



NUHEARA LIMITED
ABN 29 125 167 133

**APPENDIX 4E
PRELIMINARY FINAL REPORT**

1. Results for Announcement to the Market

Current reporting period: Year ended 30 June 2021
Previous corresponding period: Year ended 30 June 2020

	Amount \$	% Change up(+)/down(-)
Revenue from ordinary activities	12,623,653	+185%
Loss from ordinary activities after tax attributable to members (from continuing operations)	(7,200,681)	+38%
Net loss for the period attributable to members	(7,200,681)	+38%

2. Dividend Information

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

3. Net tangible assets per security

	2021 \$	2020 \$
Net tangible asset backing per ordinary share	0.004	0.001

As at 30 June 2021 the number of shares on issue was 1,723,004,193 (30 June 2019: 1,359,811,585).

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
Nuheara, Inc	100%	USA	21 June 2016

6. Audit

This report is based on financial statements which have been audited by Walker Wayland WA Audit Pty Ltd.

7. Commentary on the results

The Group achieved a net loss after tax of \$7,200,681. This compared with a net loss after tax of \$11,690,733 for the year ended 30 June 2020, an improvement of 38%. The net loss after tax result represented a loss of 0.46 cents per share, compared to a loss of 1.14 cents per share last year.

Net cash inflows of \$2,845,645 were attributable to \$10,945,806 received through capital raisings (net of share issue expenses), offset by \$210,000 paid for the buy back of convertible notes conversion notices, \$3,925,291 in net operating outflows, \$58,012 for the purchase of plant and equipment and \$3,906,858 for the purchase of intangible assets (capitalised development costs and trademarks).

Revenue from ordinary activities for the year was \$12,623,653. This compared with revenue of \$4,436,581 for the year ended 30 June 2020, an increase of 185%.

At year-end, the Company held \$7,276,355 in cash reserves (30 June 2020: \$4,430,710).

Detailed commentary on the results for the year is contained in the annual financial report that accompanies this announcement.



NUHEARA LIMITED
ABN 29 125 167 133

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

CORPORATE DIRECTORY

Directors

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

Justin Miller
Managing Director/CEO

David Cannington
Executive Director/Chief Marketing Officer

Kathryn Giudes (formerly Foster)
Independent Non-Executive Director

David Buckingham
Independent Non-Executive Director

Company Secretaries

Susan Park – Company Secretary
Jean-Marie Rudd – Joint Company Secretary

ASX Code

NUH

Website and Email

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Email: administration@nuheara.com

Registered Office

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Phone: +61 (8) 6555 9999
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Share Registry

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Perth WA 6000
Phone: 1300 850 505 (within Australia)
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Auditors

Walker Wayland WA Audit Pty Ltd
Level 3, 1 Preston Street
Como WA 6152
Phone: +61 (8) 9364 9988
Fax: +61 (8) 9367 3444

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CHAIRMAN'S LETTER



Dear Shareholders

On behalf of the Board of Nuheara Limited, I am pleased to present you with the Company's 2021 Annual Report.

The 2021 financial year was a successful year for Nuheara, successfully advancing the execution of our growth strategy across multiple paths. Despite the global uncertainty caused by COVID-19, we have been able to grow and sustain a financially strong and responsible business guided by a clear purpose, allowing us to make a positive and significant impact in people's lives with our hearing technologies.

The 2021 financial year saw the Company deliver a record annual operating performance, including new revenue records and triple-digit revenue growth in each of our product categories. Our Direct-To-Consumer (DTC) sales channel underpinned the strong 2021 results, demonstrating the sales impact being generated from Nuheara's increased global awareness. Overall, the results firmly delivered on our long held strategy to scale the Company's sales across multiple global sales fronts, within both Product and Services sales channels.

We continued to invest in research and development activities to support our long-term growth plans, including certification under ISO 9001:2015 to provide context and validation to Nuheara's aspiration to be the world's leader in smart hearing solutions. The accreditation places Nuheara in a solid position to apply our products, technology and processes to FDA regulatory requirements in the United States.

The Company's hearing technologies and industry position were validated by the long term manufacture and supply agreement with USD\$31 billion New York Stock Exchange Listed HP Inc (NYSE:HPQ) (HP). The Hardware Purchase Agreement has a contracted initial term of three years (with automatic renewals for successive one-year periods) and manages the design, manufacture, and supply of multiple products throughout the life of the contract.

The first Nuheara manufactured product supplied under the agreement is our HP Elite Wireless Earbud. Utilising Nuheara's Intellectual Property, these earbuds were designed as a premium compact audio product enhancing the user's ability to be productive, provide a personalised experience and be used comfortably in dynamic and ever-changing physical environments. The Product also carries a Nuheara co-brand.

Our strong working relationship with HP has been critical in developing and manufacturing Elite Wireless Earbuds seamlessly. As global leaders in our respective markets of PCs and Hearables, Nuheara anticipates the strengthening of its partnership with HP over the next three years

In line with the Company's growth strategy and substantial increase in revenue over the past 12 months, we further strengthened our management team to support the next growth phase with the appointment of new key hires and the creation of an Innovation Team. The newly established Innovation Team will further leverage global opportunities in the hearing healthcare market to enhance the use and take-up of Nuheara's products through methodical data analysis, deeper consumer insights and stronger digital audiological processes.

Also during the year, Nuheara's IQbuds² MAX was placed on the cover of TIME magazine and named as one of the world's Best Inventions of 2020 that made the world better, smarter and even a bit more fun. The recognition from TIME put Nuheara at the pinnacle of product innovation globally.

In December 2020, Nuheara successfully raised \$11.5 million in gross proceeds from a strongly supported Share Placement. The placement continued our careful management of the capital requirements of the Company as it rapidly grows.

Nuheara's mission is to transform the way people hear by creating smart hearing solutions that are both accessible and affordable. We are committed to this mission and will continue to invest in research and development initiatives, our people and other areas to remain at the forefront of hearing industry innovation, provide better hearing experiences for consumers, and drive sustainable long-term value for our shareholders.

The growth foundations of our business are now in place, and with multiple global market opportunities available, we are confident that our efforts from both a technology and sales point of view will translate into further growth for Nuheara.

NUHEARA LIMITED
ABN 29 125 167 133

CHAIRMAN'S LETTER

I would like to extend my thanks to the Company's Co-founder, Managing Director and CEO Mr Justin Miller, my fellow Directors, our management team and all of our other employees for their dedication and commitment that has made Nuheara into a successful global company at the forefront of hearing innovation. On behalf of the Board, I would also like to thank shareholders for their continued support during the period. I look forward to delivering further news on the Company's continued success over the next 12 months.

Yours faithfully



The Hon Cheryl Edwardes *AM*
Non-Executive Chairman

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 2020.

1. DIRECTORS

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

The Hon. Cheryl Edwardes AM LLM, BA, GAICD - Independent Non-Executive Chairman
Appointed: 1 January 2020

Mrs Edwardes has a strong legal and governance background with an extensive career spanning across government and business. She is a Board member of the Foreign Investment Review Board (FIRB) and Chairman and non-executive Director on a number of ASX-listed boards.

During her political career, Mrs Edwardes held positions as the first female Attorney General for Western Australia, Minister for Environment and Labour Relations, and was the Member for Kingsley for nearly 17 years. Mrs Edwardes was awarded an Order of Australia in the Queen's Birthday Honours 2016 for "significant service to the people and Parliament of Western Australia, to the law and to the environment, and through executive roles with business, education and community organisations". Cheryl was also named in the 100 Women of Influence 2016, inducted into Western Australian Women's Hall of Fame 2016 and was a finalist in the Women in Resources Award 2015.

