

Interim Report

For the half year ended 31 December 2020



Highlights

Nuheara Limited (ASX: NUH)(Company or Nuheara) has delivered strong growth for the FY21 Half Year (H1 FY21) with \$6.9m in invoiced revenue; a result that has underpinned a positive EBITDA of \$1.5m for the Company.

- **H1 FY21 represents a 406% increase in invoiced revenue over H1 FY20:** Exponential sales growth of the newly released IQbuds² MAX product in conjunction with a successful OEM collaboration with multinational technology company HP Inc.
- **\$5.1m half yearly (year on year) improvement to Company's EBITDA:** A positive EBITDA of \$1.5m that also resulted in a significantly improved net loss position of -\$842k.
- **Close to break-even net operating cash flow:** A significant improvement in net operating cash flow to -\$86k.
- **HP Inc. relationship solidified with three-year umbrella manufacturing and supply agreement:** Nuheara manufactured HP co-branded product on target to commence shipping in Q3.

Comments from CEO Justin Miller:

Results

"We are delighted to have achieved such a strong set of financial results, in what can only be described as an uncertain global financial period."

"I am reassured by the significant improvement we returned across all key financial indicators and most notably, the close to break-even position of our net operating cash flows for the half year."

"The record sales Nuheara has achieved globally with our newly launched flagship IQbuds² MAX product has been the backbone to this success. Securing a three-year manufacturing and supply agreement with HP Inc. has further validated our unique technology and global opportunity."

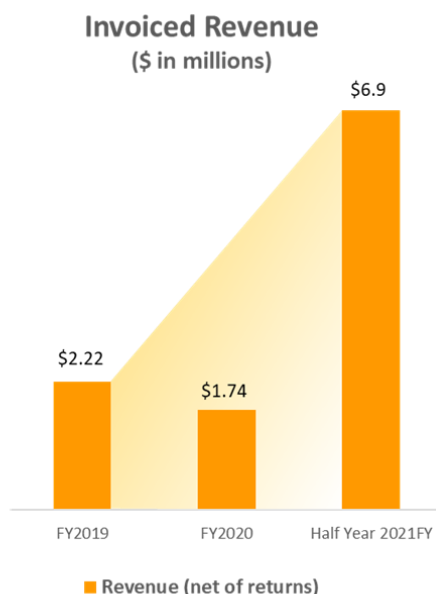
"Importantly, the period concluded with a successful capital raise that will enable the Company to build on the momentum gained throughout the first half."

Outlook

"The Company has held a long-term strategic ambition to deliver Nuheara designed and manufactured product, to global customers, across multiple diversified sales channels."

"H2 is forecast to see this ambition realised with further growth expected in our global online DTC sales, expansion of sales campaigns with our traditional retail partners, and the delivery of the first mass production units for our OEM partner HP."

"Nuheara is now well positioned to deliver sustained growth in H2 and beyond."



APPENDIX 4D

HALF YEAR CONSOLIDATED FINANCIAL REPORT

1 Results for Announcement to the Market

Current reporting period: Period ended 31 December 2020
 Previous corresponding period: Period ended 31 December 2019

	31 Dec 2020 \$	31 Dec 2019 \$	Increase/ (decrease) \$	% Change Up (+)/down (-)
Revenue from ordinary activities	6,909,566	1,365,966	5,543,600	+406%
Loss from ordinary activities after tax attributable to members (from continuing operations)	(842,166)	(5,726,307)	4,884,141	+85%
Net loss for the period attributable to members	(842,166)	(5,726,307)	4,884,141	+85%

2 Dividend Information

The directors do not recommend the payment of an interim dividend in relation to the financial year ended 30 June 2021 (2020: nil).

3 Net tangible assets per security

	31 Dec 2020 \$	31 Dec 2019 \$
Net tangible asset backing per ordinary share	0.002	0.003

As at 31 December 2020 the number of shares on issue was 1,413,928,166 (31 December 2019: 1,062,210,292).

4 Details of joint venture entities

The Company does not have any interests in joint ventures.

