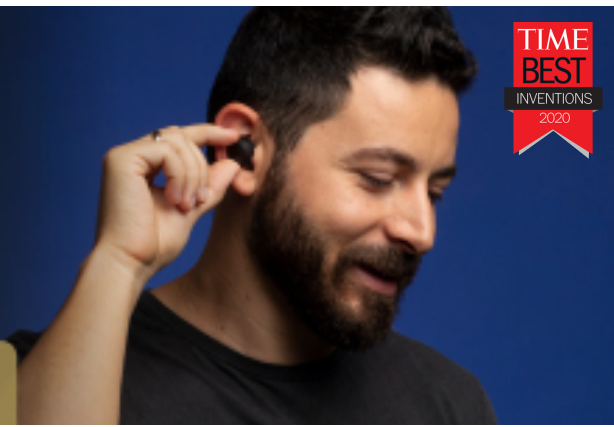


Quarterly Report

For the quarter ended 31 March 2021



Highlights

Q3 FY21 was characterised by the ongoing fulfilment and strengthening in sales of IQbuds² MAX, the rollout of HP Elite Wireless Earbuds that have now commenced mass production, and the strengthening of the Company’s balance sheet to support further growth.

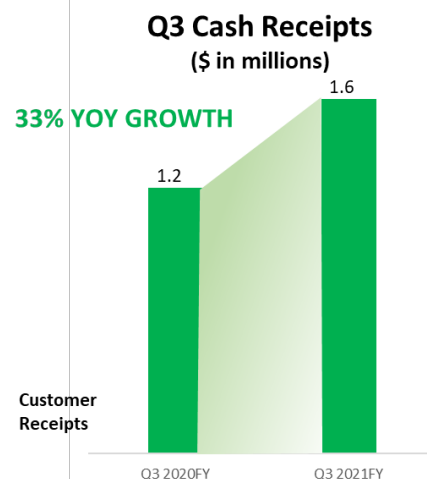
- **Customer receipts of \$1.6 million in Q3 FY21, up 33% on Q3 FY20**, with strong Direct To Consumer (DTC) cash receipts, where payment is secured on placement of order.
- **Invoiced revenue of \$2.3 million in Q3 FY21**, for total FY21 (9 months to date) invoiced revenue of \$9.2 million.
- **New Q3 FY21 orders of 4,194 IQbuds² MAX units**, up 13% from Q2 FY21. Seasonally and historically, Q3 is traditionally the quietest retail quarter of the financial year.
- **Stability in DTC Return On Advertising Spend (ROAS) of 2.0x for Q3 FY21**, Q2 was 2.1x and Q1 was 1.7x.
- **HP Inc. launched Nuheara co-developed Elite Wireless Earbuds at CES 2021.**
- **Mass production of Elite Wireless Earbuds now occurring**, with shipping to HP Inc. expected to commence in early May 2021.
- **US FDA registration for IQbuds² PRO**, new advanced hearing product with expected release later this calendar year.
- **Strong balance sheet with \$10.4 million cash and no debt at 31 March 2021**

Comments from Co-founder & CEO Justin Miller:

“This quarter saw Nuheara continue to build its growth momentum, with new sales of our flagship IQbuds² MAX product up 13% on the previous quarter. As a result, we have generated strong growth in total invoiced sales, which over the 9 months of the current financial year stands at \$9.2 million, more than 4 times higher than the entire 2020 financial year.

“The HP Elite Wireless Earbuds were featured by HP at CES 2021, and we are now mass producing them with first shipment expected next month. This is the first HP branded product to be manufactured by Nuheara under the recently announced three-year umbrella supply agreement.

