3 FY23 were \$210k, 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/>.