5 Details of entities over which the company has control

Name of Entity	% Interest	Country of Registration	Date of gain of control
Nuheara IP Pty Ltd	100%	Australia	25 February 2016
Terrace Gold Pty Ltd	80%	Australia	25 February 2016
Wild Acre Metals (Peru) SAC (<i>in liquidation</i>)	100%	Peru	25 February 2016
Nuheara, Inc	100%	USA	21 June 2016

6 Commentary on the results

It is recommended that the Appendix 4D be read in conjunction with the Company's ASX releases during the period in accordance with the continuous disclosure obligations under the ASX listing rules.

Revenue from ordinary activities for the period was \$6,909,566. This compared with \$1,365,966 sales revenue for the same period last year.

A positive EBITDA of \$1,478,707 (31 December 2019: loss \$3,622,217) was recognised for the half year period. The Company calculates EBITDA as earnings before interest, finance charges, tax, depreciation and amortisation expense. EBITDA is a non-IFRS measure and is an alternative performance measure reported in addition to but not as a substitute for the performance measures reported in accordance with IFRS. These measures focus directly on operating earnings and enhance comparability between periods. A reconciliation of EBITDA to the net loss after tax is as follows:

RECONCILED EBITDA	Half-year ended	Half-year ended
	31 Dec 2020	31 Dec 2019
	\$	\$
Net loss for the period	(842,166)	(5,726,307)
Add Back:		
Interest expense	(1,199)	(5,170)
Finance charges	(301,157)	-
Depreciation expense	(137,168)	(205,629)
Amortisation expense	(1,881,349)	(1,893,291)
EBITDA	1,478,707	(3,622,217)

The Company incurred a net loss after tax of \$842,166. This compared with a net loss after tax of \$5,726,307 for the same period last year. The net loss after tax result represented a loss of 0.06 cents per share, compared to a loss of 0.57 cents per share over the same period last year.

Net cash outflows of \$2,034,846 were attributable to \$265,319 received through the issue of shares (net of share issue costs), \$210,000 repaid from borrowings, offset by \$86,972 in net operating outflows, \$26,486 for the payment of plant and equipment (net of sale proceeds from assets that were sold) and \$1,976,707 for the purchase of intangible assets (representing capitalised development costs and international trademark registrations).

As at 31 December 2020, the Group held cash reserves of \$2,395,864 (30 June 2020: \$4,430,710 / 31 December 2019: \$3,541,540).

7 Significant events after balance date

Supply Agreement with HP Inc

On 29 December 2020, the Company announced that it had signed an agreement to manufacture HP branded products for American multinational information technology company, HP Inc. The Hardware Product Purchase Agreement has a contracted initial term of 3 years with automatic renewals for successive one-year periods. This umbrella supply agreement is designed to manage the design, manufacture, and supply of multiple products throughout the life of the contract.

The first Nuheara manufactured product to be supplied under the agreement is a HP branded True Wireless Earbud with charging case. Utilising Nuheara owned and developed IP, this Product is designed as a premium, compact audio earbud that will enhance the user's ability to be productive, provide a personalised experience and can be used comfortably in dynamic and ever-changing physical environments. The product will also carry a Nuheara co-brand.

The product will commence mass shipment to HP in late Q3 2021FY (Jan-Mar21).

7 Significant events after balance date (continued)

Capital Raising

On 29 December 2020, the Company announced that it had received binding commitments to raise \$11.5 million before costs through a placement of 287.5 million new fully paid ordinary shares (Shares) at an issue price of \$0.04 per Share (Placement). The Placement price of \$0.04 represents a 9% discount to the last closing price on 23 December 2020 of \$0.044 and an 17% discount to the 15-day VWAP of \$0.0483 per Share.

Net proceeds from the Placement will be principally used to fund the acceleration of Direct-to-Consumer sales and activities, as well as supporting credit terms for Nuheara's manufacturing and production costs associated with the Supply Agreement executed with HP Inc.

The settlement date for the Placement occurred on 6 January 2021.