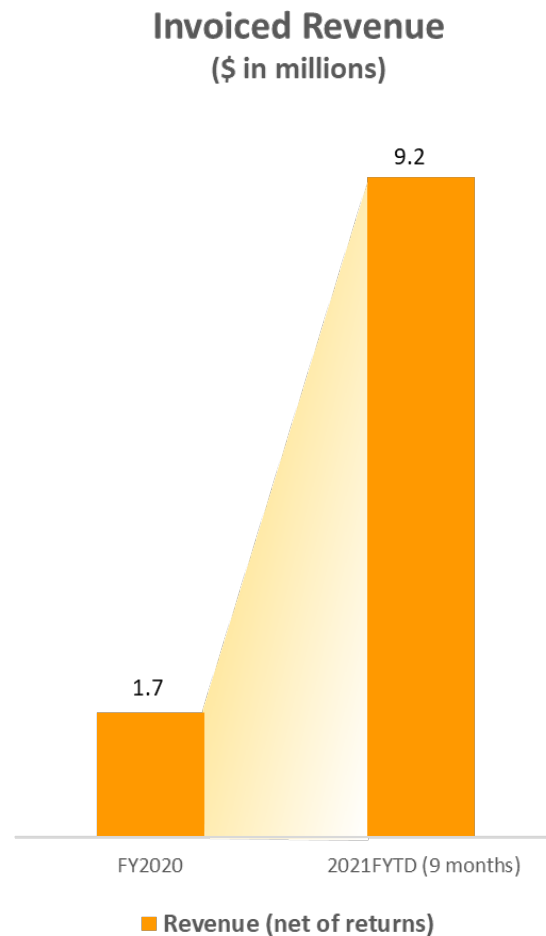
“Following our strongly supported capital raising in January, Nuheara is now well capitalised with over \$10 million cash and no debt on its balance sheet. Nuheara is in a very strong position to continue driving its DTC sales growth and to support its expanding OEM partnerships, including HP Inc.”



Nuheara Limited (ASX: NUH) (Company or Nuheara), 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 31 March 2021 (Q3 FY21).

SALES AND REVENUE

Nuheara continued to deliver record sales in Q3 with total invoiced sales for the quarter at \$2.3 million. The Company has now invoiced \$9.2 million of revenue (net of returns) for the nine months to 31 March 2021.



Strong balance sheet with \$10.4 million cash and no debt at 31 March 2021

Over Q3 FY21, Nuheara strengthened its balance sheet, successfully completing a capital raising and closing out the previous convertible security. At 31 March 2021, the Company had \$10.4 million cash and no debt.

Strongly supported Share Placement

On 7 January 2021, Nuheara completed a Share Placement that raised \$11.5 million (gross funds) from existing and new sophisticated and institutional investors. The funds raised will principally be used to accelerate Nuheara’s Direct-to-Consumer (DTC) sales activities, as well as supporting credit terms for Nuheara’s manufacturing and production costs associated with the HP Inc. supply agreement.

Convertible note closed out

Following the Company's successful strongly supported Share Placement, Nuheara issued a buy-back notice to The Lind Partners (Lind) for the remaining convertible note (CN) balance of \$850,000. Under the terms of the CN Funding Agreement, Lind elected to convert the buy-back into shares at an issue price of \$0.04 per share (the same issue price as the Share Placement), being 90% of the five lowest daily VWAPs in the 20 trading days prior to the buy-back notice being served.

Nuheara is debt free

Following the completion of the Share Placement and security conversion, Nuheara is debt-free, placing the Company in a very strong position to continue driving its DTC sales growth and to support its expanding OEM partnerships, which now includes HP Inc.

HP Inc. launched Nuheara co-developed Elite Wireless Earbuds at CES 2021

In early January 2021, HP Inc. launched HP Elite Wireless Earbuds as the world's most advanced earbuds for collaboration at the Consumer Electronics Show (CES) 2021. This is the first HP branded product to be manufactured by Nuheara under the recently announced three-year umbrella supply agreement with HP. The earbuds will be offered to HP customers as bundled options with selected HP notebooks.



Figure 1: HP – “Easily collaborate and flow throughout the day with the HP Elite Wireless Earbuds, which connect to multiple devices and feature personalised audio tunings and noise cancellation”.

