NUHEARA LIMITED
ABN 29 125 167 133

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

CORPORATE DIRECTORY

Directors

Justin Miller
Executive Chairman
Managing Director/Chief Executive Officer

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

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Email: administration@nuheara.com

Registered Office

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Phone: +61 (8) 6555 9999
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Principal Place of Business

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Phone: +61 (8) 6555 9999
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Share Registry

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth WA 6000
Phone: 1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

Auditors

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Level 3, 1 Preston Street
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DIRECTOR'S REPORT

The Directors have the pleasure in presenting their report, together with the financial statements of the Group, being the Company and its controlled entities, for the year ended 30 June 2019.

1. DIRECTORS

The Directors in office at any time during or since the end of the financial year are:

Justin Miller (Executive Chairman and Managing Director/Chief Executive Officer)
Appointed: 25 February 2016

Mr Miller is a serial entrepreneur who has developed a thorough knowledge of the global technology and innovation marketplace during his 25-year executive career. Throughout the course of his career, Mr Miller has successfully founded and managed the aggressive and profitable growth of technology, manufacturing and service-related companies. This includes strategic acquisitions, capital raisings, research & development, product development & onshore/offshore manufacture, significant staff growth and multi-million-dollar sales deals involving both direct & channel sales models.

Mr Miller founded ASX-listed IT services Company Empired Limited and most recently was the founder and CEO of industrial hearing and communication Company, Sensear Pty Ltd, where he was responsible for growing the global business from the San Francisco bay area.

Mr Miller did not have any directorships in other listed companies during the past three years.

David Cannington *B. Bus (Marketing)* (Executive Director and Chief Marketing Officer)
Appointed: 25 February 2016

Mr Cannington has over 25 years' global sales and marketing experience. He has held senior positions in sales and marketing for companies spanning consumer packaged goods (Cadbury Schweppes), advertising (McCann Erickson) data analytics (Neochange) and hearing technology (Sensear Pty Ltd). He has advised many start-ups on go-to-market and growth strategies and was the founding CEO of ANZA Technology Network, a leading cross-pacific technology entrepreneurs' network. Mr Cannington has been recognised as one of the most influential Australian technology executives in Silicon Valley and brings a global perspective to technology commercialisation.

Mr Cannington did not have any directorships in other listed companies during the past three years.

Kathryn Foster *BSc, ASc, MAICD* (Independent Non-Executive Director)
Appointed: 12 February 2018

Ms. Foster has a strong background in technology, sales and early stage start-up companies. Ms. Foster has more than two decades of experience designing, building and running large internet-based businesses. Prior to becoming a professional non-exec director, Ms. Foster was executive Senior Director of Xbox Games Marketplace as well as Microsoft Store online where she managed the profit and loss and global expansion in over 200 geographies with annual revenue budgets in the low billions of dollars. She has extensive technical and commercial experience in software and hardware solutions and advises companies on strategy and technology.

Ms. Foster is a non-executive director for Class Ltd and for other non-listed companies in Australia.

Ms. Foster holds a Bachelor of Science (BSc) in International Marketing from Oregon State University and Associate of Science (ASc) - Computer Science and Information Systems from SCC Seattle, USA.

During the past three years, Ms Foster served as a director of the following listed Company:

Class Limited – appointed 1 July 2015*

** Denotes current directorship*

2. COMPANY SECRETARIES

Susan Hunter *B. Com, ACA, F Fin, GAICD, AGIA* – Company Secretary
Appointed: 6 June 2016

Ms Hunter has over 20 years' experience in the corporate finance industry and is founder and Managing Director of consulting firm Hunter Corporate Pty Ltd, which specialises in the provision of corporate governance and company secretarial advice to ASX listed companies. Ms Hunter holds a Bachelor of Commerce degree from the University of Western Australia majoring in accounting and finance, is a Member of Chartered Accountants Australia and New Zealand, a Fellow of the Financial Services Institute of Australasia, a Member of the Governance Institute of Australia and is a Member of the Australian Institute of Company Directors.

Jean-Marie Rudd *B. Bus, ACA, GAICD* – Chief Financial Officer/Joint Company Secretary
Appointed: 30 November 2016

Mrs Rudd has over 25 years' experience in the corporate sector and professional services, including over 10 years as Chief Financial Officer and Company Secretary in ASX listed companies. Mrs Rudd holds a Bachelor of Business degree from Curtin University majoring in accounting, is a Member of Chartered Accountants Australia and New Zealand and a Member of the Australian Institute of Company Directors.

3. PRINCIPAL ACTIVITIES

The principal activity of the Group is the development and commercialisation of its proprietary hearing and wearables technology platform.

4. DIVIDENDS

No dividend has been declared or paid by the Group since the start of the financial year and the Directors do not recommend a dividend in relation to the financial year ended 30 June 2019.

5. OPERATING AND FINANCIAL REVIEW

Our business model and objectives

Nuheara is transforming the way people hear by developing personalised hearing device solutions that are multifunctional, accessible and affordable. The company is selling globally, via traditional retail and Direct-To-Consumer, to an underserviced segment of the hearing market that fits between traditional headphones and hearing aids. Nuheara's advanced market offering also includes government supply contracts, for fully subsidised products, to support mainstream mild-to-moderate hearing challenges through to more complex hearing sensitivity disorders including Autism/APD.

Nuheara is headquartered in Perth, Australia with sales offices in the UK, USA and Singapore.

Operating results

The Group achieved a net loss after tax of $10,027,238. This compared with a net loss after tax of $7,416,412 for the year ended 30 June 2018, a decline of 35%. The net loss after tax result represented a loss of 1.09 cents per share, compared to a loss of 0.92 cents per share last year.

Net cash outflows of $5,125,619 were attributable to $5,258,854 received through capital raisings, offset by $6,504,146 in net operating outflows, and $3,907,327 for the purchase of plant and equipment and intangible assets (capitalised development costs and trademarks).

Further discussion on the Group's operations is provided below.

Mining tenements

Whilst the Company recognises the value in its mineral assets, the directors are also cognisant that these mining interests lie outside the company's core business activities. The directors have determined that these assets will be divested and, accordingly, they have been treated as a disposal group as at balance date. After year end, the mining assets held in southern Peru were sold. Refer Note 8 Significant Events After Balance Date.

5. OPERATING AND FINANCIAL REVIEW (CONTINUED)

Review of Operations

In May 2019, the Group released IQstreamTV™, designed for use with IQbuds BOOST™, that provides the user with the ability to balance the volume of TV sound (independently from anyone else watching the TV) with ambient sounds and conversations. IQstreamTV™ together with Nuheara's existing product range including IQbuds™ and IQbuds BOOST™, are being sold directly to the consumer and via major global retailer partners.

Revenue from ordinary activities for the year was $2,218,714. This compared with revenue of $3,962,565 for the year ended 30 June 2018, a decline of 44%.

The Group successfully completed a capital raising in December 2018, raising $5 million. Funds raised were used to assist Nuheara in achieving its planned objectives of increasing sales and marketing activities of IQbuds™ and IQbuds BOOST™, increasing inventory levels of IQbuds BOOST™, and the manufacture and development of IQstreamTV™ and IQbuds MAX™. At year-end, the Group held $3,220,079 million in cash reserves.

Performance indicators

Management and the Board monitor the Group's overall performance, from the execution of its strategic plan through to the performance of the Group against operating plans and financial budgets.

The Board, together with management have identified key performance indicators (KPI's) that are used to monitor performance. Directors receive the KPI's for review prior to each monthly Board meeting allowing all Directors to actively monitor the Group's performance.

Shareholder returns

The Group's return to shareholders is as follows:

	2019	2018
Basic loss per share (cents per share)	(1.09)	(0.92)
Diluted loss per share (cents per share)	(1.02)	(0.83)

Review of Financial Condition

Liquidity and Capital Resources

The Statement of Cash Flows illustrates that cash used in operating activities amounted to $6,504,142 (2018: outflow of $6,529,057). Net outflows of $3,907,327 used in investing activities comprised: $3,806,417 in development costs that were capitalised as intangible assets, $102,299 as payment for plant and equipment and $1,389 as proceeds from the disposal of plant and equipment. The net cash outflows from operating and investing activities was funded by $5,285,854 cash received from the raising of funds from the issues of shares, net of share raising costs.

The net tangible asset backing of the Group was 0.01 cents per share (2018: 0.01 per share).

Asset and Capital Structure

	2019 $	2018 $
Debts:		
Trade and other payables	1,237,885	1,583,180
Less: Cash and cash equivalents	(3,220,079)	(8,345,698)
Net cash	(1,982,194)	(6,762,518)
Total equity	10,697,884	15,018,701
Total capital employed	**8,715,690**	**8,256,183**

The level of gearing in the Group is within acceptable limits set by the Directors.

5. OPERATING AND FINANCIAL REVIEW (CONTINUED)

Asset and capital structure (continued)

Share issues during the year

The Group issued 90,736,569 shares during the year:

- 10 December 2018 issued 2,250,000 shares on exercise of options @ $0.04 each
- 10 December 2018 issued 66,936,667 shares under share placement @ $0.075 each
- 25 February 2019 issued 5,000,000 shares on exercise of options @ $0.05 each
- 25 February 2019 issued 5,000,000 shares on exercise of options @ $0.05 each
- 25 February 2019 issued 10,000,000 shares on exercise of options @ $0.05 each
- 17 April 2019 issued 322,718 shares on exercise of options @ $0.04 each
- 17 April 2019 issued 145,437 shares on exercise of options @ $0.06 each
- 17 April 2019 issued 572,718 shares on exercise of options @ $0.06 each
- 17 April 2019 issued 218,155 shares on exercise of options @ $0.06 each
- 17 April 2019 issued 145,437 shares on exercise of options @ $0.06 each
- 17 April 2019 issued 145,437 shares on exercise of options @ $0.06 each

Risk Management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board. The Group believes that it is crucial for all Board members to be part of this process, and as such the Board has not established a separate risk management committee. Instead sub-committees are convened as appropriate in response to issues and risks identified by the Board as a whole and the sub-committee further examines the issue and reports back to the Board.

The Board has several mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Implementation of Board approved budget and Board monitoring of progress against budget, including the establishment and monitoring of financial KPI's; and
- The establishment of committees to report on specific business risks.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs during the year ended 30 June 2019 are as follows:

The Group maintains its vision of building an ecosystem of affordable and accessible software and hardware products for a hearing market that is currently underserviced. To that end the Group launched its new IQstream™ accessory product in May, ahead of its scheduled shipping date, and continues the development of IQbuds MAX™, scheduled for mass production in the second half of the 2019 calendar year.

The decision to pivot to this strategy and move beyond any association with the crowded market of Bluetooth wireless earbuds, will allow the Group to build a first mover global retail offering, positioned with unique products to significantly grow unit sales and revenue.

With the move to concentrate on high-end high value hearing products and related retail channels, a strategic decision was made to discontinue LiveIQ™ as a product under development for any channel, with the technology developments transferred to IQbuds MAX™.

