



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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Share Registry

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TABLE OF CONTENTS

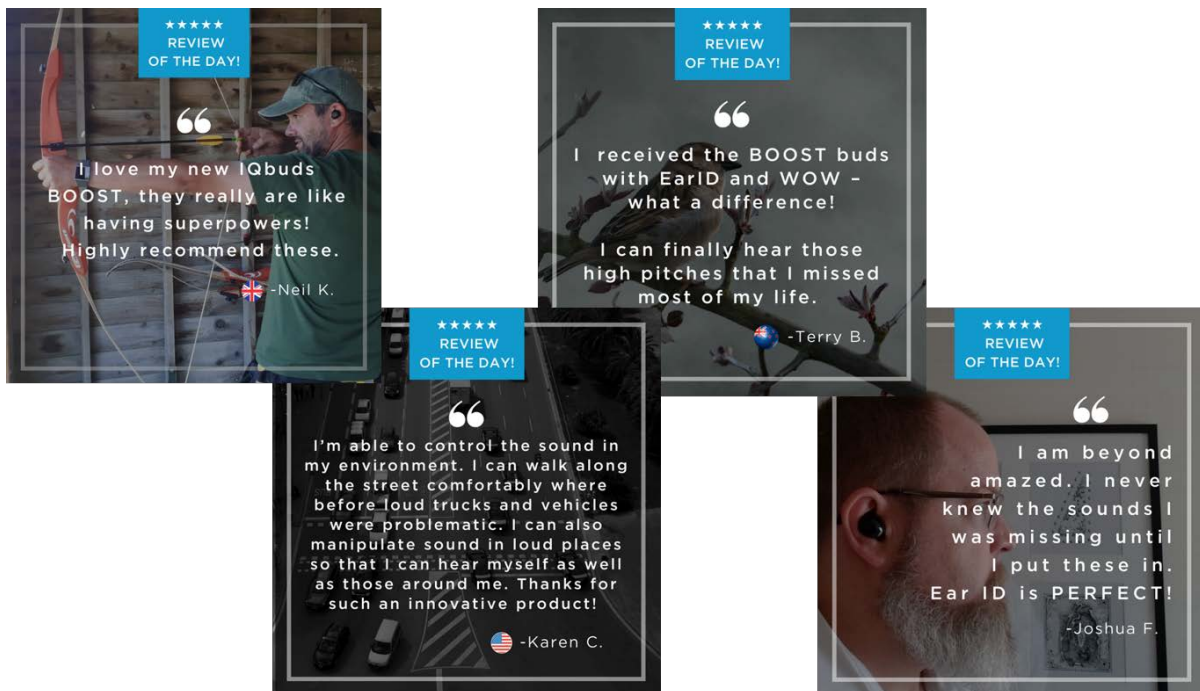
	Page
Message from the Managing Director/Chief Executive Officer	1
Directors' Report	3
Remuneration Report.....	9
Auditor's Independence Declaration	16
Statement of Profit or Loss and Other Comprehensive Income	17
Statement of Financial Position.....	18
Statement of Changes in Equity	19
Statement of Cash Flows	20
Notes to the Financial Statements	21
Directors' Declaration.....	42
Independent Audit Report	43
ASX Additional Information.....	47

MESSAGE FROM THE MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER

Dear Fellow Shareholders

Nuheara Limited (“Nuheara”) was founded with a clear mission to change lives by enhancing the power to hear. Our conception and creation of the world’s first smart hearing buds, IQbuds™ and IQbuds BOOST™, has unlocked the global transformation in *how* people are able to hear, listen and communicate. Indeed, Nuheara in its brief history has already changed the lives of thousands of hearing challenged consumers worldwide: by making hearing healthcare more accessible and affordable with our game changing smart hearing solutions.

What our customers say...



Over the past year, wireless earbuds, led by the likes of Apple AirPods, have become an increasingly crowded product category. The aim of this product category is simply to remove cables – a feat that we regard as engineering rather than innovation. At the other end of the hearing spectrum we have a hearing aid category that has seen an absence of true innovation and furthermore, due of a lack of competition, is a market that remains expensive and inaccessible to the millions of people requiring hearing assistance at the mild to moderate level.

We are different at Nuheara. And we’re proud to shake up the status quo by striving to achieve the hard things that come with being true innovators in hearing. In doing so, we are the first to market in creating a complete hearing ecosystem, and with it, a new category designed to serve a multitude of hearing healthcare needs of a global market with potentially hundreds of millions of users – Smart Hearing.

As true innovators, Nuheara is home to the most passionate, dedicated and brilliant group of people I have ever had the opportunity to work with. Testament to their dedication is the fact that this remarkable team of proud Nuheararians has created a new category of hearing products that were researched, designed, built, marketed and sold to a growing global market. And all in under three years.

At the beginning of FY18, Nuheara had set itself targets for the diversification of our product range, but more importantly, the further expansion and consolidation of our global retail presence. I am pleased to report that we duly responded with the launch of our second product, IQbuds BOOST™ with Ear ID™ in April 2018, as well as expanding our global retail reach, both online and in store, across the USA, Europe, the Middle East and most recently Asia.

MESSAGE FROM THE MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER

Nuheara's commitment to hearing healthcare research, extends beyond the pure science of our technology. We believe in unlocking the power of technology to change lives and enhance human experiences. It is for this reason that we have commissioned two research studies by the University of Melbourne and the Ear Science Institute of Australia to determine whether IQBuds™ can provide treatment support to children with Autism and Auditory Processing Disorder (APD). Accordingly, our smart hearing products present potential game changing solutions for a global hearing market that is far greater than traditional hearing loss.

Our job as innovators is never complete. We remain absolutely committed to the future of hearing healthcare and our position of leadership within the category of Smart Hearing. This is a commitment that is matched by the loyal and ongoing support of you, our trusted shareholders.

Together, we have focused on realising the long-term opportunities that come with new category creation, without being overly focused or too distracted by short-term opportunism. This is both brave and bold, but it is also how great companies are built. For this we say thank you.

As such, I am pleased to present to you Nuheara's Annual Report for the financial year ended 30 June 2018. I look forward to sharing many more updates with you on our progress throughout the course of FY19.

Yours sincerely



Justin Miller
Managing Director/CEO



“Nuheara exists **to change lives** by enhancing the power to hear; to transform the way people hear by creating smart hearing solutions that are both accessible and affordable.”

Justin Miller, Co-founder and
Managing Director/CEO

DIRECTORS' 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 2018.