HP Inc. described the Elite Wireless Earbuds as: “The world's most advanced earbuds for collaboration¹, with personalized audio tuning, adjustable noise cancellation, and sound situation presets. Flow through the day with earbuds that seamlessly switch from a conference call on a PC to listening to music on a phone via the simple Windows 10®, iOS, or Android app.”

¹ Based on HP's internal analysis as of December 2020. Most advanced based on premium Active Noise Cancellation, hearing test for audio personalisation including earbud fit test, hearing enrichment, customizable environmental pre-sets, customizable transparency mode, speech amplification, sound direction customization, tap to switch between devices/between audio settings, low power independent/dual ear to ear use, Windows Swift Pair with comprehensive Windows 10 application, applications for Android and iOS devices.

Post quarter-end, Nuheara commenced mass production of HP Elite Wireless Earbuds

This month Nuheara was commissioned by HP Inc. for mass production of the HP Elite Wireless Earbuds. Following HP approval of production line samples, the manufacturing of Elite Wireless Earbuds has now commenced. Shipment is expected to commence in early May 2021.

Nuheara received US FDA registration and hearing aid device listing

On 7 March 2021, Nuheara received US Food and Drug Administration (FDA) establishment registration for a medical device listing of a new hearing aid, IQbuds²PRO (PRO).

The PRO, alongside IQbuds²MAX (MAX), will be the second product to be derived from the recently developed IQbuds² hardware platform. With software developments currently in train, the PRO has been designed to provide deeper levels of hearing technology sophistication, while delivering higher levels of hearing enhancement and amplification. The PRO is expected to be launched in the US later this year.

The PRO has received FDA classification as a “HEARING AID, AIR CONDUCTION WITH WIRELESS TECHNOLOGY” Device Class 2 (medical device) 510(k) exempt with an OSM product code (Classification). As with all hearing aids classified with the OSM product code, the FDA has classified PRO as 510(k) exempt. This means the PRO can be sold in the US without the need to conduct clinical trials or submit a 510(k) application.

Nuheara’s multi-product strategy maximises the Company’s global sales opportunities by offering multiple products that support varying degrees of hearing loss. MAX will continue to meet the needs of those with mild hearing challenges. PRO is designed to support adults with higher (moderate) levels of hearing loss and will extend Nuheara’s Direct-to-Consumer strategy to the global US\$9billion per annum (North America US\$3.37 billion) hearing aid market².

The FDA Classification is separate to the FDA’s proposed Over-the-Counter (OTC) hearing aid category, which was due to be issued as new category in August 2020 but has since been delayed.

Utilising Nuheara’s connected hearing technology platform, the Company’s aspiration is to create an end-to-end hearing healthcare company by efficiently delivering hearing products, accessories and services across the global Hearables, Medical Device and OTC markets.

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.

Product Manufacturing and Operating Costs

The campaign for the sale of Nuheara’s third generation product, IQbuds² MAX, continued during the quarter. The first production run was sold out and orders have been placed for ongoing production

² Fortune Business Insights, Hearing Aid Market Research Report, December 2020

runs into 2021. Cash outlay for the quarter included deposits paid on advance production runs for both Nuheara and HP products as well as payment for completed units.

Advertising and Marketing

Advertising and marketing spend is primarily expenditure directly attributable to the generation of online sales (Direct-to-Consumer or DTC) and traditional retail sales channel support.

Staff Costs

Consistent with research and development expenditure noted below, employment expenses related to employees working on research and development activities have also been capitalised as an intangible asset under Australian Accounting Standards.

The remaining staff costs represent corporate, operations, finance, administration, and marketing employees, including related party payments of \$193k for non-executive Director fees, and salaries paid to executive Directors during the period (refer item 6.1).

Administration and Corporate Costs

Administration and corporate expenses reflect changes made within the business to ensure the Company is well positioned operationally and financially to accommodate the requirements under the Statement of Works and Supply Agreement with HP and ongoing sales of Nuheara’s core products.

