



NUHEARA LIMITED
ABN 29 125 167 133

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

NUHEARA LIMITED
ABN 29 125 167 133

CORPORATE DIRECTORY

Directors

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

Justin Miller
Managing Director/CEO

David Cannington
Non-Executive Director

Kathryn Giudes
Independent Non-Executive Director

David Buckingham
Independent Non-Executive Director

Leroy Liu (Yean-Shao Liu)
Non-Executive Director

Company Secretary

Susan Park – Company Secretary

ASX Code

NUH

Website and Email

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Email: administration@nuheara.com

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Share Registry

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Auditors

RSM Australia Partners
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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 2023 Annual Report.

The 2023 financial year was a transformational year for Nuheara as we successfully transitioned into a medical device company, following the creation of a new over-the-counter ("OTC") hearing market by the US Food and Drug Administration ("FDA"). Nuheara, with over 8 years of developing and selling hearable products was ideally positioned to capitalise on this market opportunity and following the receipt of US FDA certification in October 2022 we were delighted to successfully launch the world's first US FDA cleared self-fitting OTC hearing aid in January 2023.

As a global hearing healthcare technology company that combines the best of consumer hearables with medical device (hearing) expertise, we are uniquely well positioned to provide smart, affordable and lifestyle-based hearing solutions to the millions of people who are not currently being serviced with traditional hearing solutions. Over the last 12 months, since the OTC market was created, we have put in place what we believe are the key requisites to successfully address this mass market opportunity and deliver sustainable long-term value creation for our shareholders.

Our HP Hearing Pro product offers a leading consumer earbud experience plus hearing benefits (including customised self-fit) and is priced attractively to drive adoption of consumers with perceived to moderate hearing loss. Our brand license relationship with HP enables us to sell our product under a trusted household name brand. To ensure these affordable products are accessible to the largest audience within the US we have focused our distribution efforts on securing leading retailers. While it has taken some time for key retailers to adapt to the market opportunity, we were pleased in recent months to secure additional agreements which means that HP Hearing Pro will be available in approximately 5,000 retail points-of-sale across the US from October.

We also continue to invest heavily in research and development, with the key focus presently on developing our next generation hearing product which integrates a single chip which we have developed with our strategic partner, Realtek. We expect to launch this product at the Consumer Electronics Show in January 2024, and we are excited by the enhanced consumer benefits and features it will offer.

Our success is built on the foundation of our people. In April 2023, we announced a new enhanced organisational structure to reflect our transition to a medical device company and better support our future growth. As part of this, we were pleased to both appoint some key new senior executives and promote existing key leaders within the organisation.

The growth foundations of our business are now in place, and with multiple global market opportunities available, we are confident that our efforts will translate into further growth for Nuheara and we now see a clear path ahead to sustainable profitability.

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 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 ongoing support. I look forward with confidence for the Company's continued success over the coming 12 months.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'Cheryl Edwardes', written in a cursive style.

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 2023.

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 Chairman and non-executive Director on a number of ASX-listed boards and a former member of the Foreign Investment Review Board.

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:

Westgold Resources Limited - appointed 28 March 2022*
Red Hawk Mining Limited formerly Flinders Mines Limited - appointed 17 June 2019*
Vimy Resources Limited - appointed 26 May 2014 and stepped down 4 August 2022 on the merger with Deep Yellow Limited

** 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 and Non-Executive Director
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 *BSc, ASc, MAICD* - Independent Non-Executive Director; Chair of Remuneration and Nomination Committee
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 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, resigned October 2021

Livehire Limited – appointed 1 November 2021, resigned 11 March 2022

Locality Planning Energy Holdings Limited – appointed 3 March 2022*

** Denotes current directorship*

David Buckingham *Engineering Science B.Tech (Hons), ACA, ICAEW, GAICD* - Independent Non-Executive Director; Chair of Audit and Risk Committee
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:

OpenLearning Limited – appointed 10 September 2020, resigned 23 May 2022

Pentanet Limited – appointed 10 December 2020*

Hiremii Limited – appointed 3 May 2021*

Way2VAT Limited – appointed 15 September 2022*

** Denotes current directorship*

Leroy Liu (Yean-Shao Liu) *BS Chem. Eng, MS Chem. Eng, INSEAD* – Non-Executive Director
Appointed: 15 March 2023

Mr Liu senior executive career spans extensively across technology, mergers and acquisitions, and venture capital. Based in Taiwan, Mr Liu is currently the Chief Strategy Officer at Realtek Semiconductor Corporation. Prior to that Mr Liu was APAC General Manager with Dialog Semiconductor.

Mr Liu has bachelor's and master's degrees in chemical engineering from the National Taiwan University and is an INSEAD alumni.

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

DIRECTORS' REPORT

2. COMPANY SECRETARIES

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

Ms Park has over 25 years' experience in the corporate finance industry and is founder and Managing Director of consulting firm Park Advisory 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 Fellow of the Governance Institute of Australia and is a Graduate Member of the Australian Institute of Company Directors

Jean-Marie Rudd *B. Bus, CA, GAICD* – Chief Financial Officer and Joint Company Secretary
Appointed: 30 November 2016 – Resigned: 20 October 2022

3. PRINCIPAL ACTIVITIES

The principal activity of the Group is the development and commercialisation of its proprietary hearing technology and products as regulated medical devices.

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 2023.

5. OPERATING AND FINANCIAL REVIEW

Our business model and objectives

Nuheara is a global hearing technology company which is changing people's lives by enhancing the power to hear and making hearing solutions affordable and accessible. Nuheara provides smart, affordable and lifestyle-based hearing solutions which can benefit the millions of people who are currently not being serviced with traditional hearing solutions. In the USA alone we estimate that the total addressable market for our OTC hearing products is approximately 68 million people, being 26% of the adult population who have perceived-to-moderate hearing loss. Our research & development investment, technology and regulatory capabilities mean we can combine the best of consumer hearables plus medical device (hearing) expertise, positioning us uniquely well to capitalise on this large nascent market opportunity (both in the USA and globally).

Nuheara is headquartered in Perth, Australia.

Operating results

Revenue from ordinary activities for the year was \$1,931,264, compared with revenue of \$3,865,582 for the year ended 30 June 2022; a decrease of 50%. Following the launch of the Group's HP Hearing Pro OTC hearing aid in early 2023, revenue in the second half of the year increased materially versus the first half of the year at \$1,165,642 versus \$765,622 and was 31% higher than the revenue in the second half of the prior year.

The Group recorded negative gross profit of \$951,472, reflecting the inclusion in cost of goods sold of \$1,862,157 in respect of write downs of inventory to net realizable value relating to the Group's Nuheara-branded products (30 June 2022 write down: \$713,901). Excluding these write downs, underlying gross profit was \$910,685.

The Group recorded a net loss after tax attributable to members of \$12,617,576 in the year ended 30 June 2023. This was 15% lower than the restated net loss after tax attributable to members for the year ended 30 June 2022 of \$14,801,105. The net loss after tax result represented a loss of 8.39 cents per share (basic and diluted), compared to a restated loss of 16.07 cents per share last year.

Net cash inflows of \$1,848,662 were attributable to \$10,828,181 received through capital raisings (net of share issue expenses), \$2,500,000 from proceeds of issue of convertible notes, \$61,688 from proceeds from sale of assets held at fair value; offset by \$7,480,364 in net operating outflows, \$2,876,524 for the purchase of intangible assets (capitalised development costs and trademarks), \$5,005 for the purchase of plant and equipment and \$1,179,314 net repayments from other borrowings.

At year-end, the Group held \$2,320,101 in cash (30 June 2022: \$441,525).

DIRECTORS' REPORT

5. OPERATING AND FINANCIAL REVIEW (continued)

Review of Operations

(i) US FDA creates OTC Hearing aid market, enabling Nuheara's transformation into a medical device company

In August 2022, the US FDA released its landmark final ruling, establishing a regulatory category for over-the-counter ("OTC") hearing aids in the United States. This allows hearing solutions to be offered to a much greater audience of consumers by enabling producers and retailers to increase accessibility and affordability versus the traditional hearing solutions model. Nuheara, with over 8 years of developing and selling unregulated hearable products, was ideally positioned to capitalise on this market opportunity and in October 2022 received its historic and world first US FDA certification for its 510(K) self-fitting hearing aids, enabling its transition into a medical device company.

(ii) Successful launch of Nuheara's HP Hearing Pro

In January 2023, Nuheara launched the world's first US FDA cleared self-fitting OTC hearing aid, HP Hearing Pro at the Consumer Electronics Show (CES) 2023 in Las Vegas. Subsequently, mass production and shipment commenced in February 2023 with product sales of over \$1m invoiced by end of June 2023. The product was initially on sale through 302 Best Buy retail stores in the US, with Nuheara also engaging with other leading retailers to further expand the category for consumers and extend its retail distribution reach (see *Likely Developments* section below).

(iii) Strategic partnership with Realtek Semiconductor Corporation

In July 2022, the Company announced that it had entered into a strategic partnership with Taiwan based Realtek Semiconductor Corporation (Realtek), to include a cornerstone investment by Realtek in Nuheara.

By way of a signed Memorandum of Understanding, Nuheara and Realtek are partnering together to develop chipset (Integrated Circuits or ICs) and technology solutions to globally penetrate multiple hearing related markets. These include the global True Wireless Stereo (TWS) with Personal Sound Amplification Product (PSAP) chipset market and the regulated OTC Hearing Aid market.

The Partnership was initially supported by a placement of 14,166,667 ordinary shares at \$0.12 to Realtek for a total of \$1.7 million. On 8 September 2022, Nuheara announced a follow-on round of funding from Realtek. By way of a signed Convertible Note, Nuheara raised \$2.5 million from Realtek. The Convertible Note was issued under the Company's Listing Rule 7.1 placement capacity. Funds from these investments are being used for product research and development, medical device/hearing aid market and regulatory development, and working capital. Realtek also supported and participated in subsequent capital raises, as outlined below.

A key initiative under the partnership is to enable Nuheara to deliver its next generation of hearing aid products by integrating Realtek's advanced chipset (see below). The partnership can also help enable Nuheara to expand to co-developing TWS PSAP chipset and technology solutions for the broader consumer electronics market.

(iv) Next generation product development

Substantial investment in research and development has been the key driver of Nuheara successfully positioning itself as a product leader in the nascent US OTC market. Notwithstanding the market positioning of the current generation HP Hearing Pro product, work is ongoing with the next generation product. A key aspect of this development is the embedding of a single Realtek chipset, versus four chips currently, which will enable us to provide enhanced consumer benefits; gives us increased control of the design and manufacture of the product; and can enable us to explore Original Equipment Manufacturer (OEM) partnership opportunities.

(v) Enhanced organisational structure to better support current US footprint and future growth

In April 2023, the Group's announced its new enhanced organisation structure to reflect its transition to a medical device company and better support its future growth, including capitalising on the new US OTC hearing aid market opportunity and OEM opportunities. The structure included the appointment of new senior executives together with the reassignment of existing executives to better align with the Group's growth strategy.

Capital Raisings

Capital raise December 2022

On 22 December 2022, Nuheara announced that it was completing a capital raise of \$3m (before costs) through a placement of approximately 16.8m new shares to existing and new sophisticated and professional investors at \$0.18 per fully paid up ordinary share. The placement was supported by Realtek who contributed \$1.5m of the total funds raised. The share placement was to fund working capital to increase production for the rollout of the Company's US FDA cleared OTC hearing aids.

The placement of 16.8m new shares was undertaken under the Company's ASX Listing Rule 7.1 placement capacity with settlement of the placement and the issue of the shares taking place on 30 December 2022.

DIRECTORS' REPORT

5. OPERATING AND FINANCIAL REVIEW (continued)

Capital raise March 2023

On 8 March 2023, Nuheara announced that it was completing a capital raise of \$3m (before costs) through a placement of approximately 17.49m new shares to existing and new sophisticated and professional investors at \$0.17 per fully paid up ordinary share. The placement was again supported by Realtek who contributed \$0.6m of the total funds raised. The share placement was to fund working capital to increase production and marketing of the Group's hearing devices in key markets.

The placement of 17.49m new shares was undertaken under the Company's ASX Listing Rule 7.1 placement capacity with settlement of the placement and issue of the shares taking place on 13 March 2023.

Capital raise June 2023

On 6 June 2023, Nuheara announced that it was completing a capital raise of \$4.4m (before costs) through a placement at \$0.145 per share, a premium to the Company's last closing share price, to sophisticated and professional investors. Existing shareholders Realtek, Farjoy and Salter Brothers supported the placement with funds raised to support working capital to ramp up production, marketing, and promotions for the ongoing rollout of HO Hearing PRO hearing aids in the US. \$3.52m (before costs) of these funds were received in June 2023 being the issue of 24.28m shares under the Company's ASX Listing Rule 7.1 placement capacity. The balance of \$880,000 of the funds related to amounts to be issued to Realtek and therefore were subject to shareholder approval under Listing Rule 10.11 and accordingly were not received in the year ended 30 June 2023 (see *events after balance sheet date* below).

Close out of Subscription Agreement

On 12 July 2022, 26 July 2022 and 27 July 2022, Healthcare 2030 issued subscription notices for the remaining shares under the Subscription Agreement entered into in December 2021. The issue of 19,502,164 shares in respect of these three subscription notices finalised the agreement with Healthcare 2030.

