



ANNUAL REPORT
NUHEARA LIMITED // ABN 29 125 167 133
FOR YEAR ENDED 30 JUNE 2017

CORPORATE DIRECTORY

Directors

Justin Miller
Executive Chairman
Managing Director/Chief Executive Officer

David Cannington
Executive Director/
Executive Vice President of Sales &
Marketing

Dr Michael Ottaviano
Independent Non-Executive Director

Company Secretary

Susan Hunter

ASX Code

NUH

Website and Email

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Share Registry

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth WA 6000
Phone: 1300 850 505 (within Australia)
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Auditors

Walker Wayland WA Audit Pty Ltd
Level 2, 129 Melville Parade
Como WA 6152
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MESSAGE FROM THE MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER

Dear Fellow Shareholders

Nuheara Limited (“Nuheara” or “Company”) is pleased to present its Annual Report for the financial year ended 30 June 2017 (“FY17”).

At this time last year, Nuheara was busily completing its technology development, and in turn, readying itself for mass production of the Company’s flagship product IQbuds™. We had set ourselves the target of launching the product at CES in Las Vegas in January 2017, and to have had commenced shipping to our pre-order customers. History now shows that we not only achieved this lofty ambition, but also succeeded in generating \$2.46m in sales revenue prior to June 30, 2017.

In the 2017FY (FY17) our target was to establish diversified retail and distribution partnerships. I can happily report that the Company has made enormous strides in late FY17, with IQbuds™ now available for sale in-store (brick and mortar) and online, with some of the world’s largest consumer electronics retailers - including Best Buy, Brookstone, Amazon and Target - and supported, in country, by leading distributors. This has now extended to include major retail brands in Europe and the Middle East. As we continue to build this retail presence, the Company is positioned well to build its global brand and sales.

Furthermore, global endorsement of IQbuds™ in 2017 has seen Nuheara win 7 major innovation awards, including 5 from the world’s largest consumer electronics shows in the USA (CES) and Europe (IFA).



As the Company moves into 2018 FY (FY18), its sights are firmly set on the continual improvement and diversification of our product range, but more critically, the further expansion and consolidation of our brick and mortar retail presence. With approximately 80% of global consumer electronics still purchased in brick and mortar stores, the other 20% online, the Company is committed to attracting and on-boarding as many retail outlets as possible in the early part of FY18. Successful achievement of this goal will provide a solid foundation on which to launch a significant global sales and marketing campaign, particularly in advance of Christmas 2018, traditionally the largest consumer spending period of the year.

Since producing our first wearable prototype in January 2016, the Company has come a long way in a very short space of time. Accordingly, I would like to take this opportunity to thank Nuheara’s dedicated staff for all their demanding work over this period. We all recognise that the rapid development, production and deployment is a must-do for any new products entering the global technology market and more importantly, that none of this can occur without the capital, trust and support from our loyal shareholders. Thank you.

I look forward to sharing further progress with you throughout the year.

Yours sincerely

A handwritten signature in black ink, appearing to read "Justin Miller", is written over a light blue background.

Justin Miller
Managing Director/Chief Executive Officer

DIRECTORS' REPORT

The Directors have the pleasure in presenting their report, together with the financial statements of the Company, being the Company and its controlled entities, for the year ended 30 June 2017.

1. Directors

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

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

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

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

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

David Cannington (Executive Director and Executive Vice President of Sales & Marketing)
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.

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

Dr Ottaviano has been employed by Carnegie Wave Energy Ltd (Carnegie) since January 2006 and was made Managing Director in March 2007. Dr Ottaviano oversees all activities that Carnegie undertakes including all commercial and technical aspects of Carnegie's operations, engineering and design, intellectual property and finance and administration. During his time as CEO Dr Ottaviano has lead Carnegie's development of its CETO Wave Energy technology from proof of concept, through a pilot plant phase and into the initial commercial demonstration stages and has been responsible for raising \$77m in equity, \$35m in Government grant funding and \$20m in a loan facility.

Dr Ottaviano has previously worked in research and development and was a divisional manager for a private Australian engineering Company. Prior to joining Carnegie, he was a senior manager specialising in technology and innovation consulting at a global accounting and advisory firm. He has advised companies on new product development, intellectual property, innovation portfolio management and technology commercialisation across various industries and ranging from start-ups to ASX-listed companies with market capitalisation in excess of \$1 billion. He has also been a board member of the Clean Energy Council, Australia's clean energy peak industry group, and a member of the Australian Government's Energy White Paper High Level Consultative Committee.

During the past three years, Dr Ottaviano served as a director of the following listed Company:

- Carnegie Wave Energy Limited – appointed 16 March 2007*

*Denotes current directorship

DIRECTORS' REPORT

2. Company Secretaries

Susan Hunter *BCom, ACA, F Fin, GAICD, AGIA* – Company Secretary

Appointed: 6 June 2016

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

Jean-Marie Rudd *B.Bus, ACA, GAICD* – Chief Financial Officer/Company Secretary

Appointed: 30 November 2016

Mrs Rudd has over 20 years' experience in the corporate sector and professional services, including almost 10 years at Chief Financial Officer and Company Secretary in ASX listed companies. Mrs Rudd holds a Bachelor of Business degree from Curtin University majoring in accounting, is a Member of the Australian Institute of Chartered Accountants, and a Member of the Australian Institute of Company Directors.

3. Principal activities

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

4. Dividends

No dividend has been declared or paid by the Company since the start of the financial year and the Directors do not recommend a dividend in relation to the financial year ended 30 June 2017.

5. Operating and financial review

Our business model and objectives

Nuheara is an innovative audio Wearables Company. It is developing proprietary hardware and software to deliver multi-functional intelligent hearing technology that augments a user's hearing and facilitates cable free connection to smart devices. With Nuheara IQbuds™, it is intended that consumers will be able to augment their hearing according to their personal hearing preferences and connect hands free with other voice enabled smart devices. Nuheara's mission is to improve people's lives by allowing them to seamlessly listen, communicate and connect to their physical and digital world.

Operating results

The comprehensive loss of the Company after income tax for the financial year amounted to \$4,839,623 (2016: loss of \$6,716,807). This represented a 72% improvement on the results reported for the year ended 30 June 2016. The significant improvement was attributable to the commencement of commercial production of the Company's first product, IQbuds™. Sales revenue was generated from both Australian and international customers, including a very successful crowdfunding campaign conducted through Indiegogo that raised revenues in excess of \$1m. Expenditure incurred relates to cost of manufacturing, marketing and promotion, research, prototype, design and other associated costs related to the commercialisation of the Company's hearing and wearables platform.

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

Mining tenements

Whilst the Company recognises that there may be some value in its resources projects, the directors are also cognisant of the fact that these mining interests lie outside the Company's core business activities. Accordingly, the Directors have decided to divest its mining assets. To maximise the return for shareholders, the Directors have commissioned an independent expert's report to review and make recommendations to the Board on how best to divest the Company's mineral related assets in both Australia and Peru.