During the past three years, Mrs Edwardes served as a director of the following listed Companies:

Vimy Resources Limited – appointed 26 May 2014*

Flinders Mines Limited - appointed 17 June 2019*

Auscann Group Holdings Ltd – appointed 19 January 2017, resigned 19 January 2020

* Denotes current directorship

Justin Miller – Co-founder, Managing Director and 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) – Co-founder, 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.

DIRECTORS' REPORT

1. DIRECTORS (continued)

Kathryn Giudes (formerly Foster) BSc, ASc, MAICD - Independent Non-Executive Director
Appointed: 12 February 2019

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

Mrs Giudes is a non-executive director for Class Limited, Livehire Limited and for other non-listed companies in Australia.

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

During the past three years, Ms Giudes served as a director of the following listed Companies:

Class Limited – appointed 1 July 2015, retiring October 2021*

Livehire Limited – appointed 1 July 2021*

* Denotes current directorship

David Buckingham Engineering Science B.Tech (Hons), ACA, ICAEW, GAICD - Independent Non-Executive Director
Appointed: 1 November 2019

Mr Buckingham has a diverse career which spans extensively across technology, growth, mergers and acquisitions and disrupting entrenched industries by focusing on technology, service and the customer experience. His career began in the United Kingdom with PricewaterhouseCoopers and he later moved into the telecommunications industry to which he devoted much of his career. He has worked for Telewest Global as the Group Treasurer and Director of Financial Planning, Virginmedia, as Finance Director Business Division and iiNet where he held the roles of Chief Financial Officer and Chief Executive Officer between 2008 and 2015. In early 2016 he joined the ASX listed education provider Navitas Limited as Chief Financial Officer. He subsequently became the Chief Executive Officer in 2017 until Navitas was acquired by a private equity group in July 2019.

During the past three years, Mr Buckingham served as a director of the following listed Companies:

Navitas Limited – appointed 1 July 2018, resigned 5 July 2019

OpenLearning Limited – appointed 10 September 2020*

Pentanet Limited – appointed 10 December 2020*

Hiremii Limited – appointed 3 May 2021*

* Denotes current directorship

2. COMPANY SECRETARIES

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

Ms Park has over 20 years' experience in the corporate finance industry and is founder and Managing Director of consulting firm Park Corporate Pty Ltd, which specialises in the provision of corporate governance and company secretarial advice to ASX listed companies. Ms Park 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 and Joint Company Secretary
Appointed: 30 November 2016

Ms Rudd has over 25 years' experience in the corporate sector and professional services, including over 15 years as Chief Financial Officer and Company Secretary in ASX listed companies. Ms 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.

DIRECTORS' REPORT

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 2021.

5. OPERATING AND FINANCIAL REVIEW

Our business model and objectives

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

Nuheara is headquartered in Perth, Australia.

Operating results

The Group achieved a net loss after tax of \$7,200,681. This compared with a net loss after tax of \$11,690,733 for the year ended 30 June 2020, an improvement of 38%. The net loss after tax result represented a loss of 0.46 cents per share, compared to a loss of 1.14 cents per share last year.

Net cash inflows of \$2,845,645 were attributable to \$10,945,806 received through capital raisings (net of share issue expenses), offset by \$210,000 paid for the buy back of convertible notes conversion notices, \$3,925,291 in net operating outflows, \$58,013 for the purchase of plant and equipment and \$3,906,858 expended on intangible assets (capitalised development costs and trademarks).

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

Review of Operations

Revenue and other income for the year was up 185% to \$12,623,653 (2020: \$4,436,581). At 30 June 2021 the Group held \$7,276,355 in cash reserves.

Capital Raisings

The Group successfully completed a capital raising in December 2020, raising \$11,500,000 (before costs). Funds raised were used to:

- Support manufacturing in relation to the initial 3-year supply agreement of co-branded products with HP Inc; and
- To accelerate direct-to-consumer sales and marketing, which had achieved record sales and collections.

Funding Agreement

On 24 January 2020, Nuheara executed an agreement for 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 funding was provided as a secured convertible note with a 24-month term, the proceeds of which were used to fund the mass production and marketing of the (at the time) recently released IQbuds² MAX and working capital requirements.

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 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' REPORT

6. OPERATING AND FINANCIAL REVIEW (continued)

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:

	2021	2020
Basic loss per share (cents per share)	(0.46)	(1.14)
Diluted loss per share (cents per share)	(0.45)	(1.09)

Review of Financial Condition

Liquidity and Capital Resources

The Statement of Cash Flows illustrates that cash used in operating activities amounted to \$3,925,291 (2020: outflow of \$5,433,327). Net outflows of \$3,964,870 used in investing activities comprised: \$3,906,858 in development costs that were capitalised as intangible assets, \$58,012 as payment for plant and equipment. The net cash outflows from operating and investing activities were funded by \$10,945,806 cash received from the raising of funds from the issues of shares, net of share raising costs and \$210,000 paid for the buy back of convertible notes conversion notices.

The net tangible asset backing of the Group was 0.04 cents per share (2020: 0.01 cents per share).

Asset and Capital Structure

	2021 \$	2020 \$
Debts:		
Trade and other payables	12,383,106	5,074,240
Less: Cash and cash equivalents	(7,276,355)	(4,430,710)
Net cash	5,106,751	643,530
Total equity	12,667,472	6,219,562
Total capital employed	17,774,223	6,863,092

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

Share issues during the year

The Group issued 363,192,609 shares (2020: 377,601,293 shares) during the year:

- 10 July 2020 - 10,000,000 collateral shares purchased under Convertible Note funding agreement at \$0.011 (shares issued in January 2020)
- 14 July 2020 - 10,000,000 collateral shares purchased under Convertible Note funding agreement at \$0.011 (shares issued in January 2020)
- 5 August 2020 – shares issued by way of conversion under Convertible Note funding agreement at \$0.023
- 21 August 2020 – shares issued on exercise of options at \$0.025
- 24 August 2020 – shares issued by way of conversion under Convertible Note funding agreement at \$0.035
- 31 August 2020 – shares issued on exercise of options at \$0.025
- 1 October 2020 – shares issued on exercise of options at \$0.025
- 21 October 2020 - shares issued by way of conversion under Convertible Note funding agreement at \$0.043
- 2 November 2020 – shares issued on exercise of options at \$0.025
- 20 November 2020 - shares issued by way of conversion under Convertible Note funding agreement at \$0.037
- 1 December 2020 – shares issued on exercise of options at \$0.025
- 2 December 2020 – shares issued by way of conversion under Convertible Note funding agreement at \$0.037
- 6 January 2021 – shares issued on exercise of options at \$0.025
- 6 January 2021 – shares issued by way of conversion under Convertible Note funding agreement at \$0.040
- 7 January 2021 – shares issued by way of share placement at \$0.040 each
- 3 May 2021 – shares issued on exercise of options at \$0.025

DIRECTORS' REPORT

5. OPERATING AND FINANCIAL REVIEW (continued)

Risk Management

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

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

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

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs during the year ended 30 June 2021 are as follows:

The Group maintains its vision of building an ecosystem of affordable and accessible software and hardware products for a hearing market that is currently underserved. To that end, the Group's decision to concentrate on high-end high value hearing products saw the ongoing success of its new third generation product, IQbuds² MAX.

Sales of IQbuds² MAX have been achieved almost exclusively via the Group's Direct-To-Consumer (DTC) online sales platform, further validating the sales model's ability to reach and transact with global customers. The DTC model is proving to be a viable alternative as traditional hearing clinics and retailers shutter around the world during the COVID-19 crisis. Nuheara also continues to pursue other traditional sales channels in accordance with its business strategy, including partnerships and distributor relationships in the healthcare sector to extend brand awareness and drive further sales.