Convertible Note Security Funding Agreement

On 7 January 2021, the Company announced that it had closed out the Convertible Security Funding Agreement (Agreement) with The Lind Partners (Lind). On the success of the Placement noted above, Nuheara issued a buy-back notice to Lind for the remaining convertible note balance of \$850,000. Under the terms of the Agreement, Lind has elected to convert the buy-back into shares at an issue price of \$0.04 per share (the same issue price as the Placement), being 90% of the five lowest daily VWAPs in the 20 trading days prior to the buy-back notice being served.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Director's report and the condensed financial report which has been independently reviewed by Walker Wayland WA Audit Pty Ltd. The Independent Review Report provided by Walker Wayland is included in the condensed consolidated financial report for the half-year ended 31 December 2020.

DIRECTORS'S REPORT

The Directors of Nuheara Limited present their report, together with the condensed consolidated half-year financial report consisting of Nuheara Limited ("the Company") and its consolidated entities (jointly referred to as "the Group"), for the half-year ended 31 December 2020 and the review report thereon.

Directors

The directors in office at any time during the half year ended 31 December 2020 and up to the date of signing this report are:

- The Hon. Cheryl Edwardes AM - Chairman
- David Buckingham
- Justin Miller
- David Cannington
- Kathryn Foster

Review of Operations

The Group ended the half-year to 31 December 2020 with:

- Total revenue and other income from continuing operations of \$6,909,566 (31 December 2019: \$1,365,966), the increase being due to the exponential sales growth through the newly released IQbuds² MAX product, success of the Direct to Consumer (DTC) model, and from the collaboration with HP;
- An EBITDA of \$1,478,707 (31 December 2019: loss \$3,622,217);
- A net loss from continuing operations after tax of \$842,166 (31 December 2019: loss \$5,726,307); and
- Operating cash outflow from continuing operations of \$2,034,846 (31 December 2019: inflow of \$321,461).

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the Corporations Act 2001 is set out on page 5 for the half-year ended 31 December 2020.



Justin Miller
Managing Director/Chief Executive Officer

Perth, 23 February 2021

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

I declare that, to the best of my knowledge and belief, during the half-year end 31 December 2020 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Walker Wayland WA Audit Pty Ltd

WALKER WAYLAND WA AUDIT PTY LTD

Richard Gregson

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

Dated this 23rd day of February 2021.



NUHEARA LIMITED
ABN 29 125 167 133

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2020**

	NOTES	Half-year ended 31 Dec 2020 \$	Half-year ended 31 Dec 2019 \$
Revenue		6,909,566	1,365,966
Cost of sales		(2,067,252)	(1,146,023)
Gross profit		4,842,314	219,943
Other income	4	1,744,430	1,868,091
Salaries and employee benefits		(2,644,295)	(3,011,148)
Marketing and promotional		(1,626,786)	(1,777,110)
Product development and technology related expenses	5	(1,455,883)	(1,954,800)
General and administrative		(1,500,112)	(1,430,633)
Finance charges		(301,157)	-
Share based payments	9	99,323	359,350
Loss before tax from continuing operations		(842,166)	(5,726,307)
Income tax expense		-	-
Total comprehensive loss for the year		(842,166)	(5,726,307)
Total comprehensive loss attributable to:			
Equity holders		(842,166)	(5,726,307)
Total comprehensive loss		(842,166)	(5,726,307)
Earnings per share			
Basic loss per share (cents per share)	8	(0.06)	(0.57)
Diluted loss per share (cents per share)	8	(0.06)	(0.55)

The accompanying notes form part of these financial statements.



NUHEARA LIMITED
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	NOTES	31 Dec 2020 \$	30 Jun 2020 \$
CURRENT ASSETS			
Cash and cash equivalents		2,395,864	4,430,710
Trade and other receivables		2,240,365	1,566,874
Inventory		3,704,786	2,866,566
Disposal group – mining tenements held for sale		-	153,544
TOTAL CURRENT ASSETS		8,341,015	9,017,694
NON-CURRENT ASSETS			
Plant and equipment		304,509	387,916
Right of use asset	10	-	27,275
Security deposits		1	5,063
Intangible assets	11	4,975,214	4,879,857
TOTAL NON-CURRENT ASSETS		5,279,724	5,300,111
TOTAL ASSETS		13,620,739	14,317,805
CURRENT LIABILITIES			
Trade and other payables		4,772,348	5,074,240
Financial liabilities	12	850,000	-
Lease liabilities		-	27,271
Provisions		646,203	438,266
TOTAL CURRENT LIABILITIES		6,268,551	5,539,777
NON-CURRENT LIABILITIES			
Financial liabilities	12	-	2,508,843
Provisions		59,539	49,623
TOTAL NON-CURRENT LIABILITIES		59,539	2,558,466
TOTAL LIABILITIES		6,328,090	8,098,243
NET ASSETS		7,292,649	6,219,562
EQUITY			
Issued capital	6	48,311,251	46,295,932
Share option reserve	7	556,950	656,273
Foreign currency translation reserve		(130,357)	25,518
Accumulated losses		(41,445,195)	(40,758,161)
TOTAL EQUITY		7,292,649	6,219,562

