

QUARTERLY REPORT

For the quarter ended 30 September 2018

31 October 2018 – Perth, Australia

Nuheara Limited (ASX: NUH) (“Nuheara” or the “Company”) is pleased to provide the Company update and quarterly report for the quarter ended 30 September 2018.

Nuheara’s cash balance as at 30 September 2018 was \$4.99 million, an improvement of 11.8% in net operating cash outflow for Q1 FY2019 of \$2,340k compared to the corresponding quarter of the previous year (Q1 FY2018: \$2,653k outflow). Subsequent to the end of quarter, the Company also received a cash payment (tax rebate) of \$1,902k for R&D related activities.

Receipts from customers of \$661k for the quarter were down in relation to the corresponding quarter for the previous year (Q1 FY2018: \$864k) and also the previous quarter (Q4 FY2018: \$1,333k). This result was largely driven by the successful launch of IQbuds BOOST in May 2018 and the subsequent stock out of this product in June. The lack of availability of IQbuds BOOST stock early in the reporting quarter and the ensuing ability to receive payment for product shipments then made in the latter part of the quarter, impacted these results.

During the course of the quarter, the Company also made the decision to consolidate any high-end product sales (IQbuds BOOST) to a more focused, exclusive and dedicated retail channel. While entry level product (IQbuds) is still open to all retail, this deliberate decision to only provide access of high-end product to retailers that have a consultative sales process, such as Optical retailers, is designed to ensure that the customer journey is more focused, educated and fit for purpose. This tiered product approach to retail also allows the Company to deploy its limited sales and marketing resources to a focused group of global retailers and subsequently help to continually improve retail sell through rates.

KEY DEVELOPMENTS DURING THE QUARTER

Global Strategic Expansion Developments

Optical Retail Industry

The optical industry is embracing hearing health retailing with increasing scale and professionalism. In comparison to traditional hearing clients, the optical retail industry is more advanced and sophisticated in the way it merchandises and markets to its customers. The stores are large and spacious with contemporary merchandising, professional sales support, and are better positioned in viable high traffic areas such as premium shopping centres and strip malls.

Nuheara’s range of hearing buds is allowing optical stores, with and without audiologists, to participate and realise value in the hearing healthcare market. Those optical stores that have already invested in providing audiological services, will be able to recommend and sell Nuheara’s affordable, multifunctional, self-fitting hearing devices to those customers that are not yet ready to receive a hearing aid but still need support in the mild to moderate hearing loss category. For those optical stores without audiologists, the cross-sell

opportunity is enormous with Nuheara products (there is an age intersection with customers that need both hearing and optical support); all without the need to invest in in-store audiological services or infrastructure.

The convergence of optical and hearing healthcare retail is growing globally and it will be a critical outlet for Nuheara's expansion into this new channel.

European Optical Sales Outlets

The quarter also saw the announcement by Nuheara of the expansion of IQbuds BOOST™ retail with an initial 50-store trial with Vision Group in Italy. Vision Group is the leading optical retailer in Italy with 2,059 outlets which represents 20% of the total Italian optical market.

Current European optical partner, Acuitis, with 66 stores across France, Switzerland and Luxembourg, is extending its Nuheara product range from IQbuds™ to now include IQbuds BOOST™.

Hearing Service Program

The announcement of the re-registration of Nuheara as a supplier to the Australian Government's Hearing Services Program (HSP) demonstrates that its innovative hearing solutions have been recognised as a cost-effective option by the Australian Government. This new contract provides some longer-term certainty around our current efforts to promote Nuheara products to service providers and recipients within the scheme.

Amazon Partner – Quantum Networks

In August, Nuheara announced the appointment of Quantum Networks to handle the sales and marketing of the company's IQbuds BOOST™ product on the Amazon US platform. IQbuds BOOST™ will be exclusively sold on Amazon by Quantum Networks who will provide on-on-one brand management and reporting at every stage of the process. To yield high search results, increase conversion and reach the optimal consumer market, Quantum Networks' dedicated team of experts will use best practices to enrich the listing with high resolution images/video and enhanced brand content. Utilising Amazon Marketing Services, Quantum Networks will apply targeted sponsored advertising campaigns, customer tailored to the IQbuds BOOST™ vision.