The Group's record sales and collections through the current financial year, supported by the Group's rapidly growing DTC business and expanding OEM partnerships, was further validated with the announcement of the signing of a 3-year manufacture and supply agreement (Supply Agreement) with USD\$31 billion valued New York Stock Exchange Listed, HP Inc (NYSE: HPQ) (HP). 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 Supply Agreement is a HP branded true wireless earbud with charging case – Elite Wireless Earbuds. Utilising Nuheara owned and developed IP, Elite Wireless Earbuds is designed as a premium, compact audio earbud product that will enhance the user's ability to be productive, provide a personalised experience and can be used comfortably in dynamic and every-changing physical environments. The Product also carries a Nuheara co-brand.

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, IQbuds² MAX, and IQstream TV plus the development of new generation products.

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.

DIRECTORS' REPORT

10. SHARE OPTIONS

As at the date of this report, the Group has 67,338,038 options over ordinary shares. These options have been issued on the following terms.

Number of Unlisted Options	Exercise Price	Expiry Date
1,000,000	\$0.09 each	17 September 2021
2,500,000	\$0.09 each	17 April 2022
24,264,706	\$0.05 each	3 February 2024
3,750,000	\$0.026 each	4 June 2023
27,323,332	\$0.025 each	21 August 2023
2,000,000	\$0.05 each	21 August 2023
2,000,000	\$0.10 each	21 August 2023
4,500,000	\$0.0435 each	2 March 2024
TOTAL 67,338,038		

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

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

Directors	
Cheryl Edwardes	Independent Non-Executive Chairman
Justin Miller	Managing Director/Chief Executive Officer
David Cannington	Executive Director/Chief Marketing Officer
Kathryn Giudes (formerly Foster)	Non-Executive Director
David Buckingham	Non-Executive Director
Executives	
Jean-Marie Rudd	Chief Financial Officer/Joint Company Secretary

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

DIRECTORS' REPORT

11. REMUNERATION REPORT (AUDITED)

Remuneration policy

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' REPORT

11. REMUNERATION REPORT (AUDITED) (continued)

Performance-based remuneration policy

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

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

Relationship between remuneration policy and Group performance

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

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		
		Salary & Allowances \$	Cash Bonus \$	Superannuation \$	Shares \$	Options \$	Total \$
Cheryl Edwardes	2021	75,000	-	7,125	-	72,100	154,225
	2020 ⁽¹⁾	28,125	-	2,672	-	-	30,797
Justin Miller	2021	407,200	-	38,684	-	25,200	471,084
	2020 ⁽¹⁾	357,900	-	33,849	-	-	391,749
David Cannington	2021	344,929	-	29,798	-	25,200	399,927
	2020 ⁽¹⁾	277,454	-	26,073	-	-	303,527
Kathryn Giudes (formerly Foster)	2021	65,000	-	6,175	-	-	71,175
	2020 ⁽¹⁾	56,875	-	5,403	-	-	62,278
David Buckingham	2021	50,000	-	4,750	-	72,100	126,850
	2020 ⁽¹⁾	27,083	-	2,573	-	-	29,656
Jean-Marie Rudd	2021	267,400	-	25,175	-	86,100	378,675
	2020 ⁽¹⁾	236,675	-	22,028	-	-	258,703
TOTAL	2021	1,209,529	-	111,707	-	280,700	1,601,936
TOTAL	2020⁽¹⁾	984,112	-	92,598	-	-	1,076,710

(1) Senior executive and Board remuneration was reduced by 50% for the period 1 April 2020 to 30 June 2020 in response to the onset of the COVID-19 crisis.

DIRECTORS' REPORT

11. REMUNERATION REPORT (AUDITED) (continued)

Services Agreements

Justin Miller – Co-founder, Managing Director and 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 \$407,200 (2020: \$407,200) per annum (exclusive of superannuation). Mr Miller will also be entitled to participate in short-term cash incentives of up to 20% (2020: 40%) of the base package.

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 – Co-founder, Executive Director and Chief Marketing Officer

Mr 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 \$313,662 (2019: \$313,662) per annum (exclusive of superannuation) and a telecommunications allowance of \$200 per month (2020: \$200 per month). Mr Cannington will also be entitled to participate in short-term cash incentives of up to 20% (2020: nil) of the base package.

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

13. REMUNERATION REPORT (AUDITED) (continued)

Services Agreements (continued)

David Cannington – Co-founder, Executive Director and Chief Marketing Officer (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 and Joint Company Secretary

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

The total annual remuneration payable to Ms Rudd under the Rudd Agreement is a salary of \$265,000 per annum (exclusive of superannuation) (2020: \$265,000) and a telecommunications allowance of \$200 per month (2020: \$200 per month). Ms Rudd will also be entitled to participate in short-term cash incentives of up to 20% (2020: nil) of the base package.

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 Ms Rudd, at which time the Group will immediately pay Ms Rudd 3 months' base salary in lieu;
- by one months' written notice to Ms Rudd in cases of prolonged illness or incapacity (mental or physical); or
- by summary notice in circumstances where Ms 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 Ms Rudd at any time for any reason by giving not less than three months' notice in writing to the Group. Ms 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.

In the event of a change of control, Ms Rudd will receive a bonus payment comprising of a lump sum gross payment of 6 months' base salary.

Ms 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.

DIRECTORS' REPORT

14. REMUNERATION REPORT (AUDITED) (continued)

KMP shareholdings

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

Ordinary Shares	Opening balance 1 July 2020 or balance on appointment	Issued during the year	Acquired during the year	Closing Balance 30 June 2021 or resignation date
Cheryl Edwardes	554,447	-	-	554,447
Justin Miller ⁽¹⁾	69,025,209	-	-	69,025,209
David Cannington	69,025,209	-	-	69,025,209
Kathryn Giudes ⁽²⁾ (formerly Foster)	640,000	-	640,254	1,280,254
David Buckingham ⁽³⁾	588,235	-	1,000,000	1,588,235
Jean-Marie Rudd ⁽⁴⁾	311,396	-	-	311,396
Total	140,144,496	-	1,640,254	141,784,750

Notes:

- (1) 68,142,857 shares are held by Wasagi Corporation Pty Ltd as trustee for the Wasagi Family Trust and 882,352 shares are held by Mr Justin Miller and Mrs Kym Miller as trustee for the BBFC Super Fund, both of which Justin Miller is a beneficiary.
- (2) 640,000 shares are held by Aylesham Pty Ltd as trustee for the Norval Court Super Fund of which Kathryn Giudes is a beneficiary and 640,254 shares are held by Wayne Giudes, Mrs Giudes' husband.
- (3) 1,588,235 shares are held by The Buckingham Family Trust of which David Buckingham is a beneficiary.
- (4) 311,396 shares are held by the Rudd Family Trust of which Jean-Marie Rudd is a beneficiary.

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

Options	Opening balance 1 July 2020 or balance on appointment	Issued during the year	Exercised during the year	Expired during the year	Closing Balance 30 June 2021 or resignation date
Cheryl Edwardes	-	3,000,000	-	-	3,000,000
Justin Miller ⁽¹⁾	-	3,000,000	-	-	3,000,000
David Cannington	-	3,000,000	-	-	3,000,000
David Buckingham	-	3,000,000	(1,000,000)	-	2,000,000
Jean-Marie Rudd ⁽²⁾	-	3,000,000	-	-	3,000,000
Total	-	15,000,000	(1,000,000)	-	14,000,000

Notes:

- (1) 3,000,000 options are held by Wasagi Corporation Pty Ltd as trustee for the Wasagi Family trust of which Justin Miller is a beneficiary.
- (2) 3,000,000 options are held by the Rudd Family Trust of which Jean-Marie Rudd is a beneficiary.