The accompanying notes form part of these financial statements.



NUHEARA LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2020

	Ordinary Shares	Accumulated Losses	Share Option Reserve	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2020	46,295,932	(40,758,161)	656,273	25,518	6,219,562
Comprehensive Income					
Loss for the period	-	(842,166)	-	-	(842,166)
Total comprehensive loss for the period	-	(842,166)	-	-	(842,166)
Transactions with owners in their capacity as owners:					
Shares issued during the period	2,054,917	-	-	-	2,054,917
Share issue costs	(39,598)	-	-	-	(39,598)
Options issued during the period	-	-	109,941	-	109,941
Options forfeited/lapsed during the period	-	-	(278,855)	-	(278,855)
Movement in valuation of options issued in prior periods	-	-	69,591	-	69,591
Foreign currency translation movements	-	155,132	-	(155,875)	(743)
Balance at 31 December 2020	48,311,251	(41,445,195)	556,950	(130,357)	7,292,649
Balance at 1 July 2019	38,325,527	(29,031,432)	1,410,267	(6,478)	10,697,884
Comprehensive Income					
Loss for the period	-	(5,726,307)	-	-	(5,726,307)
Total comprehensive loss for the period	-	(5,726,307)	-	-	(5,726,307)
Transactions with owners in their capacity as owners:					
Shares issued during the period	4,000,000	-	-	-	4,000,000
Share issue costs	(339,226)	-	-	-	(339,226)
Options forfeited/lapsed during the period	-	-	(483,560)	-	(483,560)
Movement in valuation of options issued in prior periods	-	-	124,210	-	124,210
Foreign currency translation movements	-	(35,406)	-	32,028	(3,378)
Balance at 31 December 2019	41,986,301	(34,793,145)	1,050,917	25,550	8,269,623

The accompanying notes form part of these financial statements.



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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2020**

	Half-year ended 31 Dec 2020 \$	Half-year ended 31 Dec 2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	5,343,764	1,361,655
Interest received	4,258	4,657
Grants and rebates received	1,841,004	1,673,964
Other income	1,733	1,483
Proceeds from the sale of assets held for sale	143,595	363,347
Payments to suppliers and employees	(7,421,326)	(4,604,870)
Interest and other costs of finance paid	-	(1,055)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(86,972)	(1,200,819)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(26,486)	(16,124)
Payment for the acquisition of intangibles	(1,976,707)	(2,122,370)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(2,003,193)	(2,138,494)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share and option issues	304,917	4,000,000
Share raising costs	(39,598)	(339,226)
Repayment of borrowings	(210,000)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	55,319	3,660,774
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD	(2,034,846)	321,461
Cash and cash equivalent at beginning of the financial period	4,430,710	3,220,079
Cash and cash equivalent at the end of the financial period	2,395,864	3,541,540

The accompanying notes form part of these financial statements.



NUHEARA LIMITED
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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 refers to the company purchased by Nuheara 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.

Nuheara Limited or Listed Entity or Company 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 it 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.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

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

This preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 30 June 2020 and any public announcements made by Nuheara Limited, during the reporting period, in accordance with the continuous disclosure requirements of the ASX listing rules.

This preliminary final report including any commentary on the Company results was authorised for issue in accordance with a resolution by the board of directors.

Going concern

The financial statements have been prepared on a going concern basis, despite the Group making a loss in the period. The Board of Directors are confident that the Group can meet its financial obligations as and when they fall due, due to forecast sales growth and successfully raising capital.

b) Accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except for those as described in Note 1(c) below.

c) New and Amended Standards Adopted by the Group

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period and there were no changes that will impact the Group.