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 over 20 years' experience creating and running large internet-based businesses, starting in the late 1990's on Windows Update. Prior to becoming a professional director, Ms Foster was Senior Director of Microsoft Store online where she managed the sales and merchandising team for Microsoft Store online across 232 geographies. As the Senior Director, she was responsible for an annual revenue budget in the low billions of dollars. Prior to that, for the inception of the Xbox Games Marketplace, Ms Foster set business vision, strategy and drove the technical execution around digital and physical supply chain technology and operations to enable Xbox's billion-dollar business globally.

Ms Foster has been an Independent Non-Executive Director of Class Limited since July 1, 2015. She joined the QSuper Audit and Risk committee in March 2017, and the advisory board of Mine Hive Pty Ltd in May 2018. Ms Foster is also the managing director of Foster Consulting, a boutique consulting firm focusing on strategic initiatives and direction.

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

- Class Limited – appointed 1 July 2015*

Dr Michael Ottaviano B.Eng, MSc, DBA, MAICD, M.I.EngAus (Independent Non-Executive Director)
Appointed: 25 February 2016 / Resigned: 4 July 2016

During the past three years, Dr Ottaviano served as a director of Carnegie Wave Energy Limited – appointed 16 March 2007*

*Denotes current directorship

DIRECTORS' REPORT

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/Company Secretary
Appointed: 30 November 2016

Mrs Rudd has over 20 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 2018.

5. Operating and financial review

Our business model and objectives

Nuheara is a global leader in intelligent hearing technology, developing proprietary hardware and software to deliver smart hearing solutions that are both accessible and affordable to transform the way people hear. Nuheara's vision is to change lives by enhancing the power to hear.

Co-located in offices in Perth, Australia and San Francisco, United States, Nuheara was the first consumer wearables technology company to be listed on the Australian Stock Exchange (ASX).

Operating results

The Group achieved a net loss after tax of \$7,416,412. This compared with a net loss after tax of \$4,839,623 for the year ended 30 June 2017, a decline of 53%. The net loss after tax result represented a loss of 0.92 cents per share, compared to a loss of 0.78 cents per share last year.

Net cash inflows of \$4,941,146 were attributable to \$15,635,968 received through capital raisings and \$1,208,451 from an R&D Tax Incentive Rebate, offset by \$7,737,508 in net operating outflows, \$122,337 for the purchase of plant and equipment and \$4,043,428 for the purchase of intangible assets (capitalised development costs and trademarks).

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

DIRECTORS' REPORT

5. Operating and financial review (continued)

Mining tenements

Whilst the Group recognises the value in its resources project in Peru, the directors are also cognisant of the fact that these mining interests lie outside the company's core business activities. Accordingly, the directors remain committed to divest these assets within the next 12 months.

Review of operations

In 2016, the Group released its revolutionary wireless earbuds, IQbuds™, which allow consumers to augment their hearing according to their personal hearing preferences and connect hands free with their voice-enabled smart devices. In 2017, the Group released IQbuds BOOST™ featuring Ear ID™, a clinical grade hearing assessment that automatically calibrates the earbuds to your unique hearing profile. IQbuds™ and IQbuds BOOST™ are now sold in major consumer electronics retailers and hearing health centres around the world.

Revenue from ordinary activities for the year was \$5,251,960. This compared with revenue of \$2,893,627 for the year ended 30 June 2016, growth of 80%.

The Group successfully completed two capital raisings during the year, raising \$9 million in July 2017, and \$6 million in June 2018. Funds raised will be 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 production and launch of LiveIQ™, expected for release in Q4, 2018. At year-end, the Group held \$8.35 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:

	2018	2017
Basic loss per share (cents per share)	(0.92)	(0.78)
Diluted loss per share (cents per share)	(0.83)	(0.69)

Review of financial condition

Liquidity and Capital Resources

The Statement of Cash Flows illustrates that cash used in operating activities amounted to \$6,529,060 (2017: outflow of \$4,070,267). This increase in outgoings in comparison to 2017 is largely due to the payment of suppliers for the manufacture of IQbuds™ and IQbuds BOOST™, and research and development costs relating to the commercialisation of the Group's hearing and wearables platform. Net outflows of \$4,165,765 used in investing activities comprised: \$4,043,428 in development costs that were capitalised as intangible assets, \$133,335 as payment for plant and equipment and 10,998 as proceeds from the disposal of plant and equipment. The net increase in the cash outflows from operating and investing activities was funded by \$15,635,968 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 (2017: 0.006 per share).

DIRECTORS' REPORT

5. Operating and financial review (continued)

Asset and capital structure

	2018	2017
	\$	\$
Debts:		
Trade and other payables	1,583,180	1,796,242
Less: Cash and cash equivalents	(8,345,695)	(3,404,552)
Net cash	(6,762,515)	(1,608,310)
Total equity	15,018,701	6,517,639
Total capital employed	8,256,186	4,909,329

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

Share issues during the year

The Group issued 193,983,977 shares during the year:

- 17 July 2017 issued 750,000 shares on exercise of options @ \$0.04 each
- 20 July 2017 issued 97,826,082 shares under share placement @ \$0.092 each
- 20 July 2017 issued 2,250,000 shares on exercise of options @ \$0.04 each
- 12 March 2018 issued 2,000,000 shares on exercise of options @ \$0.05 each
- 14 March 2018 issued 3,000,000 shares on exercise of options @ \$0.05 each
- 14 March 2018 issued 1,500,000 shares on exercise of options @ \$0.05 each
- 15 March 2018 issued 3,000,000 shares on exercise of options @ \$0.05 each
- 21 March 2018 issued 2,000,000 shares on exercise of options @ \$0.05 each
- 21 March 2018 issued 3,750,000 shares on exercise of options @ \$0.05 each
- 21 March 2018 issued 2,000,000 shares on exercise of options @ \$0.05 each
- 21 March 2018 issued 4,735,714 shares on exercise of options @ \$0.05 each
- 21 March 2018 issued 8,014,286 shares on exercise of options @ \$0.05 each
- 15 June 2018 issued 63,157,895 shares under share placement @ \$0.095 each

Risk management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also 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 a number of 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 2018 are as follows:

The Group continued to deliver on its commitment to establish quality global distribution and retail partnerships with aggressive growth in brick and mortar and online retail. Expansion in Europe featured deployments to retailers including Harrods, Selfridges, Elkjop and Media Markt. Dubai based GR Media Solutions was appointed as a distributor and will supply premium retail outlets in the Middle East, including Virgin Megastores, Dubai Duty Free, HMV and iStyle. Force Technology was appointed as a key distribution partner to service Australia and New Zealand, with more than 4,000 reseller partners including Telstra, Harvey Norman, Optus, Retravision, JB Hi-fi and Officeworks. Value Trade was appointed as a key distribution partner in Japan, a renowned and experienced consumer electronics distributor that currently supplies more than 5,000 consumer electronics retailers. Product continues to be sold in leading USA retailers such as Best Buy, Brookstone and Amazon.