Options granted

There were 15,000,000 options issued to KMP for the year ended 30 June 2021 (2020: nil).

Shares issued

During the 2021 year, no shares were issued as remuneration (2020: 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

15. DIRECTORS' MEETINGS

The following table sets out the number of meetings of the Group's Directors held during the year ended 30 June 2021 and the number of meetings attended by each Director:

Director	BOARD		AUDIT & RISK MANAGEMENT COMMITTEE		NOMINATION & REMUNERATION COMMITTEE	
	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend
Cheryl Edwardes	14	14	3	3	2	2
Justin Miller	14	14	-	-	-	-
David Cannington	14	14	-	-	-	-
Kathryn Giudes (formerly Foster)	14	14	3	3	2	2
David Buckingham	14	14	3	3	2	2

16. 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 \$111,000.

17. 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.

18. AUDITOR

Walker Wayland 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.

19. NON-AUDIT SERVICES

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

20. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2021 has been received and can be found on page 17 of the financial report.

NUHEARA LIMITED
ABN 29 125 167 133

DIRECTORS' REPORT

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

A handwritten signature in black ink, appearing to read 'J. Miller', is written over a faint rectangular box.

Justin Miller
Co-founder, Managing Director and Chief Executive Officer

Perth, 17 August 2021

For personal use only

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 2021 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 17th day of August 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	NOTES	2021 \$	2020 \$
Revenue	3	10,741,421	1,739,535
Cost of revenue		(4,150,989)	(1,691,789)
Gross profit		6,590,432	47,746
Other income	3	1,882,232	2,697,046
Salaries and employee benefits		(3,488,590)	(5,231,511)
Marketing and promotional		(4,467,867)	(3,658,232)
Product development and technology related expenses	4	(4,609,763)	(3,681,092)
General and administrative		(3,003,595)	(2,618,684)
Share based payments		(103,530)	753,994
Total expenses		(13,791,113)	(11,738,479)
Loss before tax from continuing operations		(7,200,681)	(11,690,733)
Income tax benefit	2	-	-
Net loss after tax from continuing operations		(7,200,681)	(11,690,733)
Total comprehensive loss attributable to: Equity holders		(7,200,681)	(11,690,733)
Total comprehensive loss		(7,200,681)	(11,690,733)
Earnings per share			
Basic loss per share (cents per share)	20	(0.46)	(1.14)
Diluted loss per share (cents per share)	20	(0.45)	(1.09)

The accompanying notes form part of these consolidated financial statements.

NUHEARA LIMITED
ABN 29 125 167 133

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	NOTES	2021 \$	2020 \$
CURRENT ASSETS			
Cash and cash equivalents	27	7,276,355	4,430,710
Trade and other receivables	5	1,620,729	1,566,874
Inventory		1,099,077	411,604
Disposal group – mining tenements held for sale		-	153,544
TOTAL CURRENT ASSETS		9,996,161	6,562,732
NON-CURRENT ASSETS			
Plant and equipment	6	229,996	387,916
Right of use asset	7	-	27,275
Other assets		1	5,063
Intangible assets	8	5,046,647	4,879,857
TOTAL NON-CURRENT ASSETS		5,276,644	5,300,111
TOTAL ASSETS		15,272,805	11,862,843
CURRENT LIABILITIES			
Trade and other payables	9	1,573,666	2,619,278
Lease liabilities		-	27,271
Provisions	10	940,997	438,266
TOTAL CURRENT LIABILITIES		2,514,663	3,084,815
NON-CURRENT LIABILITIES			
Financial liabilities	11	-	2,508,843
Provisions		90,670	49,623
TOTAL NON-CURRENT LIABILITIES		90,670	2,558,466
TOTAL LIABILITIES		2,605,333	5,643,281
NET ASSETS		12,667,472	6,219,562
EQUITY			
Issued capital	12	59,841,737	46,295,932
Share option reserve	12	759,803	656,273
Foreign currency translation reserve		(130,356)	25,518
Accumulated losses		(47,803,712)	(40,758,161)
TOTAL EQUITY		12,667,472	6,219,562

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Ordinary Shares \$	Accumulated Losses \$	Share Option Reserve \$	Foreign Currency Translation Reserve \$	Total \$
Balance at 1 July 2019	38,325,527	(29,031,432)	1,410,267	(6,478)	10,697,884
Comprehensive income					
Loss for the year	-	(11,690,733)	-	-	(11,690,733)
Total comprehensive loss for the year	-	(11,690,733)	-	-	(11,690,733)
Transactions with owners in their capacity as owners					
Shares issued during the year	8,706,724	-	-	-	8,706,724
Share issue costs	(736,319)	-	-	-	(736,319)
Options issued/forfeited during the year	-	-	(968,841)	-	(968,841)
Movement in valuation of options issued in prior periods	-	-	214,847	-	214,847
Foreign currency translation movements	-	(35,996)	-	31,996	(4,000)
Balance at 30 June 2020	46,295,932	(40,758,161)	656,273	25,518	6,219,562
Balance at 1 July 2020	46,295,932	(40,758,161)	656,273	25,518	6,219,562
Comprehensive income					
Loss for the year	-	(7,200,681)	-	-	(7,200,681)
Total comprehensive loss for the year	-	(7,200,681)	-	-	(7,200,681)
Transactions with owners in their capacity as owners					
Shares issued during the year	14,409,083	-	-	-	14,409,083
Share issue costs	(863,278)	-	-	-	(863,278)
Options issued/forfeited during the year	-	-	(33,259)	-	(33,259)
Movement in valuation of options issued in prior periods	-	-	136,789	-	136,789
Foreign currency translation movements	-	155,130	-	(155,874)	(744)
Balance at 30 June 2021	59,841,737	(47,803,712)	759,803	(130,356)	12,667,472

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	NOTES	2021 \$	2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		8,845,545	3,379,102
Interest received		8,579	69,371
Grants and rebates received		1,968,322	2,076,745
Proceeds from the sale of assets held for sale		143,595	517,668
Payments to suppliers and employees		(14,891,332)	(11,472,808)
Interest and other costs of finance paid		-	(3,405)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	27	(3,925,291)	(5,433,327)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(58,012)	(22,709)
Payment for the acquisition of intangibles		(3,906,858)	(3,511,218)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(3,964,870)	(3,533,927)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings (net of transaction costs)		-	2,407,480
Repayment of borrowings		(210,000)	-
Proceeds from share and option issues		11,809,083	8,506,724
Share raising costs		(863,277)	(736,319)
NET CASH FLOWS FROM FINANCING ACTIVITIES		10,735,806	10,177,885
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		2,845,645	1,210,631
Cash and cash equivalent at beginning of the financial year		4,430,710	3,220,079
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		7,276,355	4,430,710

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 consolidated 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 consolidated 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 2020 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 consolidated 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 consolidated financial statements are presented below and have been consistently applied unless otherwise stated.

Reporting Basis and Conventions

Except for cash flow information, the consolidated 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 consolidated 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 consolidated financial statements are disclosed in Note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

Accounting Standards for Application in Future Periods

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

(b) Business combinations

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

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

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

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

(c) Employee benefits

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

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Intangible assets

Research and development

Research phase

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

Development phase

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

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

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

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

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

Patents and trademarks

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

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

(f) Cash and cash equivalents

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

(g) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the group 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 the Consolidated Statement of Profit or Loss, in which case transaction costs are expensed to profit or loss immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

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 2019, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at fair value. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB 9 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Derecognition

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

Fair value estimation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 Consolidated 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) 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 THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Inventories

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

(l) Principles of consolidation

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

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

A list of controlled entities is contained in Note 25.

