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LETTER TO SHAREHOLDERS – HEARABLES ARE HERE TO STAY

In light of the folding of two Silicon Valley based hearables companies, Doppler Labs last week and Kanoa a few months ago, many people have asked us what we think of the state of the hearables market and Nuheara's future.

Put simply, we remain very bullish about our future and the hearables market, and for good reason. The wearables market – in particular, the hearables space – continues to show explosive growth, and experts agree, with Market and Market (July 2017) predicting the Hearable Device Market to reach USD \$23.24 Billion by 2023.

We are starting to see the wired headsets people were wearing yesterday, being replaced with truly wireless alternatives, such as Apple AirPods and Samsung IconX. This has helped encourage consumer acceptance for wearing truly wireless devices in the ear and drive growth. As this market continues to mature, we believe more consumers will opt for more intelligent hearing devices such as IQbuds™ that cross the hearing assistance, Bluetooth connectivity, voice activation and noise cancelling realms.

The recent closure of these emerging hearables companies is proof that hearables present an array of commercialisation difficulties. Rapid growth in any new technology sector will always attract new entrants, which unfortunately results in as many failures as it will successes.

We've built a company, technology, and product that have attracted global retail partnerships, largely due to the diverse experience of our fantastic team. This is a team that has been researching, building, marketing and selling innovative hearing and audio related products for more than 15 years. They have been working with us day and night, committed to creating new products that will truly be life changing for potentially millions of users.

We listed Nuheara in March 2016 and ten months later we started shipping our first product as planned in January 2017. From that moment, we knew Nuheara IQbuds™ had achieved one of the most difficult milestones: creating a hearing hardware product on time and on schedule. We remain focused on building a great global business with confidence about the future.

To that point, here is what we remained focused on:

Building great products that customers love

IQbuds™ is the culmination of the company's original vision to build products that solve problems. We always wanted to improve people's lives with intelligent hearing technology and not just remove the cables from a headset.

We are proud that Nuheara pioneered the augmented hearing category and is the first company to bring an augmented hearing device to market.

IQbuds™ have now gone on to win seven innovation awards in 2017 including three from the CES and two at IFA, the world's largest Consumer Electronics shows. Furthermore, IQbuds™ continues to receive numerous positive reviews from leading global press and customers.

We are proud that IQbuds™ is now the undisputed leader in the augmented hearing market, with a rapidly growing global presence and major retail coverage.

Importantly, IQbuds™ is only the first in a series of intelligent hearing devices for which Nuheara will be renowned. In 2018 we will launch the next stage in Nuheara's journey with new products that compliment IQbuds™.

A focus on capital efficiency

Understanding product/market fit is critical to building a successful business. More importantly, efficient capital utilisation should be strategically outlined before getting to the point of scale.

Nuheara is continuing to build a great business by executing with precision and experience. The company's lean and mean global business approach has been in contrast to the other hearables startups that have taken a venture capital approach in attempting to scale in an explosive market.

Significantly, as an Australian based business, any Research & Development that we conduct in Australia is eligible for the Federal Government's R&D Tax Incentive Rebate of 43.5 cents in the dollar. Furthermore, our USA based Sales and Marketing team also qualifies for the Export Marketing Development Grant (EMDG) for eligible foreign marketing spend.

These are just a few of the examples that demonstrate the pride we take in making business decisions that are in line with our growth expectations. The hearables market is still in its infancy, with players still muscling for position, accordingly all players must scale as the market scales. Too fast you crash and burn, too slow you miss out.

Hiring the best team in the business

People make companies. There is a good reason why Nuheara can deliver value to its shareholders and continue to operate with precision, and that's because of its people.

Being helmed by experienced, senior hearing technology executives who have worked together over many years gives Nuheara a world class standing, and hard work, commitment to excellence, and a fun and exciting work culture are fueling our company.

The Future

Let's remember, truly wireless hearables have only been around for less than a year and a half, and they are only now starting to find a place in major consumer electronics retailer merchandising stacks.


Our continued research and innovation, and the recent passing of the Over The Counter (OTC) Hearing Aid Act of 2017, represents an exciting opportunity for Nuheara to drive deeper into a market of 40 million people in the US who are hearing-challenged. However, the potential market is global, as 300+ million people around the world are in need of reasonably priced hearing devices that can improve their quality of life.

"The Nuheara IQbuds™ are a game changer" - Rolling Stone Magazine

It's simple, yet highly respected, endorsements like this that make our journey well worthwhile.

Our vision to change people's lives is what drives the team at Nuheara, and we will continue to focus on delivering on this promise to all our stakeholders.

Nuheara Limited, Directors & Co-founders
Justin Miller and David Cannington



- ENDS -

CONTACTS

Australia

Mr. Justin Miller

CEO and Managing Director

+61 (8) 6555 9999

justin.miller@nuheara.com

About Nuheara

Nuheara is an innovative audio wearables company that has developed proprietary and multi-functional intelligent hearing technology that augments a person's hearing and facilitates cable free connection to smart devices. Nuheara is based in Perth, Australia and has offices in San Francisco and New York, USA. Nuheara 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. IQbuds™ are now sold in major consumer electronics retailers and professional hearing clinics around the world. The Company's mission is to improve people's lives by allowing them to seamlessly listen, communicate, and connect to their physical and digital worlds. Learn more about Nuheara: www.nuheara.com.