

## QUARTERLY REPORT

For the quarter ended 31 December 2018

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### 31 January 2019 – Perth, Australia

Nuheara Limited (ASX: NUH) (“Nuheara” or the “Company”) is pleased to provide the Company update and quarterly report for the quarter ended 31 December 2018.

Nuheara’s cash balance as at 31 December 2018 was \$8.09 million. There was an improvement of 72% in net operating cash outflows for Q2 FY2019 of \$657k compared to last quarter, Q1 FY2019, of \$2.34 million.

Receipts from customers of \$725k were 10% higher than previous quarter (Q1 FY2019: \$661k). Unit sales were 51% higher than the previous quarter, which will then flow into subsequent quarter receipts.

At the end of the previous quarter, and influencing this quarter’s results, was the decision by the Company to consolidate product sales to a more focused, exclusive and dedicated retail channel in. This decision to provide access to retailers that have a consultative sales process, such as Optical Retailers (refer further in the update that follows), is designed to ensure that the customer journey is more focused, educated and fit for purpose.

Nuheara is creating a hearing ecosystem designed to serve a multitude of hearing healthcare needs of a global market, with a connected ecosystem of upgradeable devices, accessories and software. Continuing beyond the engineering of wireless earbuds, Nuheara is now recognised as a global leader in the category now known as Smart Hearing.

During the course of the quarter, the following key developments were also reported:

### UK NHS Contract – World’s First Prescribed Hearable

IQbuds BOOST™ was recently selected by the UK’s National Health Service (NHS), through a formal tender process, to provide hearing solutions to adults and children with mild to moderate hearing loss.

In a world first, IQbuds BOOST™ was selected as a smart hearing bud (Hearable) to be prescribed alongside traditional hearing aids. Commencing in April 2019, the contract will be for an initial two-year period with provision for a further two-year extension. The anticipated value for purchases made by NHS for hearing device solutions to support this mild to moderate hearing category is circa £34.5m in the first 12 months and £138m for the full term of 48 months (if extended). The total contract value of devices to support all forms of hearing loss is circa £270m.

The tender application was submitted in partnership with Nuheara’s UK based hearing healthcare distributor, Puretone Ltd, which will supply and support IQbuds BOOST™ to NHS. Headquartered in Kent, UK, Puretone is a Hearing Aid and Accessories Distributor with more than 50 years of experience and operations in 48 countries that support 11,000 independent hearing clinics.

The NHS is the largest single-payer healthcare system in the world. Primarily funded through the general taxation system and overseen by the Department of Health, NHS England provides free healthcare to all legal English residents, including hearing aids. More than 75% of all hearing aids provided in the UK are done so by the NHS.

### **US FDA Approval of Self-Fitting Hearing Device**

In October, Nuheara welcomed the announcement by Bose Corporation (Bose) that it had secured US Federal Drugs Administration (FDA) De Novo status approval for a self-fitting hearing device.

The De Novo process provides an alternative pathway for medical device manufacturers to classify novel medical devices that can be shown to be safe and effective for consumer use and which does not currently “fit into” any of the current FDA Class I or Class II medical device categories.

While the De Novo approved hearing aid has not been launched nor shown to market, this action by a major electronics manufacturer - outside of the six major hearing aid manufacturers that control 95% of the world’s hearing aid market - has brought valuable focus for the growing hearing healthcare channel. Nuheara has been driving the expansion of this growing channel by developing accessible and affordable smart hearing solutions to an underserved mild-to-moderate hearing loss market.

### **Specsavers Optical Group Ltd (Specsavers)**

The Company recently announced a retail partnership with leading global optical and hearing retailer, Specsavers. Initial trials have commenced in the Sussex Specsavers store with a view to increased roll-out over 2019. Optical chains globally are transforming the accessibility and affordability of hearing products and are strongly positioned to support the customer journey across both their eye-care and hearing needs.

With revenues in excess of £2.6 billion, Specsavers is the United Kingdom’s (“UK”) largest optical retailer, with more than 36 million customers, employing in excess of 32,500 people and with 1,978 stores across United Kingdom, Guernsey, Jersey, Ireland, Norway, Sweden, Finland, Denmark, the Netherlands, Spain, Australia and New Zealand. Significantly, Specsavers was one of Europe’s pioneers in adopting the cross-over sales approach of optical and audiology products, by entering the hearing market in 2002. Audiology services now operate in more than 900 optical stores, including Australia, and sold 337,770 hearing aids last financial year.

The retail expansion with Specsavers is a significant adjunct to the announcement regarding the successful entry of IQbuds BOOST™ into the UK’s NHS hearing aid supply contract. Specsavers is already a champion of the NHS – of its 17.3 million customers in the UK, 60% are from the NHS and the company is the largest private provider of free NHS digital hearing aids. Specsavers provides support to regions/towns that are not able to be serviced by NHS hospital-based audiological services.