DIRECTORS' REPORT

5. Operating and financial review (continued)

Review of operations

Since listing, the Company now co-located in offices in Perth and San Francisco, has continued to develop its IQbuds™ product from the successful stage-one working wearable prototype, launched in January 2016 to full-scale commercial production by the end of the financial year. For the year ended 30 June 2017 the Company produced over 17,000 IQbuds™, fulfilling all pre-orders and increasing stock levels in warehouses located in Sydney, Los Angeles, London, and Hong Kong to meet ongoing demand.

The Company expanded its global web store presence from USD and AUD transactions to now include CAD, NZD, and GBP transactions, and further extended its online presence with the launch of a US Amazon store in June 2017. Prior to year-end Nuheara announced the first of many planned geographical retail expansions, with the introduction of leading UK distributor Maxiim and the UK retailer Dixons, and orders from major retailers in the US, including Best Buy, Brookstone, Fry's, and Target. Channel expansion into Hearing Care Practitioners also commenced, with IQbuds™ now available at Bloom Hearing Clinics in Australia.

Revenue from ordinary activities for the year was \$2,466,336, compared with nil sales revenue for the year ended 30 June 2016. Significantly, the year-end results do not include any sales related to the Best Buy retail store expansion announced before year-end, or the geographical expansion into the UK. These orders were received in the first quarter of the 2018 financial year.

Two capital raisings were completed during the year, raising \$4.98 million in November 2016 and \$4.65 million in April 2017. Funds raised will be used to further expand global retail sales, and invest in new research and product development. At year-end, the Company held \$3.40 million in cash reserves.

2017 has been an impressive year of growth for Nuheara, after successfully bringing its first proprietary technology product to market and achieving global retail expansion.

Performance indicators

Management and the Board monitor the Company's overall performance, from the execution of its strategic plan through to the performance of the Company 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 Company's performance.

Shareholder returns

The Company's return to shareholders is as follows:

	2017	2016
Basic loss per share (cents per share)	(0.78)	(2.22)
Diluted loss per share (cents per share)	(0.69)	(2.09)

Review of financial condition

Liquidity and Capital Resources

The Statement of Cash Flows illustrates that cash used in operating activities amounted to \$4,070,267 (2016: outflow of \$1,287,347). This increase in outgoings in comparison to 2016 is largely due to the payment of suppliers for manufacture of IQbuds™ and research, prototype, design and other associated costs relating to the commercialisation of the Company's hearing and wearables platform. Net outflows of \$3,492,880 used in investing activities comprised: \$2,640,998 in development costs that were capitalised as intangible assets and \$851,882 as payment for plant and equipment. The net increase in the cash outflows from operating and investing activities was funded by \$8,973,571 cash received from the raising of funds from the issues of shares, net of share raising costs.

The net tangible asset backing of the Company was 0.620 cents per share (2016: 0.348 per share).

DIRECTORS' REPORT

6. Operating and financial review (continued)

Asset and capital structure

	2017	2016
	\$	\$
Debts:		
Trade and other payables	1,796,242	1,510,855
Less: Cash and cash equivalents	(3,404,552)	(1,994,128)
Net cash	(1,608,310)	(483,273)
Total equity	6,517,639	1,927,033
Total capital employed	4,909,329	1,443,760

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

Share issues during the year

The Company issued 143,667,133 shares during the year:

- 27 October 2016 issued 83,073,383 shares under share placement @ \$0.06 each
- 3 April 2017 issued 36,250,000 shares under share placement @ \$0.08 each
- 4 April 2017 issued 18,750,000 shares under share placement @ \$0.08 each
- 5 May 2017 issued 3,093,750 shares under share purchase plan @ 0.08 each
- 23 June 2017 issued 2,500,000 shares to consultant in consideration of investor relations and corporate advisory services

Risk management

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

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

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

7. Significant changes in the state of affairs

Significant changes in the state of affairs during the year ended 30 June 2017 are as follows:

- 27 October 2016 – the Company issued 83,073,383 ordinary shares at \$0.06 each under a share placement to provide funds for ongoing development and promotion of the Company's IQbuds™ product, including next generation versions, and to meet general working capital expenses.
- 29 November 2016 – the Company announces commencement of commercial production of IQbuds™
- 3 January 2017 – the Company achieves third party certification of IQbuds™ for Australia and New Zealand
- 21 February 2017 – the Company launched its IQbuds™ USA retail presence with Best Buy, the leading consumer electronics retailer in North America with more than 1,400 stores in the USA and a further 200 in Canada and Mexico.
- 8 March 2017 – the Company announces partnerships with leading retailers Amazon and Brookstone to expand its on-line and in-store retail presence.
- 3-4 April 2017 and 5 May 2017 – the Company issued 58,093,750 ordinary shares at \$0.08 each under a share placement and share purchase plan to provide funds for ramping up further retail partnership trials and discussions beyond North America and Australia; supporting traditional and digital marketing initiatives that will help to drive sales in all regions; expand market access beyond consumer electronics retail by including hearing health programs to diversify sales channels and potential consumer reach; and increase inventory levels with the Company's contract manufacturer, Flextronics, that in turn will ensure adequate product levels are maintained to support the diversification and expansion of the retail opportunities.
- 30 May 2017 – the Company completes backorder shipping of approximately 6,000 IQbuds™ to more than 80 countries.
- 31 May 2017 – the Company announces it has entered into a retail partnership with Widex and Bloom Hearing.

DIRECTORS' REPORT

8. Likely developments

Consistent with the Company's business plan, Nuheara will continue to work towards the productisation and commercialisation of its initial product offering, IQbuds™, and development of second generation and new product lines.

9. Significant events after balance date

On 26 July 2017, the Company issued 97,826,082 fully paid ordinary shares at \$0.092 per share pursuant to a share placement announced on 20 July 2017. The share issue will fund the working capital necessary to continue to support the rapid retail uptake and product development of the current IQbuds™ and further development of the Company's intellectual property portfolio.

10. Environmental regulation

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

11. Share options

As at the date of this report, the Company has 107,319,445 options over ordinary shares. These options have been issued on the following terms.

Number of Unlisted Options	Exercise Price	Expiry Date
8,319,445	\$0.10 each	15 September 2017
500,000	\$0.10 each	20 November 2017
20,000,000	\$0.03 each	25 February 2019 ⁽¹⁾
30,000,000	\$0.05 each	31 May 2019 ⁽²⁾
6,000,000	\$0.04 each	18 April 2019
5,500,000	\$0.06 each	18 April 2019
1,000,000	\$0.09 each	20 April 2019
10,000,000	\$0.12 each	6 June 2019
10,000,000	\$0.078 each	2 November 2019
10,500,000	\$0.09 each	30 November 2019
1,500,000	\$0.115 each	16 February 2020
4,000,000	\$0.09 each	22 May 2020
TOTAL	107,319,445	

(1) ASX escrow for 24 months from quotation of securities

(2) ASX escrow for 24 months from quotation of securities

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

DIRECTORS' REPORT

12. Remuneration report (audited)

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

i) Directors	
Justin Miller	Executive Chairman Chief Executive Officer
David Cannington	Executive Director Executive Vice President of Sales and Marketing
Michael Ottaviano	Non-Executive Director
ii) Executives	
Jean-Marie Rudd	Chief Financial Officer/Co-Company Secretary

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

Remuneration policy

The remuneration policy of the Company 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 Company and the activities which it undertakes and is appropriate in aligning executives' objectives with shareholder and business objectives.