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:

	2023	Restated 2022
Basic loss per share	(8.39)	(16.07)
Diluted loss per share	(8.39)	(16.07)

Review of Financial Condition

Liquidity and Capital Resources

At year-end, the Company held \$2,320,101 in cash (30 June 2022: \$441,525).

The net tangible asset/(liability) backing of the Group was 0.22 cents per share (2022: (3.59) cents per share). As at 30 June 2023 the number of shares on issue was 197,069,884 (30 June 2022: 103,198,611). A share consolidation of 20 ordinary shares into 1 ordinary share of the Company was completed on 6 May 2022. The number of ordinary shares for the purpose of net tangible asset/(liability) backing per ordinary share has been adjusted for the share consolidation.

Asset and Capital Structure

	2023 \$	Restated 2022 \$
Debts:		
Trade and other payables	2,150,959	3,631,789
Interest bearing loans and borrowings	2,624,398	2,948,758
Less: Cash and cash equivalents	(2,320,101)	(441,525)
Net debts	2,455,256	6,139,022
Total equity	5,110,664	2,145,572
Total capital employed	7,565,920	8,284,594

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

DIRECTORS' REPORT

5. OPERATING AND FINANCIAL REVIEW (continued)

Share issues during the year

The Group issued 93,871,273 shares during the year as follows (2022: 282,619,844 shares before the 6 May 2022 share consolidation and 2,916,655 shares following the share consolidation):

Date	Number	Details	Share Issue Price
12 July 2022	37,548	Shares issued under Salary Sacrifice Share Plan (Directors)	\$0.6863
12 July 2022	60,982	Shares issued under Salary Sacrifice Share Plan (Directors)	\$0.4226
12 July 2022	83,022	Shares issued under Salary Sacrifice Share Plan (Directors)	\$0.2985
12 July 2022	104,222	Shares issued under Salary Sacrifice Share Plan (Directors)	\$0.1876
12 July 2022	42,110	Shares issued under Salary Sacrifice Share Plan (Directors)	\$0.1376
12 July 2022	14,166,667	Shares issued by way of share placement	\$0.12
12 July 2022	1,904,762	Shares issued by way of conversion under Convertible Note funding agreement	\$0.105
26 July 2022	11,142,857	Shares issued by way of conversion under Convertible Note funding agreement	\$0.105
27 July 2022	6,454,545	Shares issued by way of conversion under Convertible Note funding agreement	\$0.11
30 December 2022	16,807,781	Shares issued by way of share placement	\$0.18
13 March 2023	17,491,049	Shares issued by way of share placement	\$0.17
12 June 2023	180,498	Shares issued under Salary Sacrifice Share Plan (Directors)	\$0.1979
12 June 2023	510,551	Shares issued under Employee Share Plan	\$0.17
12 June 2023	62,942	Shares issued under Employee Share Plan	\$0.388
12 June 2023	50,864	Shares issued for conversion of accrued interest payable under Convertible Note agreement	\$0.237
12 June 2023	224,049	Shares issued for conversion of accrued interest payable under Convertible Note agreement	\$0.225
12 June 2023	270,962	Shares issued for conversion of accrued interest payable under Convertible Note agreement	\$0.182
12 June 2023	24,275,862	Shares issued for conversion of accrued interest payable under Convertible Note agreement	\$0.145

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.

The highest risk factors for the Company's Board and Management to monitor and mitigate are currently seen as follows:

- Delays in growth of the new and nascent OTC hearing aid market in the USA;
- Loss of key relationships with major retail and OEM customers and partners;
- Supply chain disruption risks affecting the Company's ability to sell product and drive revenues;
- Loss of key personnel in competitive employment markets, particularly sector-specialists and employees with significant involvement in the development and delivery of the Company's technology and products;
- Security over Company owned Intellectual Property (IP);
- Data breaches arising from Cyber Security threats to the Company's core systems and networks;
- Continued access to liquidity and capital to grow and operate the Company's business; and

DIRECTORS' REPORT

5. OPERATING AND FINANCIAL REVIEW (continued)

Risk Management (continued)

- Non compliance with sector specific regulation over medical hearing device standards, particularly in light of the new US FDA OTC regulations highlighted above.

Note, this is not an all-inclusive list of all risks that the Company faces but the key risks that the Board deem to be most important to monitor and mitigate at present. Please refer to the Company's risk management policy in the Company's Corporate Governance page of the Company's website for further information on Risk Management.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Refer to the Review of Operations section within the Operating and Financial Review above for details of significant changes in the state of affairs occurring during the year ended 30 June 2023.

7. LIKELY DEVELOPMENTS

As noted in the Operating and Financial Review, the Company during the past 12 months has transitioned into serving the new regulated OTC hearing category. The Company is the process of significantly increasing its distribution footprint in the US retail market, with the total number of retail points-of-sale to increase to approximately 5,000 before the end of the 2023 calendar year. It is expected that these developments can enable the Company to drive increased revenue and cash receipts.

8. SIGNIFICANT EVENTS AFTER BALANCE DATE

Receipts from June 2023 capital raise

As noted above, Realtek's portion of the June 2023 capital raise of \$880,000 was subject to shareholder approval which was obtained at a general meeting of shareholders on 20 July 2023. The funds were received in August 2023 with 6,068,966 shares issued to Realtek on 10 August 2023 at \$0.145 per share. On that same date an additional 311,644 shares were issued to Realtek for conversion of accrued interest payable under their \$2.5m Convertible Note agreement at \$0.16 per share.

9. ENVIRONMENTAL REGULATION

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

10. UNQUOTED SHARE OPTIONS

As at the date of this report, the Group has 8,216,520 unquoted options over ordinary shares. These options have been issued on the following terms.

Number of Unquoted Options	Exercise Price	Expiry Date
1,213,236	\$1.00 each	03 February 2024
125,000	\$0.87 each	02 March 2024
425,000	\$0.68 each	31 August 2024
50,000	\$0.37 each	04 January 2025
250,000	\$0.48 each	28 April 2025
546,878	\$0.56 each	28 October 2023
50,000	\$0.153 each	03 June 2025
375,000	\$0.182 each	12 June 2026
2,004,459	\$0.255 each	12 June 2026
2,118,612	\$0.27 each	12 June 2026
TOTAL 7,158,185		

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

DIRECTORS' REPORT

11. REMUNERATION REPORT (AUDITED)

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

Directors	Position
Cheryl Edwardes	Independent Non-Executive Chairman
Justin Miller	Managing Director Chief Executive Officer (until 9 May 2022 and again since 15 May 2023)
David Cannington	Executive Director/Chief Marketing Officer (to 15 March 2022) Non-Executive Director (since 15 March 2022)
Kathryn Giudes	Independent Non-Executive Director
David Buckingham	Independent Non-Executive Director
Leroy Liu (Yean-Shao Liu)	Non-Executive Director (Appointed 15 March 2023)
Executives	Position
John Luna	Chief Executive Officer (Resigned 15 May 2023)
Jean-Marie Rudd	Chief Financial Officer/Joint Company Secretary (Resigned 20 October 2023)
Ivan Kelly	Chief Financial Officer (Appointed 1 May 2023)

Except as noted, the named persons held their current position for the whole of the financial year. There were no other changes to KMP after the reporting date and before the date the annual report was authorised for issue.

Remuneration policy

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

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

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

The maximum remuneration of Non-Executive Directors is to be determined by Shareholders in general meeting in accordance with the Constitution, the *Corporations Act* and the ASX Listing Rules, as applicable. At present the maximum aggregate remuneration of Non-Executive Directors is \$400,000 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 significantly 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.

DIRECTORS' REPORT

11. REMUNERATION REPORT (AUDITED) (continued)

Australian-based executives receive a superannuation guarantee contribution required by the Government, currently 11% (10.5% to 30 June 2023) 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 Nuheara Incentive Option Plan (Option Plan) to align Directors' interests with shareholders' interests. Options granted under the Option Plan 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, including relating to an element of remuneration that has not vested or has vested but remains subject to a holding lock. In addition, the Board's remuneration policy prohibits Directors and KMP from using the Group's shares as collateral in any financial transaction, including margin loan arrangements.

Performance-based remuneration policy

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

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

Relationship between remuneration policy and Group performance

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

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.

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to 30 June 2023:

	2023 \$	Restated 2022 \$	Restated 2021 \$	Restated 2020 \$	2019 \$
Revenue	1,931,264	3,865,582	10,741,421	1,739,535	2,218,714
Net loss before tax	(13,030,255)	(14,315,229)	(7,891,409)	(11,690,733)	(10,025,151)
Net loss after tax	(12,619,733)	(14,793,653)	(7,891,409)	(11,690,733)	(10,027,238)
	2023	2022	2021	2020	2019
Share price at start of year (post-consolidation)	\$0.12	\$0.88	\$0.24	\$1.20	\$1.96
Share price at end of year (post-consolidation)	\$0.18	\$0.12	\$0.88	\$0.24	\$1.20
Basic earnings per share (cents per share, post-consolidation)	(8.39)	(16.07)	(10.18)	(22.97)	(21.80)
Diluted earnings per share (cents per share post-consolidation)	(8.39)	(16.07)	(10.18)	(22.97)	(21.80)

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	Long Term Employee Benefits	Share-Based Payments	Total \$
		Salary & Fees \$	Non-monetary ⁽⁶⁾ \$	Annual Leave \$	Superannuation \$	Long Service Leave \$	Options ⁽⁷⁾ \$	
Cheryl Edwardes	2023	90,000	-	-	9,450	-	0	99,450
	2022	90,000	-	-	9,000	-	7,516	106,516
Justin Miller	2023	407,200	2,077	22,108	42,756	30,756	982	505,879
	2022	407,200	15,425	9,314	40,720	9,499	8,759	490,917
David Cannington ⁽¹⁾	2023	110,440	-	-	11,596	-	982	123,018
	2022	240,582	1,702	-	24,163	(15,960)	8,759	259,246
Kathryn Giudes	2023	65,000	-	-	6,825	-	-	71,825
	2022	65,000	-	-	6,500	-	-	71,500
David Buckingham	2023	65,000	-	-	6,825	-	-	71,825
	2022	65,000	-	-	6,500	-	5,741	77,241
Jean-Marie Rudd ⁽²⁾	2023	147,606	1,759	-	16,231	(21,621)	2,716	146,691
	2022	265,000	4,655	3,956	26,500	8,600	24,497	333,208
John Luna ⁽³⁾	2023	357,211	52,037	-	-	-	10,172	419,420
	2022	59,042	8,438	28,836	-	-	34,094	130,410
Leroy Liu (Yean-Shao Liu) ⁽⁴⁾	2023	-	-	-	-	-	-	-
Ivan Kelly ⁽⁵⁾	2023	20,000	-	1,784	2,100	-	1,711	25,595
TOTAL	2023	1,262,457	55,874	23,892	95,783	9,135	16,563	1,463,703
TOTAL	2022	1,191,824	30,219	42,106	113,383	2,139	89,366	1,469,037

(1) David Cannington retired as Executive Director/Chief Marketing Officer on 15 March 2022. when he became a Non-Executive Director. In addition to being a Non-Executive Director, during 2023 David Cannington was temporarily employed on fixed term executive basis to support the marketing initiatives of the business.

(2) Jean-Marie Rudd resigned 20 October 2022.

(3) John Luna was appointed Chief Executive Officer on 9 May 2022 and resigned on 15 May 2023.

(4) Leroy Liu (Yean-Shao Liu) was appointed as a Non-Executive Director on 15 March 2023.

(5) Ivan Kelly was appointed as Chief Financial Officer on 1 May 2023, commencing employment initially on a part-time basis.

(6) Non-monetary benefits include insurance, health care benefits, car parking and mobile phone allowance.

(7) The value of the options granted to KMP as part of their remuneration is calculated as at the grant date using the Black Scholes pricing model. The amounts disclosed as part of remuneration for the financial year have been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date.

The proportion of remuneration for 2023 and 2022 reported above is 100% fixed. There was a STI scheme in operation in 2022 which was available to John Luna and Jean-Marie Rudd where a maximum of 20% of the salary was available to be paid. However, the STI criteria were not met and therefore no bonus was achieved or paid.

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 (2022: \$407,200) per annum (exclusive of superannuation). Mr Miller will also be entitled to participate in short-term incentives of up to 20% (2022: 20%) of the base package. For the financial year ended 30 June 2023 Mr Miller did not earn a bonus under the incentive plan (2022: nil).

The Miller Agreement commenced on 2 March 2016 with Mr Miller's appointment as Executive Director, Managing Director and Chief Executive Officer. The role of Chief Executive Officer was relinquished upon the promotion of John Luna into the position with effect from 9 May 2022, but Mr Miller was reappointed as Chief Executive Officer following Mr Luna's resignation on 15 May 2023. 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.

John Luna – Chief Executive Officer – resigned 15 May 2023

Mr John Luna was engaged as the Chief Executive Officer of the Group from 9 May 2022 until his resignation on 15 May 2023 pursuant to an employment and services agreement between the Group and Mr Luna (Luna Agreement).

The total annual remuneration payable to Mr Luna under the Luna Agreement was a salary of US\$275,700 per annum (2022: US\$275,700), a health care allowance of US\$37,800 per annum (2022: US\$37,800), and a telecommunications allowance of US\$200 per month (2021: US\$100 per month). Mr Luna was also entitled to participate in short-term incentives of up to 20% (2022: nil) of the base package. For the financial year ended 30 June 2023 Mr Luna did not earn a bonus under the incentive plan (2022: nil).