DIRECTORS' REPORT

6. Significant changes in the state of affairs (continued)

Nuheara also expanded its direct to consumer retail platform, with the Group's online shopfront now operating in seven major currencies. With these platform enhancements, the Group now has the capability to directly reach, transact and ship IQbuds™ and IQbuds BOOST™ to the majority of countries globally, independent of third parties.

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

Nuheara expanded its product offering by releasing IQbuds BOOST™, a world-first multifunctional hearing bud solution featuring our clinically validated proprietary Ear ID™ hearing assessment, utilising industry-recognised NAL-NL2 for hearing aids. This product launch was a direct result of Nuheara's foresight and ongoing commitment to research and development in hearing intelligence and our strategic partnership with HEARing CRC and National Acoustics Laboratory. The initial production run of 2,500 units sold out in the first six weeks of sale.

Nuheara also continues to develop its third product, LiveIQ™, which is the world's first hybrid Active Noise Cancellation hearing bud. LiveIQ™ has been developed in partnership with the global leader in the design and manufacture of advanced sensor solutions, ams AG.

The Group has set a new standard in upgradable truly wireless earbuds by giving customers enhanced functionality with a simple firmware upgrade, coupled with an App upgrade to their smart device. During the year Nuheara introduced an industry first upgrade, including Custom Tap Touch, that delivers powerful levels of personalisation and customisation features for new and existing users of IQbuds™. The upgrade also delivered improved wind noise reduction, reducing microphone thumping and improving speech clarity in windy conditions.

In March 2018, Nuheara announced the Group's successful registration as an approved supplier to the Australian Governments Hearing Services Program (HSP). The HSP provides eligible Australians access to free and subsidised hearing devices and services. In the 2017-18 Federal budget the HSP was allocated \$539m. The Group will place both IQbuds™ and IQbuds BOOST™ on the Device Schedule as Assisted Listening Devices (ALD). The registration of Nuheara as a supplier to the HSP is a significant development for the Group, demonstrating its innovated hearing solutions have been recognised as a cost-effective options by the Australian Government.

Nuheara is determined to have an evidence-based approach in the marketing of its products to a healthcare channel that is already demonstrating positive anecdotal response. As a result, Nuheara has commissioned a study with Ear Science Institute Australia (ESIA) to determine whether the use of IQbuds™ by children with Auditory Processing Disorder (APD) improves their listening performance. Nuheara has also engaged The Centre for Auditory Neuroscience at the University of Melbourne in a study to determine whether the use of IQbuds™ by children with Autism Spectrum Disorder improves their sensory experience.

Nuheara continues to be recognised for its innovative technology, having won seven global awards, including three innovation awards from CES 2017 (Las Vegas) and two innovation awards from IFA 2017 (Berlin) – the two largest consumer electronics shows in the world. Nuheara was also chosen to attend The Luxury Technology Show in New York sponsored by the Wall Street Journal, a one-of-a-kind luxury showcase displaying best-in-class technology innovations.

The Group received a R&D Tax Incentive cash rebate from the Australian Taxation Office of \$1.2m. The R&D Tax Incentive is a highly effective Government policy which has supported Nuheara to undertake research and development.

The Group successfully completed two capital raisings during the year, raising \$9 million in July 2017 and \$6 million in June 2018, 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™, and the production and launch of LiveIQ™, expected for release in Q4, 2018.

DIRECTORS' REPORT

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™ and IQbuds BOOST™, plus the development of new product, LiveIQ™.

8. Significant events after balance date

There were no significant events after balance date.

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 78,000,000 options over ordinary shares. These options have been issued on the following terms.

Number of Unlisted Options	Exercise Price	Expiry Date
20,000,000	\$0.03 each	24 February 2019
3,000,000	\$0.04 each	18 April 2019
5,500,000	\$0.06 each	18 April 2019
1,000,000	\$0.09 each	20 April 2019
10,500,000	\$0.09 each	30 November 2019
1,500,000	\$0.115 each	16 February 2020
3,500,000	\$0.09 each	22 May 2020
10,000,000	\$0.078 each	2 November 2019
10,000,000	\$0.12 each	6 June 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
8,000,000	\$0.09 each	1 March 2021
TOTAL 78,000,000		

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

DIRECTORS' REPORT

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 of the Group. The following people were identified as Key Management Personnel (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 (<i>appointed 12 February 2018</i>)
Michael Ottaviano	Non-Executive Director (<i>resigned 4 July 2018</i>)
ii) Executives	
Jean-Marie Rudd	Chief Financial Officer/Co-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 regards 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. 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.

DIRECTORS' REPORT

11. Remuneration report (audited) (continued)

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 each individual 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 in light of 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.

DIRECTORS' REPORT

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		Total \$
		Salary & Consulting Fees \$	Cash Bonus \$	Superannuation \$	Shares \$	Options \$	
David Cannington ⁽¹⁾	2018	305,670	-	-	-	-	305,670
	2017	243,860	663	-	-	49,000	293,522
Kathryn Foster	2018	19,167	-	1,821	-	-	20,988
<i>(appointed 12 February 2018)</i>	2017	-	-	-	-	-	-
Justin Miller ⁽¹⁾	2018	290,494	-	27,597	-	-	318,091
	2017	210,000	1,000	20,045	-	49,000	280,045
Michael Ottaviano	2018	65,000	-	6,175	-	-	71,175
<i>(resigned 4 July 2018)</i>	2017	30,000	-	2,850	-	-	32,850
Jean-Marie Rudd	2018	184,167	-	17,496	-	48,941	250,604
	2017	146,897	1,000	14,050	-	44,258	206,206
TOTAL	2018	864,498	-	53,089	-	48,941	966,527
TOTAL	2017	630,757	2,663	36,945	-	142,258	812,623

Notes:

(1) Justin Miller and David Cannington received 10,000,000 options each as part of the Nuheara Pty Ltd acquisition. 100% of these options vested in the 2017 financial year.