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

The maximum remuneration of Non-Executive Directors is to be determined by Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. At present the maximum aggregate remuneration of Non-Executive Directors is \$250,000 per annum. The apportionment of Non-Executive Director Remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company 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 Company.

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

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

DIRECTORS' REPORT

11. Remuneration report (audited) (continued)

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

KMP are also entitled and encouraged to participate in the employee option arrangements to align Directors' interests with shareholders' interests.

Options granted under the arrangement do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share once the interim or final financial report has been disclosed to the public and is measured using the Black-Scholes methodology.

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

Performance-based remuneration policy

Key performance indicators (KPI's) are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPI's target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial, as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Company 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 remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and shareholder wealth, before the KPI's are set for the following year.

Relationship between remuneration policy and Company performance

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

Performance conditions linked to remuneration

The Company seeks to emphasise reward incentives for results and continued commitment to the Company 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 Company.

DIRECTORS' REPORT

11. Remuneration report (audited) (continued)

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

		Short-Term Employee Benefits		Post-Employment Benefits	Share-Based Payments		Total \$
		Salary & Consulting Fees \$	Cash Bonus \$	Superannuation \$	Shares \$	Options \$	
Rick Brown	2017	-	-	-	-	-	-
<i>(resigned 25 February 2016)</i>	2016	19,603	-	-	-	-	19,603
David Cannington ⁽¹⁾	2017	243,860	663	-	-	49,000	293,522
	2016	91,302	-	-	-	117,916	209,218
Justin Miller ⁽¹⁾	2017	210,000	1,000	20,045	-	49,000	280,045
	2016	79,886	-	6,606	-	117,916	204,408
Grant Mooney	2017	-	-	-	-	-	-
<i>(resigned 6 June 2016)</i>	2016	30,444	-	2,850	-	-	33,294
Jeffrey Moore	2017	-	-	-	-	-	-
<i>(resigned 25 February 2016)</i>	2016	19,603	-	1,862	-	-	21,465
Michael Ottaviano	2017	30,000	-	2,850	-	-	32,850
	2016	10,000	-	950	-	-	10,950
Jean-Marie Rudd	2017	146,897	1,000	14,050	-	44,258	206,206
<i>(appointed 22 August 2016)</i>	2016	-	-	-	-	-	-
TOTAL	2017	630,757	2,663	36,945	-	142,258	812,623
TOTAL	2016	250,838	-	12,268	-	235,832	498,938

Notes:

(1) Justin Miller and David Cannington received 10,000,000 options each as part of the Nuheara Pty Ltd acquisition. As at the date of this report, 100% of these options have vested (2016: 6,666,667).

DIRECTORS' REPORT

11. Remuneration report (audited) (continued)

Services agreements

Justin Miller – Chief Executive Officer

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

The total annual remuneration payable to Mr Miller under the Miller Agreement is a salary of USD\$240,000 (2016: AUD \$210,000) per annum (inclusive of superannuation). Mr Miller will also be entitled to participate in short-term cash incentives of up to 30% of the base package and long-term incentives to be defined by the Board.

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

- by six months' written notice to Mr Miller, at which time the Company 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 Company. Mr Miller may also terminate the Miller Agreement immediately by giving notice if at any time the Company 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 Company ceases, being directly or indirectly involved in a competing business during the continuance of his employment with the Company, and for a period of 12 months after his employment with the Company ceases, on terms which are otherwise considered standard for agreements of this nature.

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

David Cannington – Executive Vice President of Sales and Marketing

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

The total annual remuneration payable to Mr Cannington under the Cannington Agreement is a salary of USD\$228,000 (2016: USD\$175,000) per annum and a health care allowance of USD\$750 (2016: USD \$750) per month. Mr Cannington will also be entitled to participate in short-term cash incentives of up to 30% of the base package and long-term incentives to be defined by the Board.

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

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

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

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

DIRECTORS' REPORT

11. Remuneration report (audited) (continued)

Services agreements (continued)

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

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

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

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

The total annual remuneration payable to Mrs Rudd under the Rudd Agreement is a salary of \$187,000 per annum (exclusive of superannuation). Mrs Rudd will also be entitled to participate in short-term cash incentives of up to 20% of the base package and long-term incentives to be defined by the Board.

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

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

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

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

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

KMP shareholdings

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

Ordinary Shares	Opening balance 1 July 2016 or balance on appointment	Issued during the year	Purchased during the year	Closing Balance 30 June 2017 or resignation date
Justin Miller ⁽¹⁾	63,142,857	-	-	63,142,857
David Cannington	63,142,857	-	-	63,142,857
Michael Ottaviano	24,802,321	-	-	24,802,321
Jean-Marie Rudd	-	-	19,279	19,279
Total	179,978,889	-	19,279	179,998,168

Notes:

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

DIRECTORS' REPORT

11. Remuneration report (audited) (continued)

KMP shareholdings (continued)

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

Options	Opening balance 1 July 2016 or balance on appointment	Issued during the year	Expired during the year	Closing Balance 30 June 2017 or resignation date
Justin Miller ⁽¹⁾	10,000,000	-	-	10,000,000
David Cannington	10,000,000	-	-	10,000,000
Michael Ottaviano	-	-	-	-
Jean-Marie Rudd	-	4,500,000	-	4,500,000
Total	20,000,000	4,500,000	-	24,500,000

Notes:

(1) 10,000,000 unlisted options are held by Wasagi Corporation Pty Ltd as trustee for the Wasagi Family Trust of which Justin Miller is a beneficiary.

Options granted

Options issued to KMP for the year ended 30 June 2017 (2016: 20,000,000):

2017	Grant Details			For the financial year ended 30 June 2017					Overall		
	Date	No. ⁽¹⁾	Value \$	Exercised No.	Exercised \$	Lapsed No.	Lapsed \$	Vested No.	Vested %	Unvested % ⁽³⁾	Lapsed %
Justin Miller	25/02/2016	10,000,000 ⁽²⁾	147,000	-	-	-	-	3,333,334	100%	-	-
David Cannington	25/02/2016	10,000,000	147,000	-	-	-	-	3,333,334	100%	-	-
Jean-Marie Rudd	22/08/2016	4,500,000	177,030	-	-	-	-	1,125,000	25%	75%	-

Notes:

(1) The options issued to Justin Miller and David Cannington were issued pursuant to the prospectus dated 25 January 2016.

(2) 10,000,000 unlisted options are held by Wasagi Corporation Pty Ltd as trustee for the Wasagi Family Trust of which Justin Miller is a beneficiary.

Option values at grant date were determined using the Black-Scholes method.

Shares issued

2017:

During the 2017 year, no shares were issued as remuneration.