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

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

DIRECTORS' REPORT

11. REMUNERATION REPORT (AUDITED) (continued)

Ivan Kelly – Chief Financial Officer Appointed 1 May 2023

Mr Ivan Kelly was appointed as the Chief Financial Officer of the Group on 1 May 2023, pursuant to an employment and services agreement between the Group and Mr Kelly (Kelly Agreement).

The total annual remuneration payable to Mr Kelly under the Kelly Agreement on a full-time basis is a salary of \$300,000 per annum (exclusive of superannuation) and a telecommunications allowance of \$200 per month. Mr Kelly will also be entitled to participate in short-term incentives of up to 20% of the base package from the 2024 financial year.

The Kelly Agreement commenced on 1 May 2023 and employment under the Kelly Agreement will continue until terminated in accordance with the Kelly Agreement (Term). During the Term, the Kelly Agreement may be terminated by the Group at any time:

- by three months' written notice to Mr Kelly, at which time the Group will immediately pay Mr Kelly 3 months' base salary in lieu; or
- by summary notice in circumstances where Mr Kelly neglects to perform his duties or comply with reasonable or proper direction or engages in serious misconduct.

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

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

Mr Kelly 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 six months after his employment with the Group ceases, on terms which are otherwise considered standard for agreements of this nature.

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

Jean-Marie Rudd – Chief Financial Officer and Joint Company Secretary resigned 20 October 2022

Ms Jean-Marie Rudd was engaged as the Chief Financial Officer/Joint Company Secretary of the Group until her resignation on 20 October 2022, 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 was a salary of \$265,000 per annum (exclusive of superannuation) (2022: \$265,000) and a telecommunications allowance of \$200 per month (2022: \$200 per month). Ms Rudd was also entitled to participate in short-term incentives of up to 20% (2022: 20%) of the base package. Ms Rudd was not awarded a bonus under the incentive plan for the financial year ended 30 June 2023 (2022: nil).

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

11. REMUNERATION REPORT (AUDITED) (continued)

KMP shareholdings

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

Ordinary Shares	Opening balance 1 July 2022	Issued during the year	Acquired during the year	Disposed during the year	Closing Balance 30 June 2023
Cheryl Edwardes	43,702	56,262	-	-	99,964
Justin Miller ⁽¹⁾	3,567,182	127,279	-	-	3,694,461
David Cannington	3,226,151	61,601	-	-	3,287,752
Kathryn Giudes ⁽²⁾	71,092	40,632	-	-	111,724
David Buckingham ⁽³⁾	141,912	-	-	-	141,912
Jean-Marie Rudd ⁽⁴⁾	115,670	-	-	-	115,670
John Luna	-	222,608	-	-	222,608
Total	7,165,709	508,382	-	-	7,674,091

Notes:

(1) 619,093 shares are held by Wasagi Corporation Pty Ltd as trustee for the Wasagi Family Trust and 75,368 shares are held by Mr Justin Miller and Mrs Kym Miller as trustee for the BBFC Super Fund, both of which Mr Miller is a beneficiary.

(2) 32,000 shares are held by Aylesham Pty Ltd as trustee for the Norval Court Super Fund of which Mrs Giudes is a beneficiary, 47,711 shares are held by Kathryn Foster Pty Ltd as trustee for the Kathryn Foster Family Trust of which Mrs Giudes is a beneficiary, and 32,013 shares are held by Wayne Giudes, Mrs Giudes' husband.

(3) 141,912 shares are held by The Buckingham Family Trust of which Mr Buckingham is a beneficiary.

(4) 115,670 shares are held by the Rudd Family Trust of which Ms Rudd is a beneficiary.

Shares issued to KMP under Salary Sacrifice Share Plan

508,382 shares were issued to KMP during the financial year (2022: 154,495 post-consolidation):

Name	Date	Number	Share Issue Price	Total
Cheryl Edwardes	12 July 2022	6,556	\$0.6863	\$4,500
Cheryl Edwardes	12 July 2022	10,648	\$0.4226	\$4,500
Cheryl Edwardes	12 July 2022	15,074	\$0.2985	\$4,500
Cheryl Edwardes	12 July 2022	23,984	\$0.1876	\$4,500
Justin Miller	12 July 2022	14,832	\$0.6863	\$10,180
Justin Miller	12 July 2022	24,089	\$0.4226	\$10,180
Justin Miller	12 July 2022	34,101	\$0.2985	\$10,180
Justin Miller	12 July 2022	54,257	\$0.1876	\$10,180
David Cannington	12 July 2022	11,425	\$0.6863	\$7,841
David Cannington	12 July 2022	18,555	\$0.4226	\$7,841
David Cannington	12 July 2022	22,961	\$0.2985	\$6,855
David Cannington	12 July 2022	8,660	\$0.1876	\$1,625
Kathryn Giudes	12 July 2022	4,735	\$0.6863	\$3,250
Kathryn Giudes	12 July 2022	7,690	\$0.4226	\$3,250
Kathryn Giudes	12 July 2022	10,886	\$0.2985	\$3,250
Kathryn Giudes	12 July 2022	17,321	\$0.1876	\$3,250
John Luna	12 July 2022	42,110	\$0.1376	\$5,793
John Luna	12 June 2023	180,498	\$0.1979	\$35,721
		508,382		\$137,396

Note the shares issued on 12 July 2022 related to remuneration for the financial year ended 30 June 2022. For the financial year ended 30 June 2023 a total of 588,368 shares are to be issued to KMP as remuneration under the Nuheara Employee Salary Sacrifice Plan (2022: 327,884 post-consolidation shares). 180,498 of these shares were issued during the financial year (12 June 2023) with the remaining 407,870 shares still to be issued at the date of this report.

DIRECTORS' REPORT

11. REMUNERATION REPORT (AUDITED) (continued)

KMP Share Options

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

Options	Opening balance 1 July 2022	Issued during the year	Exercised during the year	Expired during the year	Closing Balance 30 June 2023
Cheryl Edwardes	150,000	-	-	-	150,000
Justin Miller ⁽¹⁾	150,000	-	-	-	150,000
David Cannington	150,000	-	-	-	150,000
David Buckingham ⁽²⁾	100,000	-	-	-	100,000
Jean-Marie Rudd	50,000	-	-	(50,000)	-
John Luna	150,000	-	-	-	150,000
Ivan Kelly	-	375,000	-	-	375,000
Total	750,000	375,000	-	(50,000)	1,075,000

Notes:

- (1) 150,000 options are held by Wasagi Corporation Pty Ltd as trustee for the Wasagi Family trust of which Mr Miller is a beneficiary.
- (2) 100,000 options are held by The Buckingham Family Trust of which Mr Buckingham is a beneficiary.

There were 375,000 options issued during the financial year to KMP (2022: 150,000 options post-consolidation), being options issued at an exercise price of \$0.182 to Ivan Kelly on 12 June 2023, expiring 12 June 2026, with a fair value of \$36,810.

Other transactions with KMP and/or their related parties

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

END OF REMUNERATION REPORT

DIRECTORS' REPORT

12. DIRECTORS' MEETINGS

The following table sets out the number of meetings of the Group's Directors held during the year ended 30 June 2023 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	2	2	2	2
Justin Miller	14	14	-	-	-	-
David Cannington	14	14	-	-	-	-
Kathryn Giudes	14	14	2	2	2	2
David Buckingham	14	14	2	2	2	2
Leroy Liu (Yean-Shao Liu) (Appointed 15 March 2023)	4	4	-	-	-	-

13. INDEMNIFYING OFFICERS OR AUDITOR

The Group has paid premiums to insure all Directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of Director of the Group, other than conduct involving a wilful breach of duty in relation to the Group. The premiums in total amounted to \$138,149.

14. PROCEEDINGS ON BEHALF OF THE GROUP

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

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

15. NON-AUDIT SERVICES

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

16. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2023 has been received and can be found on page 17 of the financial report.

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



Justin Miller
Co-founder and Managing Director

Perth, 29 September 2023



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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Nuheara Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) Any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

MATTHEW BEEVERS
Partner

Perth, WA
Dated: 29 September 2023

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NUHEARA LIMITED
ABN 29 125 167 133

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

	NOTES	2023 \$	Restated* 2022 \$
Revenue	4	1,931,264	3,865,582
Cost of goods sold		(2,882,736)	(3,153,296)
Gross profit		(951,472)	712,286
Other income	4	1,846,278	1,910,994
Marketing and promotional	5	(2,078,448)	(5,399,307)
Product development and technology related expenses	5	(4,281,676)	(6,121,811)
General and administrative	5	(4,896,397)	(5,137,019)
Net finance costs	5	(516,561)	(334,195)
(Loss)/gain on embedded derivative associated with convertible notes		(2,151,979)	53,823
Total expenses		(12,078,783)	(15,027,515)
Loss before tax from continuing operations		(13,030,255)	(14,315,229)
Income tax benefit/(expense)	3	410,522	(478,424)
Net loss after tax from continuing operations		(12,619,733)	(14,793,653)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		890	118
Total other comprehensive loss		890	118
Total comprehensive loss		(12,618,843)	(14,793,535)
Loss after tax attributable to:			
Owners of the Company		(12,617,576)	(14,801,105)
Non-controlling interests		(2,157)	7,452
Net loss after tax from continuing operations		(12,619,733)	(14,793,653)
Total comprehensive loss attributable to:			
Owners of the Company		(12,616,686)	(14,800,987)
Non-controlling interests		(2,157)	7,452
Total comprehensive loss		(12,618,843)	(14,793,535)
Earnings per share			
Basic loss per share (cents per share)	24	(8.39)	(16.07)
Diluted loss per share (cents per share)	24	(8.39)	(16.07)

* Comparatives restated – refer Note 2

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 2023

	NOTES	30 June 2023 \$	Restated* 30 June 2022 \$	Restated* 1 July 2021 \$
CURRENT ASSETS				
Cash and cash equivalents	31	2,320,101	441,525	7,276,355
Trade and other receivables	6	3,257,626	3,007,247	3,363,757
Inventory	7	2,130,112	3,355,010	1,099,077
Financial assets held at fair value	8	-	69,677	-
Other current assets	9	321,558	-	-
TOTAL CURRENT ASSETS		8,029,397	6,873,459	11,739,189
NON-CURRENT ASSETS				
Plant and equipment	10	102,579	175,846	229,996
Right of use asset	11	212,560	394,754	-
Other assets		-	-	1
Intangible assets	12	4,673,007	5,848,725	5,330,903
TOTAL NON-CURRENT ASSETS		4,988,146	6,419,325	5,560,900
TOTAL ASSETS		13,017,543	13,292,784	17,300,089
CURRENT LIABILITIES				
Trade and other payables	13	2,150,959	3,631,789	1,573,665
Financial liabilities	14	303,013	3,338,593	-
Income tax payable		-	12,419	-
Provisions		648,409	682,969	940,997
TOTAL CURRENT LIABILITIES		3,102,381	7,665,770	2,514,662
NON-CURRENT LIABILITIES				
Financial liabilities	14	2,443,154	215,223	-
Deferred income	15	1,766,265	2,174,927	1,848,484
Provisions	16	55,205	132,693	90,670
Deferred tax	3	539,874	958,599	492,593
TOTAL NON-CURRENT LIABILITIES		4,804,498	3,481,442	2,431,747
TOTAL LIABILITIES		7,906,879	11,147,212	4,946,409
NET ASSETS		5,110,664	2,145,572	12,353,680
EQUITY				
Issued capital	17	79,295,192	64,294,132	59,966,708
Share option reserve	17	4,847,403	4,469,726	4,211,722
Option premium on convertible note	14	205,198	-	-
Foreign currency translation reserve		(7,458)	(7,458)	(6,478)
Accumulated losses		(79,234,966)	(66,618,280)	(51,818,272)
Non-controlling interests		5,295	7,452	-
TOTAL EQUITY		5,110,664	2,145,572	12,353,680

* Comparatives restated – refer Note 2

The accompanying notes form part of these consolidated financial statements.

NUHEARA LIMITED
ABN 29 125 167 133

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

	Ordinary Shares \$	Accumulated Losses* \$	Option Premium on Convertible Notes \$	Share Option Reserve \$	Foreign Currency Translation Reserve \$	Non- Controlling Interests \$	Total* \$
Balance at 30 June 2021	59,966,708	(51,325,679)	-	4,211,722	(6,478)	-	12,846,273
Restatement – Note 2*	-	(492,593)	-	-	-	-	(492,593)
Balance at 1 July 2021	59,966,708	(51,818,272)	-	4,211,722	(6,478)	-	12,353,680
Comprehensive income/(loss)							
Loss for the year*	-	(14,801,105)	-	-	-	7,452	(14,793,653)
Exchange differences on translating foreign operations	-	1,098	-	-	(980)	-	118
Total comprehensive income/ (loss) for the year	-	(14,800,007)	-	-	(980)	7,452	(14,793,535)
Transactions with owners in their capacity as owners							
Shares issued during the year	4,453,343	-	-	-	-	-	4,453,343
Share issue costs	(245,903)	-	-	-	-	-	(245,903)
Transfers on exercise of options	119,984	-	-	(119,984)	-	-	-
Options issue costs	-	-	-	(575)	-	-	(575)
Equity-settled share-based payments	-	-	-	378,563	-	-	378,563
Balance at 30 June 2022*	64,294,132	(66,618,280)	-	4,469,726	(7,458)	7,452	2,145,572
Balance at 1 July 2022*	64,294,132	(66,618,280)	-	4,469,726	(7,458)	7,452	2,145,572
Comprehensive loss							
Loss for the year	-	(12,617,576)	-	-	-	(2,157)	(12,619,733)
Exchange differences on translating foreign operations	-	890	-	-	-	-	890
Total comprehensive loss for the year	-	(12,616,686)	-	-	-	(2,157)	(12,618,843)
Transactions with owners in their capacity as owners							
Shares issued during the year	15,963,979	-	-	-	-	-	15,963,979
Share issue costs	(962,919)	-	-	-	-	-	(962,919)
Options issue costs	-	-	-	(70)	-	-	(70)
Equity settled share-based payments	-	-	-	377,747	-	-	377,747
Option premium on issue of convertible notes	-	-	205,198	-	-	-	205,198
Balance at 30 June 2023	79,295,192	(79,234,966)	205,198	4,847,403	(7,458)	5,295	5,110,664

* Comparatives restated – refer Note 2

The accompanying notes form part of these consolidated financial statements.

