

COMPANY UPDATE & QUARTERLY REPORT

For the quarter ended 30 September 2017

HIGHLIGHTS

- ❖ Aggressive growth in consumer electronic retail points of sale (brick and mortar, and online) for IQbuds™ across USA:
 - Best Buy expansion 1 to 238 stores – August 2017
 - Brookstone expansion 42 to 210 stores – September 2017
 - ❖ New partnerships with European and Middle East retailers
 - ❖ Company now well positioned to be placed in 1,800 brick and mortar stores by 31 December
 - ❖ Commenced Hearing Health Channel diversification – Bloom
 - ❖ Industry first personalisation and customisation features with Custom Tap Touch for IQbuds™
 - ❖ Raising of \$9m through an institutional share placement
 - ❖ Manufacture of surplus 10K+ IQbuds™; now stocked across Company's four warehouses
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Nuheara Limited (ASX: NUH) ("Nuheara" or the "Company") is pleased to provide a Company update and the quarterly report ended 30 September 2017.

SALES & MARKETING

Nuheara continues to deliver on its commitment to establish quality global distribution and retail partnerships for IQbuds™.

During the September quarter Nuheara announced its expansion into the Middle East with the appointment of Dubai based distributor, GR Media Solutions who will supply premium retail outlets including Virgin Megastores, Dubai Duty Free, HMV and iStyle and will be feature in some of the region's most prestigious locations such as The Dubai Mall of the Emirates, and Dubai International Airport. The Company also continued its IQbuds™ expansion in Europe with initial deployments to retailers including Harrods, Selfridges, Elkjop and Media Markt.

This follows the announcements earlier in the September quarter of expansion into Target.com (Target is the second largest mass merchandising retailer to Walmart in the US), expansion of IQbuds™ into Brookstone's remaining 150 brick and mortar stores in the US (for a total of 210 stores), and expansion to 238 stores in Best Buy.

Over the course of the quarter, the Company has worked tirelessly to move from being an online provider of IQbuds™ product, to the more substantive and sustainable growth platform of now being sold, in-store, by major retailers globally. Although the IQbuds™ in-store retail expansion is in its early phase, Nuheara is now well positioned to extend the current 650 brick and mortar store deployments, across all regions, to a potential 1,800 stores by Christmas 2017 and build sales revenue accordingly throughout the course of the fourth quarter ("Q4" or the "October–December quarter").

The marketing team have worked diligently on new marketing content and advertising initiatives to support sales during the course of Q4.

Hearing Health Channel diversification

Nuheara has commenced diversification into the Hearing Care Professional Clinic (HCPC) channel in Australia and Europe through Bloom Hearing Centres. In the US, the Over the Counter (OTC) Hearing Aid Act 2017 came into law in August. Nuheara is thrilled about the passage of this Act as companies like Nuheara are now poised to deliver solutions across a range of retail channels that don't require the consumer to visit a HCPC. This new category of hearing products will offer advanced capabilities at significantly lower prices compared to hearing aids.

PRODUCTION AND LOGISTICS

With backorder shipments completed during the course of the previous quarter, the Company was able to build surplus units during this quarter and stock each of its 4 warehouses (Sydney, Los Angeles, London & Hong Kong) with a total of more than 10,000 units, spread across all warehouses. As the company continues to develop and mature its retail partnerships, this stockholding is now providing a fast and efficient ability to restock retailers globally and ensure product availability for the anticipated increase in Q4 sales; the Christmas holiday season is the largest consumer retail spending quarter.

PRODUCT DEVELOPMENT

Earlier this month, Nuheara announced a breakthrough in the hearables market with the introduction of significant industry first upgrades, including Custom Tap Touch, that deliver powerful levels of personalisation and customisation features for new and existing users of IQbuds™.

Custom Tap Touch gives users the ability to control their own tap touch commands based on how they want to personalise their IQbuds™ experience.

Nuheara has set a new standard in upgradable truly wireless earbuds by giving customers enhanced functionality with a simple firmware upgrade, coupled with an App upgrade to their smart device. This upgrade also includes algorithm developments made to improve wind noise reduction, which reduces microphone thumping and improves speech clarity in windy conditions.

AWARDS

In the last nine months since shipping commenced, IQbuds™ have won seven global awards for its innovative technology. No other hearable has won three innovation awards from CES 2017 (Las Vegas) and two innovation awards from IFA 2017 (Berlin) – the two largest consumer electronics shows in the world.

Innovation Awards at IFA, Berlin

Nuheara won multiple innovation awards at IFA in September. Presented by IHS Markit, a world leader in critical information, analytics and solutions, the awards showcased the most innovative technology products submitted by event exhibitors. The awards were judged by independent technology industry research analysts at IHS Markit and leading journalists who cover a wide range of technology sectors.

Nuheara's IQbuds™ won the Augmented Reality, Virtual Reality and Gaming Category and was runner up in Fitness/Wearables/Health Devices category.