2016:

During the 2016 year, the following shares were issued to Directors or their nominees, pursuant to the prospectus:

- 63,142,857 shares were issued to Justin Miller or his nominee
- 63,142,857 shares were issued to David Cannington or his nominee
- 24,802,321 shares were issued to Michael Ottaviano or his nominee

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 Company's Directors held during the year ended 30 June 2017 and the number of meetings attended by each Director:

Director	Number Attended	Number Eligible to Attend
Justin Miller	7	7
David Cannington	7	7
Michael Ottaviano	7	7

13. Indemnifying officers or auditor

The Company 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 Company, other than conduct involving a wilful breach of duty in relation to the Company. The premiums in total amounted to \$33,212.

14. Proceedings on behalf of the Company

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

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

15. Auditor

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

16. Non audit services

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

17. Auditor's independence declaration

The auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 14 of the financial report.

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



Justin Miller
Managing Director/Chief Executive Officer

Perth, 22 September 2017

NUHEARA LIMITED
ABN 29 125 167 133

AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATION ACT 2001
TO THE DIRECTORS OF NUHEARA LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there has been no contraventions of:

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

Walker Wayland WA Audit Pty Ltd

Walker Wayland WA Audit Pty Ltd

Richard J Gregson

RICHARD GREGSON CA
Director
Level 2, 129 Melville Parade
COMO WA 6152

Dated this 22nd day of September 2017.

NUHEARA LIMITED
ABN 29 125 167 133

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	2017 \$	2016 \$
Revenue		2,466,336	-
Cost of sales		(3,118,036)	(4,691)
Gross loss		(651,700)	(4,691)
Other income		450,316	12,431
Salaries and employee benefits		(1,270,997)	(454,812)
Marketing and promotional		(1,010,753)	(310,650)
Research and development		(205,343)	(987,808)
General and administrative		(1,671,000)	(766,213)
Share based payments		(461,508)	(31,919)
Mining activities		(18,638)	679,164
Listing fees	22	-	(4,969,933)
Total expenses		(4,187,923)	(6,829,740)
Loss before tax from continuing operations		(4,839,623)	(6,834,431)
Income tax benefit	2	-	-
Net loss after tax from continuing operations		(4,839,623)	(6,834,431)
Profit from discontinued operations			
Change in carrying value of disposal group		-	(2,443)
Profit on disposal group		-	120,067
Total profit from discontinued operations		-	117,624
Total comprehensive loss for the year		(4,839,623)	(6,716,807)
Total comprehensive loss attributable to:			
Equity holders		(4,839,623)	(6,716,807)
Total comprehensive loss		(4,839,623)	(6,716,807)
Earnings per share			
Basic loss per share (cents per share)	15	(0.78)	(2.22)
Diluted loss per share (cents per share)	15	(0.69)	(2.09)

The accompanying notes form part of these financial statements.

NUHEARA LIMITED
ABN 29 125 167 133

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	NOTES	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents		3,404,552	1,994,128
Trade and other receivables	3	871,209	1,058,577
Inventory		1,125,144	15,147
Disposal group – mining tenements held for sale		206,233	206,233
TOTAL CURRENT ASSETS		5,607,138	3,274,085
NON-CURRENT ASSETS			
Plant and equipment	4	871,245	160,399
Security deposits		27,581	27,706
Intangible assets	5	2,194,198	-
TOTAL NON-CURRENT ASSETS		3,093,024	188,105
TOTAL ASSETS		8,700,162	3,462,190
CURRENT LIABILITIES			
Trade and other payables	6	1,796,242	1,510,855
Provisions	7	386,281	24,302
TOTAL CURRENT LIABILITIES		2,182,523	1,535,157
TOTAL LIABILITIES		2,182,523	1,535,157
NET ASSETS		6,517,639	1,927,033
EQUITY			
Issued capital	8	17,402,898	8,229,327
Share option reserve		677,427	415,919
Foreign currency translation reserve		(4,850)	-
Accumulated losses		(11,557,836)	(6,718,213)
TOTAL EQUITY		6,517,639	1,927,033

The accompanying notes form part of these financial statements.

NUHEARA LIMITED
ABN 29 125 167 133

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Ordinary Shares \$	Accumulated Losses \$	Share Option Reserve \$	Foreign Currency Translation Reserve \$	Total \$
Balance at 1 July 2015	100	(1,406)	-	-	(1,306)
Comprehensive income					
Loss for the year	-	(6,716,807)	-	-	(6,716,807)
Total comprehensive loss for the year	-	(6,716,807)	-	-	(6,716,807)
Transactions with owners in their capacity as owners					
Shares issued during the year	8,825,315	-	-	-	8,825,315
Share issue costs	(596,088)	-	-	-	(596,088)
Options issued during the year	-	-	415,919	-	415,919
	8,229,227	-	415,919	-	8,645,146
Balance at 30 June 2016	8,229,327	(6,718,213)	415,919	-	1,927,033
Balance at 1 July 2016	8,229,327	(6,718,213)	415,919	-	1,927,033
Comprehensive income					
Loss for the year	-	(4,839,623)	-	-	(4,839,623)
Total comprehensive loss for the year	-	(4,839,623)	-	-	(4,839,623)
Transactions with owners in their capacity as owners					
Shares issued during the year	9,831,903	-	-	-	9,831,903
Share issue costs	(658,332)	-	-	-	(658,332)
Options issued during the year	-	-	99,814	-	99,814
Movement in valuation of options issued in prior periods	-	-	161,694	-	161,694
Foreign currency translation movements	-	-	-	(4,850)	(4,850)
	9,173,571	-	261,508	(4,850)	9,430,229
Balance at 30 June 2017	17,402,898	(11,557,836)	677,427	(4,850)	6,517,639

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,898,869	(5,587)
Interest received		33,382	12,431
Grants and rebates received		411,175	-
Payments to suppliers and employees		(6,412,608)	(1,294,147)
Interest and other costs of finance paid		(1,085)	(44)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	23	(4,070,267)	(1,287,347)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(851,882)	(175,737)
Payment for acquisition of businesses (net of cash acquired)		-	37,837
Proceeds from disposal of investments in associates		-	131,364
Payment for the acquisition of intangibles		(2,640,998)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(3,492,880)	(6,536)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share and option issues		9,631,903	3,500,000
Share raising costs		(658,332)	(212,089)
NET CASH FLOWS FROM FINANCING ACTIVITIES		8,973,571	3,287,911
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		1,410,424	1,994,028
Cash and cash equivalent at beginning of the financial year		1,994,128	100
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		3,404,552	1,994,128

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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

For the purposes of this report:

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

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

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

The financial report for Nuheara Limited for the year ended 30 June 2017 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 Suite 5, 28 John Street, Northbridge, Western Australia.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

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

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

Reporting Basis and Conventions

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

Critical accounting estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 13.