2 SEGMENT INFORMATION

Operating segments

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.

3 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 transactions

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 9.

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 9.

iv. Capitalisation of development costs

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

v. *Inventory Write-offs*

The assessment for write-offs of inventories requires a degree of estimation and judgement. The level of the write-offs is assessed by taking into account recent sales experience, the ageing of inventories, damaged, obsolete, slow moving inventories and other factors that affect inventory obsolescence.

vi. *Net Smelter Royalties*

The Group holds an 80% interest in Terrace Gold Pty Ltd ("Terrace"). Terrace holds a 0.5% net smelter royalty over the El Molino Gold Project and part of the El Galeno Copper Project located in Northern Peru, currently owned under joint venture by China Minmetals and Jiangxi Copper.

Management has ascertained that the probability of net smelter royalty revenue was nil at balance date.

4 OTHER INCOME

	Half year ended 31 Dec 2020 \$	Half year ended 31 Dec 2019 \$
Interest income	3,141	35,530
Grants and rebates received	1,749,504	1,673,964
Profit on sale of mining interests	(9,948)	157,114
Sundry income	1,733	1,483
Total other income	1,744,430	1,868,091

5 PRODUCT DEVELOPMENT AND TECHNOLOGY RELATED EXPENSES

	Half year ended 31 Dec 2020 \$	Half year ended 31 Dec 2019 \$
Product development, including research and development costs ⁽ⁱ⁾	1,114,672	910,770
Inventory and components written off ⁽ⁱⁱ⁾	331,211	1,044,030
	1,455,883	1,954,800

(i) Excludes expenditure directly attributable to development activities that are capitalised as an intangible asset under Australian Accounting Standards.

(ii) Inventories are stated at the lower of cost or net realisable value. The Company periodically reviews the value of items in inventory and provides write-downs or write-offs of inventory based on its assessment of market conditions. Write-downs and write-offs are charged as an expense to the Statement of Profit and Loss. In the half-year to 31 December 2020, the company experienced total write-downs and write-offs of \$331,211 (31 December 2019: \$1,044,030).

6 ISSUED CAPITAL

	31 Dec 2020 \$	30 Jun 2020 \$	31 Dec 2019 \$
(i) Issued and Paid Up Capital:			
1,413,928,166 Ordinary shares, fully paid (30 June 2020: 1,359,811,585 / 31 December 2019: 1,062,210,292)	48,311,251	46,295,932	41,986,301

6 ISSUED CAPITAL (continued)

(ii) Movements during the period

Opening Balance at 1 July 2020

10 July 2020 - 10,000,000 collateral shares purchased under Convertible Note security agreement at \$0.011 (shares issued in January 2020)

14 July 2020 - 10,000,000 collateral shares purchased under Convertible Note security agreement at \$0.011 (shares issued in January 2020)

5 August 2020 – shares issued by way of conversion under Convertible Note security agreement @ \$0.023

21 August 2020 – shares issued on exercise of options @ \$0.025

24 August 2020 – shares issued by way of conversion under Convertible Note security agreement @ \$0.035

31 August 2020 – shares issued on exercise of options @ \$0.025

1 October 2020 – shares issued on exercise of options @ \$0.025

21 October 2020 - shares issued by way of conversion under Convertible Note security agreement @ \$0.043

2 November 2020 – shares issue on exercise of options @ \$0.025

20 November 2020 - shares issued by way of conversion under Convertible Note security agreement @ \$0.037

1 December 2020 – shares issued on exercise of options @ \$0.025

2 December 2020 – shares issued by way of conversion under Convertible Note security agreement @ \$0.037

Less: Share issue costs

Balance shares at 31 December 2020

	31 Dec 2020 No.	31 Dec 2020 \$
	1,359,811,584	46,295,932
	-	110,000
	-	110,000
	8,695,653	200,000
	2,666,667	66,667
	20,000,000	700,000
	353,333	8,833
	537,880	4,167
	8,139,535	350,000
	50,000	1,250
	6,756,757	250,000
	160,000	4,000
	6,756,757	250,000
	-	(39,598)
	1,413,928,166	48,311,251

Opening Balance at 1 July 2019

15 July 2019 – shares issued by way of share placement @ \$0.05

Less: Share issue costs

Balance shares at 31 December 2019

	31 Dec 2019 No.	31 Dec 2019 \$
	982,210,292	38,325,527
	80,000,000	4,000,000
	-	(339,226)
	1,062,210,292	41,986,301

(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 Company, 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.