(m) Revenue recognition

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

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

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

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

Revenue from services rendered is recognised over time as services are delivered. Payment for services is collected within a short period following the transfer of control or commencement of delivery of services (usually within 90 days), as applicable.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Provisions

Warranty provisions

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

Long service leave and annual leave

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

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

(o) Share-based payments

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

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

(p) Taxes

(i) Income Tax

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Taxes (continued)

(i) *Income Tax (continued)*

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 Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated 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.

(q) **Convertible note**

The component of the convertible note that exhibits characteristics of a liability is recognised as a liability in the Consolidated Statement of Financial Position, net of transaction costs.

On issuance of the convertible note, the fair value of the liability component is determined using the market rate for an equivalent non-convertible bond and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost.

The remainder of the proceeds is allocated to the conversion option that may either be recognised as equity and included in shareholders' equity, net of transaction costs, or recognised as an embedded derivative and accounted for separately from the host (convertible note) as a liability. If classified as equity, the carrying value of the conversion option is not remeasured in subsequent years. If classified as an embedded derivative, the carrying value is valued each reporting period at fair value through the Consolidated Statement of Profit or Loss and other Comprehensive Income.

Interest on the liability component of the instruments is recognised as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Transaction costs are apportioned between the liability and equity components of the convertible shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

(r) **Comparative figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) New and amended accounting policies adopted by the Group

Standards and Interpretations applicable to 30 June 2021

In the year ended 30 June 2021, 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.

2. INCOME TAX

Income tax expense

Current income tax

Deferred income tax

Income tax expense

2021 \$	2020 \$
-	-
-	-
-	-

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

Numerical reconciliation of income tax expense to prima facie tax payable

Loss from continuing operations before income tax expense

Loss before tax from disposal group

Loss before income tax

Tax credit at the Australian tax rate of 27.5% (2020: 27.5%)

Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:

Non-deductible expenses

Non assessable-non-exempt income related expenditure/(income)

Temporary differences

Tax loss not brought to account as a deferred tax asset

R&D Tax Offset

Non-assessable income

Income tax expense

2021 \$	2020 \$
(7,200,680)	(11,690,733)
-	-
(7,200,680)	(11,690,733)
(1,980,187)	(3,214,952)
33,454	1,170
(52,152)	(68,858)
973,140	1,123,711
1,423,120	2,925,030
(383,626)	(460,340)
(13,750)	(305,761)
-	-

(ii) Unrecognised deferred tax assets/(liabilities)

Unrecognised temporary differences

Unrecognised deferred tax (liability) relates to the following:

Interest receivable

Prepayments

Software

Trade and other payables

Borrowing costs

Convertible note

Employee benefits

Provisions

Business related costs

Foreign exchange

Tax Losses

Potential unrecognised deferred tax asset @ 27.5% (2020: 27.5%)

2021 \$	2020 \$
(225)	(307)
(115,807)	(5,236)
3,537,125	2,508,606
7,425	23,650
7,240	19,901
-	57,432
144,653	98,444
142,207	52,524
415,463	480,053
99,170	(24,951)
10,794,758	9,482,186
15,034,744	12,692,302

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND OTHER INCOME

Revenue from sales of products
Revenue from Original Equipment Manufacture (OEM) sales and service
Interest income
Grants and rebates received
Sale of mining interests
Sundry income
Total revenue and other income

2021 \$	2020 \$
6,474,907	1,739,535
4,266,516	-
8,279	61,565
1,876,822	2,168,245
(9,948)	464,979
7,079	2,257
12,623,653	4,436,581

4. PRODUCT DEVELOPMENT AND TECHNOLOGY RELATED EXPENSES

Product development, including research and development costs ⁽ⁱ⁾
Inventory and components written off ⁽ⁱⁱ⁾

2021 \$	2020 \$
4,396,892	2,015,220
412,871	1,665,872
4,609,763	3,681,092

- (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 market. The Group 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 or Loss. For the year to 30 June 2021, the company experienced total write-downs and write-offs of \$412,871 (30 June 2020: \$1,665,872), including a one-time charge of \$299,232 attributable to the development of superior technology (30 June 2020: \$716,570).

5. TRADE AND OTHER RECEIVABLES

Trade and other receivables

2021 \$	2020 \$
1,620,729	1,566,874

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

Credit risk – trade and other receivables

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

6. PLANT AND EQUIPMENT

Plant and equipment – at cost
Less: accumulated depreciation
Total plant and equipment

2021 \$	2020 \$
1,277,161	1,220,359
(1,047,165)	(832,443)
229,996	387,916

Opening balance - plant and equipment
Additions
Disposals
Depreciation
Foreign currency translation movement
Closing balance – plant and equipment

2021 \$	2020 \$
387,916	605,957
58,060	32,145
-	(2,964)
(215,980)	(247,222)
-	-
229,996	387,916

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. RIGHT OF USE ASSET

The Group's lease portfolio includes buildings. These leases have an average of 2 years as their lease term.

Options to extend or terminate

There are no extension options for the building lease.

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

Right of use assets

Leased building

Less: accumulated depreciation

Net carrying amount

Movements in carrying amounts:

Recognised on initial application of AASB 16

(previously classified as operating leases under AASB 117)

Depreciation

Closing balance – plant and equipment

2021 \$	2020 \$
190,927	190,927
(190,927)	(163,652)
-	27,275
190,927	190,927
(190,927)	(163,652)
-	27,275

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

Depreciation charge related to right-of-use assets

Interest expense on lease liabilities (under finance cost)

2021 \$	2020 \$
27,275	163,652
1,195	7,164

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

Total yearly operating cash outflows for leases

2021 \$	2020 \$
27,275	170,820

8. INTANGIBLE ASSETS

Development costs – at cost

Less: accumulated amortisation and impairment losses

Net carrying amount

Patents & Trademarks – at cost

Less: accumulated amortisation and impairment losses

Net carrying amount

Total intangible assets

2021 \$	2020 \$
16,790,810	13,098,989
(12,620,466)	(8,971,790)
4,170,344	4,127,199
1,118,102	903,072
(241,805)	(150,414)
876,303	752,658
5,046,647	4,879,857

Balance as at 1 July 2019

Balance as at 30 June 2020

Additions – internally developed

Amortisation charge

Balance as at 30 June 2021

Development Costs \$	Patents & Trademarks \$	Total \$
4,650,885	590,318	5,241,203
4,127,199	752,658	4,879,857
3,691,821	215,036	3,906,857
(3,728,873)	(11,193)	(3,740,067)
4,252,107	794,540	5,046,647

9. TRADE AND OTHER PAYABLES - CURRENT

Trade creditors

Unearned Income⁽ⁱ⁾

Other creditors and accrued expenses

2021 \$	2020 \$
591,270	365,585
37,432	1,762,754
944,964	2,945,901
1,573,666	5,074,240

(i) Unearned income represents sales that cannot be recognised as revenue until shipped.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. PROVISIONS – CURRENT

Employee provisions
Provision for refunds and warranty claims

2021 \$	2020 \$
437,060	313,839
503,937	124,427
940,997	438,266

11. FINANCIAL LIABILITIES – NON-CURRENT

Convertible note

2021 \$	2020 \$
-	2,508,243

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 was secured and had a 24-month term.

The Funding Agreement included 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 had the right to redeem at any time without penalty. Other than following an event of default, the convertible note did not bear interest.

On 7 January 2021, the Group announced that it had closed out the Convertible Security Funding Agreement (Agreement) with The Lind Partners (Lind). Nuheara issued a buy-back notice to Lind for the convertible note balance of \$850,000. Under the terms of the Agreement, Lind 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.