New Accounting Standards for Application in Future Periods

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

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the Company elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of preparation (continued)

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the Company's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

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

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

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

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

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

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

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

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of preparation (continued)

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

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

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

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

b) Business combinations

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

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

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

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

c) Employee benefits

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

d) Impairment of assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Intangible assets

Research and development

(i) Research phase

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

(ii) Development phase

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

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

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

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

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

Patents and trademarks

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

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

f) Cash and cash equivalents

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

g) Financial instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value or amortised cost using the effective interest method, or cost.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) **Financial instruments (continued)**

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

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

(i) Loans and receivables

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

(ii) Financial liabilities

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

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account, or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

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

Fair value estimation

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Company'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 Company's presentation currency, are translated as follows:

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

i) Issued capital

Ordinary shares and options are classified as equity.

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

j) Leases

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

k) Plant and equipment

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

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

The following depreciation rates that are used in the calculation of depreciation:

- Office equipment - 10% - 25%
- Plant and Equipment - 15%
- Leasehold improvements - 40%

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Inventories

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

m) Principles of consolidation

On 25 February 2016, Nuheara Limited acquired all of the issued shares of Nuheara IP Pty Ltd, resulting in Nuheara IP Pty Ltd becoming a wholly owned subsidiary of Nuheara Limited. The acquisition resulted in the original shareholders of Nuheara IP Pty Ltd holding a controlling interest in Nuheara Limited (formerly known as Wild Acre Metals Limited). Pursuant to AASB 3: *Business Combinations*, this transaction represents a reverse acquisition with the result that Nuheara IP Pty Ltd was identified as the acquirer, for accounting purposes, of Nuheara Limited (the “acquiree” and “legal parent”). Wild Acre Metals Limited was not considered a business as it only held disposal groups in Australia and Peru. Accordingly, in the year to 30 June 2016 it was treated as an asset purchase and the excess consideration paid was disclosed as listing costs on the Statement of Profit or Loss and Other Comprehensive Income.

A list of controlled entities is contained in Note 20.

n) Revenue recognition

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

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

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

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

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

o) Provisions

(i) Warranty provisions

Provision is made in respect of the Company’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.

(ii) Long service leave and annual leave

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) **Share-based payments**

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

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

q) **Taxes**

(i) **Income Tax**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r) New and amended accounting policies adopted by the Company

Standards and Interpretations applicable to 30 June 2017

In the year ended 30 June 2017, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2. INCOME TAX

a) Income tax expense

Current income tax
Deferred income tax
Income tax expense

2017 \$	2016 \$
-	-
-	-
-	-

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

Loss from continuing operations before income tax expense
Loss before tax from disposal group
Loss before income tax
Tax credit at the Australian tax rate of 27.5% (2016: 28.5%)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:
Non-deductible expenses
Non assessable-non exempt income related expenditure/(income)
Temporary differences
Tax loss not brought to account as a deferred tax asset
R&D Tax Offset
Income tax expense

(4,839,623)	(6,688,557)
-	(28,250)
(4,839,623)	(6,716,807)
(1,330,896)	(1,914,290)
128,480	1,194,075
411,176	(16,451)
171,723	233,339
732,590	503,327
(113,073)	-
-	-

c) Unrecognised deferred tax assets/(liabilities)

Unrecognised temporary differences

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

Interest receivable
Prepayments
Software
Trade and other payables
Employee benefits
Provisions
Business related costs
Foreign exchange
Tax Losses

2017 \$	2016 \$
(1,584)	-
(46,907)	-
57,279	-
7,425	275,370
24,217	6,926
67,824	-
291,543	364,426
9,726	-
2,311,958	1,475,488
2,721,481	2,122,210

Potential unrecognised deferred tax asset @ 27.5% (2016: 28.5%)

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

3. TRADE AND OTHER RECEIVABLES

Trade and other receivables

2017 \$	2016 \$
871,209	1,058,577

Credit risk – trade and other receivables

The Company 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 Company. The trade and other receivables as at 30 June are considered to be of medium credit quality.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
	\$	\$
4. PLANT AND EQUIPMENT		
Plant and equipment – at cost	1,036,615	184,732
Less: accumulated depreciation	(165,370)	(24,333)
Total plant and equipment	871,245	160,399

	2017	2016
	\$	\$
Opening balance -plant and equipment	160,399	-
Additions	853,434	184,732
Depreciation	(142,309)	(24,333)
Foreign currency translation movement	(279)	-
Closing balance – plant and equipment	871,245	160,399

	2017	2016
	\$	\$
5. INTANGIBLE ASSETS		
Development costs – at cost	2,544,152	-
Less: accumulated amortisation and impairment losses	(444,354)	-
Net carrying amount	2,099,798	-
Patents & Trademarks – at cost	96,846	-
Less: accumulated amortisation and impairment losses	(2,446)	-
Net carrying amount	94,400	-
Total intangible assets	2,194,198	-

	Development Costs	Patents & Trademarks	Total
	\$	\$	\$
Balance as at 1 July 2015	-	-	-
Balance as at 30 June 2016	-	-	-
Additions – internally developed	2,544,152	96,846	2,640,998
Amortisation charge	(444,354)	(2,446)	(446,800)
Balance as at 30 June 2017	2,099,798	94,400	2,198,198

	2017	2016
	\$	\$
6. TRADE AND OTHER PAYABLES - CURRENT		
Trade creditors	1,081,511	341,734
Unearned Income	-	939,210
Other creditors and accrued expenses	714,731	229,911
	1,796,242	1,510,855

7. PROVISIONS – CURRENT		
Employee provisions	139,647	24,302
Provision for warranty claims	246,634	-
	386,281	24,302

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

8. ISSUED CAPITAL

Ordinary shares

(i) Issued and paid up capital

697,489,746 (2016: 553,822,613) Ordinary shares, fully paid

2017 \$	2016 \$
17,402,898	8,229,327

(ii) Movements during the period number of shares

Opening Balance shares

Issue of 100 shares on incorporation 7 May 2015

Issue of 5 shares on 23 November 2015

Shares transferred to Nuheara Limited on acquisition

Opening balance of Nuheara Limited shares

16 October 2015 issue 12,500,000 shares @ \$0.008 each to raise funds for working capital

29 October 2015 issue 9,375,000 shares @ \$0.016 each to raise funds for working capital

9 December 2015 issue 2,500,000 shares to Teck Resources Limited in consideration for 100% interest in Salvador Project

25 February 2016 issue 140,000,000 shares pursuant to Prospectus @ \$0.025 each

25 February 2016 issue 201,250,000 shares issued to Nuheara shareholders

25 February 2016 issue 24,802,321 shares to facilitator at \$0.025 each

Balance shares at 30 June 2016

Number of Shares 2016	2016 \$
100	100
-	11,000
5	-
(105)	-
163,395,292	-
12,500,000	-
9,375,000	-
2,500,000	3,500,000
140,000,000	5,314,315
201,250,000	-
24,802,321	(596,088)
553,822,613	8,229,327