DIRECTORS' REPORT

11. Remuneration report (audited) (continued)

Services agreements

Justin Miller – Chief Executive Officer

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 USD\$240,000 (2018: USD \$240,000) per annum (inclusive of superannuation). Mr Miller will also be entitled to participate in short-term cash incentives of up to 30% 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.

David Cannington – Chief Marketing Officer

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 USD\$228,000 (2017: USD\$228,000) per annum and a health care allowance of USD\$750 (2017: USD \$750) per month. Mr Cannington will also be entitled to participate in short-term cash incentives of up to 30% 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.

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.

DIRECTORS' REPORT

11. Remuneration report (audited) (continued)

Services agreements (continued)

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/Co-Company Secretary

Mrs Jean-Marie Rudd has been engaged as a Chief Financial Officer/Co-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 \$201,025 per annum (exclusive of superannuation) (2017: \$187,000). Mrs Rudd will also be entitled to participate in short-term cash incentives of up to 20% 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 6 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.

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 2017 or balance on appointment	Issued during the year	Purchased during the year	Closing Balance 30 June 2018 or resignation date
Justin Miller ⁽¹⁾	63,142,857	-	-	63,142,857
David Cannington	63,142,857	-	-	63,142,857
Michael Ottaviano ⁽²⁾	24,802,321	-	-	24,802,321
Jean-Marie Rudd	19,279	-	-	19,279
Total	151,107,314	-	-	151,107,314

Notes:

(1) 63,142,857 shares are held by Wasagi Corporation Pty Ltd as trustee for the Wasagi Family Trust of which Justin Miller is a beneficiary.

(2) Mr Ottaviano ceased to be a KMP on his resignation on 4 July 2018

(3) Ms Foster (non-executive Director appointed on 12 February 2018) does not hold any shares in the Group

DIRECTORS' REPORT

11. Remuneration report (audited) (continued)

KMP shareholdings (continued)

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

Options	Opening balance 1 July 2017 or balance on appointment	Issued during the year	Expired during the year	Closing Balance 30 June 2018 or resignation date
Justin Miller ⁽¹⁾	10,000,000	-	-	10,000,000
David Cannington	10,000,000	-	-	10,000,000
Jean-Marie Rudd	4,500,000	-	-	4,500,000
Total	24,500,00000	-	-	24,500,00000

Notes:

- (1) 10,000,000 unlisted options are held by Wasagi Corporation Pty Ltd as trustee for the Wasagi Family Trust of which Justin Miller is a beneficiary.
- (2) Mr Ottaviano (non-executive Director, resigned on 4 July 2018) and Ms Foster (non-executive Director, appointed on 12 February 2018) do 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 2018 (2017: 4,500,000).

Shares issued

During the 2018 year, no shares were issued as remuneration (2017: 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

DIRECTORS' 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 2018 and the number of meetings attended by each Director:

Director	Number Attended	Number Eligible to Attend
David Cannington	5	5
Kathryn Foster (<i>appointed 12 February 2018</i>)	2	2
Justin Miller	5	5
Michael Ottaviano (<i>resigned 4 July 2018</i>)	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 \$33,339.

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 2018 has been received and can be found on page 16 of the financial report.

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



Justin Miller
Managing Director/Chief Executive Officer

Perth, 26 September 2018

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 2018 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 26th day of September 2018

NUHEARA LIMITED
ABN 29 125 167 133

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	NOTES	2018 \$	2017 \$
Revenue		3,962,565	2,466,336
Cost of sales		(3,660,856)	(3,118,036)
Gross profit/(loss)		301,709	(651,700)
Other income	3	1,289,395	450,316
Salaries and employee benefits		(4,509,514)	(1,270,997)
Marketing and promotional		(1,958,069)	(1,010,753)
Research and development		(247,755)	(205,343)
General and administrative		(2,009,044)	(1,689,638)
Share based payments		(283,134)	(461,508)
Total expenses		(7,718,121)	(4,187,923)
Loss before tax from continuing operations		(7,416,412)	(4,839,623)
Income tax benefit	2	-	-
Net loss after tax from continuing operations		(7,416,412)	(4,839,623)
Total comprehensive loss attributable to:			
Equity holders		(7,416,412)	(4,839,623)
Total comprehensive loss		(7,416,412)	(4,839,623)
Earnings per share			
Basic loss per share (cents per share)	16	(0.92)	(0.78)
Diluted loss per share (cents per share)	16	(0.92)	(0.78)

The accompanying notes form part of these financial statements.

NUHEARA LIMITED
ABN 29 125 167 133

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	NOTES	2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents		8,345,698	3,404,552
Trade and other receivables	4	849,035	871,209
Inventory		2,353,392	1,125,144
Disposal group – mining tenements held for sale		206,233	206,233
TOTAL CURRENT ASSETS		11,754,358	5,607,138
NON-CURRENT ASSETS			
Plant and equipment	5	762,526	871,245
Security deposits		32,098	27,581
Intangible assets	6	4,533,697	2,194,198
TOTAL NON-CURRENT ASSETS		5,328,321	3,093,024
TOTAL ASSETS		17,082,679	8,700,162
CURRENT LIABILITIES			
Trade and other payables	7	1,583,180	1,796,242
Provisions	8	474,029	386,281
TOTAL CURRENT LIABILITIES		2,057,209	2,182,523
TOTAL LIABILITIES		2,063,977	2,182,523
NET ASSETS		15,018,701	6,517,639
EQUITY			
Issued capital	9	33,038,866	17,402,898
Share option reserve		960,561	677,427
Foreign currency translation reserve		(6,478)	(4,850)
Accumulated losses		(18,974,248)	(11,557,836)
TOTAL EQUITY		15,018,701	6,517,639

The accompanying notes form part of these financial statements.

NUHEARA LIMITED
ABN 29 125 167 133

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Ordinary Shares \$	Accumulated Losses \$	Share Option Reserve \$	Foreign Currency Translation Reserve \$	Total \$
Balance at 1 July 2016	8,229,327	(6,718,213)	415,919	-	1,927,033
Comprehensive income					
Loss for the year	-	(4,839,623)	-	-	(4,839,623)
Total comprehensive loss for the year	-	(6,716,807)	-	-	(6,716,807)
Transactions with owners in their capacity as owners					
Shares issued during the year	9,831,903	-	-	-	9,831,903
Share issue costs	(658,332)	-	-	-	(658,332)
Options issued during the year	-	-	99,814	-	99,814
Movement in valuation of options issued in prior periods	-	-	161,694	-	161,694
Foreign currency translation movements	-	-	-	(4,850)	161,694
Balance at 30 June 2017	17,402,898	(11,557,836)	677,427	(4,850)	6,517,639
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

The accompanying notes form part of these financial statements.