12. ISSUED CAPITAL

Ordinary shares

(i) *Issued and paid up capital*

1,723,004,193 (2020: 1,359,811,585) Ordinary shares, fully paid

2021 \$	2020 \$
59,841,737	46,295,932

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

Opening balance at 1 July 2019

15 July 2019 - 80,000,000 shares issued by way of share placement at \$0.050

3 February 2020 - 20,000,000 collateral shares issued pursuant to Convertible Note funding agreement at \$0.000

1 June 2020 - 176,865,999 shares issued under share purchase plan at \$0.017

4 June 2020 - 88,235,294 shares issued by way of share placement to SPP underwriters at \$0.017

5 June 2020 - 12,500,000 shares issued by way of conversion under Convertible Note funding agreement at \$0.016

Less: Share issue costs

Closing balance as at 30 June 2020

Number of Shares 2020	2020 \$
982,210,292	38,325,527
80,000,000	4,000,000
20,000,000	-
176,865,999	3,006,722
88,235,294	1,500,000
12,500,000	200,000
-	(736,318)
1,359,811,585	46,295,932

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. ISSUED CAPITAL (continued)

Ordinary shares (continued)

	Number of Shares 2021	2021 \$
Opening balance at 1 July 2020	1,359,811,585	46,295,932
10 July 2020 - 10,000,000 collateral shares purchased under Convertible Note funding agreement at \$0.011 (shares issued in January 2020)	-	110,000
14 July 2020 - 10,000,000 collateral shares purchased under Convertible Note funding agreement at \$0.011 (shares issued in January 2020)	-	110,000
5 August 2020 – shares issued by way of conversion under Convertible Note funding agreement at \$0.023	8,695,653	200,000
21 August 2020 – shares issued on exercise of options at \$0.025	2,666,667	66,667
24 August 2020 – shares issued by way of conversion under Convertible Note funding agreement at \$0.035	20,000,000	700,000
31 August 2020 – shares issued on exercise of options at \$0.025	353,333	8,833
1 October 2020 – shares issued on exercise of options at \$0.025	537,880	4,167
21 October 2020 - shares issued by way of conversion under Convertible Note funding agreement at \$0.043	8,139,535	350,000
2 November 2020 – shares issued on exercise of options at \$0.025	50,000	1,250
20 November 2020 - shares issued by way of conversion under Convertible Note funding agreement at \$0.037	6,756,757	250,000
1 December 2020 – shares issued on exercise of options at \$0.025	160,000	4,000
2 December 2020 – shares issued by way of conversion under Convertible Note funding agreement at \$0.037	6,756,757	250,000
6 January 2021 – shares issued on exercise of options at \$0.025	159,360	-
6 January 2021 – shares issued by way of conversion under Convertible Note funding agreement at \$0.040	21,250,000	850,000
7 January 2021 – shares issued by way of share placement at \$0.040 each	287,500,000	11,500,000
3 May 2021 – shares issued on exercise of options at \$0.025	166,667	4,167
Less: Share issue costs	-	(863,278)
Closing balance as at 30 June 2021	1,723,004,193	59,841,737

(iv) **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**

69,318,038 (2019: 46,514,706) unlisted options

2021 \$	2020 \$
759,803	656,273

Description	Number	Grant Date	Exercise Price	Expiry Date	Weighted Average time until expiry
Unlisted Options	1,000,000	17/09/2018	\$0.09	17/09/2021	3 months
Unlisted Options	2,500,000	17/04/2019	\$0.09	17/04/2022	10 months
Unlisted Options	24,264,706	03/02/2020	\$0.05	03/02/2024	31 months
Unlisted Options	3,750,000	04/06/2020	\$0.026	04/06/2023	23 months
Unlisted Options	29,303,332	21/08/2020	\$0.025	21/08/2023	26 months
Unlisted Options	2,000,000	21/08/2020	\$0.05	21/08/2023	26 months
Unlisted Options	2,000,000	21/08/2020	\$0.10	21/08/2023	26 months
Unlisted Options	4,500,000	02/03/2021	\$0.0435	02/03/2024	32 months
Total Unlisted Options	69,318,038				27 months

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. ISSUED CAPITAL (continued)

Unlisted Options (continued)

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 26 Share Based Payments.

(ii) **Movements during the period for number of options**

Balance unlisted options at 30 June 2019

3 February 2020 - issue of employee options @ \$0.05 each

4 June 2020 - issue of underwriter options @ \$0.026 each

Less: Options exercised/forfeited

Movement in valuation of options issued in prior reporting periods

Balance unlisted options at 30 June 2020

Number of Options 2020	2020 \$
56,000,000	1,410,267
24,264,706	36,108
3,750,000	560
(37,500,000)	(1,005,509)
-	214,847
46,514,706	656,273

Balance unlisted options at 30 June 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

2 March 2021 – issue of employee options @ \$0.0435

Less: Options exercised/forfeited/cancelled

Movement in valuation of options issued in prior reporting periods

Balance unlisted options at 30 June 2021

Number of Options 2021	2021 \$
46,514,706	656,273
6,000,000	15,722
2,000,000	8,196
2,000,000	13,994
2,000,000	10,796
29,200,000	194,035
5,000,000	13,509
(23,396,668)	(289,511)
-	136,789
69,318,038	759,803

(iii) **Capital Management**

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure to ensure the lowest costs of capital available to the Group.

The Group's capital comprises equity and options as shown in the Consolidated Statement of Financial Position. The Group is not exposed to externally imposed capital requirements.

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

13. 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.

14. 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 22, Interests of KMP.

Transactions with director related entities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. EVENTS OCCURRING AFTER BALANCE DATE

There were no significant events after balance date.

16. COMMITMENTS FOR EXPENDITURE

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

Operating Lease Commitment

The Group has a rental agreement which commenced 1 September 2018 for a period of 24 months.

Office Lease

Due within 1 year

Due 1 to 5 years

2021 \$	2020 \$
29,173	28,470
-	-

17. 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 26.

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 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(iv) **Capitalisation of development costs**

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

(v) **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.

(vi) **Convertible Notes**

The Group's convertible notes have been treated as a financial liability, in accordance with the principles set out in AASB 132. The key criterion for liability classification is whether there is an unconditional right to avoid delivery of cash for another financial asset to settle the contractual obligation. The terms and conditions applicable to the convertible notes require the Group to settle the obligation in either cash, or in the Company's own shares.

The notes are convertible into ordinary shares of the parent entity, at the option of the holder, or repayable in 24 months from draw-down date. The conversion rate is based on a variable formula subject to adjustments for share price movement. Management determined that these terms give rise to a derivative financial liability. The initial consideration received for the note was deemed to be fair value of the liability at the issue date. The liability will subsequently be recognised on a fair value basis at each reporting period.

18. 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 THE CONSOLIDATED FINANCIAL STATEMENTS

18. FINANCIAL INSTRUMENTS (continued)

(i) Interest Rate Risk

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

30 June 2021

	Weighted Average Effective Interest Rate %	Interest Bearing \$	Non-Interest Bearing \$	Total \$
Financial assets				
Cash at bank	0.25%	5,221,068	2,055,287	7,276,355
Trade and other receivables	-		1,620,729	1,620,729
Total financial assets		5,221,068	3,676,016	8,897,084
Financial liabilities				
Trade and other payables	-	-	1,573,666	1,573,666
Convertible note	-	-	-	-
Total financial liabilities		-	1,573,666	1,573,666

30 June 2020

	Weighted Average Effective Interest Rate %	Interest Bearing \$	Non-Interest Bearing \$	Total \$
Financial assets				
Cash at bank	4.5%	3,967,877	462,833	4,430,710
Trade and other receivables	-	-	1,566,874	1,566,874
Total financial assets		3,967,877	2,029,707	5,997,584
Financial liabilities				
Trade and other payables	-	-	5,074,240	5,074,240
Convertible note	-	-	2,308,843	2,308,843
Total financial liabilities		-	7,383,083	7,383,083

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 2021, there would be no material impact on the statement of profit or loss and other comprehensive income. There would be no material effect on the equity reserves, other than those directly related to the statement of profit or loss and other comprehensive income movements.