The ongoing advances in R&D, design, and manufacture of forward-thinking new products consolidates Nuheara's global leadership position of smart hearing solutions. The Group's investment in R&D has been supported by the receipt of a R&D Tax Incentive cash rebate from the Australian Taxation Office of $2,157,358. The Group also received $105,333 in Export Market Development Grants, which is an Australian government financial assistance program supporting export marketing activities.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS (CONTINUED)

The Group also continued to work on the repositioning of its sales strategy towards driving a consultative sales process. This has seen the ongoing development of new retail approaches across various territories with IQConnect™, a Point of Sale hearing screening kiosk with a comprehensive Customer Relationship Management (CRM) platform. The Group also launched a Direct to Consumer (DTC) website initiative, that transforms the customer journey by providing a choice of world-leading online hearing assessments that categorise the customer's level of hearing, allowing them to determine what level of self-care they would benefit from.

7. LIKELY DEVELOPMENTS

Consistent with the Group's business plan, Nuheara will continue to work towards the productisation and commercialisation of its smart hearing products, including current offerings, IQbuds™, IQbuds BOOST™, and IQstream TV™, plus the development of new product, IQbuds MAX™.

8. SIGNIFICANT EVENTS AFTER BALANCE DATE

The Group successfully completed a capital raising after balance date, raising $4 million in July 2019, with funds raised being used to assist Nuheara in achieving its planned objectives of increasing sales and marketing activities of IQbuds™ and IQbuds BOOST™, increasing inventory levels of IQbuds BOOST™, the launch of IQstreamTV™, and the manufacture and development of new products, including IQbuds MAX™.

The Group also entered into a Mining Concessions Transfer Agreement (the "Transfer Agreement"), in August 2019, for the sale of its mining assets in Southern Peru. Under the Transfer Agreement entered into with Corisur Peru SAC ("Corisur"), a subsidiary of Auryn Resources Inc. (TSX:ARG), Corisur will pay US$250,000 for the transfer of the concessions upon recording of the Transfer Agreement with the Peruvian Public Registry.

The Group's remaining portfolio of mining assets consists of Net Smelter Royalties ("NSR") located in Northern Peru and Western Australia. These interests are actively being marketed for sale and the Group intends to dispose of these interests as soon as it is commercially practical to do so.

9. ENVIRONMENTAL REGULATION

The Group's operations are not subject to any significant environmental, Commonwealth or State, regulations or laws.

10. SHARE OPTIONS

As at the date of this report, the Group has 56,000,000 options over ordinary shares. These options have been issued on the following terms.

Number of Unlisted Options	Exercise Price	Expiry Date
10,500,000	$0.09 each	30 November 2019
1,500,000	$0.115 each	16 February 2020
3,000,000	$0.09 each	22 May 2020
10,000,000	$0.078 each	2 November 2019
500,000	$0.09 each	14 July 2020
3,000,000	$0.115 each	24 July 2020
500,000	$0.09 each	10 November 2020
1,000,000	$0.09 each	12 January 2020
7,500,000	$0.09 each	1 March 2021
9,000,000	$0.09 each	17 September 2021
1,000,000	$0.09 each	10 December 2021
6,000,000	$0.09 each	18 March 2022
2,500,000	$0.09 each	17 April 2022
TOTAL 56,000,000		

Option holders do not have any rights to participate in any issues of shares or other interests in the Group or any other entity.

11. REMUNERATION REPORT (AUDITED)

This report, which forms part of the Directors' Report, details the amount and nature of remuneration of each Key Management Personnel (KMP) of the Group. The following people were identified KMP during the year:

i) Directors	
Justin Miller	Executive Chairman and Managing Director / Chief Executive Officer
David Cannington	Executive Director / Chief Marketing Officer
Kathryn Foster	Non-Executive Director (appointed 12 February 2018)
ii) Executives	
Jean-Marie Rudd	Chief Financial Officer/Joint Company Secretary

There were no other changes to KMP after the reporting date and before the date the annual report was authorised for issue.

Remuneration policy

The remuneration policy of the Group has been designed to align KMP objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the consolidated group, as well as create goal congruence between Directors, executives and shareholders.

The remuneration policy is to provide a fixed remuneration component, performance related bonus and a specific equity related component. The Board believes that this remuneration policy is appropriate given the stage of development of the Group and the activities which it undertakes and is appropriate in aligning executives' objectives with shareholder and business objectives.

The remuneration policy, in regard to settling terms and conditions for the Executive Directors and executives, has been developed by the Board, taking into account market conditions and comparable salary levels for companies of similar size and operating in similar sectors. The Board reviews the remuneration packages of all KMP on an annual basis.

The maximum remuneration of Non-Executive Directors is to be determined by Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. At present the maximum aggregate remuneration of Non-Executive Directors is $250,000 per annum.

11. REMUNERATION REPORT (AUDITED) (CONTINUED)

The apportionment of Non-Executive Director Remuneration within that maximum will be made by the Board having regard to the inputs and value to the Group of the respective contributions by each Non-Executive Director. Remuneration is not linked to specific performance criteria.

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payment to the Non-Executive Directors and reviews their remuneration on an individual basis, based on market practices, duties and accountability. Independent external advice is sought when required. Remuneration is not linked to the performance of the Group.

There are no service or performance criteria on the options granted to Directors as, given the speculative nature of the Group's activities and the small management team responsible for its running, it is considered the performance of the Directors and the performance and value of the Group are closely related. The Board has a policy of granting options to KMP with exercise prices above the respective share price at the time that the options were agreed to be granted. As such, options granted to KMP will generally only be of benefit if the KMP's perform to the level whereby the value of the Group increases sufficiently to warrant exercising the options granted. Given the stage of development of the Group and the high-risk nature of its activities, the Board considers that the prospects of the Group and resulting impact on shareholder wealth are largely linked to the success of this approach, rather than by referring to current or prior year earnings.

Australian-based executives receive a superannuation guarantee contribution required by the Government, currently 9.5% and do not receive any other retirement benefit. Executives may also choose to sacrifice part of their salary to increase contributions towards superannuation. Upon retirement, KMP are paid employee benefit entitlements accrued to the date of retirement.

All remuneration paid to KMP is valued at the cost to the Group and expensed.

KMP are also entitled and encouraged to participate in the employee option arrangements to align Directors' interests with shareholders' interests. Options granted under the arrangement do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share once the interim or final financial report has been disclosed to the public and is measured using the Black-Scholes methodology.

KMP or closely related parties of KMP are prohibited from entering into hedge arrangements that would have the effect of limiting the risk exposure relating to their remuneration. In addition, the Board's remuneration policy prohibits Directors and KMP from using the Group's shares as collateral in any financial transaction, including margin loan arrangements.

Performance-based remuneration policy

Key performance indicators (KPI's) are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area everyone is involved in and has a level of control over. The KPI's target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial, as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPI's is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPI's achieved. Following the assessment, the KPI's are reviewed by the Board considering the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPI's are set for the following year.

Relationship between remuneration policy and Group performance

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on KPI's, and the second being the issue of options to encourage the alignment of personal and shareholder interests.

Performance conditions linked to remuneration

The Group seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of various cash bonus reward schemes, specifically the incorporation of incentive payments based on the achievement of financial targets, ratios, and continued employment with the Group.

11. REMUNERATION REPORT (AUDITED) (CONTINUED)

Details of remuneration provided to Directors and executives during the year are as follows:

		Short-Term Employee Benefits		Post-Employment Benefits	Share-Based Payments		
		Salary & Consulting Fees $	Cash Bonus $	Superannuation $	Shares $	Options $	Total $
David Cannington	**2019**	**319,904**	**-**	**12,231**	**-**	**-**	**332,135**
	2018	305,670	-	-	-	-	305,670
Kathryn Foster	**2019**	**65,000**	**30,000**	**9,025**	**-**	**-**	**104,025**
(appointed 12 February 2018)	2018	19,167	-	1,821	-	-	20,988
Justin Miller	**2019**	**400,000**	**-**	**38,000**	**-**	**-**	**438,000**
	2018	290,494	-	27,597	-	-	318,091
Michael Ottaviano	**2019**	**-**	**-**	**-**	**-**	**-**	**-**
(resigned 4 July 2018)	2018	65,000	-	6,175	-	-	71,175
Jean-Marie Rudd	**2019**	**201,025**	**-**	**19,097**	**-**	**-**	**220,122**
	2018	184,167	-	17,496	-	48,941	250,604
TOTAL	**2019**	**985,929**	**30,000**	**78,353**	**-**	**-**	**1,094,282**
TOTAL	2018	864,498	-	53,089	-	48,941	966,528

11. REMUNERATION REPORT (AUDITED) (CONTINUED)

Services Agreements

<u>Justin Miller – Chief Executive Officer</u>

Mr Miller has been engaged as an Executive Director of the Group pursuant to an employment and services agreement between the Group and Mr Miller (Miller Agreement).

The total annual remuneration payable to Mr Miller under the Miller Agreement is a salary of AUD$445,884 (2018: AUD $438,000) per annum (inclusive of superannuation) and a telecommunications allowance of AUD$200 per month. Mr Miller will also be entitled to participate in short-term cash incentives of up to 40% of the base package and long-term incentives to be defined by the Board.

The Miller Agreement commenced on 2 March 2016 and employment under the Miller Agreement will continue until terminated in accordance with the Miller Agreement (Term). During the Term, the Miller Agreement may be terminated by the Group at any time:

- by six months' written notice to Mr Miller, at which time the Group will immediately pay Mr Miller 6 months' base salary in lieu;
- by three written months' notice to Mr Miller in cases of prolonged illness or incapacity (mental or physical); or
- by summary notice in circumstances where Mr Miller neglects to perform his duties, or comply with reasonable or proper direction, or engages in serious misconduct.

Otherwise, the Miller Agreement may be terminated by Mr Miller at any time for any reason by giving not less than three months' notice in writing to the Group. Mr Miller may also terminate the Miller Agreement immediately by giving notice if at any time the Group is in breach of a material term of the Miller Agreement.

In the event of a change of control, Mr Miller will receive a bonus payment comprising of a lump sum gross payment of 12 months' base salary.

Mr Miller is also subject to restrictions in relation to the use of confidential information during and after his employment with the Group ceases, being directly or indirectly involved in a competing business during the continuance of his employment with the Group, and for a period of 12 months after his employment with the Group ceases, on terms which are otherwise considered standard for agreements of this nature.

The Miller Agreement contains additional provisions considered standard for agreements of this nature.

<u>David Cannington – Chief Marketing Officer</u>

Mr David Cannington has been engaged as an Executive Director of the Group pursuant to an employment and services agreement between the Group and Mr Cannington (Cannington Agreement).

The total annual remuneration payable to Mr Cannington under the Cannington Agreement is a salary of AUD$343,460 (2018: USD$228,000) per annum and a telecommunications allowance of AUD$200 per month (2018: USD$750 health insurance allowance per month). Mr Cannington will also be entitled to participate in short-term cash incentives of up to 40% of the base package and long-term incentives to be defined by the Board.