Research & 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 \$981k has been capitalised this quarter and is shown as “Payments to Acquire Intellectual Property” under cash flows from investing activities at item 2.1(e).

ISSUED CAPITAL

At the date of this report there were 1,722,837,526 ordinary shares and the following unquoted securities on issue:

Unquoted Securities	Number on issue
Unlisted Options – exercisable at 9 cents on or before 17/9/2021	1,000,000
Unlisted Options – exercisable at 9 cents on or before 17/04/2022	2,500,000
Unlisted Options – exercisable at 5 cents on or before 03/02/2024	24,264,706
Unlisted Options – exercisable at 2.6 cents on or before 04/06/2023	3,750,000
Unlisted Options – exercisable at 2.5 cents on or before 21/08/2023	31,719,999
Unlisted Options – exercisable at 5 cents on or before 21/08/2023	2,000,000
Unlisted Options – exercisable at 10 cents on or before 21/08/2023	2,000,000
Unlisted Options – exercisable at 4.35 cents on or before 02/03/2024	5,000,000
TOTAL	72,234,705

Payments to related parties over Q3 FY21 were \$193k, which included fees paid to directors and CEO's cost of payroll for the period.

INVESTOR BRIEFING DETAILS

Justin Miller (Co-founder & CEO) and Jean-Marie Rudd (CFO) will host an investor webinar at 12:30pm AEST / 10:30am 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_lwi2kYgSRk-XnRZ7bUesCg

-ENDS-

AUTHORISED BY:

Justin Miller
Managing Director and CEO
Nuheara Limited

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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. 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. 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.

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")

31 March 2021

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	1,607	6,951
1.2 Payments for		
(a) research and development ⁽¹⁾	(59)	(126)
(b) product manufacturing and operating costs ⁽²⁾	(833)	(3,835)
(c) advertising and marketing	(1,090)	(2,508)
(d) leased assets	-	-
(e) staff costs	(675)	(1,644)
(f) administration and corporate costs	(701)	(2,637)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	5
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	100	1,941
1.8 Other (provide details if material)	4	149
1.9 Net cash from / (used in) operating activities	(1,646)	(1,704)
<p>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).</p> <p>2) Includes deposits paid on advanced production of IQbuds² MAX and HP Elite Wireless Earbuds.</p>		
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(25)	(51)
(d) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(e) intellectual property ⁽¹⁾	(1,045)	(3,051)
(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	(1,070)	(3,102)

1) Comprising capitalised development costs of \$981k (YTD \$2,913k) and capitalised patent and trademark applications of \$64k (YTD \$138k).

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	11,500	11,720
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	85
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	(210)
3.7 Transaction costs related to loans and borrowings	(764)	(804)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	10,736	10,791

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,396	4,431
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,646)	(1,704)

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 (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,070)	(3,102)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	10,736	10,791
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	10,416	10,416

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	2,449	2,229
5.2	Call deposits	7,967	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)	10,416	2,396

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**

193

-

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)	(1,646)
8.2 Cash and cash equivalents at quarter end (item 4.6)	10,416
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (Item 8.2 + item 8.3)	10,416
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	6.39

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:

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:

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:

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: 28 APRIL 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 will hold a webinar to discuss the quarterly results.

Date: Wednesday 28th April 2021

Time: 10.30am (AWST)

Registration Link :

https://us02web.zoom.us/webinar/register/WN_lwi2kYgSRk-XnRZ7bUesCg

Authorised by:

Justin Miller

Managing Director and CEO
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CORPORATE INFORMATION

Directors

The Hon Cheryl Edwardes *AM*
Independent Non-Executive Chairman

Justin Miller
Managing Director/CEO

David Cannington
Executive Director/Chief Marketing Officer

Kathryn Foster
Independent Non-Executive Director

David Buckingham
Independent Non-Executive Director

Company Secretaries

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

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