(ii) Credit Risk

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

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

(iii) Liquidity Risk

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

Liquidity risk is reviewed regularly by the Board.

The Group manages liquidity risk by monitoring forecast cash flows and liquidity ratios such as working capital. The Group did not have any financing facilities available at reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (continued)

(iii) Liquidity Risk (continued)

The following are the contractual maturities of financial liabilities:

30 June 2021	< 6 months \$	6-12 months \$	1-5 years \$	Total \$
Liquid financial liabilities				
Trade and other payables	1,573,666	-	-	1,573,666
Convertible note	-	-	-	-
Total financial liabilities	1,573,666	-	-	1,573,666

30 June 2020	< 6 months \$	6-12 months \$	1-5 years \$	Total \$
Liquid financial liabilities				
Trade and other payables	5,074,240	-	-	5,074,240
Convertible note	-	-	2,308,843	2,308,843
Total financial liabilities	5,074,240	-	2,308,843	7,383,083

Net Fair Values

With the exception of convertible notes which are measured at fair value, due to the short-term nature of the above assets and liabilities, their carrying values are assumed to approximate their fair values.

(iv) Foreign exchange risk

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

With instruments being held by overseas operations, fluctuations in the US dollar 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 2021 is not material (2020: not material).

20. EARNINGS PER SHARE

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

2021 Cents	2020 Cents
(0.46)	(1.14)
(0.45)	(1.09)

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

2021 \$	2020 \$
(7,200,681)	(11,690,733)

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

2021 No.	2020 No.
1,549,699,910	1,017,934,136
1,616,176,259	1,069,557,029

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. AUDITOR'S REMUNERATION

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

2021 \$	2020 \$
47,500	38,838

22. 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

2021 \$	2020 \$
1,209,529	984,112
111,707	92,598
280,700	-
1,601,936	1,076,710

23. CONTINGENT LIABILITIES

The Group has \$10,809,440 relating to advanced purchase orders for future production runs and to secure componentry and product inventory for expected future growth in sales.

24. 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 is at 190 Aberdeen Street, Northbridge, Western Australia 6003.

25. 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	
		2021	2020	2021	2020
Nuheara IP Pty Ltd	Perth, Australia	100%	100%	0%	0%
Wild Acre Metals (Peru) SAC (liquidated on 15/01/2021)	Lima, Peru	0%	100%	0%	100%
Nuheara, Inc	New York, USA	100%	100%	0%	0%
Terrace Gold Pty Ltd	Perth, Australia	80%	80%	20%	20%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. SHARE BASED PAYMENTS

Shares and options granted to KMP

During the financial year, no shares were granted to KMP (2020: nil) and 15,000,000 unlisted options were granted to KMP (2020: nil):

	Director Options	Employee Options
Cheryl Edwardes	3,000,000	
David Buckingham	3,000,000	
Justin Miller	-	3,000,000
David Cannington	-	3,000,000
Jean-Marie Rudd	-	3,000,000
Total	6,000,000	9,000,000

The Group's shareholders approved an Incentive Option Plan on 14 August 2020, 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 no options vested with KMP (2020: nil). No shares were issued to non-KMP employees (2020: nil) and 31,200,000 unlisted options were issued to non-KMP employees (2020: nil).

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 2019	56,000,000	\$0.09
Granted	28,014,706	\$0.05
Forfeited	(37,500,000)	-
Exercised	-	-
Options outstanding and exercisable as at 30 June 2020	46,514,706	\$0.07
Granted	46,200,000	\$0.007
Forfeited/Lapsed	(19,302,761)	-
Exercised	(4,093,907)	-
Options outstanding and exercisable as at 30 June 2021	69,318,038	\$0.041

The weighted average remaining contractual life of options outstanding at year end was 2.25 years (2020: 2.56). The weighted average exercise price of outstanding options at the end of the reporting period was \$0.041 (2020: \$0.07).

The fair value of options granted during the year was \$1,123,640 (2020: \$380,3160). These values were calculated using the Black-Scholes option pricing model, applying the following inputs:

	Employee Options	Director Options	Director Options	Director Options	Employee Options	Employee Options
Grant Date	10/07/2020	21/08/2020	21/08/2020	21/08/2020	21/08/2020	02/03/2021
Share price on issue date	\$0.021	\$0.055	\$0.055	\$0.055	\$0.055	\$0.043
Expected volatility	100%	100%	100%	100%	100%	100%
Exercise price	\$0.025	\$0.025	\$0.050	\$0.100	\$0.025	\$0.025
Expiry date	21/08/2023	21/08/2023	21/08/2023	21/08/2023	21/08/2023	02/03/2024
Risk free interest rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.10%
Number issued	6,000,000	2,000,000	2,000,000	2,000,000	29,200,000	5,000,000
Value per option	\$0.012	\$0.041	\$0.035	\$0.027	\$0.041	\$0.026
Total	\$50,400	\$57,400	\$49,000	\$37,800	\$838,040	\$91,000

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 \$103,530 (2020:(\$753,994)), which relates to net movements in equity-settled share-based payment transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. 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:

Loss on property plant & equipment

Depreciation and amortisation expenses

Income tax

Share based payments expense

Sale of mining interests

Right of use asset cost

Convertible note fair value adjustment

Borrowing costs on convertible note

WAM (Peru) transactions

Changes in assets and liabilities

(Decrease)/Increase in trade debtors

Increase in assets held for sale

Increase/(Decrease) in other receivables

Increase/(Decrease) in inventories

Increase/(Decrease) in non-current assets

Increase/(Decrease) in trade creditors

(Decrease)/Increase in other payables

(Decrease)/Increase in lease liabilities

Increase in provision for employee entitlements

Increase/(Decrease) in provision for warranty claims

Net cash used in operating activities

2021 \$	2020 \$
(7,200,681)	(11,690,733)
-	21
3,983,277	4,284,205
-	-
103,530	(753,994)
9,948	(464,979)
-	(190,927)
301,157	208,843
-	92,520
-	(7,260)
(1,870,269)	1,778,657
143,595	517,668
91,093	(949,259)
1,767,490	(434,299)
5,062	(1,549)
225,685	(201,034)
(2,001,456)	2,311,576
(27,271)	27,271
164,039	80,597
379,510	(40,651)
(3,925,291)	(5,433,327)

Cash and Cash Equivalents

Cash at bank and on hand

Short-term deposits

2021 \$	2020 \$
2,309,215	2,744,436
4,967,140	1,686,274
7,276,355	4,430,710

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. 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

2021 \$	2020 \$
(6,615,030)	(11,785,510)
-	-
(6,615,030)	(11,785,510)
20,765,840	8,836,670
11,604,990	10,021,068
2,370,830	18,857,738
12,904,103	5,378,441
90,670	1,137,574
12,994,773	6,516,015
19,376,057	12,341,723
66,616,101	53,070,295
1,050,968	947,438
(48,291,012)	(41,676,010)
19,376,057	12,341,723

DIRECTORS' DECLARATION

The Directors of Nuheara Limited declare that:

- (1) the financial statements and notes, as set out on page 18 to 43, 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 2021 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
Co-founder, Managing Director and Chief Executive Officer

Perth, 17 August 2021

**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 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, 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 2021 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.