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7 SHARE OPTION RESERVE

	31 Dec 2020 \$	30 Jun 2020 \$	31 Dec 2019 \$
(i) Unlisted options:			
68,068,038 (30 June 2020: 46,514,706/ 31 December 2019: 24,000,000) unlisted options	556,950	656,273	1,050,917

(ii) Movements during the period

Opening Balance at 1 July 2020

10 July 2020 – issue of director options @ \$0.025
21 August 2020 – issue of director options @ \$0.025
21 August 2020 – issue of director options @ \$0.050
21 August 2020 – issue of director options @ \$0.010
21 August 2020 – issue of employee options @ \$0.025
Less: Options lapsed/forfeited/exercised
Movement in valuation of options issued in prior reporting periods

Balance unlisted options at 31 December 2020

	31 Dec 2020 No.	31 Dec 2020 \$
Opening Balance at 1 July 2020	46,514,706	656,273
10 July 2020 – issue of director options @ \$0.025	6,000,000	7,706
21 August 2020 – issue of director options @ \$0.025	2,000,000	3,457
21 August 2020 – issue of director options @ \$0.050	2,000,000	5,902
21 August 2020 – issue of director options @ \$0.010	2,000,000	4,552
21 August 2020 – issue of employee options @ \$0.025	29,200,000	88,324
Less: Options lapsed/forfeited/exercised	(19,646,668)	(278,855)
Movement in valuation of options issued in prior reporting periods	-	69,591
Balance unlisted options at 31 December 2020	68,068,038	556,950

Opening Balance at 1 July 2019

Less: Options lapsed/forfeited
Movement in valuation of options issued in prior reporting periods

Balance unlisted options at 31 December 2019

	31 Dec 2019 No.	31 Dec 2019 \$
Opening Balance at 1 July 2019	56,000,000	1,410,267
Less: Options lapsed/forfeited	(32,000,000)	(483,560)
Movement in valuation of options issued in prior reporting periods	-	124,210
Balance unlisted options at 31 December 2019	24,000,000	1,050,917

8 EARNINGS PER SHARE

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

	Half year ended 31 Dec 2020 Cents	Half year ended 31 Dec 2019 Cents
Basic loss per share (cents per share)	(0.06)	(0.57)
Diluted loss per share (cents per share)	(0.06)	(0.55)

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

	Half year ended 31 Dec 2020 \$	Half year ended 31 Dec 2019 \$
Loss	(842,166)	(5,726,307)

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

	Half year ended 31 Dec 2020 No.	Half year ended 31 Dec 2019 No.
Weighted average number of ordinary shares – basic loss per share	1,389,288,524	997,089,941
Weighted average number of ordinary shares – diluted loss per share	1,452,668,338	1,050,626,593

9 SHARE BASED PAYMENTS

	Half year ended 31 Dec 2020 \$	Half year ended 31 Dec 2019 \$
Expense arising from options issued to employees	109,941	-
Options forfeited or lapsed	(278,855)	(483,560)
Movement in valuation of options issued in prior periods	69,591	124,210
	(99,323)	(359,350)

The following share-based payment arrangements existed:

- a) The following shares or options were granted to key management personnel during the half-year ended 31 December 2020 (31 December 2019: nil):

Name	Grant Date	No of Options	No. of Shares
Justin Miller	10 July 2020	3,000,000	-
David Cannington	10 July 2020	3,000,000	-
Jean-Marie Rudd	21 August 2020	3,000,000	-

- b) There were no shares granted to non-key management personnel during the half-year ended 31 December 2020 (31 December 2019: nil). There were 32,200,000 options granted to non-key management personnel during the half-year ended 31 December 2020 (31 December 2019: 11,000,000).