NUHEARA LIMITED
ABN 29 125 167 133

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	NOTES	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		4,057,505	1,898,869
Interest received		77,880	33,382
Grants and rebates received		1,208,451	411,175
Payments to suppliers and employees		(11,873,017)	(6,412,608)
Interest and other costs of finance paid		124	(1,085)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	23	(6,529,057)	(4,070,267)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(133,335)	(851,882)
Payment for acquisition of businesses (net of cash acquired)		10,998	-
Payment for the acquisition of intangibles		(4,043,428)	(2,640,998)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(4,165,765)	(3,492,880)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share and option issues		16,620,000	9,631,903
Share raising costs		(984,032)	(658,332)
NET CASH FLOWS FROM FINANCING ACTIVITIES		15,635,968	8,973,571
		4,941,146	
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD			1,410,424
Cash and cash equivalent at beginning of the financial year		3,404,552	1,994,128
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		8,345,698	3,404,552

The accompanying notes form part of these financial statements.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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 2018 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 2018, the Group has incurred a net loss after tax of \$7,416,412 (2017: loss of \$4,839,623) and net cash outflows from operating activities of \$6,529,057 (2017: outflow of \$4,070,267). As at 30 June 2018, the group has a net current asset position of \$15,018,701 (30 June 2017: \$6,517,639).

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 of 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 is contributing to improved results as the business progresses 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:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation (continued)

Going concern (continued)

- Ongoing growth in sales of IQbuds™ and IQbuds BOOST™ through expanding distribution channels;
- New products planned for release over the course of the next 12-months;
- The recent appointment of a Chief Sales Officer, expected to generate increasing revenue;
- 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 Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue. Although the Directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019)

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of preparation (continued)

New Accounting Standards for Application in Future Periods (continued)

- depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the Directors anticipate that the adoption of AASB 16 will impact the Group 's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 2014-10: *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-10: *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*).

This Standard amends AASB 10: *Financial Statements* with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3 to an associate or joint venture, and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3, for which gains or losses were previously recognised only to the extent of the unrelated investor's interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2018. Although the Directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group 's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

(i) **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.

(ii) **Development phase**

An intangible asset arising from development (or from the development of an internal project) is recognised if, and only if, all of 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Cash and cash equivalents

Cash and cash equivalents includes 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.

(ii) 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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial instruments (continued)

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.

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) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

k) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) 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 on the basis of weighted average costs.

m) 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.

n) Revenue recognition

Revenue is measured at the value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. For this purpose, deferred consideration is not discounted to present values when recognising revenue.

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.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

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.

o) Provisions

(i) 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.

(ii) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) 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.

q) 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 2018**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r) New and amended accounting policies adopted by the Group

Standards and Interpretations applicable to 30 June 2018

In the year ended 30 June 2018, 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 2018**

2. INCOME TAX

a) Income tax expense

Current income tax	-	-
Deferred income tax	-	-
Income tax expense	-	-

2018	2017
\$	\$
-	-
-	-
-	-

b) Numerical reconciliation of income tax expense to prima facie tax payable

Loss from continuing operations before income tax expense	(7,416,412)	(4,839,623)
Loss before tax from disposal group	-	-
Loss before income tax	(7,416,412)	(4,839,623)
Tax credit at the Australian tax rate of 27.5% (2017: 27.5%)	(2,039,513)	(1,330,896)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	83,722	128,480
Non assessable-non exempt income related expenditure/(income)	11,542	411,176
Temporary differences	278,741	171,723
Tax loss not brought to account as a deferred tax asset	1,997,832	732,590
R&D Tax Offset	(332,324)	(113,073)
Income tax expense	-	-

(7,416,412)	(4,839,623)
-	-
(7,416,412)	(4,839,623)
(2,039,513)	(1,330,896)
83,722	128,480
11,542	411,176
278,741	171,723
1,997,832	732,590
(332,324)	(113,073)
-	-

c) Unrecognised deferred tax assets/(liabilities)

Unrecognised temporary differences

Unrecognised deferred tax asset/(liability) relates to the following:

Interest receivable	(1,360)	(1,584)
Prepayments	(5,692)	(46,907)
Software	591,450	57,279
Trade and other payables	6,609	7,425
Employee benefits	51,325	24,217
Provisions	78,931	67,824
Business related costs	414,475	291,543
Foreign exchange	(16,512)	9,726
Tax Losses	4,419,672	2,311,958

2018	2017
\$	\$
(1,360)	(1,584)
(5,692)	(46,907)
591,450	57,279
6,609	7,425
51,325	24,217
78,931	67,824
414,475	291,543
(16,512)	9,726
4,419,672	2,311,958
5,538,898	2,721,481

Potential unrecognised deferred tax asset @ 27.5% (2017: 27.5%)

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. OTHER INCOME

Interest income	77,066	39,139
Grants and rebates received	1,208,451	411,175
Sundry income	3,878	2
Total other income	1,289,395	450,316

2018	2017
\$	\$
77,066	39,139
1,208,451	411,175
3,878	2
1,289,395	450,316

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables	849,033	871,209
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2018	2017
\$	\$
849,033	871,209

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

	2018	2017	
	\$	\$	
5. PLANT AND EQUIPMENT			
Plant and equipment – at cost	1,148,651	1,036,615	
Less: accumulated depreciation	(386,125)	(165,370)	
Total plant and equipment	762,526	871,245	
	2018	2017	
	\$	\$	
Opening balance - plant and equipment	871,245	160,399	
Additions	293,675	853,434	
Disposals	(16,269)	-	
Depreciation	(386,125)	(142,309)	
Foreign currency translation movement	-	(279)	
Closing balance – plant and equipment	762,526	871,245	
6. INTANGIBLE ASSETS			
Development costs – at cost	6,333,580	2,544,152	
Less: accumulated amortisation and impairment losses	(2,130,535)	(444,354)	
Net carrying amount	4,203,045	2,099,798	
Patents & Trademarks – at cost	350,846	96,846	
Less: accumulated amortisation and impairment losses	(20,194)	(2,446)	
Net carrying amount	330,652	94,400	
Total intangible assets	4,533,697	2,194,198	
	Development Costs	Patents & Trademarks	Total
	\$	\$	\$
Balance as at 1 July 2016	-	-	-
Balance as at 30 June 2017	2,099,798	94,400	2,194,198
Additions – internally developed	3,789,427	254,000	4,043,427
Amortisation charge	(1,686,180)	(17,748)	(1,703,928)
Balance as at 30 June 2018	4,203,045	330,652	4,533,697
7. TRADE AND OTHER PAYABLES - CURRENT			
Trade creditors	692,795	1,081,511	
Unearned Income	28,453	-	
Other creditors and accrued expenses	861,932	714,731	
	1,583,180	1,796,242	
8. PROVISIONS – CURRENT			
Employee provisions	236,275	139,647	
Provision for warranty claims	237,754	246,634	
	474,029	386,281	