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. We have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Capitalised Development Costs (Note 7) (AASB 136 and AASB138)	
Capitalised development costs had a net carrying value of \$4,252,107 at 30 June 2021 (2020: \$4,127,199). This area is a key audit matter due to subjectivity and management judgement applied in the assessment of whether costs meet the capitalisation criteria described in AASB 138. The impairment of development costs is a key audit matter due to subjectivity and management judgement applied in the assessment of whether the asset should be impaired under the criteria described in AASB 136.	Audit procedures include the following: • assessing the Group's accounting policy in respect of product development costs in accordance with AASB 138; • testing a sample of amounts capitalised to supporting documentation and assessing compliance with AASB 138; • assessing the Group's accounting policy in respect of amortisation, and period of amortisation; • assessing the adequacy of the related disclosures within the financial statements; • assessing the Group's accounting policy in respect of impairment in accordance with AASB 136; and • assessing the future cash out flows of the capitalised development costs.
Revenue Recognised with Contract of Customers (Note 3) (AASB 15 and AASB 118)	
Revenue recognised of \$4,266,516 during the year, arising from the agreement executed with HP is dependent on the appropriate assessment of whether or not the necessary service delivery obligations stipulated in the agreement have been satisfied, such that the consideration received under this agreement has appropriately been brought to account as revenue in the current reporting period. As commercial arrangements of this nature can be complex, significant judgment is applied in selecting the accounting basis in each case. In our view, revenue recognition is significant to our audit as the Group might inappropriately account for revenue as having been earned in the current reporting period when all service delivery obligations have not yet been met.	Audit procedures include the following: • assessing the Group's accounting policy in respect of revenue recognition in accordance with AASB 15 & AASB 118; • reviewing the agreement and associated correspondence to understand the scope of works performed or to be performed by the Group; • reviewing the works performed by the Group in accordance with the agreement and testing payments received under this agreement; and • assessing the adequacy of the disclosures including the presentation of revenue and associated costs relating to the provision of the services under this agreement.

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 2021 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 8 to 13 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Nuheara Limited for the year ended 30 June 2021 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 17th day of August 2021.

ADDITIONAL ASX INFORMATION

The following additional information is required by the Australian Securities Exchange. The information is current as at 10 August 2021.

(1) Distribution schedule and number of holders of equity securities as at 10 August 2021

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 – and over	Total
Fully Paid Ordinary Shares	138	106	476	2,132	1,384	4,236
Unlisted Options: 9 cents, exp 17/9/2021	-	-	-	-	1	1
Unlisted Options: 9 cents, exp 17/4/2022	-	-	-	-	3	3
Unlisted Options: 5 cents, exp 3/2/2024	-	-	-	-	1	1
Unlisted Options: 2.6 cents, exp 4/6/2023	-	-	-	-	1	1
Unlisted Options: 2.5 cents, exp 21/8/2023	-	-	1	1	11	13
Unlisted Options: 2.5 cents, exp 21/8/2023	-	-	-	1	22	23
Unlisted Options: 2.5 cents, exp 21/8/2023	-	-	-	1	22	23
Unlisted Options: 5 cents, exp 21/8/2023	-	-	-	-	1	1
Unlisted Options: 10 cents, exp 21/8/2023	-	-	-	-	1	1
Unlisted Options: 2.5 cents, exp 21/8/2023	-	-	-	-	1	1
Unlisted Options: 5 cents, exp 21/8/2023	-	-	-	-	1	1
Unlisted Options: 10 cents, exp 21/8/2023	-	-	-	-	1	1
Unlisted Options: 4.35 cents, exp 2/3/2024	-	-	-	-	9	9

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 10 August 2021 is 1,009.

ADDITIONAL ASX INFORMATION

(2) 20 Largest holders of quoted equity securities

The names of the twenty largest holders of fully paid ordinary shares (ASX code: NUH) as at 10 August 2021 are:

Rank	Name	Shares	% of Total Shares
1	NATIONAL NOMINEES LIMITED	179,769,599	10.42
2	FARJOY PTY LTD	118,740,919	6.88
3	WASAGI CORPORATION PTY LTD <WASAGI FAMILY A/C>	68,586,279	3.97
4	MR DAVID ROBERT CANNINGTON	64,366,770	3.73
5	FIAGO PTY LTD <FIAGO A/C>	58,260,722	3.38
6	BOND STREET CUSTODIANS LIMITED <SALTER - D79836 A/C>	46,000,000	2.67
7	JAMORE PTY LTD <DANSHE SUPER FUND A/C>	40,837,861	2.37
8	MR XUAN KHOA PHAM	35,000,000	2.03
9	CITICORP NOMINEES PTY LIMITED	27,399,588	1.59
10	MR MILAN TRIFUNOVIC	23,315,000	1.35
11	MR STEPHEN CHARLES STUART WATTS <WATTS FAMILY A/C>	18,850,000	1.09
12	MRS QUYNH CHI PHAN	18,000,000	1.04
13	MRS WEI YA JUN FENG HU	14,945,570	0.87
14	MR JOSEPH ZANCA + MRS SZERENKE ZANCA <ZANACORP SUPER FUND A/C>	12,000,000	0.70
15	DR LIONEL JOSHUA HOVEY	10,480,000	0.61
16	MR ZHEN XIN GAO	10,477,490	0.61
17	MR PAUL JOHN ANSTEE + MR RODNEY MICHAEL SMITH <BYRNESSTREET SUPERFUND A/C>	9,100,000	0.53
18	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	8,476,893	0.49
19	MR ALAN DAVIS	8,095,238	0.47
20	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,305,688	0.42
		780,007,617	45.20

Stock Exchange Listing – Listing has been granted for 1,725,803,203 ordinary fully paid shares of the Group on issue on the Australian Securities Exchange. The unquoted securities on issue as at 10 August 2021 are detailed below in part (4).

(3) Substantial shareholders

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

Name	Shares	% of Total
National Nominees Limited	179,769,599	10.42
Farjoy Pty Ltd	118,740,919	6.88

ADDITIONAL ASX INFORMATION

(4) Unquoted Securities

The number of unquoted securities on issue as at 10 August 2021:

Security	Number on issue
Unlisted Options – exercisable at 9 cents on or before 17/09/2021	1,000,000
Unlisted Options – exercisable at 9 cents on or before 17/4/2022	2,500,000
Unlisted Options – exercisable at 5 cents on or before 03/02/2024	24,264,706
Unlisted Options – exercisable at 2.6 cents on or before 04/06/2023	3,750,000
Unlisted Options – exercisable at 2.5 cents on or before 21/08/2023	27,323,332
Unlisted Options – exercisable at 5 cents on or before 21/08/2023	2,000,000
Unlisted Options – exercisable at 10 cents on or before 21/08/2023	2,000,000
Unlisted Options – exercisable at 4.35 cents on or before 02/03/2024	4,500,000
	67,338,038

(5) Holder Details of Unquoted Securities

The holders that hold more than 20% of a given class of unquoted securities that were not issued under an employee incentive scheme as at 10 August 2021 are detailed below:

Security	Name	Number of Securities
Unlisted Options – exercisable at 9 cents on or before 03/02/2024	Citicorp Nominees Pty Limited	24,264,706

(6) Restricted Securities

The Group had no restricted securities as at 10 August 2021.

(7) Voting Rights

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

Unquoted options have no voting rights.

(8) Company Secretary

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

(9) Registered Office

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

(10) Share Registry

The Group's Share Registry is as follows:

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

(11) On-Market Buy-back

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

ADDITIONAL ASX INFORMATION

(12) Corporate Governance

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

(13) Application of Funds

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