The Cannington Agreement commenced on 2 March 2016 and employment under the Cannington Agreement will continue until terminated in accordance with the Cannington Agreement (Term). During the Term, the Cannington Agreement may be terminated by the Group at any time:

- by six months' written notice to Mr Cannington, at which time the Group will immediately pay Mr Cannington 6 months' base salary in lieu;
- by three months' written notice to Mr Cannington in cases of prolonged illness or incapacity (mental or physical); or
- by summary notice in circumstances where Mr Cannington neglects to perform his duties or comply with reasonable or proper direction or engages in serious misconduct.

11. REMUNERATION REPORT (AUDITED) (CONTINUED)

Services Agreements (continued)

Otherwise, the Cannington Agreement may be terminated by Mr Cannington at any time for any reason by giving not less than three months' notice in writing to the Group. Mr Cannington may also terminate the Cannington Agreement immediately by giving notice if at any time the Group is in breach of a material term of the Cannington Agreement.

In the event of a change of control, Mr Cannington will receive a bonus payment comprising of a lump sum gross payment of 12 months' base salary.

Mr Cannington is also subject to restrictions in relation to the use of confidential information during and after his employment with the Group ceases, being directly or indirectly involved in a competing business during the continuance of his employment with the Group, and for a period of 12 months after his employment with the Group ceases, on terms which are otherwise considered standard for agreements of this nature.

The Cannington Agreement contains additional provisions considered standard for agreements of this nature.

Jean-Marie Rudd – Chief Financial Officer/Joint Company Secretary

Mrs Jean-Marie Rudd has been engaged as a Chief Financial Officer/Joint Company Secretary of the Group pursuant to an employment and services agreement between the Group and Mrs Rudd (Rudd Agreement).

The total annual remuneration payable to Mrs Rudd under the Rudd Agreement is a salary of $265,000 per annum (exclusive of superannuation) (2018: $201,025) and a telecommunications allowance of $200 per month. Mrs Rudd will also be entitled to participate in short-term cash incentives of up to 40% of the base package and long-term incentives to be defined by the Board.

The Rudd Agreement commenced on 16 August 2016 and employment under the Rudd Agreement will continue until terminated in accordance with the Rudd Agreement (Term). During the Term, the Rudd Agreement may be terminated by the Group at any time:

- by three months' written notice to Mrs Rudd, at which time the Group will immediately pay Mrs Rudd 3 months' base salary in lieu;
- by one months' written notice to Mrs Rudd in cases of prolonged illness or incapacity (mental or physical); or
- by summary notice in circumstances where Mrs Rudd neglects to perform her duties or comply with reasonable or proper direction or engages in serious misconduct.

Otherwise, the Rudd Agreement may be terminated by Mrs Rudd at any time for any reason by giving not less than three months' notice in writing to the Group. Mrs Rudd may also terminate the Rudd Agreement immediately by giving notice if at any time the Group is in breach of a material term of the Rudd Agreement.

Mrs Rudd is also subject to restrictions in relation to the use of confidential information during and after her employment with the Group ceases, being directly or indirectly involved in a competing business during the continuance of her employment with the Group, and for a period of six months after her employment with the Group ceases, on terms which are otherwise considered standard for agreements of this nature.

The Rudd Agreement contains additional provisions considered standard for agreements of this nature.

11. REMUNERATION REPORT (AUDITED) (CONTINUED)

KMP shareholdings

The number of ordinary shares the Group held by KMP during the financial year is as follows:

Ordinary Shares	Opening balance 1 July 2018 or balance on appointment	Issued during the year	Purchased during the year	Closing Balance 30 June 2019 or resignation date
Justin Miller[(1)]	63,142,857	-	5,000,000	68,142,857
David Cannington	63,142,857	-	5,000,000	68,142,857
Kathryn Foster	-	-	640,000	640,000
Jean-Marie Rudd	19,279	-	-	19,279
Total	**126,304,993**	**-**	**10,640,000**	**136,944,993**

Notes:

(1) 68,142,857 shares are held by Wasagi Corporation Pty Ltd as trustee for the Wasagi Family Trust of which Justin Miller is a beneficiary.

(2) 640,000 shares are held by Aylesham Pty Ltd as trustee for the Norval Court Super Fund of which Kathryn Foster is a beneficiary.

The relevant beneficial interest of KMP in the options over ordinary share capital of the Group is as follows:

Options	Opening balance 1 July 2018 or balance on appointment	Issued during the year	Exercised during the year	Expired during the year	Closing Balance 30 June 2019 or resignation date
Justin Miller	10,000,000	-	5,000,000	5,000,000	-
David Cannington	10,000,000	-	5,000,000	5,000,000	-
Jean-Marie Rudd	4,500,000	-	-	-	4,500,000
Total	**24,500,000**	**-**	**10,000,000**	**10,000,000**	**4,500,000**

Notes:

(1) Ms Foster does not have any beneficial interests in the options over ordinary share capital of the Group.

Options granted

There were no options issued to KMP for the year ended 30 June 2019 (2018: nil).

Shares issued

During the 2019 year, no shares were issued as remuneration (2018: nil).

Other transactions with KMP and/or their related parties

During the year there were no other transactions with KMP and/or related parties.

END OF REMUNERATION REPORT

12. DIRECTORS' MEETINGS

The following table sets out the number of meetings of the Group's Directors held during the year ended 30 June 2019 and the number of meetings attended by each Director:

Director	Number Attended	Number Eligible to Attend
David Cannington	5	5
Kathryn Foster	5	5
Justin Miller	5	5

13. INDEMNIFYING OFFICERS OR AUDITOR

The Group has paid premiums to insure all Directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of Director of the Group, other than conduct involving a wilful breach of duty in relation to the Group. The premiums in total amounted to $34,725.

14. PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

15. AUDITOR

Walker Wayland WA Audit Pty Ltd (formerly Hall Chadwick WA Audit Pty Ltd) has been appointed auditor of the Group in accordance with section 327 of the *Corporations Act 2001*. The Directors are of the opinion that the auditor has procedures in place to ensure there will be no deterioration of audit quality as a result of the extension, and the extension will not give rise to a conflict of interest situation.

16. NON-AUDIT SERVICES

The Board of Directors is satisfied that there was no provision of non-audit services during the year.

17. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 13 of the financial report.

Made and signed in accordance with a resolution of the Directors.

Justin Miller
Managing Director/Chief Executive Officer

Perth, 13 September 2019

walker wayland audit

Auditor's Independence Declaration Under Section 307C of The Corporations Act 2001 to The Directors of Nuheara Limited And Controlled Entities

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019 there have been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Walker Wayland WA Audit Pty Ltd

WALKER WAYLAND WA AUDIT PTY LTD

Richard J Gregson

Richard Gregson CA
Director
Level 3, 1 Preston Street, COMO WA 6152

Dated this 13th day of September 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	NOTES	2019 $	2018 $
Revenue	3	2,218,714	3,962,565
Cost of sales		(1,849,115)	(3,660,856)
Gross profit		**369,599**	**301,709**
Other income	3	2,262,691	1,289,395
Salaries and employee benefits		(5,943,896)	(4,509,514)
Marketing and promotional		(2,532,568)	(1,958,069)
Research and development		(1,573,372)	(247,755)
General and administrative		(2,157,092)	(2,009,044)
Share based payments		(450,513)	(283,134)
Total expenses		**(10,394,750)**	**(7,718,121)**
Loss before tax from continuing operations		**(10,025,151)**	**(7,416,412)**
Income tax benefit	2	(2,087)	-
Net loss after tax from continuing operations		**(10,027,238)**	**(7,416,412)**
Total comprehensive loss attributable to:			
Equity holders		(10,027,238)	(7,416,412)
Total comprehensive loss		**(10,027,238)**	**(7,416,412)**
Earnings per share			
Basic loss per share (cents per share)	16	**(1.09)**	(0.92)
Diluted loss per share (cents per share)	16	**(1.02)**	(0.83)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	NOTES	2019 $	2018 $
CURRENT ASSETS			
Cash and cash equivalents		3,220,079	8,345,698
Trade and other receivables	4	674,458	849,035
Inventory		2,432,267	2,353,392
Disposal group – mining tenements held for sale		206,233	206,233
TOTAL CURRENT ASSETS		**6,533,037**	**11,754,358**
NON-CURRENT ASSETS			
Plant and equipment	5	605,957	762,526
Security deposits		3,515	32,098
Intangible assets	6	5,241,203	4,533,697
TOTAL NON-CURRENT ASSETS		**5,850,675**	**5,328,321**
TOTAL ASSETS		**12,383,712**	**17,082,679**
CURRENT LIABILITIES			
Trade and other payables	7	1,237,885	1,583,180
Provisions	8	424,399	474,029
TOTAL CURRENT LIABILITIES		**1,662,284**	**2,057,209**
NON-CURRENT LIABILITIES			
Provisions	8	23,544	6,769
TOTAL NON-CURRENT LIABILITIES		**23,544**	**6,769**
TOTAL LIABILITIES		**1,685,828**	**2,063,978**
NET ASSETS		**10,697,884**	**15,018,701**
EQUITY			
Issued capital	9	38,325,527	33,038,866
Share option reserve		1,410,267	960,561
Foreign currency translation reserve		(6,478)	(6,478)
Accumulated losses		(29,031,432)	(18,974,248)
TOTAL EQUITY		**10,697,884**	**15,018,701**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Ordinary Shares $	Accumulated Losses $	Share Option Reserve $	Foreign Currency Translation Reserve $	Total $
Balance at 1 July 2017	**17,402,898**	**(11,557,836)**	**677,427**	**(4,850)**	**6,517,639**
Comprehensive income					
Loss for the year	-	(7,416,412)	-	-	**(7,416,412)**
Total comprehensive loss for the year	**-**	**(7,416,412)**		**-**	**(7,416,412)**
Transactions with owners in their capacity as owners					
Shares issued during the year	16,620,000	-	-	-	**16,620,000**
Share issue costs	(984,032)	-	-	-	**(984,032)**
Options issued during the year	-	-	(362,329)	-	**(362,329)**
Movement in valuation of options issued in prior periods	-	-	645,463	-	**645,463**
Foreign currency translation movements	-	-	-	(1,628)	**(1,628)**
Balance at 30 June 2018	**33,038,866**	**(18,974,248)**	**960,561**	**(6,478)**	**15,018,701**
Balance at 1 July 2018	**33,038,866**	**(18,974,248)**	**960,561**	**(6,478)**	**15,018,701**
Comprehensive income					
Loss for the year	-	(10,027,238)	-	-	**(10,027,238)**
Total comprehensive loss for the year	**-**	**(10,027,238)**		**-**	**(10,027,238)**
Transactions with owners in their capacity as owners					
Shares issued during the year	5,740,250	-	-	-	**5,740,250**
Share issue costs	(453,589)	-	-	-	**(453,589)**
Options issued during the year	-	-	(319,584)	-	**(319,584)**
Movement in valuation of options issued in prior periods	-	-	777,762	-	**777,762**
Option issue costs	-	-	(8,472)	-	**(8,472)**
Foreign currency translation movements	-	(29,946)	-	-	**(29,946)**
Balance at 30 June 2019	**38,325,527**	**(29,031,432)**	**1,410,267**	**(6,478)**	**10,697,884**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	NOTES	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,351,962	4,057,505
Interest received		101,357	77,880
Grants and rebates received		2,153,397	1,208,451
Payments to suppliers and employees		(11,108,775)	(11,873,017)
Interest and other costs of finance paid		-	124
Income tax paid		(2,087)	-
NET CASH FLOWS USED IN OPERATING ACTIVITIES	23	**(6,504,146)**	**(6,529,057)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(102,299)	(133,335)
Payment for acquisition of businesses (net of cash acquired)		1,389	10,998
Payment for the acquisition of intangibles		(3,806,417)	(4,043,428)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(3,907,327)**	**(4,165,765)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share and option issues		5,740,250	16,620,000
Share raising costs		(454,396)	(984,032)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**5,285,854**	**15,635,968**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS HELD		**(5,125,619)**	**4,941,146**
Cash and cash equivalent at beginning of the financial year		8,345,698	3,404,552
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		**3,220,079**	**8,345,698**

The accompanying notes form part of these financial statements.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

It is important to read the following definitions in order to assist with understanding this report.