A summary of the movements of all Group option issues is as follows:

	No.	Weighted Average Exercise Price
Options outstanding and exercisable as at 31 December 2019	24,000,000	\$0.09
Granted	28,014,706	\$0.05
Exercised/Forfeited	(5,500,000)	-
Options outstanding and exercisable as at 30 June 2020	46,514,706	\$0.07
Granted	41,200,000	\$0.03
Exercised/Forfeited	(19,646,668)	-
Options outstanding and exercisable as at 31 December 2020	68,068,038	\$0.04

The weighted average remaining contractual life of options outstanding at year end was 2.71 years (30 June 2020: 2.56 years/31 December 2019: 1.42 years). The weighted average exercise price of outstanding options at the end of the reporting period was \$0.04 (30 June 2020: \$0.07 / 31 December 2019: \$0.09).

The fair value of options granted during the half-year was \$1,032,640 (30 June 2020: \$36,668 / 31 December 2019: \$nil). Fair values of options are calculated using the Black-Scholes option pricing model.

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

There were no equity-settled share-based payment transactions during the period (30 June 2020: \$nil / 31 December 2017: \$nil).

10 RIGHT OF USE ASSETS

The Group's lease portfolio includes a building. The building lease expired on 31 August 2020 and was renewed for a further 12-month period, expiring on 31 August 2021 (remaining term: 0.66 years).

Options to extend or terminate

There are no extension options for the building lease.

(i) AASB 16 related amounts recognised in the Statement of Financial Position

Right-of-use assets

Leased building

Less: accumulated depreciation

Net carrying amount

Movement in carrying amounts:

Recognised on initial application of AASB 16

(previously classified as operating leases under AASB 117)

Depreciation expense for the half-year ended

Net carrying amount

	31 Dec 2020 \$	30 Jun 2020 \$
Leased building	190,927	190,927
Less: accumulated depreciation	(190,927)	(163,652)
Net carrying amount	-	27,275
Movement in carrying amounts:		
Recognised on initial application of AASB 16 (previously classified as operating leases under AASB 117)	190,927	190,927
Depreciation expense for the half-year ended	(190,927)	(163,652)
Net carrying amount	-	27,275

(ii) AASB 16 related amounts recognised in the Statement of Profit or Loss

Depreciation charge related to right-of-use assets

Interest expense on lease liabilities (under finance cost)

	31 Dec 2020 \$	30 Jun 2020 \$
Depreciation charge related to right-of-use assets	27,275	163,652
Interest expense on lease liabilities (under finance cost)	1,195	7164

(iii) AASB 16 related amounts recognised in the Statement of Cash Flows

Total half-yearly operating cash outflows for leases

	31 Dec 2020 \$	30 Jun 2020 \$
Total half-yearly operating cash outflows for leases	27,275	170,820

11 INTANGIBLE ASSETS

Development costs – at cost

Less: accumulated amortisation and impairment losses

Net carrying amount

Patents and Trademarks – at cost

Less: accumulated amortisation and impairment losses

Net carrying amount

Total intangible assets

	31 Dec 2020 \$	30 Jun 2020 \$
Development costs – at cost	15,001,254	13,098,989
Less: accumulated amortisation and impairment losses	(10,807,054)	(8,971,790)
Net carrying amount	4,194,200	4,127,199
Patents and Trademarks – at cost	977,513	903,072
Less: accumulated amortisation and impairment losses	(196,499)	(150,414)
Net carrying amount	781,014	752,658
Total intangible assets	4,975,214	4,879,857



NUHEARA LIMITED
ABN 29 125 167 133

12 FINANCIAL LIABILITIES

	31 Dec 2020 \$	30 Jun 2020 \$
Current		
Convertible Note	850,000	-
Non-Current		
Convertible Note	-	2,508,243

On 24 January 2020, the Group entered into a 24-month \$2.5 million convertible note (Funding Agreement) with the Lind Global Macro Fund, LP, an entity managed by The Lind Partners (together "Lind"), a New York-based institutional fund manager. The convertible note is secured and has a 24-month term.

The Funding Agreement includes provisions that allow for conversion of securities outstanding to Lind into fully paid ordinary shares in the capital of the Company, optional cash payments by the Company or early repayment, without penalty and subject to Lind's buy back conversion rights for up to 33% of the outstanding face value.