### **Republic of Ireland (Ireland) – Appointment of Distributor**

Nuheara’s global hearing healthcare expansion continues with the appointment of audiological retailer, Hidden Hearing. Hidden Hearing is Ireland’s leading provider of hearing healthcare with a national network of 75 branches and clinics. With onboarding and training now complete, IQbuds BOOST™ will be available in 61 of these clinics by December 1, 2018.

Strategically, Hidden Hearing is the first hearing healthcare chain to embed Nuheara’s IQbuds BOOST™ product on a country wide basis.

### **Korean Product Certifications and Appointment of Distributor**

During the quarter, Nuheara secured the necessary product certifications for IQbuds™ and IQbuds BOOST™ to be sold in the Republic of Korea (South Korea). South Korea is a leading developer and adopter of technology and Sam Audio has been appointed the first distributor for the territory. Nuheara's primary Asian country focus now includes Japan, Singapore, Hong Kong, Vietnam and South Korea.

### **Introduction of Smart Hearing Category and New Product Announcements**

Justin Miller, CEO and Managing Director, conducted investor open briefing sessions during October in which he presented a paper titled "Bridging the Hearing Chasm". That presentation gave an overview of the company's progression from delivery of its first prototype, IQbuds™, to generation of \$millions in revenue, and global retail expansion. Now, the Company is committed to providing hearing solutions to consumers that are both affordable and accessible - 10-12% of the world's population having mild to moderate hearing loss, yet less than 10% have purchased any hearing assistance. Continuing beyond the engineering of wireless earbuds, Nuheara is now recognised as a global leader in the category now known as Smart Hearing.

Nuheara is creating a hearing ecosystem designed to serve a multitude of hearing healthcare needs of a global market, with a connected ecosystem of upgradeable devices, accessories and software.

The Company's range of products will be expanded in 2109 to include new products, IQstream TV™ and IQbuds MAX.

#### **IQstream TV™**

Designed for use with IQbuds BOOST™, IQstream TV™ is the first of many planned accessories for Nuheara's range of smart hearing buds and continues Nuheara's mission of enabling the power to hear.

IQstream TV™ is a game-changing hearing solution for both customers and their families. IQstream TV™, a hardware accessory device connected directly to the TV, also includes an inbuilt extension for the Nuheara app that collectively provide the user with the ability to balance the volume of the TV sound (independently from anyone else watching the TV) with ambient sounds and conversations – or choose just to hear the sound from the TV. Uniquely for Nuheara customers, they will no longer need to turn up the TV volume to a level that family, friends or neighbours may find inconvenient.

The completion of the first production run of IQstream TV™ marks a major milestone in Nuheara's pursuit to be the leading company providing complete hearing ecosystem solutions that are focused on affordability and accessibility. Currently, this market is underserved and overpriced. The continued advanced Research & Development, design and manufacture of forward-thinking new products such as these, consolidates Nuheara's global leadership position in the delivery of smart hearing solutions.

#### **IQbuds MAX™**

With maximum intelligence and personalisation, IQbuds MAX™ will have added features with more advanced processing and hearing functionality, than its existing products.

### **Nuheara Advisory Board Appointment**

In October 2018, Nuheara announced the appointment of Brian Hall to its Advisory Board. Based in Seattle, USA, Brian Hall brings with him a wealth of experience in the technology industry, having spent over 20 years at Microsoft in various executive roles, including as Speech Assistant to Steve Ballmer in 1998-2001, to leading the successful turnaround of the now multi-billion dollar Surface business between 2013-2017.

In 2017, Brian Hall was appointed as COO and then CEO of Doppler Labs, which was initially one of Nuheara's closest competitors. Doppler Labs was a leader in the wireless earbud market in the US, gaining significant funding and press coverage, it also helped lobby for the successful US legislative "over-the-counter hearing aid act of 2017". Due to several factors, the company sold its IP and shut down in late 2017.

Mr Hall's experience in leading multi-billion dollar businesses during his time with Microsoft Surface and his knowledge and lessons from Doppler Labs will be critical at this stage of Nuheara's journey.

### **Capital Raising**

On 10 December, 2018 the Company announced the successful completion of a \$5 million capital raise (before costs) to institutional and sophisticated investors. The placement of approximately 66.6 million shares is at an issue price of 7.5c, representing approximately a 4% discount to the most recent closing price and a 10% discount to the 30-day Volume Weighted Average Price.

The raising will assist Nuheara in achieving its planned objectives for the next 6 months, namely to:

- increase sales and marketing activities of IQbuds BOOST™;
- increase inventory levels of IQbuds BOOST™ to support new contracts including the UK NHS hearing aid contract, announced on 28 November 2018 and due to commence in April 2019; and
- manufacture and development of new products including IQstream TV™ and IQbuds MAX™.

Nuheara is delighted to announce that the equity raising was corner-stoned by many of the Company's existing institutional shareholders including Nuheara's largest shareholder Farjoy Pty Limited.