For the purposes of this report:

Nuheara IP Pty Ltd or **Company** refers to the Company purchased by Nuheara Limited on 25 February 2016. As required by Australian Accounting Standard AASB 3*: Business Combinations*, Nuheara Limited is deemed to have been acquired by Nuheara IP Pty Ltd as at 25 February 2016 under the reverse acquisition rules. While the financial statements are headed with the legal acquirer, Nuheara Limited, the financial statements presented are a continuation of those of the accounting acquirer, Nuheara IP Pty Ltd.

Nuheara Limited or **Listed Entity** means only the legal entity of Nuheara Limited, which is listed on the Australian Securities Exchange (ASX: NUH). Nuheara Limited is the legal parent of Nuheara IP Pty Ltd although Nuheara IP Pty Ltd has been treated as the acquirer for accounting purposes in the financial statements.

Wild Acre Metals Limited (ASX: WAC) means Nuheara Limited and all its controlled entities prior to the purchase of Nuheara IP Pty Ltd. On 25 February 2016, the Company's name was changed from Wild Acre Metals Limited to Nuheara Limited and the ASX code was subsequently changed from WAC to NUH.

The financial report for Nuheara Limited for the year ended 30 June 2019 was authorised for issue in accordance with a resolution by the Board of Directors.

Nuheara Limited is incorporated in Australia and is a listed public Company whose shares are publicly traded on the Australian Securities Exchange (ASX). Its registered office and principal place of business is located at 190 Aberdeen Street, Northbridge, Western Australia.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards, interpretations of the Australian Accounting Standards Board (AASB), International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Reporting Basis and Conventions
Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement of fair value of selected non-current assets, financial assets and financial liabilities.

Critical accounting estimates
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 14.

Going concern
For the year ended 30 June 2019, the Group has incurred a net loss after tax of $10,027,238 (2018: loss of $7,416,412) and net cash outflows from operating activities of $6,504,146 (2018: outflow of $6,529,057). As at 30 June 2019, the group has a net current asset position of $4,870,753 (30 June 2018: $9,697,149).

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Going concern (continued)

The Group's trading and cash flow forecasts for the 12-month period from the date of reporting indicate that there is some risk that it may not meet all its payment obligations unless the Group is able to complete a successful equity/finance raising. These matters present a significant material uncertainty in relation to the Group's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors remain committed to the long-term business plan that will result in the business progressing from start-up phase into a more established business operation. The Directors believe there are reasonable grounds to believe that the Group will be able to continue as a going concern after consideration of the following factors:

- Ongoing sales of IQbuds™, IQbuds BOOST™, and IQstreamTV™ through expanding distribution channels;
- New products planned for release over the course of the next 12-months;
- Active management of the current level of discretionary expenditure in line with the funds available to the Group
- Raising additional working capital through the issue of securities and/or other funding;

After taking into account all available information, the Directors have concluded that there are currently reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, and to continue as a going concern and be in a position to realise its assets and settle its liabilities and commitments in the normal course of business, and at the amounts stated in the financial report. Accordingly, the Directors also believe that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

In the event that the Group does not achieve the conditions stated by the Directors, the ability of the Group to continue as a going concern may be impacted and therefore the Group may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations, and at the amounts stated in the financial report. No adjustments have been made to the recoverability and classification of recorded asset values and the amount and classification of liabilities that might be necessary should the Group not continue as going concern.

New and Amended Accounting Policies Adopted by the Group

Initial application of AASB 9: Financial Instruments

The Group has adopted AASB 9: Financial Instruments with an initial application date of 1 July 2018. As a result, the Group has changed its financial instruments accounting policies as follows.

As per AASB 9, an expected credit loss model is applied, not an incurred credit loss model as per the previous Standard applicable. To reflect changes in credit risk, this expected credit loss model requires the Group to account for expected credit loss since initial recognition. If a credit risk on a financial instrument has not shown significant change since initial recognition, an expected credit loss amount, equal to 12-month expected credit loss, is used. However, a loss allowance is recognised at an amount equal to the lifetime expected credit loss if the credit risk on that financial instrument has increased significantly since initial recognition, or if the instrument is an acquired credit-impaired financial asset.

A simple approach is followed in relation to trade receivables, as the loss allowance is measured at lifetime expected credit loss.

The Group reviewed and assessed the existing financial assets on 1 July 2018. The assessment was made to test the impairment of these financial assets using reasonable and supportable information that is available to determine the credit risk of the respective items at the date they were initially recognised, and to compare that to the credit risk as at 1 July 2017 and 1 July 2018. The assessment was performed without undue cost or effort, in accordance with AASB 9.

The application of the AASB 9 impairment requirements has not resulted in an additional loss allowance to be recognised.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

New and Amended Accounting Policies Adopted by the Group (continued)

Initial application of AASB 15: Revenue from Contracts with Customers

The Group has adopted AASB 15: Revenue from Contracts with Customers with an initial application date of 1 July 2018. As a result, the Group has changed its accounting policy revenue recognition as follows.

The Group has applied AASB 15 using the cumulative effect method; that is, by recognising the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of equity as at 1 July 2018. Therefore, the comparative information has not been restated and continues to be reported under AASB 118: Revenue.

The following table provides details of the significant changes and quantitative impact of those changes.

Adjustments made to consolidated statement of financial position:

As at 30 June 2019

	Under previous accounting policies	AASB 15 adjustments	Restated
CURRENT ASSETS			
Cash and cash equivalents	3,220,079	-	3,220,079
Trade and other receivables	674,458	-	674,458
Inventory	2,414,083	18,184	2,432,267
Disposal group – mining tenements held for sale	206,233	-	206,233
TOTAL CURRENT ASSETS	**6,514,853**	**18,184**	**6,533,037**
NON-CURRENT ASSETS			
Plant and equipment	605,957	-	605,957
Security deposits	3,514	-	3,514
Intangible assets	5,241,203	-	5,241,203
TOTAL NON-CURRENT ASSETS	**5,850,675**	**-**	**5,850,675**
TOTAL ASSETS	**12,365,528**	**18,184**	**12,383,712**
CURRENT LIABILITIES			
Trade and other payables	1,237,885	-	1,237,885
Provisions	393,941	30,458	424,399
TOTAL CURRENT LIABILITIES	**1,631,826**	**30,458**	**1,662,284**
NON-CURRENT LIABILITIES			
Provisions	23,544	-	23,544
TOTAL NON-CURRENT LIABILITIES	**23,544**	**-**	**23,544**
TOTAL LIABILITIES	**1,655,370**	**30,458**	**1,685,828**
NET ASSETS	**10,710,158**	**(12,274)**	**10,697,884**
EQUITY			
Issued capital	38,325,527	-	38,325,527
Share option reserve	1,410,267	-	1,410,267
Foreign currency translation reserve	(6,478)	-	(6,478)
Accumulated losses	(29,019,158)	(12,274)	(29,031,432)
TOTAL EQUITY	**10,710,158**	**(12,274)**	**10,697,884**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

New and Amended Accounting Policies Adopted by the Group (continued)

Initial application of AASB 15: Revenue from Contracts with Customers (continued)

As at 30 June 2018

	Under previous accounting policies	AASB 15 adjustments	Restated
CURRENT ASSETS			
Cash and cash equivalents	8,345,698	-	8,345,698
Trade and other receivables	849,035	-	849,035
Inventory	2,353,392	17,582	2,370,974
Disposal group – mining tenements held for sale	206,233	-	206,233
TOTAL CURRENT ASSETS	**11,754,358**	**17,582**	**11,771,940**
NON-CURRENT ASSETS			
Plant and equipment	762,526	-	762,526
Security deposits	32,098	-	32,098
Intangible assets	4,533,697	-	4,533,697
TOTAL NON-CURRENT ASSETS	**5,328,321**	**-**	**5,328,321**
TOTAL ASSETS	**17,082,679**	**17,582**	**17,100,261**
CURRENT LIABILITIES			
Trade and other payables	1,583,180	-	1,583,180
Provisions	474,029	44,735	518,764
TOTAL CURRENT LIABILITIES	**2,057,209**	**44,735**	**2,101,944**
NON-CURRENT LIABILITIES			
Provisions	6,768	-	6,768
TOTAL NON-CURRENT LIABILITIES	**6,768**	**-**	**6,768**
TOTAL LIABILITIES	**2,063,977**	**44,735**	**2,108,712**
NET ASSETS	**15,018,701**	**(27,153)**	**14,991,548**
EQUITY			
Issued capital	33,038,866	-	33,038,866
Share option reserve	960,561	-	960,561
Foreign currency translation reserve	(6,478)	-	(6,478)
Accumulated losses	(18,974,248)	(27,153)	(19,001,401)
TOTAL EQUITY	**15,018,701**	**-**	**14,991,548**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

New and Amended Accounting Policies Adopted by the Group (continued)

Initial application of AASB 15: Revenue from Contracts with Customers (continued)

Adjustments made to statement of profit and loss and other comprehensive income:

As at 30 June 2019

	Under previous accounting policies	AASB 15 adjustments	Restated
Revenue	2,249,172	(44,735)	2,218,714
Cost of sales	(1,867,299)	17,582	(1,849,115)
Gross profit/(loss)	**381,873**	**27,153**	**369,599**
Other income	2,262,691	-	2,262,691
Salaries and employee benefits	(5,943,896)	-	(5,943,896)
Marketing and promotional	(2,532,568)	-	(2,532,568)
Research and development	(1,573,372)	-	(1,573,372)
General and administrative	(2,157,092)	-	(2,157,092)
Share based payments	(450,513)	-	(450,513)
Total expenses	**(10,394,750)**	**-**	**(10,394,750)**
Loss before tax from continuing operations	**(10,012,877)**	**27,153**	**(10,025,151)**
Income tax benefit	(2,087)	-	(2,087)
Net loss after tax from continuing operations	**(10,014,964)**	**27,153**	**(10,027,238)**
Total comprehensive loss attributable to:			
Equity holders	(10,014,964)	27,153	(10,027,238)
Total comprehensive loss	**(10,014,964)**	**27,153**	**(10,027,238)**
Earnings per share			
Basic loss per share (cents per share)	(1.09)		(1.09)
Diluted loss per share (cents per share)	(1.02)		(1.02)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) **Basis of preparation (continued)**

New and Amended Accounting Policies Adopted by the Group (continued)

Initial application of AASB 15: Revenue from Contracts with Customers (continued)

Adjustments made to statement of profit and loss and other comprehensive income:

As at 30 June 2018

	Under previous accounting policies	AASB 15 adjustments	Restated
Revenue	3,962,565	(30,458)	3,932,107
Cost of sales	(3,660,856)	18,184	(3,642,672)
Gross profit/(loss)	**301,709**	**12,274**	**289,435**
Other income	1,289,395	-	1,289,395
Salaries and employee benefits	(4,509,514)	-	(4,509,514)
Marketing and promotional	(1,958,069)	-	(1,958,069)
Research and development	(247,755)	-	(247,755)
General and administrative	(2,009,044)	-	(2,009,044)
Share based payments	(283,134)	-	(283,134)
Total expenses	**(7,718,121)**	**-**	**(7,718,121)**
Loss before tax from continuing operations	**(7,416,412)**	**12,274**	**(7,428,686)**
Income tax benefit	-	-	-
Net loss after tax from continuing operations	**(7,416,412)**	**12,274**	**(7,428,686)**
Total comprehensive loss attributable to:			
Equity holders	(7,416,412)	12,274	(7,428,686)
Total comprehensive loss	**(7,416,412)**	**12,274**	**(7,428,686)**
Earnings per share			
Basic loss per share (cents per share)	(0.92)		(0.92)
Diluted loss per share (cents per share)	(0.92)		(0.92)

The application of these changes in accounting policies had no impact on the consolidated cash flows of the Group.

Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The directors have decided not to early-adopt any of the new and amended pronouncements. The following sets out their assessment of the pronouncements that are relevant to the Group but applicable in future reporting periods.

- AASB 16: Leases (applicable to reporting periods beginning on or after 1 January 2019).
  The Group has chosen not to early-adopt AASB 16. However, the Group has conducted a preliminary assessment of the impact of this new Standard, as follows. A core change resulting from applying AASB 16 is that most leases will be recognised on the balance sheet by lessees as the standard no longer differentiates between operating and financing leases. An asset and a financial liability are recognised in accordance with this new Standard. There are, however, two exceptions allowed: short-term and low-value leases.

The accounting for the Group's operating leases will be primarily affected by this new Standard. AASB 16 will be applied by the Group from its mandatory adoption date of 1 July 2019. The comparative amounts for the year prior to first adoption will not be restated, as the Group has chosen to apply AASB 16 retrospectively with cumulative effect.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) **Basis of preparation (continued)**

Accounting Standards for Application in Future Periods (continued)

While the right-of-use assets for property leases will be measured on transition as if the new rules had always been applied, all other right-of-use assets will be measured at the amount of the lease liability on adoption (after adjustments for any prepaid or accrued lease expenses).

The Group's non-cancellable operating lease commitments amount to $199,290 as at the reporting date. The Group has performed a preliminary impact assessment and has estimated that on 1 July 2019, the Group expects to recognise the right-of-use assets and lease liabilities of approximately $190,927 (after adjusting for prepayments and accrued lease payments recognised as at 30 June 2019).

The repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities, thus increasing operating cash flows and decreasing financing cash flows by approximately $170,820 in 2020.

(b) **Business combinations**

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired, and liabilities assumed (including contingent liabilities) is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(c) **Employee benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) **Impairment of assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

(e) **Intangible assets**

Research and development

Research phase

No intangible asset arising from research (or from the research phase of an internal project) is recognised. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when incurred.

Development phase

An intangible asset arising from development (or from the development of an internal project) is recognised if, and only if, all the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs include costs directly attributable to the development activities. Development costs not capitalised are recognised as an expense when incurred.

Following initial recognition, the Group will adopt the cost model. As a result, any development costs carried forward will be carried forward at its cost less any accumulated amortization and any accumulated impairment losses.

Capitalised development costs have a finite useful life and are amortised on a straight-line basis over 2.5 years.

Patents and trademarks

Patents and Trademarks are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses.

Patents and trademarks are amortised on a straight-line basis over 10 years.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value or amortised cost using the effective interest method, or cost. Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) **Financial instruments (continued)**

Impairment

From 1 January 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at fair value. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB 9 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(h) **Foreign currency transactions and balances**

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions and balances

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Foreign controlled entities

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period;
- retained earnings are translated at the exchange rates prevailing at the date of the transaction; and
- exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period when a foreign operation is disposed.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) **Issued Capital**

Ordinary shares and options are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

(j) **Plant and equipment**

Plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on plant and equipment and is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at the end of each annual reporting period.

The following depreciation rates that are used in the calculation of depreciation:
- Office equipment - 10% - 25%
- Plant and Equipment - 15%
- Leasehold improvements - 40%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(k) **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned based on weighted average costs.

(l) **Principles of consolidation**

On 25 February 2016, Nuheara Limited acquired all of the issued shares of Nuheara IP Pty Ltd, resulting in Nuheara IP Pty Ltd becoming a wholly owned subsidiary of Nuheara Limited. The acquisition resulted in the original shareholders of Nuheara IP Pty Ltd holding a controlling interest in Nuheara Limited (formerly known as Wild Acre Metals Limited). Pursuant to AASB 3: *Business Combinations*, this transaction represents a reverse acquisition with the result that Nuheara IP Pty Ltd was identified as the acquirer, for accounting purposes, of Nuheara Limited (the "acquiree" and "legal parent"). Wild Acre Metals Limited was not considered a business as it only held disposal groups in Australia and Peru.

Accordingly, in the year to 30 June 2016 it was treated as an asset purchase and the excess
consideration paid was disclosed as listing costs on the Statement of Profit or Loss and Other Comprehensive Income.

A list of controlled entities is contained in Note 21

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) **Revenue recognition**

Revenue from the sale of goods is recognised when the Group has delivered the products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

These products are sold under standard warranty terms. These terms may require the Group to provide a refund for faulty products. The Group's obligation to provide a refund for these faulty products is recognised as a provision in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets.

A receivable is recognised when the goods are delivered. The Group's right to consideration is deemed unconditional at this time, as only the passage of time is required before payment of that consideration is due. There is no significant financing component because sales are made within a credit term of 30 to 90 days.

Customers have a right to return products within 30 days as stipulated in the current contract terms. At the point of sale, a refund liability is recognised based on an estimate of the products expected to be returned, with a corresponding adjustment to revenue for these products. Consistent with the recognition of the refund liability, the Group further has a right to recover the product when customers exercise their right of return, so consequently the Group recognises a right to returned goods asset and a corresponding adjustment is made to cost of sales. Historical experience of product returns is used to estimate the number of returns using the expected value method. It is considered highly probable that significant reversal in the cumulative revenue will not occur given the consistency in the rate of return presented in the historical information.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the sale of tenement interests is recognised at the time of the transfer of the significant risks and rewards of ownership.

All revenue is stated net of the amount of goods and services tax.

(n) **Provisions**

Warranty provisions

Provision is made in respect of the Group’s best estimate of the liability on all products under warranty at the end of the reporting period. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to historical averages for warranty claims.

Long service leave and annual leave

The Group expects annual leave benefits to be settled wholly within 12 months of the reporting date. The Group recognises a liability for long service leave and annual leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service.

Employees in Australia are entitled to long service leave in accordance with statutory requirements. International employees are granted the same annual and long service leave entitlements as those in Australia.

(o) **Share-based payments**

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value of options is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The fair value of shares is the market value of the shares at the grant date.

The fair value determined at the grant date of options issued as part of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) **Taxes**

(i) **Income Tax**

The income tax expense income for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit, or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods, in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(ii) ***Goods and services tax (GST)***

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) **New and amended accounting policies adopted by the Group**

Standards and Interpretations applicable to 30 June 2019

In the year ended 30 June 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to the Group accounting policies.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2. INCOME TAX

	2019 $	2018 $
Income tax expense		
Current income tax	2,087	-
Deferred income tax	-	-
Income tax expense	**2,087**	**-**

(i) **Numerical reconciliation of income tax expense to prima facie tax payable**

Numerical reconciliation of income tax expense to prima facie tax payable	2019 $	2018 $
Loss from continuing operations before income tax expense	(10,025,151)	(7,416,412)
Loss before tax from disposal group	-	-
Loss before income tax	(10,025,151)	(7,416,412)
Tax credit at the Australian tax rate of 27.5% (2017: 27.5%)	(2,756,917)	(2,039,513)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	126,956	83,722
Non assessable-non-exempt income related expenditure/(income)	11,183	11,542
Temporary differences	688,828	278,741
Tax loss not brought to account as a deferred tax asset	2,465,742	1,997,832
R&D Tax Offset	(533,704)	(332,324)
Income tax expense	**2,087**	**-**

(ii) **Unrecognised deferred tax assets/(liabilities)**

Unrecognised temporary differences	2019 $	2018 $
Unrecognised deferred tax asset/(liability) relates to the following:		
Interest receivable	(2,454)	(1,360)
Prepayments	-	(5,692)
Software	1,443,651	591,450
Trade and other payables	8,003	6,609
Employee benefits	72,293	51,325
Provisions	49,598	78,931
Business related costs	457,739	414,475
Foreign exchange	(57,677)	(16,512)
Tax Losses	6,666,881	4,419,672
Potential unrecognised deferred tax asset @ 27.5% (2018: 27.5%)	**8,638,035**	**,538,898**

The tax losses do not expire under current legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

3. REVENUE AND OTHER INCOME

	2019 $	2018 $
Revenue from contracts with customers	2,218,714	-
Revenue based on AASB 118	-	3,962,565
Interest income	105,333	77,066
Grants and rebates received	2,153,397	1,208,451
Sundry income	3,961	3,878
Total revenue and other income	**4,481,405**	**5,251,960**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4. TRADE AND OTHER RECEIVABLES

	2019 $	2018 $
Trade and other receivables	**674,458**	849,033

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been individually assessed based on credit risk characteristics. The expected credit losses also incorporate forward-looking information.