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

9. ISSUED CAPITAL

Ordinary shares

(i) Issued and paid up capital

891,473,723 (2017: 697,489,746) Ordinary shares, fully paid

2018 \$	2017 \$
33,038,866	17,402,898

(ii) Movements during the period number of shares

Opening Balance shares

27 October 2016 issue 83,073,383 shares under share placement at \$0.06 each

3 April 2017 issue 36,250,000 shares under share placement at \$0.08 each

4 April 2017 issue 18,750,000 shares under share placement at \$0.08 each

5 May 2017 issue 3,093,750 shares under share purchase plan at 0.08 each

23 June 2017 issue 2,500,000 shares to consultant in consideration of investor relations and corporate advisory services provided to the Group

Less: Share issue costs

Balance shares at 30 June 2017

Number of Shares 2017	2017 \$
553,822,613	8,229,327
83,073,383	4,984,403
36,250,000	2,900,000
18,750,000	1,500,000
3,093,750	247,500
2,500,000	200,000
-	(658,332)
697,489,746	17,402,898

Opening balance at 1 July 2017

17 July 2017 issued 750,000 shares under share purchase plan at \$0.04 each

20 July 2017 issued 97,826,082 shares under share placement at \$0.092 each

20 July 2017 issued 2,250,000 shares under share purchase plan at \$0.04 each

12 March 2018 issued 2,000,000 shares under share purchase plan at \$0.05 each

14 March 2018 issued 3,000,000 shares under share purchase plan at \$0.05 each

14 March 2018 issued 1,500,000 shares under share purchase plan at \$0.05 each

15 March 2018 issued 3,000,000 shares under share purchase plan at \$0.05 each

21 March 2018 issued 2,000,000 shares under share purchase plan at \$0.05 each

21 March 2018 issued 3,750,000 shares under share purchase plan at \$0.05 each

21 March 2018 issued 2,000,000 shares under share purchase plan at \$0.05 each

21 March 2018 issued 4,735,714 shares under share purchase plan at \$0.05 each

21 March 2018 issued 8,014,286 shares under share purchase plan at \$0.05 each

15 June 2018 issued 63,157,895 shares under share placement at \$0.095 each

Less: Share issue costs

Balance shares at 30 June 2018

Number of Shares 2018	2018 \$
697,489,746	17,402,898
750,000	30,000
97,826,082	9,000,000
2,250,000	90,000
2,000,000	100,000
3,000,000	150,000
1,500,000	75,000
3,000,000	150,000
2,000,000	100,000
3,750,000	187,500
2,000,000	100,000
4,735,714	236,786
8,014,286	400,714
63,157,895	6,000,000
-	(984,032)
891,473,723	33,038,866

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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

(i) Issued unlisted options

78,000,000 (2017: 107,319,445) unlisted options

2018 \$	2017 \$
960,561	677,427

Description	Number	Grant Date	Exercise Price	Expiry Date	Weighted Average time until expiry 2018
Unlisted Options	20,000,000	25/02/2016	\$0.03	24/02/2019	8 months
Unlisted Options	3,000,000	18/04/2016	\$0.04	18/04/2019	10 months
Unlisted Options	5,500,000	18/04/2016	\$0.06	18/04/2019	10 months
Unlisted Options	1,000,000	24/05/2016	\$0.09	18/04/2019	10 months
Unlisted Options	10,500,000	30/11/2016	\$0.09	30/11/2019	17 months
Unlisted Options	1,500,000	21/02/2017	\$0.12	16/02/2020	20 months
Unlisted Options	3,500,000	22/05/2017	\$0.09	22/05/2020	23 months
Unlisted Options	10,000,000	20/06/2017	\$0.078	2/11/2019	16 months
Unlisted Options	10,000,000	20/06/2017	\$0.12	6/06/2019	11 months
Unlisted Options	500,000	14/07/2017	\$0.09	14/07/2020	24 months
Unlisted Options	3,000,000	24/07/2017	\$0.12	24/07/2020	25 months
Unlisted Options	500,000	10/11/2017	\$0.09	10/11/2020	28 months
Unlisted Options	1,000,000	12/01/2018	\$0.09	12/01/2021	30 months
Unlisted Options	8,000,000	1/03/2018	\$0.09	1/03/2021	32 months
Total Unlisted Options	78,000,000				15 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 2018**

9. ISSUED CAPITAL (continued)

Unlisted Options (continued)

(ii) Movements during the period for number of options

Balance unlisted options at 30 June 2016

Issue of employee options @ \$0.09 each on 19 December 2016	11,000,000	79,900
Issue of employee options @ \$0.115 each on 16 February 2017	1,500,000	6,059
Issue of employee options @ \$0.09 each on 22 May 2017	4,000,000	5,435
Issue of options @ \$0.078 each on 23 June 2017	10,000,000	4,300
Issue of options @ \$0.12 each on 23 June 2017	10,000,000	4,120
Less: options forfeited	(14,650,000)	-
Movement in valuation of options issued in prior reporting periods	-	161,694
Balance unlisted options at 30 June 2017	107,319,445	677,427

Number of Options 2017	2017 \$
85,469,445	415,919
11,000,000	79,900
1,500,000	6,059
4,000,000	5,435
10,000,000	4,300
10,000,000	4,120
(14,650,000)	-
-	161,694
107,319,445	677,427

Balance unlisted options at 30 June 2017

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 2018	2018 \$
107,319,445	677,427
1,000,000	3,012
3,000,000	15,667
1,000,000	2,132
1,000,000	6,352
8,000,000	37,061
(43,319,445)	(426,553)
-	645,463
78,000,000	960,561

(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.

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 0, 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

There were no events occurring after balance date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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 2017 for a period of 24 months.