NUHEARA LIMITED
ABN 29 125 167 133

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	NOTES	2023 \$	2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		917,701	4,001,610
Interest received		13,571	1,987
Grants and rebates received		2,085,929	1,819,178
Other income		22,978	42,281
Payments to suppliers and employees		(10,480,799)	(15,144,277)
Interest and other costs of finance paid		(19,122)	(22,439)
Income tax paid		(20,622)	-
NET CASH FLOWS USED IN OPERATING ACTIVITIES	31	(7,480,364)	(9,301,660)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of assets held for sale		61,688	-
Payments for plant and equipment		(5,005)	(93,463)
Payment for the acquisition of intangibles		(2,876,524)	(4,451,679)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(2,819,841)	(4,545,142)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings net of transaction costs		2,735,864	5,748,906
Repayment of borrowings and lease payments		(1,415,178)	(1,508,529)
Proceeds from share and option issues		11,384,330	2,986,700
Share raising costs		(556,149)	(246,477)
NET CASH FLOWS FROM FINANCING ACTIVITIES		12,148,867	6,980,600
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		1,848,662	(6,866,202)
Cash and cash equivalent at beginning of the financial year		441,525	7,276,355
Effect of foreign exchange rate changes		29,914	31,372
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	31	2,320,101	441,525

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

It is important to read the following definitions 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 2023 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.

Material uncertainty relating to going concern

For the year ended 30 June 2023 the Group has incurred a loss of \$12,619,733 and incurred net operating cash outflows of \$7,480,364. As disclosed in Note 20 the Group received \$880,000 in August 2023 being the balance of receipts from the capital raise announced on 6 June 2023. In addition, the Group at 30 June 2023 had within other receivables \$1,386,027, being the amount expected to be received for its R&D tax rebate for the 2023 financial year.

The Directors remain committed to the long-term business plan and do expect that the Group will require additional funding to provide the required working capital and headroom to deliver its growth plan. Directors have prepared a cash flow forecast for the period to September 2024 which indicates that subject to further capital raisings the Group will have sufficient funds to continue as a going concern. Directors believe there are reasonable grounds to believe that the Group will be able to continue as a going concern after consideration of the following factors:

- The Group has a strong historic record of raising funds and has recently attracted strong investor support, including from a number of institutions and a key strategic investor;
- Recent communications with investors and the broader investment community give Directors confidence of its ability to raise additional capital
- The Group is now manufacturing and selling its new OTC approved HP Hearing Pro hearing aid device to its retail sales partners and is starting to build a sustainable source of revenue with good underlying unit economics (which it expects to further improve when it releases its next generation product);
- The Group, from October, is materially increasing the number of points-of-sales with key retail partners in the USA which it expects to help drive materially increased revenue and cash receipts;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Material uncertainty relating to going concern (continued)

- In addition, the Group is in active discussions with potential Original Equipment Manufacturer (OEM) partners which would further accelerate its revenue growth and sales receipts, including via potential service fee income;
- The Group is also exploring the potential for other sources of non-equity funding, for example invoice financing or R&D tax rebate financing, which can enable it to support its working capital requirements as its increases levels of production and manufacturing ahead of sales;
- The Group proactively engages with key suppliers and creditors in relation to payment terms to manage its cash out flows in line with available funds;
- The Group actively manages the level of its discretionary operating expenditure, including marketing and promotional costs, in line with the funds available to the Group; and
- The Group carefully considers the appropriate levels of capital expenditure and research and development investment for new products in line with funds expected to be available to the Group.

Due to the risks inherent in executing the plans outlined above there is a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and whether it will be able to pay its debts as and when they fall due, and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

Parent entity

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.

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the legal parent entity, Nuheara Limited, is disclosed in note 32.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Nuheara Limited as at 30 June 2023 and the results of all subsidiaries for the year then ended. Nuheara Limited and its subsidiaries together are referred to in these financial statements as the 'Group' or 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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 22.

New or Amended Accounting Standards and Interpretations Adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2023. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

(a) 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.

(b) Employee benefits provision

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.

(c) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as deferred income and recognised as income over the expected useful life of the related asset.

(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Impairment of assets (continued)

model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

(e) Intangible assets

The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

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.

(f) 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.

(g) 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.

(h) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(j) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are measured at fair value through profit or loss (FVTPL).

Amortised cost and the effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. For financial assets the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in *Other income*.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL. Specifically, investments in equity instruments are classified as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in *Other income*. Fair value is determined in the manner described in Note 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost, exchange differences are recognised in profit or loss in the General and administrative line item; and
- For financial assets measured at FVTPL, exchange differences are recognised in profit or loss in the General and administrative line item as part of the fair value gain or loss.

(l) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECL) on trade receivables and contract assets. The amount of expected credit losses (ECL) is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

(m) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(n) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(o) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(p) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial liabilities

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments, including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts, through the expected life of the financial liability, or, where appropriate, a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

Compound instruments

The component parts of convertible notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Where the conversion option will not be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments, the conversion option is bifurcated from the host liability, measured on an amortised cost basis and recorded as an embedded derivative.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Derivatives embedded in hybrid contracts with hosts that are financial liabilities are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVPL. The embedded derivative is measured at fair value through the profit and loss and is remeasured at each reporting date and at exercise date. An embedded derivative is presented as a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled with 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) 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.

(s) 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 profit or loss.

(t) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing selling and distribution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(v) 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 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.

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

(w) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Taxes

Income Tax

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

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

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

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

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

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

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

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

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

The Group has not formed a consolidated tax group for taxation purposes.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

(ab) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 to 60 days of recognition, depending on payment terms granted.

(ac) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 to 60 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(ad) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ae) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(af) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Refer Note 2.

2. RESTATEMENT OF COMPARATIVES

In preparing the 30 June 2023 financial statements the Group recognised that its treatment of deferred tax assets and liabilities had failed to properly determine the tax cost base of certain assets and had also offset deferred tax assets against deferred tax liabilities across Group entities despite no set off being available as the Group is not taxed as a consolidated tax group. As a result, the Group restated its 1 July 2021 balance sheet to recognise a deferred tax liability of \$492,593. It also restated its income tax expense for the year ended 30 June 2022 to properly recognise its movement in its deferred tax liabilities, with an additional \$466,005 of income tax expense recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The total combined impact on the Group's accumulated losses at 30 June 2022 was therefore \$958,599.

In addition, the Group had incorrectly classified convertible notes of \$1,854,240 at 30 June 2022 as a non-current financial liability despite the Group not having an unconditional right to defer settlement for at least 12 months at balance date. This has been restated to classify as a current financial liability at 30 June 2022, with no impact on total liabilities.

The following tables show the effect of these matters on the Group's Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for year ended 30 June 2022 (extracts)

	Reported 2022 \$	Consolidated Adjustments	Restated 2022 \$
Loss before tax from continuing operations	(14,315,229)	-	(14,315,229)
Income tax expense	(12,419)	(466,005)	(478,424)
Net loss after tax from continuing operations	(14,327,648)	(466,005)	(14,793,653)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. RESTATEMENT OF COMPARATIVES (continued)

Consolidated Statement of Financial Position (extracts)

	Reported 30 June 2021 \$	Consolidated Adjustments	Restated 1 July 2021 \$
NON-CURRENT LIABILITIES			
Deferred tax	-	492,593	492,593
TOTAL NON-CURRENT LIABILITIES	1,939,154	492,593	2,431,747
TOTAL LIABILITIES	4,453,816	492,593	4,946,409
NET ASSETS	12,846,273	(492,593)	12,353,680
EQUITY			
Accumulated losses	(51,325,679)	(492,593)	(51,818,272)
TOTAL EQUITY	12,846,273	(492,593)	12,353,680

	Reported 30 June 2022 \$	Consolidated Adjustments	Restated 30 June 2022 \$
CURRENT LIABILITIES			
Financial liabilities	1,484,353	1,854,240	3,338,593
TOTAL CURRENT LIABILITIES	5,811,530	1,854,240	7,665,770
NON-CURRENT LIABILITIES			
Financial liabilities	2,069,463	(1,854,240)	215,223
Deferred tax	-	958,599	958,599
TOTAL NON-CURRENT LIABILITIES	4,377,083	(895,641)	3,481,442
TOTAL LIABILITIES	10,188,613	958,599	11,147,212
NET ASSETS	3,104,171	(958,599)	2,145,572
EQUITY			
Accumulated losses	(65,659,681)	(958,599)	(66,618,280)
TOTAL EQUITY	3,104,171	(958,599)	2,145,572

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. INCOME TAX

Income tax (benefit)/expense
Current income tax expense
Deferred income tax (benefit)/expense
Income tax (benefit)/expense

2023 \$	Restated 2022 \$
8,203	12,419
(418,725)	466,005
(410,522)	478,424

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 25% (2022: 25%)
Tax effect of amounts which are not deductible/(taxable):
Non-deductible expenses
Non assessable-non-exempt income related expenditure/(income)
Temporary differences
Tax loss not brought to account as a deferred tax asset
Adjustments for prior years
Income tax (benefit)/expense

2023 \$	Restated 2022 \$
(13,030,255)	(14,315,229)
-	-
(13,030,255)	(14,315,229)
(3,257,564)	(3,578,807)
18,699	46,388
(18,000)	(51,850)
461,414	245,417
2,376,726	3,817,276
8,203	-
(410,522)	478,424

Recognised deferred tax liability comprises of temporary differences attributable to:

Amounts recognised in profit or loss:

Intangible Assets

Tax losses

Deferred tax liability

2023 \$	Restated 2022 \$
591,818	1,010,543
(51,944)	(51,944)
539,874	958,599

Deferred tax liability - movements

Opening balance at 1 July

(Credited)/charged to profit or loss

Closing balance at 30 June

2023 \$	Restated 2022 \$
958,599	492,594
(418,725)	466,005
539,874	958,599

Unrecognised deferred tax assets

Unrecognised temporary differences

Unrecognised deferred tax assets/(liabilities) relates to the following:

Interest receivable
Prepayments
Property, plant & equipment
Convertible note
R&D grant liability
Foreign exchange
Software development costs
Trade and other payables
Right of use asset
Employee benefits
Provisions
Business related costs
Capital losses
Tax losses

Potential unrecognised deferred tax asset @ 25% (2022: 25%)

2023 \$	Restated 2022 \$
(463)	-
(104,940)	(84,470)
(23,574)	(33,262)
273,534	67,710
441,566	81,611
(24,508)	(15,648)
109,894	82,824
17,260	7,344
1,691	1,267
125,604	130,417
48,582	60,297
352,612	274,983
469,143	467,145
14,717,265	12,837,615
16,403,666	13,877,833

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

4. REVENUE AND OTHER INCOME

	2023 \$	2022 \$
Revenue by type		
Revenue from sales of products	1,931,264	3,865,582
Total revenue	1,931,264	3,865,582
Revenue by geography		
USA	1,336,355	1,801,931
Australia	254,518	1,082,022
Rest of World	340,391	981,629
Total revenue	1,931,264	3,865,582
Other Income		
Grant income	36,600	179,580
Amortisation - R&D tax offset grant	1,794,689	1,619,456
Sale of mining interests	-	69,677
Sundry income	14,989	42,281
Total other income	1,846,278	1,910,994

5. EXPENSES

	2023 \$	2022 \$
Profit before income tax from continuing operations includes the following specific expenses:		
Employee benefits		
Defined contribution plans (superannuation)	217,519	339,974
Equity-settled share-based payments (unquoted options)	8,490	185,808
Salary and wages	3,055,570	3,837,786
Other employee benefits	167,104	370,936
Total employee benefits	3,448,683	4,734,504
Net Finance costs		
Interest on loans	71,046	54,000
Interest on convertible loans (at effective interest rate method)	445,029	270,840
Interest on lease liabilities	6,177	5,148
Other finance costs	9,730	5,377
Interest income	(15,421)	(1,170)
Total net finance costs	516,561	334,195
Depreciation and amortisation		
Depreciation on property, plant and equipment	78,272	147,613
Depreciation on right-of use assets	182,194	151,828
Amortisation of intangible assets	4,084,060	4,126,612
Total depreciation and amortisation	4,344,526	4,426,053
Other (gains)/losses		
Net foreign exchange (gains)/losses	(91,170)	(30,693)
Total other (gains)/losses	(91,170)	(30,693)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. TRADE AND OTHER RECEIVABLES

	2023 \$	2022 \$
Trade receivables	758,656	157,564
R&D Tax Offset receivable	1,386,027	2,049,329
Prepayments	423,818	341,781
Supplier payments in advance	599,752	295,249
GST receivable	77,919	163,030
Other receivables	11,454	294
	3,257,626	3,007,247

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.