Opening balance at 1 July 2016

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

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

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

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

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

Less: Share issue costs

Balance shares at 30 June 2017

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

(iii) Holders of ordinary shares

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

8. ISSUED CAPITAL (continued)

Unlisted Options

(i) Issued unlisted options
107,319,445 (2016: 85,469,445) unlisted options

2017 \$	2016 \$
677,427	415,919

Description	Number	Grant Date	Exercise Price	Expiry Date	Weighted Average time until expiry 2017
Unlisted Options	8,319,445	21/11/2014	\$0.10	15/09/2017	3 months
Unlisted Options	500,000	21/11/2014	\$0.10	20/11/2017	5 months
Unlisted Options	20,000,000	25/02/2016	\$0.03	23/02/2019	20 months
Unlisted Options	30,000,000	25/02/2016	\$0.05	31/05/2019	23 months
Unlisted Options	6,000,000	18/04/2016	\$0.04	18/04/2019	22 months
Unlisted Options	5,500,000	18/04/2016	\$0.06	18/04/2019	22 months
Unlisted Options	1,000,000	24/05/2016	\$0.09	20/04/2019	22 months
Unlisted Options	10,000,000	23/06/2017	\$0.12	06/06/2019	24 months
Unlisted Options	10,000,000	23/06/2017	\$0.078	02/11/2019	29 months
Unlisted Options	10,500,000	19/12/2016	\$0.09	30/11/2019	29 months
Unlisted Options	1,500,000	16/02/2017	\$0.115	16/02/2020	32 months
Unlisted Options	4,000,000	22/05/2017	\$0.09	22/05/2020	35 months
Total Unlisted Options	107,319,445				

For information relating to share options issued to KMP and consultants including details of options issued, exercised and lapsed during the financial year, refer to Note 21 Share Based Payments.

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

Balance unlisted options at 30 June 2015

Opening balance of Nuheara Ltd unlisted options	20,719,445	-
Issue of management options in Nuheara acquisition	20,000,000	-
Issue of underwriter options pursuant to Prospectus dated 25 January 2016	30,000,000	384,000
Issue of employee options @ \$0.04 each on 18 April 2016	6,000,000	15,246
Issue of employee options @ \$0.06 each on 18 April 2016	5,500,000	12,452
Issue of employee options @ \$0.09 each on 18 April 2016	3,250,000	4,221
Balance unlisted options at 30 June 2016	85,469,445	415,919

Unlisted Options 2016 No.	Unlisted Options 2016 \$
-	-
20,719,445	-
20,000,000	-
30,000,000	384,000
6,000,000	15,246
5,500,000	12,452
3,250,000	4,221
85,469,445	415,919

Balance unlisted options at 30 June 2016

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

2017 No.	2017 \$
85,469,445	415,919
11,000,000	79,900
1,500,000	6,059
4,000,000	5,435
10,000,000	4,300
10,000,000	4,120
(14,650,000)	-
-	161,694
107,319,445	677,427

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

8. ISSUED CAPITAL (continued)

(iii) Capital Management

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

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

There are no externally imposed capital requirements.

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

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

9. OPERATING SEGEMENTS

Nuheara Limited, Nuheara IP Pty Ltd and Nuheara, Inc are operating within the consumer electronics 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.

10. RELATED PARTY DISCLOSURES

Key Management Personnel (KMP)

Any person(s) having authority and responsibility for planning, directing or controlling the activities of the Company, directly or indirectly (whether executive or otherwise) of that Company, are considered KMP. For details of disclosures relating to KMP refer to Note 17, Interests of KMP.

Transactions with director related entities

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

11. EVENTS OCCURRING AFTER BALANCE DATE

On 26 July 2017, the Company issued 97,826,082 fully paid ordinary shares at \$0.092 per share pursuant to a share placement announced on 20 July 2017. The share issue will fund the working capital necessary to continue to support the rapid retail uptake and product development of the current IQbuds™ and further development of the Company's intellectual property portfolio.

12. COMMITMENTS FOR EXPENDITURE

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

Operating Lease Commitment

The Company has entered into a rental agreement commencing 1 April 2016 for a period of 24 months, with an option to extend for a further term of 24 months from 1 April 2018.

Office Lease

Due within 1 year
Due 1 to 5 years

	2017 \$	2016 \$
	72,633	95,776
	-	72,633

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

Contractors

Due within 1 year
Due 1 to 5 years

	2017 \$	2016 \$
	213,551	230,980
	28,442	-

Exploration Expenditure Commitments

The Company has minimum statutory commitments as a condition of tenure of certain Peru mining tenements. Whilst these obligations may vary, a reasonable estimate of the annual minimum commitments is \$18,331. The Directors intend to dispose of these tenements as soon as it is commercially practical to do so.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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

(i) Estimated impairment of assets

The Company assesses impairment of its assets at the end of each reporting period by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Where impairment has been triggered, assets are written down to their recoverable amounts.

(ii) Estimated warranty costs

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

(iii) Valuation of options

Share-based payment transaction:

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, using the assumptions detailed in Note 21 (b).

The Company 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 21 (b).

(iv) Reverse acquisition

For every business combination the Company identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Judgement is applied in determining whether control is transferred from one party to another, in the determination of whether one of those entities was a business, as defined Australian Accounting Standard AASB 3: *Business Combinations*, and in assessing the fair values of assets and liabilities acquired and consideration paid (refer note 22).

(v) Capitalisation of development costs

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

(vi) Government grants

Under AASB 120: *Accounting for Government Grants and Disclosure of Government Assistance*, an entity shall not recognise a government grant until there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received. Management has assessed that no reasonable assurance exists to require recognition of the 2017 Research and Development tax incentive as at 30 June 2017 under the Standard.

(vii) Assets held for sale

Judgement was used in the determination that mining interests in Australia and Peru met the requirements for classification as disposal groups under AASB 5: *Non-Current Assets held for Sale and Discontinued Operations*.

(viii) Contingent Purchase Consideration

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

13. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(viii) Contingent Purchase Consideration (continued)

Additionally, if there is a sale of the Salvador interests by the Company within 36 months of the date of execution of the Teck Agreement, an additional 20% of the purchase price is payable to Teck Peru S.A. The additional contingent purchase consideration is assessed at nil at balance date.

(ix) Net Smelter Royalties

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

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

14. FINANCIAL INSTRUMENTS

Overview

The Company 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 Company'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 Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

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

(a) Interest Rate Risk

The Company'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 2017	Weighted Average Effective Interest Rate %	Interest Bearing \$	Non-Interest Bearing \$	Total \$
Financial Assets				
Cash at bank	1.54	2,799,525	605,027	3,404,552
Trade and other receivables	-	-	871,208	871,208
	-	2,799,925	1,476,235	4,275,760
Financial Liabilities				
Trade and other payables	-	-	1,796,242	1,796,242

30 June 2016	Weighted Average Effective Interest Rate %	Interest Bearing \$	Non-Interest Bearing \$	Total \$
Financial Assets				
Cash at bank	1.03	1,982,569	11,559	1,994,128
Trade and other receivables	-	-	1,058,576	1,058,576
	-	1,982,569	1,070,135	3,052,704
Financial Liabilities				
Trade and other payables	-	-	571,645	571,645

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

14. FINANCIAL INSTRUMENTS (continued)

(a) Interest Rate Risk (continued)

Sensitivity analysis

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

(b) Credit Risk

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

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

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's reputation.