Receiving these prestigious awards, has provided a wonderful platform for launching IQbuds™ into the European retail market. Given our success at CES in January 2017, this recognition further cements Nuheara as a leader in the rapidly growing "hearables" sector. Significantly, these awards recognise our global leadership position within the hearing related Augmented Reality and the Wearable/Healthcare sectors.

Press Coverage

Positive press coverage continues to roll in, as journalists, online technology entrepreneurs and everyday consumers discover the points of difference and capabilities of IQbuds™ from other hearable technology. Below are some of the recent coverage and mentions of Nuheara this quarter:

- Rolling Stone – "The Nuheara IQbuds are a game-changer"
- Edgeneo – "When it comes to speech augmentation, the IQbuds blows it out of the park"
- EBPMAN Tech Reviews – "IQbuds update makes great earbuds even better!"
- MacDirectory (Apple) Magazine –
 - "The audio enhancing technology in the IQbuds is one of the first consumer grade solutions available, and it's really impressive! Their impact is immediately obvious when placing them in your ear, and there is an audio setting for every occasion";
 - "Audio enhancing IQbuds from Nuheara may not be a device that you realized you were missing, but once you wear them, you'll never want to go back to other wireless earbuds. Their high quality audio control/enhancement makes a very compelling argument for the \$300 investment."

Nuheara was also recently chosen to attend The Luxury Technology Show in New York sponsored by the Wall Street Journal. It's a one-of-a-kind luxury showcase displaying the best-in-class technology innovations.

CORPORATE & FINANCE

A capital raising was completed on 26 July 2017 with a total of \$9 million raised by way of a placement to a small group of institutional funds. Net proceeds from the Placement will be used to fund:

- The working capital necessary to continue to support the rapid retail uptake of IQbuds™ with our current and future retail partners
- Evolutionary product developments of the current IQbuds™ platform, with new and enhanced hardware and software features
- Broadening the product platform with new products to suit markets beyond consumer electronics, particularly as it relates to an individual's hearing health
- Further development of the Company's intellectual property portfolio, with the ongoing submission of provisional patent applications related to the Company's next generation of products

The Placement will fund our aggressive global sales growth but also lays the foundation for the future development of the Company through new research and product development. In the short term, we are now well placed to pursue both.

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 30 September 2017:

MINING TENEMENT REGISTER		
	Tenement	Interest %
PERU:		
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/Chief Executive Officer

David Cannington
Executive Director/
Executive Vice President of Sales & Marketing

Dr Michael Ottaviano
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
Email: administration@nuheara.com

Issued Capital as at 30 September 2017

798,315,828 ordinary shares. The number of unquoted securities on issue as at 30 September 2017:

Security	Number on issue
Fully Paid Ordinary Shares	151,088,035
Unlisted Options – exercisable at 10 cents on or before 20/11/2017	500,000
Unlisted Options – exercisable at 3 cents on or before 24/2/2019	20,000,000
Unlisted Options – exercisable at 5 cents on or before 31/5/2019	30,000,000
Unlisted Options – exercisable at 4 cents on or before 18/4/2019	3,000,000
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	4,000,000
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	1,000,000
Unlisted Options – exercisable at 11.5 cents on or before 24/7/2020	3,000,000

Registered Office

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28 John Street
Northbridge WA 6003
Phone: +61 (8) 6555 9999
Fax: +61 (8) 6555 9998

Principal Place of Business

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28 John Street
Northbridge WA 6003
Phone: +61 (8) 6555 9999
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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)

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")

30 September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	864	864
1.2 Payments for		
(a) research and development*	(15)	(15)
(b) product manufacturing and operating costs	(1,600)	(1,600)
(c) advertising and marketing	(340)	(340)
(d) leased assets	-	-
(e) staff costs	(1,087)	(1,087)
(f) administration and corporate costs	(482)	(482)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	7
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,653)	(2,653)

- 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 (3 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	18	18
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	(651)	(651)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	2	2
(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)	-	-
2.6 Net cash from / (used in) investing activities	631	631

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	9,000	9,000
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	120	120
3.4 Transaction costs related to issues of shares, convertible notes or options	(480)	(480)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	8,640	8,640

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	3,405	3,405
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,653)	(2,653)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(631)	(631)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	8,640	8,640
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	8,761	8,761

5.	Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	6,296	940
5.2	Call deposits	2,465	2,465
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)	8,761	3,405

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	174
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 <i>Add notes as necessary for an understanding of the position</i>	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.		

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	(100)
9.2	Product manufacturing and operating costs*	(1,500)
9.3	Advertising and marketing	(1,000)
9.4	Leased assets	-
9.5	Staff costs	(1,100)
9.6	Administration and corporate costs	(500)
9.7	Other (provide details if material)	
	Payments to acquire property, plant and equipment	(50)
	Payments to acquire intellectual property**	(600)
9.8	Total estimated cash outflows	(4,850)

* Includes advance inventory purchases

** 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

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
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: 31/10/2017

(Director/Company Secretary)

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.