7. INVENTORIES

	2023 \$	2022 \$
Raw materials - at lower of cost or net realisable value	1,286,365	899,162
Finished goods - at lower of cost or net realisable value	843,747	2,455,848
	2,130,112	3,355,010

Included in cost of goods sold is \$1,862,157 (\$713,901) in respect of write downs of inventory to net realisable value.

8. FINANCIAL ASSETS HELD AT FAIR VALUE

	2023 \$	2022 \$
Financial assets held at fair value	-	69,677

The Group held Nil (2022:17,959 shares in Vox Royalty Corp (TSX-V:VOX))

The Group measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in Other Comprehensive Income, there is no subsequent reclassification of fair value gains and losses to the Consolidated Income Statement following the derecognition of the investment. Changes in the fair value of financial assets are recognised in other gains/(losses) in the Consolidated Income Statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value in Other Comprehensive Income are not reported separately from other changes in fair value.

9. OTHER CURRENT ASSEST

	2023 \$	2022 \$
Deposits for equipment	321,558	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. PLANT AND EQUIPMENT

	2023 \$	2022 \$
Plant and equipment – at cost	1,361,170	1,356,166
Less: accumulated depreciation	(1,258,591)	(1,180,320)
Total plant and equipment	102,579	175,846

	2023 \$	2022 \$
Opening balance - plant and equipment	175,846	229,996
Additions	5,005	94,664
Disposals	-	(1,226)
Depreciation	(78,272)	(147,588)
Closing balance – plant and equipment	102,579	175,846

11. RIGHT OF USE ASSET

The Group's lease portfolio includes a building. The building lease has an average of 1.2 years as its lease term.

Options to extend or terminate

There are no extension options for the building lease.

- (i) Lease related amounts recognised in the Consolidated Statement of Financial Position

Right of use assets

Leased building
Less: accumulated depreciation
Closing balance

2023 \$	2022 \$
546,582	546,582
(334,022)	(151,828)
212,560	394,754

- (ii) Lease 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)

2023 \$	2022 \$
182,194	167,011
6,177	5,148

- (iii) Lease related amounts recognised in the Consolidated Statement of Cash Flows

Total yearly operating cash outflows for leases

2023 \$	2022 \$
187,319	151,983

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. 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

2023 \$	2022 \$
25,497,402	22,626,545
(21,497,521)	(17,530,207)
3,999,881	5,096,338
 1,133,939	1,096,455
(460,813)	(344,068)
673,126	752,387
4,673,007	5,848,725

Balance as at 30 June 2021
Additions
Amortisation charge
Balance as at 30 June 2022
Additions
Amortisation charge
Balance as at 30 June 2023

Development Costs \$	Patents & Trademarks \$	Total \$
4,454,600	876,303	5,330,903
4,666,087	(21,653)	4,644,434
(4,024,349)	(102,263)	(4,126,612)
5,096,338	752,387	5,848,725
2,870,857	37,484	2,908,341
(3,967,314)	(116,745)	(4,084,059)
3,999,881	673,126	4,673,007

13. TRADE AND OTHER PAYABLES - CURRENT

Trade creditors
Unearned Income ⁽¹⁾
Other creditors and accrued expenses

2023 \$	2022 \$
1,354,202	2,318,324
64,194	13,654
732,563	1,299,811
2,150,959	3,631,789

(1) Unearned income represents sales receipts that cannot be recognised as revenue until product shipped.

14. FINANCIAL LIABILITIES

CURRENT

Short term loan ⁽¹⁾
Lease liability
Insurance premium funding
Convertible note – Healthcare 2030 ⁽³⁾
Embedded derivative associated with convertible note – Healthcare 2030

2023 \$	Restated 2022 \$
-	1,151,478
141,318	184,599
161,695	148,276
-	1,249,182
-	605,058
303,013	3,338,593

NON-CURRENT

Lease liability
Convertible note - Realtek ⁽²⁾
Embedded derivative associated with convertible note - Realtek

2023 \$	Restated 2022 \$
78,006	215,223
2,243,379	-
121,769	-
2,443,154	215,223

(1) Short term loan

On 6 April 2022, Nuheara entered into a loan agreement with Innovation Structure Finance Co., LLC (Radium Capital) under which Nuheara was entitled to receive funding of up to 80% of its presently earned R&D tax incentive rebate (R&D Tax Offset) in respect of the financial year ended 30 June 2022 (R&D Tax Offset).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. FINANCIAL LIABILITIES (continued)

(1) Short term loan (continued)

The loan was secured over the Group's right, title and interest in:

- the R&D Tax Offset, the proceeds of the R&D Tax Offset and Radium Capital's rights to apply for or obtain the R&D Tax Offset;
- any Claim that Nuheara may have against any party arising out of or in connection with the R&D Tax Offset, any application for a R&D Refund or any failure to generate or receive the R&D Tax Offset, including but not limited to, any claim or rights against Nuheara's tax agent, accountants or advisers; and
- all books and records of the Group relevant to the R&D Tax Offset, all advice provided by Nuheara's tax agent, accountants or advisers in relation to the R&D Tax Offset or any application of the R&D Tax Offset, all applications, filings or registrations with any Government Agency in relation to the R&D Tax Offset (or application thereof) or to the preparation or lodgment of Nuheara's tax return.

The short term loan was fully repaid on 30 November 2022.

(2) Convertible Note - Realtek

On 8 September 2022, Nuheara announced the issue of a convertible note to Realtek Semiconductor Corporation ("Realtek"), raising \$2.5 million as part of a follow-on round of funding from Realtek.

The key terms of the Convertible Note are as follows:

- Maturity date: 7 September 2024
- Conversion price: A\$0.16
- Conversion: Convertible (in whole or part) by Realtek at any time prior to the Maturity Date into such number of shares as is determined by the Conversion Price
- Interest Conversion Price: means the 30-trading day VWAP of shares immediately prior to the relevant interest payment date, subject to a floor price of \$0.16
- Interest: 8% per annum payable quarterly either (at Realtek's election) into cash or converted into such number of shares as is determined by the Interest Conversion Price.
- Security: A first ranking security interest over all of the Company's assets to Realtek to secure payment of the outstanding amount and any accrued interest owed to Realtek (Outstanding Amount), and
- Repayment: Unless fully converted, the Company must redeem all convertible notes by repaying the Outstanding Amount and any accrued but unpaid interest on the maturity date. The Company cannot prepay the convertible notes.

At inception the convertible notes have been accounted for as follows:

	\$
Convertible notes amortised cost	2,084,243
Embedded derivative liability	210,559
Conversion option – equity	205,198
	2,443,154

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. FINANCIAL LIABILITIES (continued)

(2) Convertible Note – Realtek (continued)

The valuation inputs at inception, each conversion date and at 30 June 2023 are as follows:

Valuation Date	Grant 9 Sep 2022	Conversion 12 Jun 2023	Conversion 12 Jun 2023	Conversion 12 Jun 2023	Revaluation 30 Jun 2023
Face value converted	\$2,500,000	\$12,055	\$50,411	\$49,315	\$2,500,000
Underlying share price	19.5 cents	18.3 cents	18.3 cents	18.3 cents	17.0 cents
Interest conversion price	20.8 cents	23.7 cents	22.5 cents	18.2 cents	17.8 cents
Conversion price	16.0 cents	16.0 cents	16.0 cents	16.0 cents	16.0 cents
Maturity date	7 Sep 2024	7 Sep 2024	7 Sep 2024	7 Sep 2024	7 Sep 2024
Expected future volatility	100%	100%	100%	100%	100%
Risk free rate	3.02%	3.97%	3.97%	3.97%	4.18%
Interest rate	8.0%	8.0%	8.0%	8.0%	8.0%
Discount rate	18.8%	n/a	n/a	n/a	n/a
Value per interest conversion right	10.10 cents	6.60 cents	6.90 cents	8.00 cents	7.10 cents
Number of interest conversion shares	2,084,745	50,864	224,049	270,962	1,715,061
Fair value of the embedded derivative	\$210,559	\$3,357	\$15,549	\$21,677	\$121,769
Fair value of the host liability	\$2,084,243	n/a	n/a	n/a	n/a
Fair value of equity	\$205,198	n/a	n/a	n/a	n/a
Fair value of convertible notes	\$2,500,000	n/a	n/a	n/a	n/a

(3) Convertible Note – Healthcare 2030

The Group entered into an 18-month \$3 million share purchase agreement (Agreement) announced on 23 December 2021 by HealthCare 2030, LLC (the Investor), a US-based investment vehicle that invests solely in healthcare-related companies and is managed by Bergen Asset Management LLC (the Manager). The Manager is a decade-old institutional manager and manages funds which have an extensive history of successful investments in listed companies globally, including on the ASX and in the healthcare sector. The Manager is not a party to the Agreement, and as such, does not have any rights or obligations under the Agreement.

Under the Agreement the Investor agreed to invest \$3,000,000 for \$3,180,000 worth of Shares (Subscription Shares), by way of the Investor making a prepayment for Subscription Shares. The Company received the \$3,000,000 subscription funds on 29 December 2021 (the Settlement) and pursuant to the Agreement, issued 9,375,000 Shares with a deemed issue price of \$0.016 in satisfaction of a \$150,000 fee payable to the Investor and 9,800,000 Shares with a deemed issue price of \$0.017 per Share which may be credited towards the ultimate number of Subscription Shares to be issued. The Company subsequently issued 46,153,846 Subscription Shares with a deemed issue price of \$0.013 per Subscription Share on 9 February 2022, towards the ultimate number of Subscription Shares to be issued under the Agreement, satisfying \$600,000 of the \$3,180,000 worth of Subscription Shares which the Investor is entitled to be issued.

Under the Agreement, the Company will issue the Subscription Shares, at the Investor's request, within 18 months of the date of the funding. The number of Subscription Shares to be issued will be determined by applying the Purchase Price (as detailed further below) to the subscription amount, but subject to a Floor Price (as detailed further below).

The price at which the Investor could require the Subscription Shares (Purchase Price) to be issued was equal to \$0.06 initially, representing a premium of approximately 216% to the closing price of the Company's shares on 22 December 2021. Subject to the Floor Price described below, following 22 January 2022, the Purchase Price reset to the average of the five daily volume-weighted average prices selected by the Investor during the 20 consecutive trading days immediately prior to the date of the Investor's notice to issue shares, less a 5% discount (or a 7.5% discount if the Subscription Shares are issued after the first anniversary of the initial placement) (rounded down to the nearest one tenth of a cent if the share price is at 10 cents or below, half a cent if the share price is at above 10 cents and at 20 cents or below, or whole cent if the share price is above 20 cents). The Purchase Price is, nevertheless, the subject of the floor price of \$0.01 (Floor Price). If the Purchase Price formula results in a price that is less than the Floor Price, and provided that the average of the daily VWAPs for the two consecutive actual trading days immediately prior to the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. FINANCIAL LIABILITIES (continued)

(3) Convertible Note – Healthcare 2030 (continued)

The Group entered into an 18-month \$3 million share purchase agreement (Agreement) announced on 23 December 2021 by HealthCare 2030, LLC (the Investor), a US-based investment vehicle that invests solely in healthcare-related companies and is managed by Bergen Asset Management LLC (the Manager). The Manager is a decade-old institutional manager and manages funds which have an extensive history of successful investments in listed companies globally, including on the ASX and in the healthcare sector. The Manager is not a party to the Agreement, and as such, does not have any rights or obligations under the Agreement.

Under the Agreement the Investor agreed to invest \$3,000,000 for \$3,180,000 worth of Shares (Subscription Shares), by way of the Investor making a prepayment for Subscription Shares. The Company received the \$3,000,000 subscription funds on 29 December 2021 (the Settlement) and pursuant to the Agreement, issued 9,375,000 Shares with a deemed issue price of \$0.016 in satisfaction of a \$150,000 fee payable to the Investor and 9,800,000 Shares with a deemed issue price of \$0.017 per Share which may be credited towards the ultimate number of Subscription Shares to be issued. The Company subsequently issued 46,153,846 Subscription Shares with a deemed issue price of \$0.013 per Subscription Share on 9 February 2022, towards the ultimate number of Subscription Shares to be issued under the Agreement, satisfying \$600,000 of the \$3,180,000 worth of Subscription Shares which the Investor is entitled to be issued.

Under the Agreement, the Company will issue the Subscription Shares, at the Investor's request, within 18 months of the date of the funding. The number of Subscription Shares to be issued will be determined by applying the Purchase Price (as detailed further below) to the subscription amount, but subject to a Floor Price (as detailed further below).