### **R&D Tax Cash Rebate Received**

During the year ended 30 June 2018, Nuheara incurred eligible R&D expenditure which resulted in the receipt of a cash rebate from the Australian Tax Office of \$1,940,741.19. The R&D Tax Incentive provides a tax cash rebate to support Australian companies undertaking research and development.

The R&D Tax Incentive is a highly effective Government policy which has allowed Nuheara to thrive. The investment Nuheara makes in R&D is directly correlated to its revenue stream – the majority of which is derived overseas.

The rebate's year-on-year increase of 60% (\$1,209,617.95) on the previous period (2017FY) is representative of the company's commitment to provide research leadership in the rapidly changing landscape of global hearing healthcare.

## MINERAL ASSETS

There has been no change in the interests or to the activities of mining tenements during the quarter. The following table represents the Company's interests in mining tenements (through its wholly owned subsidiary Wild Acre Metals (Peru) SAC) as at 31 December 2018:

MINING TENEMENT REGISTER		
	Tenement	Interest %
<b>PERU:</b>		
Sambalay 1	010180210	100%
Sambalay 2	010180310	100%
Sambalay 3	010185310	100%
Salvador	010227410	100%
Salvador	010328310	100%

## CORPORATE INFORMATION

### Directors

Justin Miller  
Executive Chairman - Managing Director/CEO

David Cannington  
Executive Director/ Chief Marketing Officer

Kathryn Foster  
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 as at 30 September 2018

960,660,390 ordinary shares. Unquoted securities on issue as at 31 December 2018:

Security	Number on issue
Unlisted Options – exercisable at 3 cents on or before 24/2/2019	20,000,000
Unlisted Options – exercisable at 4 cents on or before 18/4/2019	750,000
Unlisted Options – exercisable at 6 cents on or before 18/4/2019	5,500,000
Unlisted Options – exercisable at 9 cents on or before 20/4/2019	1,000,000
Unlisted Options – exercisable at 9 cents on or before 30/11/2019	10,500,000
Unlisted Options – exercisable at 11.5 cents on or before 16/2/2020	1,500,000
Unlisted Options – exercisable at 9 cents on or before 22/5/2020	3,500,000
Unlisted Options – exercisable at 7.8 cents on or before 2/11/2019	10,000,000
Unlisted Options – exercisable at 12 cents on or before 6/6/2019	10,000,000
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 12/1/2021	1,000,000
Unlisted Options – exercisable at 9 cents on or before 1/3/2021	8,000,000
Unlisted Options – exercisable at 9 cents on or before 17/9/2021	9,500,000
Unlisted Options – exercisable at 9 cents on or before 10/12/2021	1,500,000

## 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 2018

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	725	1,386
1.2 Payments for		
(a) research and development*	(15)	(330)
(b) product manufacturing and operating costs	(1,111)	(2,318)
(c) advertising and marketing	(851)	(1,269)
(d) leased assets	-	-
(e) staff costs*	(677)	(1,680)
(f) administration and corporate costs	(669)	(878)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	8
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	(2)
1.7 Government grants and tax incentives	1,940	2,086
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(657)</b>	<b>(2,997)</b>

\*Excludes expenditure directly attributable to development activities that are capitalised as an intangible asset under Australian Accounting Standards. Refer payments to acquire intellectual property under cash flows from investing activities

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	(56)	(82)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property*	(995)	(1,943)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	1	1
(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>(1,050)</b>	<b>(2,024)</b>

\*Comprising capitalised development costs of \$917,000 and capitalised patent and trade mark expenditure of \$78,000

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	5,110	5,110
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(303)	(345)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-

+ See chapter 19 for defined terms



<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>4,807</b>	<b>4,765</b>

<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	4,990	8,346
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(657)	(2,997)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,050)	(2,024)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,807	4,765
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>8,090</b>	<b>8,090</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	4,701	1,684
5.2	Call deposits	3,389	3,306
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>8,090</b>	<b>4,990</b>

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

Current quarter \$A'000
175
-

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

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**

*Add notes as necessary for an understanding of the position*

	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.

<b>9.</b>	<b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1	Research and development <sup>1</sup>	(100)
9.2	Product manufacturing and operating costs <sup>2</sup>	(1,000)
9.3	Advertising and marketing	(750)
9.4	Leased assets	-
9.5	Staff costs	(1,250)
9.6	Administration and corporate costs	(500)
9.7	Other (provide details if material)	
	Payments to acquire property, plant and equipment	(150)
	Payments to acquire intellectual property <sup>3</sup>	(1,000)
<b>9.8</b>	<b>Total estimated cash outflows</b>	<b>(4,750)</b>

1. Excludes expenditure directly attributable to development activities that are capitalised as an intangible asset under Australian Accounting Standards.
2. Includes advance inventory purchases
3. Includes expenditure on trade mark registrations and development costs directly attributable to development activities that are capitalised as an intangible asset under Australian Accounting Standards

<b>10.</b>	<b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
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: 31/01/2019

(Director)

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.