Credit risk – trade and other receivables
The Group has no significant credit risk with respect to any single counterparty. The class of assets described as trade and other receivables is considered to be the main source of credit risk related to the Group. The trade and other receivables as at 30 June are considered to be of low credit risk.

5. PLANT AND EQUIPMENT

	2019 $	2018 $
Plant and equipment – at cost	1,215,035	1,148,651
Less: accumulated depreciation	(609,078)	(386,125)
Total plant and equipment	**605,957**	**762,526**

	2019 $	2018 $
Opening balance - plant and equipment	762,526	871,245
Additions	102,283	293,675
Disposals	(35,899)	(16,269)
Depreciation	(222,953)	(386,125)
Foreign currency translation movement	-	-
Closing balance – plant and equipment	**605,957**	**762,526**

6. INTANGIBLE ASSETS

	2019 $	2018 $
Development costs – at cost	9,828,331	6,333,580
Less: accumulated amortisation and impairment losses	(5,177,446)	(2,130,535)
Net carrying amount	**4,650,885**	**4,203,045**
Patents & Trademarks – at cost	662,512	350,846
Less: accumulated amortisation and impairment losses	(72,194)	(20,194)
Net carrying amount	**590,317**	**330,652**
Total intangible assets	**5,241,203**	**4,533,697**

	Development Costs $	Patents & Trademarks $	Total $
Balance as at 1 July 2017	**2,099,798**	**94,400**	**2,194,198**
Balance as at 30 June 2018	**4,203,045**	**330,652**	**4,533,697**
Additions – internally developed	3,494,751	311,666	3,806,417
Amortisation charge	(3,046,911)	(52,000)	(3,098,911)
Balance as at 30 June 2019	**4,650,885**	**590,318**	**5,241,203**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

7. TRADE AND OTHER PAYABLES - CURRENT

	2019 $	2018 $
Trade creditors	566,619	692,795
Unearned Income	40,943	28,453
Other creditors and accrued expenses	630,323	861,932
	1,237,885	**1,583,180**

8. PROVISIONS – CURRENT

	2019 $	2018 $
Employee provisions	259,321	236,275
Provision for refunds and warranty claims	165,078	237,754
	424,399	**474,029**

9. ISSUED CAPITAL

Ordinary shares

(i) ***Issued and paid up capital***

	2019 $	2018 $
982,210,292 (2018: 891,473,723) Ordinary shares, fully paid	**38,325,527**	**33,038,867**

(ii) ***Movements during the period number of shares***

	Number of Shares 2018	2018 $
Opening Balance at 1 July 2017	**697,489,746**	**17,402,898**
17 July 2017 issued 750,000 shares on exercise of options $0.04 each	750,000	30,000
20 July 2017 issued 97,826,082 shares under share placement at $0.092 each	97,826,082	9,000,000
20 July 2017 issued 2,250,000 shares on exercise of options at $0.04 each	2,250,000	90,000
12 March 2018 issued 2,000,000 shares on exercise of options at $0.05 each	2,000,000	100,000
14 March 2018 issued 3,000, shares on exercise of options at $0.05 each	3,000,000	150,000
14 March 2018 issued 1,500,000 shares on exercise of options at $0.05 each	1,500,000	75,000
15 March 2018 issued 3,000,000 shares on exercise of options at $0.05 each	3,000,000	150,000
21 March 2018 issued 2,000,000 shares on exercise of options at $0.05 each	2,000,000	100,000
21 March 2018 issued 3,750,000 shares on exercise of options at $0.05 each	3,750,000	187,500
21 March 2018 issued 2,000,000 shares on exercise of options at $0.05 each	2,000,000	100,000
21 March 2018 issued 4,735,714 shares on exercise of options at $0.05 each	4,735,714	236,786
21 March 2018 issued 8,014,286 shares on exercise of options at $0.05 each	8,014,286	400,714
15 June 2018 issued 63,157,895 shares under share placement at $0.095 each	63,157,895	6,000,000
Less: Share issue costs	-	(984,030)
Balance shares at 30 June 2018	**891,473,723**	**33,038,867**

	Number of Shares 2019	2019 $
Opening balance at 1 July 2018	**891,473,723**	**33,038,867**
10 December 2018 issued 2,250,000 shares on exercise of options $0.04 each	2,250,000	90,000
10 December 2018 issued 66,936,667 shares under placement at $0.075 each	66,936,667	5,020,250
25 February 2019 issued 20,000,000 shares on exercise of options at $0.05 each	20,000,000	600,000
17 April 2019 issued 322,718 shares on exercise of options at $0.04 each	322,718	-
17 April 2019 issued 1,227,184 shares on exercise of options at $0.06 each	1,227,184	30,000
Less: Share issue costs	-	(453,590)
Balance shares at 30 June 2019	**982,210,292**	**38,325,527**

9. ISSUED CAPITAL (CONTINUED)

Ordinary shares (continued)

(iii) ***Holders of ordinary shares***

Holders of ordinary shares have the right to receive dividends as declared, and in the event of winding up the Group, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held and the amount paid up. At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Unlisted Options

	2019 $	2018 $
(i) ***Issued unlisted options***		
56,000,000 (2018: 78,000,000) unlisted options	**1,410,267**	**960,561**

Description	Number	Grant Date	Exercise Price	Expiry Date	Weighted Average time until expiry 2019
Unlisted Options	10,500,000	30/11/2016	$0.09	30/11/2019	5 months
Unlisted Options	1,500,000	21/02/2017	$0.12	16/02/2020	8 months
Unlisted Options	3,000,000	22/05/2017	$0.09	22/05/2020	11 months
Unlisted Options	10,000,000	20/06/2017	$0.078	2/11/2019	4 months
Unlisted Options	500,000	14/07/2017	$0.09	14/07/2020	12 months
Unlisted Options	3,000,000	24/07/2017	$0.115	24/07/2020	13 months
Unlisted Options	500,000	10/11/2017	$0.09	10/11/2020	16 months
Unlisted Options	1,000,000	12/01/2018	$0.09	12/01/2021	18 months
Unlisted Options	7,500,000	1/03/2018	$0.09	1/03/2021	20 months
Unlisted Options	9,000,000	17/09/2018	$0.09	17/09/2021	27 months
Unlisted Options	1,000,000	10/12/2018	$0.09	10/12/2021	29 months
Unlisted Options	6,000,000	18/03/2019	$0.09	18/03/2022	33 months
Unlisted Options	2,500,000	17/04/2019	$0.09	17/04/2022	34 months
Total Unlisted Options	**56,000,000**				**16 months**

For information relating to share options issued to KMP and contractors including details of options issued, exercised and lapsed during the financial year, refer to Note 22 Share Based Payments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

9. ISSUED CAPITAL (CONTINUED)

Unlisted Options (continued)

	Number of Options 2018	2018 $
(ii) ***Movements during the period for number of options***		
Balance unlisted options at 30 June 2017	**107,319,445**	**677,427**
Issue of Employee options @ $0.09 each on 14 July 2017	1,000,000	3,012
Issue of Employee options @ $0.09 each on 24 July 2017	3,000,000	15,667
Issue of Employee options @ $0.09 each on 10 November 2017	1,000,000	2,132
Issue of Employee options @ $0.09 each on 12 January 2018	1,000,000	6,352
Issue of Employee options @ $0.09 each on 1 March 2018	8,000,000	37,061
Less: Options exercised/forfeited	(43,319,445)	(426,553)
Movement in valuation of options issued in prior reporting periods	-	645,463
Balance unlisted options at 30 June 2018	**78,000,000**	**960,561**

	Number of Options 2019	2019 $
Balance unlisted options at 30 June 2018	**78,000,000**	**960,561**
Issue of Employee options @ $0.09 each on 17 September 2018	10,500,000	84,095
Issue of Employee options @ $0.09 each on 10 December 2018	1,500,000	5,026
Issue of Employee options @ $0.09 each on 18 March 2019	6,000,000	15,430
Issue of Employee options @ $0.09 each on 17 April 2019	2,500,000	5,407
Less: Options exercised/forfeited	(42,500,000)	(319,584)
Less: Option issue expenses	-	(8,472)
Movement in valuation of options issued in prior reporting periods	-	667,804
Balance unlisted options at 30 June 2019	**56,000,000**	**1,410,267**

(iii) ***Capital Management***

As the Group is a start-up operation in the field of hearing health, it is not prudent at this time to expose the Group to the financial risk of borrowing. The Group is therefore financed 100% by equity at a level to ensure that the Group can fund its operations and continue as a going concern.

The Group's capital comprises only of ordinary share capital and options.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial requirements and raising additional capital as required to fund the Group's operations.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

10. OPERATING SEGEMENTS

Nuheara Limited, Nuheara IP Pty Ltd and Nuheara, Inc are operating within the hearing health sector, and have been aggregated to one reportable segment given the similarity of the products manufactured for sale, method in which products are delivered, types of customers and regulatory environment.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

11. RELATED PARTY DISCLOSURES

Key Management Personnel (KMP)

Any person(s) having authority and responsibility for planning, directing or controlling the activities of the Group, directly or indirectly (whether executive or otherwise) of that Group, are considered KMP. For details of disclosures relating to KMP refer to Note 18, Interests of KMP.

Transactions with director related entities

During the year, there were no transactions with director related entities.

12. EVENTS OCCURRING AFTER BALANCE DATE

The Group successfully completed a capital raising after balance date, raising $4 million in July 2019, with funds raised being used to assist Nuheara in achieving its planned objectives of increasing sales and marketing activities of IQbuds™ and IQbuds BOOST™, increasing inventory levels of IQbuds BOOST™, the launch of IQstreamTV™, and the manufacture and development of new products, including IQbudsMAX™.

The Group also entered into a Mining Concessions Transfer Agreement (the "Transfer Agreement"), in August 2019, for the sale of its mining assets in Southern Peru. Under the Transfer Agreement entered into with Corisur Peru SAC ("Corisur"), a subsidiary of Auryn Resources Inc. (TSX:ARG), Corisur will pay US$250,000 for the transfer of the concessions upon recording of the Transfer Agreement with the Peruvian Public Registry.

The Group's remaining portfolio of mining assets consists of Net Smelter Royalties ("NSR") located in Northern Peru and Western Australia. These interests are actively being marketed for sale and the Group intends to dispose of these interests as soon as it is commercially practical to do so.

13. COMMITMENTS FOR EXPENDITURE

These amounts are payable, if required, over various times over the next five years.

Operating Lease Commitment

The Group has entered into a rental agreement commencing 1 September 2018 for a period of 24 months.

Office Lease	**2019** $	**2018** $
Due within 1 year	170,820	142,350
Due 1 to 5 years	28,470	199,290

The Group has entered into fixed term agreements to provide contractors to the Group. The amounts due under these fixed term contracts are as follows:

Contractors	**2019** $	**2018** $
Due within 1 year	170,820	142,350
Due 1 to 5 years	28,470	199,290

14. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) ***Estimated impairment of assets***

The Group assesses impairment of its assets at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Where impairment has been triggered, assets are written down to their recoverable amounts. An impairment trigger includes operating losses and net cash outflows.