The price at which the Investor could require the Subscription Shares (Purchase Price) to be issued was equal to \$0.06 initially, representing a premium of approximately 216% to the closing price of the Company's shares on 22 December 2021. Subject to the Floor Price described below, following 22 January 2022, the Purchase Price reset to the average of the five daily volume-weighted average prices selected by the Investor during the 20 consecutive trading days immediately prior to the date of the Investor's notice to issue shares, less a 5% discount (or a 7.5% discount if the Subscription Shares are issued after the first anniversary of the initial placement) (rounded down to the nearest one tenth of a cent if the share price is at 10 cents or below, half a cent if the share price is at above 10 cents and at 20 cents or below, or whole cent if the share price is above 20 cents). The Purchase Price is, nevertheless, the subject of the floor price of \$0.01 (Floor Price). If the Purchase Price formula results in a price that is less than the Floor Price, and provided that the average of the daily VWAPs for the two consecutive actual trading days immediately prior to the notice is less than the Floor Price, and no event of default has occurred, the Company may forego issuing shares and instead opt to repay the applicable subscription amount in cash (with a 5% premium), subject to the Investor's right to receive Subscription Shares at the Floor Price in lieu of such cash repayment. The Purchase Price is not the subject of a cap.

The Company also has the right (but no obligation) to forego issuing shares in relation to the Investor's request for issuance and instead opt to repay the subscription amount by making a payment to the Investor equal to the greater of the Purchase Price or the average of the daily VWAPs for the two consecutive actual trading days prior to receipt of the request.

On 27 June 2022, Healthcare 2030 issued a final subscription notice for the remaining shares under the Subscription Agreement entered into in December 2021. The issue of the shares in July 2023 finalised the agreement with Healthcare 2030 with the fair value of the associated embedded derivatives at each conversion date as follows:

Valuation Date	12 July 2022	26 July 2022	27 July 2022
Face value converted	\$200,000	\$1,170,000	\$710,000
Underlying share price	17.5 cents	29.0 cents	27.5 cents
Conversion price	10.5 cents	10.5 cents	11.0 cents
Maturity date	23 June 2023	23 June 2023	23 June 2023
Expected future volatility	90%	90%	90%
Risk free rate	2.58%	2.81%	2.69%
Interest rate	0.0%	0.0%	0.0%
Value per interest conversion right	6.83 cents	17.55 cents	14.64 cents
Number of interest conversion shares	1,904,762	11,142,857	6,454,545
Fair value of the embedded derivative	\$130,152	\$1,955,788	\$945,154

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. DEFERRED INCOME

R&D Tax Offset deferred liability – cost at 1 July
Less: accumulated amortisation

At 30 June

2023 \$	2022 \$
10,664,523	9,278,496
(8,898,258)	(7,103,569)
1,766,265	2,174,927

16. PROVISIONS

CURRENT

Employee provisions
Provision for refunds and warranty claims

Total Provisions

2023 \$	2022 \$
468,899	443,572
179,510	239,397
648,409	682,969

NON-CURRENT

Employee provisions

2023 \$	2022 \$
55,205	132,693

17. ISSUED CAPITAL

Ordinary shares

Issued and paid-up capital
197,069,884 (2022: 103,198,611) Ordinary shares, fully paid

2023 \$	2022 \$
79,295,192	64,294,132

Movements during the period:

Opening Balance at 1 July 2021

6 July 2021 – shares issued on exercise of options @ \$0.025
9 July 2021 – shares issued under Salary Sacrifice Share Plan @ \$0.0459
31 August 2021 – shares issued on exercise of options @ \$0.025
4 October 2021 - shares issued on exercise of options @ \$0.025
29 December 2021 – shares issued in satisfaction of the Company's obligation to pay a fee to Healthcare 2030 LLC under the Share Placement Agreement @ \$0.016
29 December 2021 – shares issued by way of share placement to Healthcare 2030 LLC under Share Placement Agreement @ \$0.016
31 December 2021 – shares issued by way of share placement @ \$0.016
24 January 2022 - shares issued by way of share placement @ \$0.016
7 February 2022 - shares issued by way of conversion under Convertible Note funding agreement @ \$0.013
26 April 2022 - shares issued by way of conversion under Convertible Note funding agreement @ \$0.011
6 May 2022 – share consolidation (1 share for every 20 shares held)
30 June 2022 – shares issued by way of share placement @ \$0.12
Transfers from Option Issue Reserve on exercise of options
Less: Share issue costs

Closing balance as at 30 June 2022

Number of Shares 2022	2022 \$
1,723,004,193	59,966,708
1,709,120	37,500
1,089,890	50,043
1,000,000	25,000
24,943	-
9,375,000	150,000
9,800,000	166,600
101,312,500	1,621,000
66,700,000	1,067,200
46,153,846	600,000
45,454,545	500,000
(1,905,342,091)	-
2,916,665	236,000
-	119,984
-	(245,903)
103,198,611	64,294,132

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. ISSUED CAPITAL (continued)

	Number of Shares 2023	2023 \$
Opening Balance at 1 July 2022	103,198,611	64,294,132
2 July 2022 – balance of Share Placement proceeds	-	114,000
12 July 2022 shares issued under Salary Sacrifice Share Plan (Directors) @ \$0.6863	37,548	25,771
12 July 2022 shares issued under Salary Sacrifice Share Plan (Directors) @ \$0.4226	60,982	25,771
12 July 2022 shares issued under Salary Sacrifice Share Plan (Directors) @ \$0.2985	83,022	24,785
12 July 2022 shares issued under Salary Sacrifice Share Plan (Directors) @ \$0.1876	104,222	19,555
12 July 2022 shares issued under Salary Sacrifice Share Plan (Directors) @ \$0.1376	42,110	5,793
12 July 2022 - shares issued by way of share placement @ \$0.12	14,166,667	1,700,000
12 July 2022 – shares issued by way of conversion under Convertible Note funding agreement @ \$0.105	1,904,762	269,650
26 July 2022 – additional payment relating to the purchase of 9,800,000 initial share placement to Healthcare 2030 LLC	-	51,450
26 July 2022 - shares issued by way of conversion under Convertible Note funding agreement at \$0.105	11,142,857	2,634,709
27 July 2022 - shares issued by way of conversion under Convertible Note funding agreement at \$0.11	6,454,545	1,386,187
30 December 2022 - shares issued by way of share placement @ \$0.18	16,807,781	3,025,401
13 March 2023 - shares issued by way of share placement @ \$0.17	17,491,049	2,973,478
12 June 2023 shares issued under Salary Sacrifice Share Plan (Directors) @ \$0.1979	180,498	35,721
12 June 2023 – shares issued under Employee Share Plan @ \$0.17	510,551	86,794
12 June 2023 – shares issued under Employee Share Plan @ \$0.388	62,942	24,421
12 June 2023 – shares issued for conversion of accrued interest payable under Convertible Note agreement @\$0.237	50,864	3,357
12 June 2023 – shares issued for conversion of accrued interest payable under Convertible Note agreement @\$0.225	224,049	15,459
12 June 2023 – shares issued for conversion of accrued interest payable under Convertible Note agreement @\$0.182	270,962	21,677
12 June 2023 - shares issued by way of share placement @ \$0.145	24,275,862	3,520,000
Less: Share issue costs	-	(962,919)
Closing balance as at 30 June 2023	197,069,884	79,295,192

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. ISSUED CAPITAL (continued)

Unquoted Options

Issued unquoted options
8,216,520 (2022: 4,391,283)

2023 \$	2022 \$
4,847,403	4,469,726

Description	Number	Grant Date	Exercise Price	Expiry Date	Weighted Average time until expiry
Unquoted Options	1,213,236	3-Feb-20	\$1.00 each	3-Feb-24	7 months
Unquoted Options	858,335	21-Aug-20	\$0.50 each	21-Aug-23	2 months
Unquoted Options	100,000	3-Feb-20	\$1.00 each	21-Aug-23	2 months
Unquoted Options	100,000	21-Aug-20	\$2.00 each	21-Aug-23	2 months
Unquoted Options	125,000	2-Mar-21	\$0.87 each	2-Mar-24	8 months
Unquoted Options	425,000	31-Aug-21	\$0.68 each	31-Aug-24	14 months
Unquoted Options	50,000	4-Jan-22	\$0.37 each	4-Jan-25	18 months
Unquoted Options	250,000	28-Apr-22	\$0.48 each	28-Apr-25	22 months
Unquoted Options	546,878	28-Apr-22	\$0.56 each	28-Oct-23	4 months
Unquoted Options	50,000	3-Jun-22	\$0.153 each	3-Jun-25	23 months
Unquoted Options	375,000	12-Jun-23	\$0.182 each	12-Jun-26	35 months
Unquoted Options	2,004,459	24-Apr-23	\$0.255 each	12-Jun-26	35 months
Unquoted Options	2,118,612	24-Apr-23	\$0.27 each	12-Jun-26	35 months
Total Unquoted Options	8,216,520				23 months

For information relating to share options issued to KMP and contractors including details of options issued, exercised and lapsed during the financial year, refer to Note 30 Share Based Payments.

Movements during the period for number of options

Balance unquoted options at 1 July 2021

31 August 2021 – issue of employee options at \$0.0341
4 January 2022 – issue of employee options at \$0.0183
28 April 2022 – issue of investor relations options at \$0.024
28 April 2022 – issue of broker options at \$0.028
Less: Options exercised/forfeited/cancelled
6 May 2022 – share consolidation (1 option for every 20 options held)
3 June 2022 – issue of employee options at \$0.153
Less: Options exercised/forfeited/cancelled
Movement in valuation of options issued
Less: Option issue costs

Balance unquoted options at 30 June 2022

Number of Options 2022	2022 \$
69,318,038	4,211,722
12,000,000	-
2,500,000	-
5,000,000	-
10,937,500	-
(10,479,999)	-
(84,934,256)	-
75,000	-
(25,000)	-
-	258,579
-	(575)
4,391,283	4,469,726

Movements during the period for number of options

Balance unquoted options at 1 July 2022

12 June 2023 – issue of employee options @ \$0.182
12 June 2023 – issue of broker options @ \$0.270
12 June 2023 – issue of broker options @ \$0.255
Less: Options exercised/forfeited/cancelled
Movement in valuation of options issued
Less: Option issue costs

Balance unquoted options at 30 June 2023

Number of Options 2023	2023 \$
4,391,283	4,469,726
375,000	-
2,118,612	-
2,004,459	-
(672,834)	-
-	377,747
-	(70)
8,216,520	4,847,403

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. ISSUED CAPITAL (continued)

Capital Management

When managing capital, management's objective is to ensure the Group 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.

18. 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.

There are two (2022: one) customers that accounted for over 10% of revenue, these customers make up 57% (2022: 21%) of revenue.

19. 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 26, Interests of KMP.

Transactions with director related entities

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

20. EVENTS OCCURRING AFTER BALANCE DATE

Receipts from June 2023 capital raise

Realtek's portion of the capital raise announced on 6 June 2023 of \$880,000 was subject to shareholder approval which was obtained at a general meeting of shareholders on 20 July 2023. The funds were received in August 2023 with 6,068,966 shares issued to Realtek on 10 August 2023 at \$0.145 per share. On that same date an additional 311,644 shares were issued to Realtek for conversion of accrued interest payable under their \$2.5m Convertible Note agreement at \$0.16 per share.

21. COMMITMENTS FOR EXPENDITURE

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

Lease Commitment

The Group has a rental agreement for office space in Western Australia, which is used as the Group's head office, this commenced 1 September 2021 for a period of 36 months.

Office Lease

Due within 1 year
Due 1 to 5 years

2023	2022
\$	\$
193,407	187,319
32,405	225,812

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. 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.

Impairment of non-financial 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.

Warranty provision

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.

Share-based payment transactions

The Group measures the cost of equity-settled transactions 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 30.

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 30.

Capitalisation of Intangible Assets

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.

Convertible Notes

The components of the Group's convertible notes are assessed and measured at fair value at inception. Identified embedded derivatives are measured at fair value at each reporting date and on exercise. Determination of fair value of each component of the Group's convertible notes involves management judgements and estimates in relation to the methods to be applied to determine fair value and data assumptions utilised.

Income tax

In assessing whether future taxable profits will be available to utilise temporary differences and losses, management review the past performance of the relevant entity, the budgets for the forthcoming financial year, sales forecasts and sales pipelines

Valuation of Inventories

In determining an estimate of inventories net realisable value requires a high degree of estimation and judgment. The net realisable value is assessed by using recent sales experience, the ageing of inventories, forecast sales and the expected selling price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

R&D tax rebate

Significant judgement is required in determining the R&D tax rebate receivable. There are many processes undertaken in determining the claim and satisfying the statutory eligibility requirements for which the ultimate outcome is uncertain. The Company recognises a R&D tax rebate when a reliable estimate of the receivable can be determined in consultation with its independent R&D tax advisors.

Where the outcome of the R&D tax rebate claim is different from the carrying amounts, such differences will impact the statement of profit or loss and other comprehensive income or, where appropriate, as an offset against deferred income in the period in which such determination is made.

23. 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.