The following are the contractual maturities of financial liabilities:

	2017		2016	
	Carrying Amount	Under 6 Months	Carrying Amount	Under 6 Months
Non-derivative financial liabilities:				
Trade and other payables	1,796,242	1,796,242	571,645	571,645

Net Fair Values

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

(d) Foreign exchange risk

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

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

It is the Company's policy that hedging is not necessary, as the Company 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 Company at balance date in 2017 is not material (2016: not material).

15. EARNINGS PER SHARE

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

2017 Cents	2016 Cents
(0.78)	(2.22)
(0.69)	(2.09)

Basic loss per share

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

Loss

2017 \$	2016 \$
(4,839,623)	(6,716,807)

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

2017 No.	2016 No.
622,333,724	301,952,369
701,003,854	321,842,095

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

16. AUDITOR'S REMUNERATION

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

2017	2016
\$	\$
38,575	32,000
7,753	9,137
46,328	41,137

17. 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 Company's KMP.

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

	2017	2016
	\$	\$
Short term benefits	633,420	413,913
Post-employment benefits	36,945	10,843
Share based payments - shares	-	-
Share based payments - options	142,258	-
	812,623	424,756

The remuneration disclosed for the Company differs from the Remuneration Report in the Directors' Report which discloses remuneration paid by the legal acquirer, Nuheara Limited, for KMP.

18. CONTINGENT LIABILITIES

There are no known contingent liabilities.

19. COMPANY DETAILS

Registered Office

The registered office is at Suite 5, 28 John Street, Northbridge, Western Australia 6003.

Principal Place of Business

The principal place of business in Australian is at Suite 5, 28 John Street, Northbridge, Western Australia 6003.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

20. INFORMATION ABOUT CONTROLLED ENTITIES

The controlled entities listed below have share capital consisting solely of ordinary shares which are held directly by the Company. The proportion of ownership interests held equals the voting rights held by the Company. 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	
		2017	2016	2017	2016
Nuheara IP Pty Ltd	Perth, Australia	100%	100%	0%	0%
Wild Acre Metals (Peru) SAC	Lima, Peru	100%	100%	0%	0%
Nuheara, Inc	San Francisco, USA	100%	100%	0%	0%
Terrace Gold Pty Ltd	Perth, Australia	80%	80%	20%	20%

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

21. SHARE BASED PAYMENTS

The following share-based payment arrangement existed:

(a) Shares and options granted to KMP are as follows:

Grant Date	No. of Options	No. of Shares
30 November 2016	4,500,000 ⁽ⁱ⁾	-

(i) 4,500,000 Management options were issued to Mrs Jean-Marie Rudd pursuant to the Company's Incentive Option Plan.

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

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

During the financial year 7,791,668 options vested with KMP (2016: 13,333,332).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

21. SHARE BASED PAYMENTS (continued)

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

Grant Date	No. of Options	No. of Shares	Name
20 June 2017	10,000,000	-	Foster Stockbroking
20 June 2017	10,000,000	-	Hunter Capital
23 June 2017		2,500,000	Intuitive Pty Ltd

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

	No.	Weighted Average Exercise Price
Options outstanding and exercisable as at 30 June 2015	-	-
Transferred in	20,719,445	\$0.13
Granted	65,750,000	\$0.05
Forfeited	-	-
Exercised	-	-
Options outstanding and exercisable as at 30 June 2016	85,469,445	\$0.07
Transferred in	-	-
Granted	36,500,000	\$0.03
Forfeited	(14,650,000)	-
Exercised	-	-
Options outstanding and exercisable as at 30 June 2017	107,319,445	\$0.07

The weighted average remaining contractual life of options outstanding at year end was 1.85 years (2016: 2.34). The weighted average exercise price of outstanding options at the end of the reporting period was \$0.07 (2016: \$0.07).

The fair value of options granted during the year was \$88,130 (2016: \$31,919). These values were calculated using the Black-Scholes option pricing model, applying the following inputs:

	Employees	Employees	Employees	Corp. Advisor	Corp. Advisor
Grant Date	30/11/2016	21/02/2017	22/05/2017	20/06/2017	20/06/2017
Share price on issue date	\$0.064	\$0.110	\$0.081	\$0.077	\$0.077
Expected volatility	100%	100%	100%	100%	100%
Exercise price	\$0.090	\$0.115	\$0.090	\$0.078	\$0.12
Expiry date	30/11/2019	16/02/2020	22/05/2020	02/11/2019	06/06/2019
Risk free interest rate	1.50%	1.50%	1.50%	1.50%	1.50%
Number issued	11,000,000	1,500,000	4,000,000	10,000,000	10,000,000
Value per option	\$0.0562	\$0.0488	\$0.0546	\$0.0532	\$0.0422
Total	\$413,070	\$51,240	\$152,880	\$372,400	\$295,400

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 \$200,000, which relates to equity-settled share-based payment transactions (2016: \$31,919).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

22. NUHEARA LIMITED ACQUISITION OF NUHEARA IP PTY LTD

On 25 February 2016, Nuheara Limited (formerly Wild Acre Metals Limited) acquired Nuheara IP Pty Ltd. As required by Australian Accounting Standard AASB3: *Business Combinations*, Nuheara Limited is deemed to have been acquired by Nuheara IP Pty Ltd at that date, under the reverse acquisition rules. However, the acquisition was not treated as a Business Combination as Wild Acre Metals Limited was not a business as defined in that Standard.

The details of the acquisition were as follows:

	2017	2016
	\$	\$
Consideration Paid	-	5,314,315
Assets and liabilities acquired at fair value:		
Cash and cash equivalents	-	37,476
Trade and other receivables	-	10,150
Mineral tenements held for sale	-	345,040
Other current assets	-	8,327
Property, plant and equipment	-	9,433
Trade and other payables	-	(66,044)
	-	344,382
	-	4,969,933
Adjustment for subsequent settlement of inter entity loan and Australian tenement sale	-	(459,967)
Listing costs	-	4,509,966

23. NOTES TO THE STATEMENT OF CASHFLOWS

	2017	2016
	\$	\$
Reconciliation of net loss to net cash flows used in operating activities		
Loss from ordinary activities after income tax	(4,839,623)	(6,716,807)
Add back non-cash items:		
Profit on sale of mining interests	-	(454)
Change in carrying value of disposal group	-	2,443
(Profit)/loss on disposal group	-	(120,067)
(Profit)/loss on property plant & equipment	-	3,558
Depreciation and amortisation expenses	587,837	5,077
Listing fees	-	4,969,933
Share based payments expense	461,508	31,919
Changes in assets and liabilities		
Increase in trade debtors	(562,834)	(5,157)
Increase/(decrease) in other receivables	750,201	(1,053,418)
Increase in inventories	(1,109,997)	(15,147)
Increase/(decrease) in non-current assets	126	(27,707)
Increase in trade creditors	734,921	446,464
Increase in other payables	484,825	228,504
Increase in provision for employee entitlements	115,345	24,302
Increase in provision for warranty claims	246,634	-
Increase/(decrease) in unearned income	(939,210)	939,210
Net cash used in operating activities	(4,070,267)	(1,287,347)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