Office Lease

Due within 1 year
 Due 1 to 5 years

2018	2017
\$	\$
\$151,800	72,633
\$151,800	-

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

Due within 1 year
 Due 1 to 5 years

2018	2017
\$	\$
-	213,551
-	28,442

Exploration Expenditure Commitments

The Group has minimum statutory commitments as a condition of tenure of certain Peru mining tenements. Whilst these obligations may vary, a reasonable estimate of the annual minimum commitments is \$34,000. The Directors intend to dispose of these tenements as soon as it is commercially practical to do so.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

14. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

i) 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.

ii) 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.

iii) 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

15. FINANCIAL INSTRUMENTS (continued)

(a) 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 2018	Weighted Average Effective Interest Rate %	Interest Bearing \$	Non-Interest Bearing \$	Total \$
Financial Assets				
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

30 June 2017	Weighted Average Effective Interest Rate %	Interest Bearing \$	Non-Interest Bearing \$	Total \$
Financial Assets				
Cash at bank	1.54	2,799,525	605,027	3,404,552
Trade and other receivables	-	-	871,208	874,208
	-	2,799,525	1,476,235	4,275,760
Financial Liabilities				
Trade and other payables	-	-	1,796,242	1,796,242

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.

(b) 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.

(c) 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:

	2018		2017	
	Carrying Amount	Under 6 Months	Carrying Amount	Under 6 Months
Non-derivative financial liabilities:				
Trade and other payables	1,583,180	1,583,180	1,796,242	1,796,242

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

15. FINANCIAL INSTRUMENTS (continued)

(d) 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 2018 is not material (2017: not material).

16. EARNINGS PER SHARE

Basic loss per share (cents per share)
Diluted loss per share (cents per share)

2018 Cents	2017 Cents
(0.92)	(0.78)
(0.92)	(0.78)

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:

Loss

2018 \$	2017 \$
(7,416,412)	(4,839,623)

Weighted average number of ordinary shares – basic loss per share
Weighted average number of ordinary shares – diluted loss per share

2018 No.	2017 No.
802,765,484	622,333,724
898,701,661	701,003,854

17. AUDITOR'S REMUNERATION

Amounts received, or due and receivable by the current auditors for audit or review of the financial report
Amounts received, or due and receivable by the Peruvian auditors for audit or review of the financial report

2018 \$	2017 \$
37,175	38,575
16,212	7,753
46,387	46,328

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:

Short term benefits
Post-employment benefits
Share based payments - options

2018 \$	2017 \$
864,498	633,420
53,089	36,945
48,941	142,258
966,527	812,623

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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	
		2018	2017	2018	2017
Nuheara IP Pty Ltd	Perth, Australia	100%	100%	0%	0%
Wild Acre Metals (Peru) SAC	Lima, Peru	100%	100%	0%	0%
Nuheara, Inc	San Francisco, 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

(a) Shares and options granted to KMP

There were no shares or options granted to KMP during the financial year (2017: 4,500,000).

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 (2017: 7,791,668).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

22. SHARE BASED PAYMENTS (continued)

(b) Shares and options issued to non-KMP or employees are as follows:

Grant Date	No. of Options	No. of Shares	Name
24 July 2017	1,500,000	-	Hunter Capital
24 July 2017	1,500,000	-	Impact Group International

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 2016	85,469,455	\$0.07
Granted	36,500,000	\$0.03
Forfeited	(14,650,000)	-
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

The weighted average remaining contractual life of options outstanding at year end was 1.28 years (2017: 1.85). The weighted average exercise price of outstanding options at the end of the reporting period was \$0.07 (2017: \$0.07).

The fair value of options granted during the year was \$447,125 (2017: \$1,304,100). These values were calculated using the Black-Scholes option pricing model, applying the following inputs:

	Employees/ Contractors	Corporate Advisors	Employees/ Contractors	Employees/ Contractors	Employees/ Contractors
Grant Date	14/07/2017	24/07/2017	10/11/2017	12/01/2018	1/03/2018
Share price on issue date	\$0.099	\$0.115	\$0.063	\$0.076	\$0.078
Expected volatility	100%	100%	100%	100%	100%
Exercise price	\$0.09	\$0.09	\$0.09	\$0.09	\$0.09
Expiry date	14/07/2020	24/07/2020	10/11/2020	12/01/2021	1/03/2021
Risk free interest rate	1.50%	1.50%	1.50%	1.50%	1.50%
Number issued	500,000	3,000,000	500,000	1,000,000	8,000,000
Value per option	\$0.0269	\$0.0240	\$0.0288	\$0.0589	\$0.0600
Total	\$9,415	\$50,400	\$10,080	\$41,230	\$336,000

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 \$283,134, which relates to equity-settled share-based payment transactions (2017: \$200,000).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

23. NOTES TO THE STATEMENT OF CASHFLOWS

Reconciliation of net loss to net cash flows used in operating activities

Loss from ordinary activities after income tax

Add back non-cash items:

(Profit)/loss on property plant & equipment

Depreciation and amortisation expenses

Share based payments expense

Changes in assets and liabilities

Increase/(decrease) in trade debtors

(Decrease)/increase in other receivables

Increase in inventories

(Decrease)/increase in non-current assets

(Decrease)/increase in trade creditors

Increase in other payables

Increase in provision for employee entitlements

Increase in provision for warranty claims

Increase/(decrease) in unearned income

Net cash used in operating activities

2018 \$	2017 \$
(7,416,412)	(4,839,623)
1,967	-
1,932,031	587,837
283,134	461,508
255,133	(562,834)
(234,443)	750,201
(1,228,248)	(1,109,997)
(4,517)	126
(389,455)	734,921
148,779	484,825
103,396	115,345
(8,880)	246,634
28,453	(939,210)
(6,529,062)	(4,070,267)

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.

Results for the parent entity:

Net (loss)

Other comprehensive income

Total comprehensive loss for the year

Current assets

Non-current assets

Total assets

Current liabilities

Non-current liabilities

Total liabilities

Net assets

Total equity of the parent entity

Contributed equity

Reserves

Accumulated losses

Total Equity

2018 \$	2017 \$
(7,527,479)	(3,496,050)
-	-
(7,527,479)	(3,496,050)
10,571,376	5,031,778
12,723,094	10,041,803
23,294,470	15,073,681
1,889,175	2,027,267
5,393	-
1,894,568	2,027,267
21,339,902	13,046,314
39,813,230	24,177,261
1,251,726	1,004,771
(19,665,054)	(12,135,718)
21,399,902	13,046,314

DIRECTORS' DECLARATION

The Directors of Nuheara Limited declare that:

1. the financial statements and notes, as set out on pages 17 to 41, 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 2018 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, 26 September 2018

**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 2018, 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 2018 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 significant material uncertainty 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, growth in retail distribution channels through the ongoing negotiation of new distribution agreements, release of new product lines, management of the current level of discretionary expenditure in line with the funds available to the Group, 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
<p>Capitalised Development Costs (Note 6,13 &14) (AASB 136 and AASB138)</p>	
<p>Capitalised development costs had a net carrying value of \$4,203,045 at 30 June 2018 (2017:\$2,099,798).</p>	<p>Audit procedures include the following:</p> <ul style="list-style-type: none"> • 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.
<p>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.</p>	
<p>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.</p>	

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 2018, 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 2018.