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 2023

	Weighted Average Effective Interest Rate %	Interest Bearing \$	Non-Interest Bearing \$	Total \$
Financial assets				
Cash at bank	2.13%	2,148,831	171,270	2,320,101
Trade and other receivables		-	3,257,626	3,257,626
Total financial assets		2,148,831	3,428,896	5,577,727
Financial liabilities				
Trade and other payables (Note 13)		-	2,150,959	2,150,959
Insurance funding (Note 14)	3%	161,695	-	161,695
Lease liability (Note 14)		219,324	-	219,324
Convertible note (Note 14)	9.1%	2,243,379	-	2,243,379
Embedded derivative associated with convertible note		-	121,769	121,769
Total financial liabilities		2,624,398	2,272,728	4,897,126

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk (continued)

30 June 2022	Weighted Average Effective Interest Rate %	Interest Bearing \$	Non-Interest Bearing \$	Total \$
Financial assets				
Cash at bank	0.10%	344,480	97,045	441,525
Trade and other receivables	-	-	3,007,247	3,007,247
Total financial assets		344,480	3,104,292	3,448,772
Financial liabilities				
Trade and other payables (Note 13)		-	3,631,788	3,631,788
Short term loan (Note 14)	14%	1,151,478	-	1,151,478
Insurance funding (Note 14)	0.01%	148,276	-	148,276
Lease liability (Note 14)		399,822	-	399,822
Convertible note (Note 14)	13.6%	1,249,182	-	1,249,182
Embedded derivative associated with convertible note		-	605,058	605,058
Total financial liabilities		2,948,758	4,236,846	7,185,604

The Group's policy is 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 2023, 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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk (continued)

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.

The following are the contractual maturities of financial liabilities:

30 June 2023	< 6 months \$	6-12 months \$	1-5 years \$	Total \$
Liquid financial liabilities				
Trade and other payables	2,150,959	-	-	2,150,959
Insurance Funding	-	167,632	-	167,632
Lease liability	-	193,408	32,405	225,813
Convertible note	-	-	2,243,379	2,243,379
Embedded derivative associated with convertible note	-	-	121,769	121,769
Total financial liabilities	2,150,959	361,040	2,397,553	4,909,552

30 June 2022	< 6 months \$	6-12 months \$	1-5 years \$	Total \$
Liquid financial liabilities				
Trade and other payables	3,631,788	-	-	3,631,788
Short term loan	-	1,151,478	-	1,151,478
Insurance Funding	-	151,616	-	151,616
Lease liability	-	187,320	225,813	413,133
Convertible note	-	1,249,182	-	1,249,182
Embedded derivative associated with convertible note	-	605,058	-	605,058
Total financial liabilities	3,631,788	3,344,654	225,813	7,202,255

Net Fair Values

Financial assets and liabilities book values are considered to approximate fair value at year end.

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 2023 is not material (2022: not material).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. EARNINGS PER SHARE

	2023 Cents	Restated 2022 Cents
Basic loss per share (cents per share)	(8.39)	(16.07)
Diluted loss per share (cents per share)	(8.39)	(16.07)
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:		
	2023 \$	Restated 2022 \$
Loss	(12,617,576)	(14,801,105)
	2023 No.	2022 No.
Weighted average number of ordinary shares – basic loss per share (cents per share)	150,430,019	92,112,710

The diluted loss per share is the same as the basic loss per share as the potential ordinary shares of the Company are not considered dilutive.

A share consolidation of 20 ordinary shares into 1 ordinary share of the Company was completed on 6 May 2022. The weighted average number of ordinary shares for the year ended 30 June 2022 for the purpose of basic and diluted earnings per share has been adjusted for the share consolidation.

25. AUDITOR'S REMUNERATION

RSM Australia Partners were appointed the auditors of the company on 14 July 2023.

	2023 \$	2022 \$
Amounts received, or due and receivable by the auditors:		
RSM Australia Partners		
- audit of the financial report	63,000	-
SW Audit (appointed 22 July 2022, resigned 14 July 2023)		
- audit and review of the financial statements	236,040	27,500
Walker Wayland (resigned 22 July 2022)		
- - audit and review of the financial statements	-	27,000
	299,040	54,500

No non-audit fees have been provided by the Group's auditors

26. 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:

	2023 \$	2022 \$
Short term benefits	1,342,222	1,264,149
Long-term benefits	9,135	2,139
Post-employment benefits	95,783	113,383
Share based payments - options	16,563	89,366
	1,463,703	1,469,037

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. CONTINGENT ASSETS AND LIABILITIES

Contingent Assets

The Group has rights to a US\$450,000 asset payable in cash, following the registration of the El Molino royalty rights on the applicable mining tenement in Peru and the satisfaction of other customary completion conditions. No asset has been recognised within these financial statements because the proceeds are not virtually certain.

28. 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.

29. INFORMATION ABOUT CONTROLLED ENTITIES

The controlled entities listed below have share capital consisting solely of ordinary shares which are held directly. 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	
		2023	2022	2023	2022
Nuheara IP Pty Ltd	Perth, Australia	100%	100%	0%	0%
Nuheara, Inc	Washington, USA	100%	100%	0%	0%
Terrace Gold Pty Ltd	Perth, Australia	80%	80%	20%	20%
Nuheara (UK) Ltd	Perth, Australia	100%	100%	0%	0%
Nuheara (Canada) Inc	Perth, Australia	100%	100%	0%	0%
Nuheara NL B.V	Perth, Australia	100%	0%	0%	0%

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, refer to Note 8.

30. SHARE BASED PAYMENTS

Shares

During the financial year 508,382 shares (\$137,396) were issued to KMP under the Group's Salary Sacrifice Share Plan (2022: 154,995 shares post-consolidation), with 180,498 shares (\$35,721) relating to remuneration earned during the financial year and 327,884 shares (\$101,675) relating to remuneration earned during the prior financial year. During the financial year, 573,493 shares (\$111,215) were granted to non KMP employees as remuneration earned during the financial year (2022: 36,703 share post-consolidation, \$12,500).

Options

The 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 progressively, subject to meeting specified performance criteria. The options are issued for no consideration and carry no entitlements to voting rights or dividends.

During the financial year, 375,000 unquoted options were granted to KMP (2022: 150,000), and no options were issued to non-KMP employees (2022: 650,000 options)

	Employee Options
Ivan Kelly (Chief Financial Officer)	375,000
Total	375,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. SHARE BASED PAYMENTS (continued)

During the financial year, 4,123,071 unquoted options were granted to brokers relating to capital raises, with the related costs included within share issue costs (2022: 796,875 options post-consolidation).

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

	No. (post consolidation)	Weighted Average Exercise Price (post consolidation)
Options outstanding and exercisable as at 30 June 2020	2,325,736	\$1.40
Granted	2,310,011	\$0.14
Forfeited	(762,501)	-
Lapsed without Exercise	(175,000)	-
Exercised	(247,338)	-
Options outstanding and exercisable as at 30 June 2021	3,450,908	\$0.82
Granted	1,596,878	\$0.19
Forfeited	(324,168)	-
Lapsed without Exercise	(175,000)	-
Exercised	(157,335)	-
Options outstanding and exercisable as at 30 June 2022	4,391,283	\$0.72
Granted	4,498,071	\$0.08
Forfeited	(485,334)	-
Lapsed without Exercise	(187,500)	-
Exercised	-	-
Options outstanding and exercisable as at 30 June 2023	8,216,520	\$0.73

The weighted average remaining contractual life of options outstanding at year end was 1.89 years (2022: 1.59). The weighted average exercise price of outstanding options at the end of the reporting period was \$0.73 (2022: \$0.72).

The fair value of options granted during the year was \$374,251 (2022: \$248,208). These values were calculated using the Black-Scholes option pricing model, applying the following inputs:

	Employee Options	Employee Options	Investor Relations Options	Broker Options	Employee Options	Employee Options	Broker Options	Broker Options
Grant Date	31/08/2021	04/01/2022	28/04/2022	28/04/2022	03/06/2022	12/06/2023	12/06/2023	12/06/2023
Share price on issue date (post consolidation)	\$0.62	\$0.32	\$0.24	\$0.24	\$0.12	\$0.18	\$0.18	\$0.18
Expected volatility	80%	80%	80%	80%	80%	80%	80%	80%
Exercise price	\$0.682	\$0.366	\$0.480	\$0.560	\$0.153	\$0.182	\$0.27	\$0.255
Expiry date	31/08/2024	04/01/2025	28/04/2025	28/10/2023	03/06/2025	12/06/2026	12/06/2026	12/06/2026
Risk free interest rate	0.19%	1.03%	2.66%	2.25%	2.95%	3.78%	3.78%	3.78%
Number issued	600,000	125,000	250,000	546,878	75,000	375,000	2,118,612	2,004,459
Value per option	\$0.304	\$0.156	\$0.087	\$0.038	\$0.057	\$0.0098	\$0.081	\$0.083
Total	\$182,221	\$19,458	\$21,750	\$20,513	\$4,265	\$36,810	\$170,761	\$166,679

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 \$8,490 (2022: \$185,808), which relates to net movements in equity-settled share-based payment transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. NOTES TO THE STATEMENT OF CASHFLOWS

	2023 \$	Restated* 2022 \$
Reconciliation of net loss to net cash flows used in operating activities		
Loss from ordinary activities after income tax	(12,619,733)	(14,793,653)
Adjustments for:		
Depreciation and amortisation expenses	4,344,526	4,426,080
Profit on sale of property plant & equipment	-	(27)
Option expenses	8,490	185,808
Sale of mining interests	7,989	(69,677)
Right of use asset cost	(6,177)	(5,148)
Interest expense	86,953	47,185
Borrowing costs on convertible note	445,029	342,003
(Gain)/loss on embedded derivative associated with convertible notes	2,151,979	(53,823)
Salary sacrifice share issues	248,611	50,043
Deferred income tax (benefit)/expense	(418,725)	466,005
Changes in assets and liabilities		
(Increase)/decrease in trade debtors	(601,092)	127,088
Decrease in other receivables	350,713	529,590
Decrease/(increase) in inventories	1,224,898	(2,255,935)
Increase in right of use asset	-	(546,582)
(Increase) in other current assets	(321,558)	
(Decrease)/increase in trade creditors	(964,123)	1,727,173
(Decrease)/increase in other payables	(704,517)	319,615
(Decrease)/increase in lease liabilities	(180,498)	399,822
(Decrease)/increase in provision for employee entitlements	(52,161)	54,894
(Decrease)/increase in provision for refunds and warranty claims	(59,887)	(264,540)
(Decrease)/increase in provision for income tax payable	(12,419)	12,419
(Decrease)/increase in deferred income	(408,662)	-
Net cash used in operating activities	(7,480,364)	(9,301,660)

* Refer Note 2

	2023 \$	2022 \$
Cash and Cash equivalents		
Cash at bank and on hand	2,166,621	282,380
Short-term deposits	153,480	159,145
	2,320,101	441,525

During the year ended 30 June 2023 the Group received some payments from its retailer customers for products sold which were paid via credit notes against marketing amounts incurred with the same customers. The Statement of Cash Flows is prepared on an actual cash flow basis and therefore these amounts, totalling \$685,000, are excluded from Receipts from customers and from Payments to suppliers and employees within operating cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. 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:	2023 \$	2022 \$
Net loss	(9,434,246)	(5,445,669)
Other comprehensive income	-	-
Total comprehensive loss for the year	(9,434,246)	(5,445,669)
Current assets	7,966,647	5,048,319
Non-current assets	1,005,414	1,330,181
Total assets	8,972,061	6,378,500
Current liabilities	2,962,169	5,267,723
Non-current liabilities	4,264,624	5,476,089
Total liabilities	7,226,793	10,743,812
Net assets	1,745,268	(4,365,312)
Total equity of the parent entity		
Contributed equity	79,295,192	64,294,132
Reserves	5,013,492	4,469,726
Accumulated losses	(82,563,416)	(73,129,170)
Total Equity	1,745,268	(4,365,312)

DIRECTORS' DECLARATION

The Directors of Nuheara Limited declare that:

the financial statements and notes, as set out on page 18 to 56, 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 Reporting Standards (IFRS); and
- (b) give a true and fair view of the financial position as at 30 June 2023 and of the performance for the year ended on that date of the Group;

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

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

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

On behalf of the Board of Directors:



Justin Miller
Co-founder and Managing Director

Perth, 29 September 2023

RSM Australia Partners

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
NUHEARA LIMITED**

Opinion

We have audited the financial report of Nuheara Limited (Company) and its subsidiaries (Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (ii) 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 (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.

Emphasis of Matter

We draw attention to Note 2 to the financial statements which states that the amounts reported in the previously issued 30 June 2022 Financial Report have been restated and disclosed as comparatives in this financial report. The financial report of Nuheara Limited for the year ended 30 June 2022 was audited by another auditor who expressed an unmodified opinion on that report on 8 October 2022. Our opinion is not modified in respect of this matter.