As the next generation of smart hearables are entering the market, advertising the IQbuds BOOST™ in the correct way is crucial to its success. By launching IQbuds BOOST™ exclusively on Amazon, we can target the right consumers who will benefit the most from this cutting-edge product.

ADCO Medical Suppliers

As one of the United States' leading wholesale suppliers of hearing aid equipment, supplies and assistive devices for the professional hearing market, ADCO Medical Suppliers (ADCO) was appointed distributor for Nuheara. ADCO supports the US professional hearing community nationwide as well as being a certified hearing assistance device supplier to the US Department of Veterans Affairs (VA).

Export Market Development Grant

Following a successful appeal against an earlier decision, Nuheara's innovative and globally unique products are now eligible for Export Market Development Grant (EMDG) support from January 2016.

The EMDG scheme is a key Australian Federal Government financial assistance program for aspiring and current exporters. The scheme reimburses up to 50% of eligible export promotion expenses. The scheme offers up to eight grants to each eligible applicant.

In the 2016 and 2017 financial years, Nuheara incurred eligible EMDG expenditure from which the grants were calculated. During the quarter, Nuheara received grants totalling \$145,599 in respect of those years.

Nuheara encourages strong Government policy which retains this incentive and advises that the Company is currently preparing a further application for the recently completed 2018 financial year.

Key Executive Appointment

Nuheara is very pleased to announce the appointment of former Samsung Vice President, Mr Philip Newton, to the newly created role of Chief Sales Officer (CSO). Reporting directly to the CEO. The CSO assumes responsibility for global sales, which previously formed part of a combined sales and marketing function.

Prior to Samsung, Mr Newton was the Managing Director of BenQ Australia, a company he grew from its inception to revenue in excess of \$120m over the course of 3 years. Prior to that, Mr Newton held various roles with Mitsubishi Electric Australia that culminated in his appointment to the Board of Directors whilst maintaining an executive role as Group General Manager.

Nuheara Welcomes Farjoy Pty Ltd's increased shareholding

Farjoy Pty Ltd became Nuheara's largest shareholder in August 2018 with a 70m shareholding in Nuheara, equating to 7.9% of the total share capital, following the acquisition of 23.3m shares from former director, Michael Ottaviano. The Company welcomed Farjoy Pty Ltd and its longer-term approach to investment and value creation, with significant investments in other ASX listed companies such as WH Soul Pattinson, TPG, Australian Pharmaceutical Industries, New Hope, Brickworks and Battery Minerals.

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 (though its wholly owned subsidiary Wild Acre Metals (Peru) SAC) as at 30 September 2018:

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/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
Email: 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

891,473,723 ordinary shares. The number of unquoted securities on issue as at 30 September 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	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	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	10,500,000

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")

30 September 2018

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	661	661
1.2 Payments for		
(a) research and development*	(315)	(315)
(b) product manufacturing and operating costs	(1,207)	(1,207)
(c) advertising and marketing	(418)	(418)
(d) leased assets	-	-
(e) staff costs*	(1,003)	(1,003)
(f) administration and corporate costs	(209)	(209)
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	(2)	(2)
1.7 Government grants and tax incentives	146	146
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,340)	(2,340)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
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*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

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(26)	(26)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property*	(948)	(948)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(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	(974)	(974)

*Comprising capitalised development costs of \$653,000 and capitalised patent and trade mark expenditure of \$61,000

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
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	(42)	(42)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(42)	(42)

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	8,346	8,346
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,340)	(2,340)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(974)	(974)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(42)	(42)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	4,990	4,990

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	1,684	5,119
5.2	Call deposits	3,306	3,227
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)	4,990	8,346

6. Payments to directors of the entity and their associates

Current quarter \$A'000
176
-

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)	-	-

8.1 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	(500)
9.2 Product manufacturing and operating costs*	(1,000)
9.3 Advertising and marketing	(500)
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	(100)
Payments to acquire intellectual property**	(750)
9.8 Total estimated cash outflows	(4,600)

* 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: 31/10/2018

(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.