Lind invested \$2.5 million into Nuheara who issued a secured redeemable convertible security with a face value of \$3.0 million. Nuheara has the right to redeem at any time without penalty. Other than following an event of default, the convertible note does not bear interest.

During the period ended 31 December 2020 finance charges on the convertible note were recognised in the amount of \$301,157 following issue of a buy back notice by Nuheara (refer note 14 Significant Events After Balance date).

13 CONTINGENT ASSETS AND LIABILITIES

There are no known contingent assets and liabilities.

14 SIGNIFICANT EVENTS AFTER BALANCE DATE

Supply Agreement with HP Inc

On 29 December 2020, the Company announced that it had signed an agreement to manufacture HP branded products for American multinational information technology company, HP Inc. The Hardware Product Purchase Agreement has a contracted initial term of 3 years with automatic renewals for successive one-year periods. This umbrella supply agreement is designed to manage the design, manufacture, and supply of multiple products throughout the life of the contract.

The first Nuheara manufactured product to be supplied under the agreement is a HP branded True Wireless Earbud with charging case. Utilising Nuheara owned and developed IP, this Product is designed as a premium, compact audio earbud that will enhance the user's ability to be productive, provide a personalised experience and can be used comfortably in dynamic and ever-changing physical environments. The product will also carry a Nuheara co-brand.

The product will commence mass shipment to HP in late Q3 2021FY (Jan-Mar21).



NUHEARA LIMITED
ABN 29 125 167 133

14 SIGNIFICANT EVENTS AFTER BALANCE DATE (continued)

Capital Raising

On 29 December 2020, the Company announced that it had received binding commitments to raise \$11.5 million before costs through a placement of 287.5 million new fully paid ordinary shares (Shares) at an issue price of \$0.04 per Share (Placement). The Placement price of \$0.04 represents a 9% discount to the last closing price on 23 December 2021 of \$0.044 and an 17% discount to the 15-day VWAP of \$0.0483 per Share.

Net proceeds from the Placement will be principally used to fund the acceleration of Direct-to-Consumer sales and activities, as well as supporting credit terms for Nuheara's manufacturing and production costs associated with the Supply Agreement executed with HP Inc.

The settlement date for the Placement occurred on 6 January 2021.

Convertible Note Security Funding Agreement

On 7 January 2021, the Company announced that it had closed out the Convertible Security Funding Agreement (Agreement) with The Lind Partners (Lind). On the success of the Placement noted above, Nuheara issued a buy-back notice to Lind for the remaining convertible note balance of \$850,000. Under the terms of the Agreement, Lind has elected to convert the buy-back into shares at an issue price of \$0.04 per share (the same issue price as the Placement), being 90% of the five lowest daily VWAPs in the 20 trading days prior to the buy-back notice being served.

DIRECTORS' DECLARATION

The Directors of Nuheara Limited declare that:

- 1 the financial statements and notes 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 31 December 2020 and of the performance for the half year ended on that date of the Company;
- 2 in the Directors' opinion, there are reasonable grounds to believe that the Company 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, 23 February 2021

Independent Auditor's Review Report To the Members of Nuheara Limited

REPORT ON THE HALF-YEAR FINANCIAL REPORT

We have reviewed the accompanying half-year financial report of Nuheara Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the group's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Nuheara Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Nuheara Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Nuheara Limited is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date;
- (ii) and complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

Walker Wayland WA Audit Pty Ltd

WALKER WAYLAND WA AUDIT PTY LTD

Richard Gregson

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

Dated this 23rd day of February 2021.

Authorised by:

The Board of Directors
Nuheara Limited

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CORPORATE INFORMATION

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The Hon Cheryl Edwardes *AM*
Independent Non-Executive Chairman

Justin Miller
Managing Director/CEO

David Cannington
Executive Director/Chief Marketing Officer

Kathryn Foster
Independent Non-Executive Director

David Buckingham
Independent Non-Executive Director

Company Secretaries

Susan Hunter - Company Secretary
Jean-Marie Rudd - Joint Company Secretary

Securities Exchange

ASX: NUH

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