THE POWER OF BEING UNDERSTOOD**AUDIT | TAX | CONSULTING**

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Material Uncertainty Related to Going Concern

We draw attention to Note 1, which indicates that the Group incurred a loss of \$12,619,733 and had net operating cash outflows of \$7,480,364 for the year ended 30 June 2023. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Key Audit Matter	How our audit addressed this matter
Capitalisation and Carrying Value of Intangible assets Refer to Note 12 in the financial statements	
<p>As at 30 June 2023, the Group had Intangible Assets comprising capitalised development costs and patents and trademarks of \$25,497,402 and \$1,133,939, respectively.</p> <p>This considered to be a key audit matter due to the management judgements required:</p> <ul style="list-style-type: none"> in determining whether costs incurred are capital in nature, the timing from which they should be capitalised; and the period over which these should be amortised, and in assessing the probability of future economic benefits associated with these assets and the existence of indicators of impairment at 30 June 2023. <p>In addition, management estimates are applied in the allocation and apportionment of expenditure to the relevant development activities.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> Assessing whether the Group's policy for capitalising costs is in accordance with Australian Accounting Standards; Obtaining an understanding of the nature of the company's development activities and critically reviewing management's assessment that they meet the criteria for recognition as an intangible asset set out in AASB 138 Intangible Assets; Obtaining the calculations and supporting workings used to quantify the capitalised development costs and on a sample basis testing these to ascertain whether the costs incurred were directly attributable to the projects eligible for capitalisation; Challenging management on the basis for capitalisation of costs including the allocation and apportionment methods applied and management's assessment of and expected future benefits relating to these assets; On a sample basis, testing additions of capitalised costs to supporting documentation including agreeing wages and salaries to payroll records for employees undertaking development activities; Testing the mathematical accuracy of the amortisation of capitalised development costs and patents and trademarks for consistency with the Group policy; Evaluating management's assessment that no impairment indicators existed at 30 June 2023 in regard to capitalised development costs and patents and trademarks, including having regard to corroborating evidence gathered as part of the audit process; and Evaluating the appropriateness of the disclosures in the financial report.

Key Audit Matter	How our audit addressed this matter
<i>Carrying value of Inventories</i> <i>Refer to Note 7 in the financial statements</i>	
<p>The Group has inventory with a carrying value of \$2,130,112 as of 30 June 2023.</p> <p>The valuation of inventory is considered a key audit matter, due to the materiality of the balance and the significant management judgments and estimates involved in assessing whether inventory items are recorded at the lower of net realisable value at 30 June 2023.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Assessing whether the Group's policy for capitalising costs is in accordance with Australian Accounting Standards; • On a sample basis, testing the costing of inventory to costing calculations and input costs to supporting documentation; • For a sample of inventory items on hand at year end, evaluating management's estimate of net realisable value by reference to recent sales transactions; and • On a sample basis, testing the mathematical accuracy of net realisable adjustments made to the carrying value of inventory items.

Key Audit Matter	How our audit addressed this matter
Accounting for Convertible notes Refer to Note 14 in the financial statements	
<p>The Group entered into an 18-month \$3 million share purchase agreement announced on 23 December 2021 by HealthCare 2030, LLC ("HealthCare 2030"). Under the Agreement the Investor agreed to invest \$3,000,000 for \$3,180,000 worth of Shares. This agreement was finalised in July 2023.</p> <p>On 8 September 2022, the Group issued a convertible note to Realtek Semiconductor Corporation ("Realtek") raising \$2.5 million.</p> <p>The measurement and classification of convertible notes is considered a key audit matter due to the materiality of the balance and the complexity of the accounting treatment required under Australian Accounting Standards.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Assessing the Group's accounting policy for compliance with Australian Accounting Standards; • Reading the convertible notes agreements to understand their terms and evaluating the classification of the convertible notes against the criteria contained within Australian Accounting Standards; • Vouching the proceeds from the issue of Realtek convertible notes to bank statements and other supporting documentation; • Through the use of RSM Corporate Finance Specialists, assessing the fair value of the equity, debt and embedded derivative components of the convertible notes at inception and of the embedded derivatives at required re-measurement dates, including challenging the reasonableness of key inputs used by management to determine fair value; • Assessing for compliance with Australian Accounting Standards the accounting adopted on the finalisation of the HealthCare 2030 in July 2023, including testing the mathematical accuracy of journals posted by management affecting the profit and loss and equity; • Checking the mathematical accuracy of the remeasurement at year-end of the convertible note debt component measured at amortised cost using the effective interest rate method; and • Assessing the appropriateness of the disclosures in financial report including restatement of comparative balances.

Other Information

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 2023 but does not include the financial report and the 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 the 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Nuheara Limited, for the year ended 30 June 2023, 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.

A handwritten signature in blue ink, appearing to read 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to read 'MATTHEW BEEVERS'.

MATTHEW BEEVERS
Partner

Perth, WA
Dated: 29 September 2023

NUHEARA LIMITED
ABN 29 125 167 133

ADDITIONAL ASX INFORMATION

The following additional information is required by the Australian Securities Exchange. The information is current as at 27 September 2023.

1. Distribution schedule and number of holders of equity securities as at 27 September 2023

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 – and over	Total
Fully Paid Ordinary Shares	1,130	1,168	446	861	205	3,810
Unquoted Options – exercisable at \$0.37 on or before 04/01/2025	-	-	-	1	-	1
Unquoted Options – exercisable at \$0.68 on or before 31/08/2024	-	-	-	4	2	6
Unquoted Options – exercisable at \$0.48 on or before 28/04/2025	-	-	-	-	1	1
Unquoted Options – exercisable at \$0.56 on or before 28/10/2023	-	1	5	11	2	19
Unquoted Options – exercisable at \$0.153 on or before 03/06/2025	-	-	-	1	-	1
Unquoted Options – exercisable at \$0.87 on or before 02/03/2024	-	-	-	5	-	5
Unquoted Options – exercisable at \$1.00 on or before 03/02/2024	-	-	-	-	1	1
Unquoted Options – exercisable at \$0.255 on or before 12/06/2026	-	-	-	-	1	1
Unquoted Options – exercisable at \$0.27 on or before 12/06/2026	-	-	-	-	1	1
Unquoted Options – exercisable at \$0.182 on or before 12/06/2026	-	-	-	-	1	1
Convertible notes	-	-	-	-	1	1

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 27 September 2023 is 1,949.

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 27 September 2023 are:

Rank	Name	Shares	% of Total Shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	26,697,981	13.12
2	FARJOY PTY LTD	21,201,775	10.42
3	BOND STREET CUSTODIANS LIMITED <SALTER - D79836 A/C>	20,000,000	9.83
4	REALTEK SEMICONDUCTOR CORPORATION	6,380,610	3.14
5	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	6,171,766	3.03
6	FIAGO PTY LTD <FIAGO A/C>	4,640,369	2.28
7	ADMAN LANES PTY LTD	4,000,000	1.97
8	WASAGI CORPORATION PTY LTD <WASAGI FAMILY A/C>	3,619,093	1.78
9	MR XUAN KHOA PHAM	3,463,785	1.70
10	MR DAVID ROBERT CANNINGTON	3,287,752	1.62
11	DR STEPHEN DENNIS GIPPS	2,299,999	1.13
12	KETOM PTY LTD <BECHLER FAMILY A/C>	2,236,291	1.10
13	JAMORE PTY LTD <DANSHE SUPER FUND A/C>	2,139,036	1.05
14	SMARIM PTY LTD	1,800,000	0.88
15	DR STEPHEN DENNIS GIPPS	1,250,000	0.61
16	MR JOSEPH ZANCA + MRS SZERENKE ZANCA <ZANACORP SUPER FUND A/C>	1,200,000	0.59
17	CITICORP NOMINEES PTY LIMITED	1,158,132	0.57
18	YARRAANDOO PTY LTD <YARRAANDOO SUPER FUND A/C>	1,125,000	0.55
19	MR STEPHEN CHARLES STUART WATTS <WATTS FAMILY A/C>	1,100,500	0.54
20	DR STEPHEN DENNIS GIPPS + MS SAM FISCHER <SURFDOC SUPERFUND A/C>	1,001,800	0.49
		114,773,889	56.41

Stock Exchange Listing – Listing has been granted for 203,450,494 ordinary fully paid shares of the Group on issue on the Australian Securities Exchange. The unquoted securities on issue as at 27 September 2023 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 Shares	Date of Notice
Realtek Semiconductor Corporation	32,924,696	16.18	10 August 2023
FARJOY PTY LTD	21,201,775	10.42	13 June 2023
Salter Brothers Emerging Companies Limited	19,860,641	9.76	15 June 2022

ADDITIONAL ASX INFORMATION

4. Unquoted Securities

The number of unquoted securities on issue as at 27 September 2023:

Security	Number on issue
Unquoted Options – exercisable at \$0.37 on or before 04/01/2025	50,000
Unquoted Options – exercisable at \$0.68 on or before 31/08/2024	425,000
Unquoted Options – exercisable at \$0.48 on or before 28/04/2025	250,000
Unquoted Options – exercisable at \$0.56 on or before 28/10/2023	546,878
Unquoted Options – exercisable at \$0.153 on or before 03/06/2025	50,000
Unquoted Options – exercisable at \$0.87 on or before 02/03/2024	125,000
Unquoted Options – exercisable at \$1.00 on or before 03/02/2024	1,213,236
Unquoted Options – exercisable at \$0.182 on or before 12/06/2026	375,000
Unquoted Options – exercisable at \$0.255 on or before 12/06/2026	2,004,459
Unquoted Options – exercisable at \$0.27 on or before 12/06/2026	2,118,612
Convertible notes (\$1 face value)	2,500,000

5. Holder Details of Unquoted Securities

The holders that hold more than 20% of a given class of unquoted securities that were not issued under an employee incentive scheme as at 27 September 2022 are detailed below:

Security	Name	Number of Securities
Unquoted Options – exercisable at \$1.00 on or before 03/02/2024	Lind Global Macro Fund LP	1,213,236
Unquoted Options – exercisable at \$0.48 on or before 28/04/2025	Ketom Pty Ltd <Bechler Family A/C>	250,000
Unquoted Options – exercisable at \$0.56 on or before 28/10/2023	Jetosea Pty Ltd	156,250
Unquoted Options – exercisable at \$0.255 on or before 12/06/2026	CIRCUMFERENCE CAPITAL CT PTY LTD	2,004,459
Unquoted Options – exercisable at \$0.27 on or before 12/06/2026	CIRCUMFERENCE CAPITAL CT PTY LTD	2,118,612
Convertible notes	Realtek Semiconductor Corporation	2,500,000

6. Restricted Securities

The Group had no restricted securities as at 27 September 2023.

7. Voting Rights

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

Unquoted options have no voting rights.

8. 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 <https://www.nuheara.com/corporate-governance/>.

ADDITIONAL ASX INFORMATION

9. **Adjustments to financial information presented in Appendix 4E (preliminary final report)**

In finalising the 30 June 2023 annual report preparation and audit process the Group recognised that its initial accounting treatment relating to convertible notes presented in the Appendix 4E (preliminary final report) for the year ended 30 June 2023 had been incorrect in relation to the valuation of the Realtek convertible note at inception, the conversion of related interest shares and also the treatment of share conversions relating to the Healthcare 2030 convertible note in July 2022. This resulted in the net loss before tax presented in the Appendix 4E for the year ended 30 June 2023 being \$1,882,122 lower than the net loss included in the final Consolidated Statement of Profit or Loss.

In addition, as described in Note 2 to the financial statements, the Group identified that its treatment of deferred tax assets and liabilities had failed to properly determine the tax cost base of certain assets and had also offset deferred tax assets against deferred tax liabilities across Group entities despite no set off being available as the Group is not taxed as a consolidated tax group, with this requiring both a restatement of prior year comparative results (as outlined in the financial statements) and resulting in an additional income tax benefit for the year ended 30 June 2023 of \$418,725 versus the Consolidated Statement of Profit or Loss presented in the Appendix 4E.

The combined impact of the above was an increase in the net loss for the year ended 30 June 2023 attributable to members of \$1,463,397 and a reduction in net assets at 30 June 2023 of \$1,014,798 (including an increase in accumulated losses from adjustments to prior periods of \$958,598). The following tables show the effect of these matters on the Group's Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position versus those presented in the Appendix 4E.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for year ended 30 June 2023 (extracts)

	Appendix 4E Preliminary \$	Adjustments \$	Final Reported \$
Total expenses	(10,196,661)	(1,882,122)	(12,078,783)
Loss before tax from continuing operations	(11,148,133)	(1,882,122)	(13,030,255)
Income tax (expense)/benefit	(8,203)	418,725	410,522
Net loss after tax from continuing operations	(11,156,336)	(1,463,397)	(12,619,733)
Earnings per share			
Basic loss per share (cents)	(7.41)	(0.98)	(8.39)
Diluted loss per share (cents)	(7.41)	(0.98)	(8.39)

Consolidated Statement of Financial Position (extracts)

	Appendix 4E Preliminary \$	Adjustments \$	Final Reported \$
NON-CURRENT LIABILITIES			
Financial liabilities	1,968,230	474,924	2,443,154
Deferred tax	-	539,874	539,874
TOTAL NON-CURRENT LIABILITIES	3,789,700	1,014,798	4,804,498
TOTAL LIABILITIES	6,892,081	1,014,798	7,906,879
NET ASSETS	6,125,462	(1,014,798)	5,110,664
EQUITY			
Issued capital	77,155,934	2,139,258	79,295,192
Option premium on convertible note	937,258	(732,060)	205,198
Accumulated losses	(76,812,970)	(2,421,996)	(79,234,966)
TOTAL EQUITY	6,125,462	(1,014,798)	5,110,664
Net tangible assets per share (cents)	0.74	(0.52)	0.22

ADDITIONAL ASX INFORMATION

9. Adjustments to financial information in Appendix 4E (preliminary final report) - continued

Updated Results for Announcement to the Market as per the Annual Report

Current reporting period: Year ended 30 June 2023
Previous corresponding period: Year ended 30 June 2022

	Amount \$	% Change up(+)/down(-)
Revenue from ordinary activities	1,931,264	-50%
Loss from ordinary activities after tax attributable to members	(12,617,576)	-15%
Net loss for the period attributable to members	(12,617,576)	-15%