The ability of capitalised development costs to generate sufficient future economic benefits to recover the carrying amount is usually subject to greater uncertainty before the asset is available for use than after it is available for use. Judgement has been made in the estimation of future profitability and net cash flows in the assessment of fair value for capitalised development costs, and in the resulting determination that no impairment existed at balance date. Management acknowledges that a modest reduction in realised revenue growth against these forecasts may result in an impairment at a later date.

(ii) ***Estimated warranty costs***

Provision is made in respect of the Group's best estimate of the liability on all products under warranty at the end of the reporting period. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to an industry average of warranty claims.

(iii) ***Valuation of options***

Share-based payment transaction:

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, using the assumptions detailed in Note 22.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 22.

(iv) ***Capitalisation of development costs***

Under AASB 138: Intangible Assets, an entity is required to recognise an intangible asset if, and only if, certain criteria are met. Judgement has been made in the determination that research expenditure incurred during the year did not meet the definition of an intangible asset. The group has assessed the effective life of development assets to be 2.5 years.

(v) ***Contingent Purchase Consideration***

On 10 December 2015 Nuheara Limited (formerly Wild Acre Metals Limited) announced that its controlled entity, Wild Acre Metals (Peru) SAC, had entered into an acquisition agreement to acquire the Salvador exploration project from Teck Peru S.A., a subsidiary of Teck Resources Limited (Teck Agreement). Under the Teck Agreement, contingent purchase consideration of USD$2m (production bonus) is payable to Teck Peru S.A. upon making a production decision. The production bonus is jointly and severally payable by the Group in the event of a disposal of the tenements to a third party. As the Group intends to dispose of its Peruvian subsidiary, including the mining tenements and liability for the production bonus, management has ascertained the probability of a production bonus being payable as being assessed at nil at balance date. Additionally, if there is a sale of the Salvador interests by the Group within 36 months of the date of execution of the Teck Agreement, an additional 20% of the purchase price is payable to Teck Peru S.A. The additional contingent purchase consideration is assessed at nil at balance date.

14. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(vi) ***Net Smelter Royalties***

The Group holds an 80% interest in Terrace Gold Pty Ltd ("Terrace"). Terrace holds a 0.5% Net Smelter Royalty over the El Molino Gold Project and part of the El Galeno Copper Project located in Northern Peru, currently owned under joint venture by China Minmetals and Jiangxi Copper, and a 1.5% Net Smelter Royalty over the Mt Ida gold project located in Western Australia.

Management has ascertained that the probability of Net Smelter Royalty revenue was nil at balance date.

15. FINANCIAL INSTRUMENTS

Overview

The Group has exposure to the following risks from their use of financial instruments:

- interest rate risk
- credit risk
- liquidity risk
- foreign exchange risk

This note presents information about the Group's exposure to each of the above risks.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established by the Board of Directors to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Group's principal financial instruments are cash, short-term deposits, receivables and payables.

(i) **Interest Rate Risk**

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

30 June 2019 **Financial Assets**	**Weighted Average Effective Interest Rate %**	**Interest Bearing $**	**Non-Interest Bearing $**	**Total $**
Cash at bank	2.13	2,951,540	268,539	**3,220,079**
Trade and other receivables	-	-	674,458	**674,458**
	-	**2,951,540**	**942,997**	**3,894,537**
Financial Liabilities				
Trade and other payables	-	-	**1,237,885**	**1,237,885**

30 June 2018 **Financial Assets**	**Weighted Average Effective Interest Rate %**	**Interest Bearing $**	**Non-Interest Bearing $**	**Total $**
Cash at bank	1.24	7,163,297	1,182,401	**8,345,698**
Trade and other receivables	-	-	849,035	**849,035**
	-	**7,163,297**	**2,031,436**	**9,194,733**
Financial Liabilities				
Trade and other payables	-	-	**1,583,180**	**1,583,180**

15. FINANCIAL INSTRUMENTS (CONTINUED)

(2) Interest Rate Risk (continued)

It is the Group's policy to settle trade payables within the credit terms allowed and therefore not incur interest on overdue balances.

Sensitivity analysis

If interest rates on cash balances had weakened/strengthened by 1% at 30 June, there would be no material impact on the statement of profit or loss and other comprehensive income. There would be no material effect on the equity reserves, other than those directly related to the statement of profit or loss and other comprehensive income movements.

(ii) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any allowances for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

(iii) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities:

	2019		2018	
	Carrying Amount	Under 6 Months	Carrying Amount	Under 6 Months
Non-derivative financial liabilities:				
Trade and other payables	1,237,885	1,237,885	1,583,180	1,583,180

Net Fair Values

The net fair value of cash and non-interest-bearing monetary assets and financial liabilities of the Group approximates their carrying amount.

(iv) Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value, or future cash flows, of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments, which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in the US dollar and Peruvian Soles may impact on the Group's financial results unless those exposures are appropriately hedged.

It is the Group's policy that hedging is not necessary, as the Group does not hold funds of any significance in any other denomination than Australian dollars.

The foreign currency risk on net financial assets / (liabilities) in the books of the Group at balance date in 2019 is not material (2018: not material).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

16. EARNINGS PER SHARE

	2019 Cents	2018 Cents
Basic loss per share (cents per share)	(1.09)	(0.92)
Diluted loss per share (cents per share)	(1.02)	(0.92)

Basic loss per share

The earnings and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	2019 $	2018 $
Loss	(10,027,238)	(7,416,412)

	2019 No.	2018 No.
Weighted average number of ordinary shares – basic loss per share	914,324,594	802,765,484
Weighted average number of ordinary shares – diluted loss per share	980,383,498	898,701,661

17. AUDITOR'S REMUNERATON

	2019 $	2018 $
Amounts received, or due and receivable by the current auditors for audit or review of the financial report	39,800	37,175
Amounts received, or due and receivable by the Peruvian auditors for audit or review of the financial report	7,626	16,212
	47,426	**53,387**

18. INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's KMP.

The totals of remuneration paid to KMP of the Group during the year are as follows:

	2019 $	2018 $
Short term benefits	1,015,929	864,498
Post-employment benefits	78,358	53,089
Share based payments - options	-	48,941
	1,094,282	**966,527**

19. CONTINGENT LIABILITIES

There are no known contingent liabilities.

20. COMPANY DETAILS

Registered Office

The registered office is at 190 Aberdeen Street, Northbridge, Western Australia 6003.

Principal Place of Business

The principal place of business in Australia is at 190 Aberdeen Street, Northbridge, Western Australia 6003.

The principal place of business in Peru is Berlin 748, Of. 202, Miraflores, Lima, Peru.

21. INFORMATION ABOUT CONTROLLED ENTITIES

The controlled entities listed below have share capital consisting solely of ordinary shares which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each controlled entity's principal place of business is also its country of incorporation.

Name of Controlled Entity	Principal Place of Business	Ownership interest held by the Company		Proportion of non-controlling interest	
		2019	2018	2019	2018
Nuheara IP Pty Ltd	Perth, Australia	100%	100%	0%	0%
Wild Acre Metals (Peru) SAC	Lima, Peru	100%	100%	0%	0%
Nuheara, Inc	New York, USA	100%	100%	0%	0%
Terrace Gold Pty Ltd	Perth, Australia	80%	80%	20%	20%

The Group holds an 80% interest in Terrace Gold Pty Ltd ("Terrace"). Terrace holds a 0.5% Net Smelter Royalty over the El Molino Gold Project and part of the El Galeno Copper Project located in Northern Peru, currently owned under joint venture by China Minmetals and Jiangxi Copper, and a 1.5% Net Smelter Royalty over the Mt Ida gold project located in Western Australia.

22. SHARE BASED PAYMENTS

Shares and options granted to KMP

There were no shares or options granted to KMP during the financial year (2018: nil).

The Group's shareholders approved an Incentive Option Plan on 28 November 2016, with the main objective to attract, motivate and retain key employees and provide selected employees with the opportunity to participate in the future growth of the Group.

Employees are granted options which vest over three years from commencement with the Group, subject to meeting specified performance criteria. The options are issued for no consideration and carry no entitlements to voting rights or dividends of the Group. The number available to be granted is determined by the Board and is based on performance measures including growth in shareholder return, return on equity, cash earnings and group EPS growth.

During the financial year 1,125,000 options vested with KMP (2018: 1,125,000).

There were no shares or options issued to non-KMP or employees.

A summary of the movements of all Group options issued is as follows:

	No.	Weighted Average Exercise Price
Options outstanding and exercisable as at 30 June 2017	**107,319,445**	**$0.07**
Granted	14,000,000	$0.10
Forfeited	(10,319,445)	-
Exercised	(33,000,000)	-
Options outstanding and exercisable as at 30 June 2018	**78,000,000**	**$0.07**
Granted	20,500,000	$0.09
Forfeited	(14,000,000)	-
Exercised	(28,500,000)	-
Options outstanding and exercisable as at 30 June 2019	**56,000,000**	

The weighted average remaining contractual life of options outstanding at year end was 1.35 years (2018: 1.28). The weighted average exercise price of outstanding options at the end of the reporting period was $0.09 (2018: $0.07).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

22. SHARE BASED PAYMENTS (CONTINUED)

The fair value of options granted during the year was $660,170 (2018: $447,125). These values were calculated using the Black-Scholes option pricing model, applying the following inputs:

	Employees/ Contractors	Employees/ Contractors	Employees/ Contractors	Employees/ Contractors
Grant Date	17/09/2018	10/12/2018	18/03/2018	17/04/2019
Share price on issue date	$0.084	$0.069	$0.067	$0.079
Expected volatility	100%	100%	100%	100%
Exercise price	$0.09	$0.09	$0.09	$0.09
Expiry date	17/09/2021	10/12/2021	18/03/2022	17/04/2022
Risk free interest rate	1.50%	1.50%	1.50%	1.50%
Number issued	10,500,000	1,500,000	6,000,000	2,500,000
Value per option	$0.0512	$0.0390	$0.0390	$0.0458
Total	**$84,095**	**$5,026**	**$15,430**	**$5,407**

Historical share price volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future volatility.

Included in the statement of profit or loss is $450,513, which relates to equity-settled share-based payment transactions (2018: $283,134).