In our opinion, the Remuneration Report of Nuheara Limited for the year ended 30 June 2018 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 26th day of September 2018.

ADDITIONAL ASX INFORMATION

The following additional information is required by the Australian Securities Exchange. The information is current as at 18 September 2018.

(a) Distribution schedule and number of holders of equity securities as at 18 September 2018

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 – and over	Total
Fully Paid Ordinary Shares	115	158	667	2,226	1,056	4,222
Unlisted Options: 3 cents, exp 24/2/2019	-	-	-	-	2	2
Unlisted Options: 4 cents, exp 18/4/2019	-	-	-	-	2	2
Unlisted Options: 6 cents, exp 18/4/2019	-	-	-	-	5	5
Unlisted Options: 9 cents, exp 20/4/2019	-	-	-	-	1	1
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: 12 cents, exp 6/6/2019	-	-	-	-	3	3
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 18 September 2018 is 350.

ADDITIONAL ASX INFORMATION

(b) 20 Largest holders of quoted equity securities

The names of the twenty largest holders of fully paid ordinary shares (ASX code: NUH) as at 18 September 2018 are:

Rank	Name	Shares	% of Total Shares
1	Farjoy Pty Ltd	70,407,585	7.90
2	David Cannington	63,142,857	7.08
3	Wasagi Corporation Pty Ltd <Wasagi Family Trust A/C>	63,142,857	7.08
4	Jamore Pty Ltd <Danshe Super Fund A/C>	37,560,212	4.21
5	Fiago Pty Ltd <Fiago A/C>	18,301,067	2.05
6	HSBC Custody Nominees (Australia) Limited	12,711,525	1.43
7	Xuan Khoa Pham	8,250,000	0.93
8	Alan Davis	8,095,238	0.91
9	Citicorp Nominees Pty Limited	6,835,396	0.77
10	National Nominees Limited <DB A/C>	6,522,723	0.73
11	Kellie Anne Davis	6,095,238	0.68
12	Power Edge Pty Ltd <The Ward Family A/C>	6,000,000	0.67
13	HSBC Custody Nominees (Australia) Limited – A/C 2	5,886,243	0.66
14	Effingham Pty Ltd	5,500,000	0.62
15	Sven Nordholm	5,030,141	0.56
16	Zora Bunoza	4,778,179	0.54
17	Reo-Phon Pty Ltd <Cumbrae King Super A/C>	4,400,000	0.49
18	Jason John Carroll + Jodie Marie Carroll	4,100,000	0.46
19	CK Corporate Pty Ltd <CJK A/C>	3,750,000	0.42
20	Pjarms Investments Pty Ltd <PJ Anstee & RM Smith Fam A/C>	3,400,000	0.38
		343,909,261	38.57

Stock Exchange Listing – Listing has been granted for 891,473,723 ordinary fully paid shares of the Group on issue on the Australian Securities Exchange.

The unquoted securities on issue as at 18 September 2018 are detailed below in part (d).

(c) 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	70,407,585	7.90
David Cannington	63,142,857	7.91
Wasagi Corporation Pty Ltd <Wasagi Family Trust A/C>	63,142,857	7.91

ADDITIONAL ASX INFORMATION

(d) Unquoted Securities

The number of unquoted securities on issue as at 18 September 2018:

Security	Number on issue
Unlisted Options – exercisable at 3 cents on or before 24/2/2019	20,000,000
Unlisted Options – exercisable at 4 cents on or before 18/4/2019	3,000,000
Unlisted Options – exercisable at 6 cents on or before 18/4/2019	5,500,000
Unlisted Options – exercisable at 9 cents on or before 20/4/2019	1,000,000
Unlisted Options – exercisable at 9 cents on or before 30/11/2019	10,500,000
Unlisted Options – exercisable at 11.5 cents on or before 16/2/2020	1,500,000
Unlisted Options – exercisable at 9 cents on or before 22/5/2020	3,500,000
Unlisted Options – exercisable at 7.8 cents on or before 2/11/2019	10,000,000
Unlisted Options – exercisable at 12 cents on or before 6/6/2019	10,000,000
Unlisted Options – exercisable at 9 cents on or before 14/7/2020	500,000
Unlisted Options – exercisable at 11.5 cents on or before 24/7/2020	3,000,000
Unlisted Options – exercisable at 9 cents on or before 10/11/2020	500,000
Unlisted Options – exercisable at 9 cents on or before 12/1/2021	1,000,000
Unlisted Options – exercisable at 9 cents on or before 1/3/2021	8,000,000
Unlisted Options – exercisable at 9 cents on or before 17/9/2021	10,500,000

(e) 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 18 September 2018 are detailed below:

Security	Name	Number of Securities
Unlisted Options – exercisable at 3 cents on or before 24/2/2019	David Cannington	10,000,000
Unlisted Options – exercisable at 3 cents on or before 24/2/2019	Wasagi Corporation Pty Ltd	10,000,000
Unlisted Options – exercisable at 7.8 cents on or before 2/11/2019	Foster Stockbroking Pty Ltd	10,000,000
Unlisted Options – exercisable at 12 cents on or before 6/6/2019	LTL Capital Pty Ltd	5,000,000
Unlisted Options – exercisable at 12 cents on or before 6/6/2019	CS Third Nominees Pty Ltd	3,000,000
Unlisted Options – exercisable at 12 cents on or before 6/6/2019	A & J Tannous Nominees Pty Ltd	2,000,000

(f) Restricted Securities

The Group had no restricted securities as at 18 September 2018:

(g) Voting Rights

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

Unquoted options have no voting rights.

(h) Company Secretary

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

ADDITIONAL ASX INFORMATION

(i) Registered Office

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

(j) 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)

(k) On-Market Buy-back

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

(l) 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.

(m) 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.

(n) Schedule of Interests in Mining Tenements

The schedule of interests in mining tenements both as at 30 June 2018 and as at 18 September 2018 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%