23. NOTES TO THE STATEMENT OF CASHFLOWS

	2019 $	2018 $
Reconciliation of net loss to net cash flows used in operating activities		
Loss from ordinary activities after income tax	(10,025,151)	(7,416,412)
Add back non-cash items:		
Loss/(profit) on property plant & equipment	18,253	1,967
Depreciation and amortisation expenses	3,337,654	1,932,031
Income tax	(2,087)	-
Share based payments expense	450,513	283,134
Changes in assets and liabilities		
Decrease in trade debtors	95,015	255,138
Decrease/(increase) in other receivables	79,556	(234,443)
(Increase) in inventories	(78,875)	(1,228,248)
Decrease/(increase) in non-current assets	28,585	(4,517)
(Decrease) in trade creditors	(126,179)	(389,455)
(Decrease)/increase in other payables	(261,066)	148,779
Increase in provision for employee entitlements	39,822	103,396
(Decrease) in provision for warranty claims	(72,676)	(8,880)
Increase in unearned income	12,490	28,453
Net cash used in operating activities	**(6,504,146)**	**(6,529,057)**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

24. PARENT ENTITY FINANCIAL INFORMATION

Nuheara IP Pty Ltd was acquired by Nuheara Limited (previously Wild Acre Metals Limited) on 25 February 2016. As required by Australian Accounting Standard AASB3*: Business Combinations*, Nuheara Limited is deemed to have been acquired by Nuheara IP Pty Ltd as at 25 February 2016 under the reverse acquisition rules. Accordingly, Nuheara IP Pty Ltd is the Parent Entity for accounting purposes.

The following information has been extracted from the books and records of the legal parent, Nuheara Limited, and has been prepared in accordance with Australian Accounting Standards.

	2019 $	2018 $
Results for the parent entity:		
Net (loss)	(10,194,174)	(7,527,479)
Other comprehensive income	-	-
Total comprehensive loss for the year	**(10,194,174)**	**(7,527,479)**
Current assets	6,091,745	10,571,376
Non-current assets	12,403,391	12,723,094
Total assets	**18,495,136**	**23,294,470**
Current liabilities	1,560,703	1,889,175
Non-current liabilities	21,829	5,393
Total liabilities	**1,582,532**	**1,894,175**
Net assets	**16,912,604**	**21,339,902**
Total equity of the parent entity		
Contributed equity	45,099,890	39,813,230
Reserves	1,701,432	1,251,726
Accumulated losses	(29,888,718)	(19,665,054)
Total Equity	**16,912,604**	**21,399,902**

NUHEARA LIMITED
ABN 29 125 167 133

The Directors of Nuheara Limited declare that:

(1) the financial statements and notes, as set out on page 18 to 44, are in accordance with the Corporations Act 2001 and:

  (a) comply with Australian Accounting Standards which, as stated in the accounting policy Note 1 to the financial statements, constitutes compliance with International Accounting Reporting Standards (IFRS); and
  (b) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the Group;

(2) the Directors have given the declarations required by S295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer;

(3) in the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Board of Directors:

Justin Miller
Managing Director/Chief Executive Officer

Perth, 13 September 2019

Independent Auditor's Report
To the Members of Nuheara Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Nuheara Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Regarding Going Concern

Without modifying our opinion, we draw attention to the following matter. As a result of the matters disclosed in Note 1a) "Going Concern" of the financial report, there is material uncertainties that cast significant doubt whether the Group can continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report. The ability of the Group to continue as a going concern is dependent upon its ability to generate sufficient cash surpluses from continued sales of IQ buds, IQbuds BOOST™, and IQstreamTV™ through expanding distribution channels, New products planned for release over the course of the next 12-months, and an equity raising.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going section, we have determined the matters described below to be the key audit matters to be communicated in our report**.**

Key Audit Matter	How our audit addressed the key audit matter
Capitalised Development Costs (Note 6,13 &14) (AASB 136 and AASB138)	
Capitalised development costs had a net carrying value of $4,650,885 at 30 June 2019 (2018:$4,203,045). This area is a key audit matter due to subjectivity and management judgement applied in the assessment of whether costs meet the capitalisation criteria described in AASB 138. The impairment of development costs is a key audit matter due to subjectivity and management judgement applied in the assessment of whether the asset should be impaired under the criteria described in AASB 136.	Audit procedures include the following: • assessing the Group's accounting policy in respect of product development costs in accordance with AASB 138; • testing a sample of amounts capitalised to supporting documentation and assessing compliance with AASB 138; • assessing the Group's accounting policy in respect of amortisation, and period of amortisation; • assessing the adequacy of the related disclosures within the financial statements. • assessing the Group's accounting policy in respect of impairment in accordance with AASB 136; • assessing the future cash out flows of the capitalised development costs; and • assessing the adequacy of the related disclosures within the financial statements.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 10 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Nuheara Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Walker Wayland WA Audit Pty Ltd

WALKER WAYLAND WA AUDIT PTY LTD

Richard J Gregson

Richard Gregson CA
Director
Level 3, 1 Preston Street, COMO WA 6152

Dated this 13th day of September 2019.

NUHEARA LIMITED
ABN 29 125 167 133

ADDITIONAL ASX INFORMATION

The following additional information is required by the Australian Securities Exchange. The information is current as at 5 September 2019.

(1) **Distribution schedule and number of holders of equity securities as at 5 September 2019**

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 – and over	Total
Fully Paid Ordinary Shares	137	125	606	1,986	1,087	3,941
Unlisted Options: 9 cents, exp 30/11/2019	-	-	-	-	6	6
Unlisted Options: 11.5 cents, exp 16/2/2020	-	-	-	-	2	2
Unlisted Options: 9 cents, exp 22/5/2020	-	-	-	-	5	5
Unlisted Options: 7.8 cents, exp 2/11/2019	-	-	-	-	1	1
Unlisted Options: 9 cents, exp 14/7/2020	-	-	-	-	1	1
Unlisted Options: 11.5 cents, exp 24/7/2020	-	-	-	-	2	2
Unlisted Options: 9 cents, exp 10/11/2020	-	-	-	-	2	2
Unlisted Options: 9 cents, exp 17/9/2021	-	-	-	-	10	10
Unlisted Options: 9 cents, exp 1/3/2021	-	-	-	-	7	7
Unlisted Options: 9 cents, exp 12/1/2021	-	-	-	-	1	1

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 5 September 2019 is 1,475.

ADDITIONAL ASX INFORMATION

(2) **20 Largest holders of quoted equity securities**

The names of the twenty largest holders of fully paid ordinary shares (ASX code: NUH) as at 5 September 2019 are:

Rank	Name	Shares	% of Total Shares
1	Farjoy Pty Ltd	118,470,919	11.18
2	David Cannington	68,142,857	6.42
3	Wasagi Corporation Pty Ltd <Wasagi Family Trust A/C>	68,142,857	6.42
4	Jamore Pty Ltd <Danshe Super Fund A/C>	59,240,000	5.58
5	Fiago Pty Ltd <Fiago A/C>	24,015,794	2.26
6	Xuan Khoa Pham	23,500,000	2.21
7	HSBC Custody Nominees (Australia) Limited	22,593,948	2.13
8	Citicorp Nominees Pty Limited	12,317,203	1.16
9	Alan Davis	8,095,238	0.76
10	John Kamara	8,024,497	0.76
11	Jane Elizabeth Vanderhorst	7,000,000	0.68
12	Lujeta Pty Ltd <Margaret A/C>	6,666,667	0.63
13	Kellie Anne Davis	6,417,956	0.60
14	Michael Trifunovic	6,300,000	0.59
15	BNP Paribus Nominees Pty Ltd <IB AU Noms Retail Client DRP>	5,666,611	0.53
16	Effingham Pty Ltd	5,500,000	0.52
17	Kamjoh Pty Ltd	5,357,809	0.50
18	Douglas Burrell	5,300,000	0.50
19	D&R Shannon Investments Pty Ltd	5,074,860	0.48
20	Lily Mah <MJ A/C>	5,000,000	0.47
		471,297,216	**44.37**

Stock Exchange Listing – Listing has been granted for 1,062,210,292 ordinary fully paid shares of the Group on issue on the Australian Securities Exchange.

The unquoted securities on issue as at 5 September 2019 are detailed below in part (d).

(3) **Substantial shareholders**

Substantial shareholders in Nuheara Limited and the number of equity securities over which the substantial shareholder has a relevant interest as disclosed in substantial holding notices provided to the Group are listed below:

Name	Shares	% of Total Shares
Farjoy Pty Ltd	118,740,919	11.18
David Cannington	68,142,857	6.42
Wasagi Corporation Pty Ltd <Wasagi Family Trust A/C>	68,142,857	6.42

ADDITIONAL ASX INFORMATION

(4) **Unquoted Securities**

The number of unquoted securities on issue as at 5 September 2019:

Security	Number on issue
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	3,000,000
Unlisted Options – exercisable at 7.8 cents on or before 2/11/2019	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	7,500,000
Unlisted Options – exercisable at 9 cents on or before 17/9/2021	9,000,000
Unlisted Options – exercisable at 9 cents on or before 10/12/2021	1,000,000
Unlisted Options – exercisable at 9 cents on or before 18/3/2022	6,000,000
Unlisted Options – exercisable at 9 cents on or before 17/4/2022	2,500,000

(5) **Holder Details of Unquoted Securities**

The holders that hold more than 20% of a given class of unquoted securities that were not issued under an employee incentive scheme as at 5 September 2019 are detailed below:

Security	Name	Number of Securities
Unlisted Options – exercisable at 7.8 cents on or before 2/11/2019	Foster Stockbroking Pty Ltd	10,000,000

(6) **Restricted Securities**

The Group had no restricted securities as at 5 September 2019:

(7) **Voting Rights**

All fully paid ordinary shares carry one vote per ordinary share without restriction.

Unquoted options have no voting rights.

(8) **Company Secretary**

The Company Secretaries are Ms Susan Hunter and Mrs Jean-Marie Rudd.

(9) **Registered Office**

The Group's Registered Office is 190 Aberdeen Street, Northbridge, WA 6003, Australia.
Telephone: +61 8 6555 9999

(10) **Share Registry**

The Group's Share Registry is as follows:

Computershare Investor Services Pty Limited
11/172 St Georges Terrace, Perth WA 6000
Telephone: +61 (0)3 9415 4000 or 1300 850 505 (within Australia)

(11) **On-Market Buy-back**

The Group is not currently performing an on-market buy-back.

(12) **Corporate Governance**

The Board of Nuheara Limited is committed to achieving and demonstrating the highest standards of Corporate Governance. The Board is responsible to its Shareholders for the performance of the Group and seeks to communicate extensively with Shareholders. The Board believes that sound Corporate Governance practices will assist in the creation of Shareholder wealth and provide accountability. In accordance with ASX Listing Rule 4.10.3, the Group has elected to disclose its Corporate Governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly, information about the Group 's Corporate Governance practices is set out on the Group 's website at www.nuheara.com/corporate -governance.

(13) **Application of Funds**

During the financial year, Nuheara Limited confirms that it has used its cash and assets (in a form readily convertible to cash) in a manner which is consistent with the Group's business objectives.

(14) **Schedule of Interests in Mining Tenements**

The schedule of interests in mining tenements as at 30 June 2019 is as follows:

MINING TENEMENT REGISTER		
	Tenement	**Interest %**
PERU:		
Sambalay 1	010180210	100%
Sambalay 2	010180310	100%
Sambalay 3	010185310	100%
Salvador	010227410	100%
Salvador	010328310	100%

There were no interests in mining tenements held as at 5 September 2019.