24. PARENT ENTITY FINANCIAL INFORMATION

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

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

	2017	2016
	\$	\$
Results for the parent entity:		
Net profit/(loss)	(3,496,050)	(2,020,949)
Other comprehensive income	-	-
Total comprehensive loss for the year	(3,496,050)	(2,202,949)
Current assets	5,031,778	3,055,128
Non-current assets	10,041,803	5,510,792
Total assets	15,073,681	8,565,920
Current liabilities	2,027,267	1,556,635
Total liabilities	2,027,267	1,556,635
Net assets	13,046,314	7,009,285
Total equity of the parent entity		
Contributed equity	24,177,261	15,045,690
Reserves	1,004,771	603,263
Accumulated losses	(12,135,718)	(8,639,668)
Total Equity	13,046,314	7,009,285

DIRECTORS' DECLARATION

The Directors of Nuheara Limited declare that:

1. the financial statements and notes, as set out on pages 15 to 40, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards which, as stated in the accounting policy Note 1 to the financial statements, constitutes compliance with International Accounting Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the Company;
2. the Directors have given the declarations required by S295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer;
3. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board of Directors:



Justin Miller
Managing Director/Chief Executive Officer

Perth, 22 September 2017



**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
NUHEARA LIMITED**

FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Nuheara Limited, which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion

- a. the accompanying financial report of Nuheara Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. 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 Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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





**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
NUHEARA LIMITED**

FOR THE YEAR ENDED 30 JUNE 2017

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were most significant in our audit of the financial report for the year ended 30 June 2017. 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.

Key Audit Matter

Material Uncertainty Regarding Going Concern (ASA 570)

The company has reported a Net loss of \$4,839,623 for the year ended 30 June 2017 (2016: \$6,716,807).

Material uncertainty regarding going concern has been designated a key audit matter; due to the high level of judgement required in evaluating the company's assessment of going concern.

Revenue Recognition (Note 1) (AASB 118)

The company has reported Revenue of \$2,466,336 for the year ended 30 June 2017 (2016: Nil).

Revenue recognition has been designated a key audit matter; due to the multitude of geographical markets in which the company operates, there is a risk that revenue may be misstated.

How our Audit Addressed the Key Audit Matter

Audit procedures include the following:

- obtaining and reviewing managements cash flow forecast to asses whether current cash levels can sustain operations for a period of at least 12 months from the date of the directors signing the financial statements;
- assessing the reasonableness of managements assumptions;
- assessing the company's current results against managements forecast for consistency, and our understanding of the business.

Audit procedures include the following:

- reviewing the company's accounting policies in relation to revenue recognition
- understanding the company's revenue recognition processes and testing a sample of transactions to determine consistent application with the company's revenue recognition policy;
- assessing the adequacy of the related disclosures within the financial statements.



**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
NUHEARA LIMITED**

FOR THE YEAR ENDED 30 JUNE 2017

Key Audit Matter

*Capitalised Development Costs (Note 13)
(AASB 138)*

Capitalised development costs had a net carrying value of \$2,194,198 at 30 June 2017.

This area is a key audit matter due to subjectivity and management judgement applied in the assessment of whether costs meet the capitalisation criteria described in AASB 138.

Valuation of Tenement (Note 13) (AASB 5)

The company has reported a disposal group - mining tenements held for sale of \$206,233 at 30 June 2017 (2016:\$206,233)

This area is a key audit matter due to subjectivity and management judgement applied in the assessment of the valuation of the mining tenement at 30 June 2017.

How our Audit Addressed the Key Audit Matter

Audit procedures include the following:

- assessing the company's accounting policy in respect of product development costs in accordance with AASB 138;
- testing a sample of amounts capitalised to supporting documentation and assessing compliance with AASB 138; and
- assessing the Company's accounting policy in respect of amortisation, and period of amortisation;
- assessing the adequacy of the related disclosures within the financial statements.

Audit procedures include the following:

- assessing managements basis of valuation of the mining tenement
- assessing the adequacy of the related disclosures within the financial statements.



INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF NUHEARA LIMITED

FOR THE YEAR ENDED 30 JUNE 2017

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report to 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 *Corporation 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 Company 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 Company 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.

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

- a. Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.





**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
NUHEARA LIMITED**

FOR THE YEAR ENDED 30 JUNE 2017

Auditor's Responsibilities for the Audit of the Financial Report (continued)

- b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- d. Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Company to cease to continue as a going concern.
- e. Evaluate the overall presentation, structure and content of the financial, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- f. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within this financial report to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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





**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
NUHEARA LIMITED**

FOR THE YEAR ENDED 30 JUNE 2017

Auditor's Responsibilities for the Audit of the Financial Report (continued)

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 12 of the directors' report for the year ended 30 June 2017. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

Auditor's Opinion

In our opinion, the remuneration Report of Nuheara Limited, for the year ended 30 June 2017, complies with s 300A of the *Corporations Act 2001*.

Walker Wayland WA Audit Pty Ltd

WALKER WAYLAND WA AUDIT PTY LTD

Richard J Gregson

**RICHARD GREGSON CA
Director**

Level 2, 129 Melville Parade, COMO WA 6152

Dated this 22nd day of September 2017.



ADDITIONAL ASX INFORMATION

The following additional information is required by the Australian Securities Exchange. The information is current as at 4 September 2017.

(a) Distribution schedule and number of holders of equity securities as at 4 September 2017

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 – and over	Total
Fully Paid Ordinary Shares	91	113	469	1,671	911	3,255
Unlisted Options: 10 cents, exp 15/9/2017	-	-	-	-	10	10
Unlisted Options: 10 cents, exp 20/11/2017	-	-	-	-	1	1
Unlisted Options: 3 cents, exp 24/2/2019	-	-	-	-	2	2
Unlisted Options: 5 cents, exp 31/5/2019	-	-	-	-	5	5
Unlisted Options: 4 cents, exp 18/4/2019	-	-	-	-	2	2
Unlisted Options: 6 cents, exp 18/4/2019	-	-	-	-	5	5
Unlisted Options: 9 cents, exp 20/4/2019	-	-	-	-	1	1
Unlisted Options: 9 cents, exp 30/11/2019	-	-	-	-	6	6
Unlisted Options: 11.5 cents, exp 16/2/2020	-	-	-	-	2	2
Unlisted Options: 9 cents, exp 22/5/2020	-	-	-	-	6	6
Unlisted Options: 7.8 cents, exp 2/11/2019	-	-	-	-	1	1
Unlisted Options: 12 cents, exp 6/6/2019	-	-	-	-	3	3
Unlisted Options: 9 cents, exp 14/7/2020	-	-	-	-	2	2
Unlisted Options: 11.5 cents, exp 24/7/2020	-	-	-	-	2	2

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 4 September 2017 is 335.

ADDITIONAL ASX INFORMATION

(b) 20 Largest holders of quoted equity securities

The names of the twenty largest holders of fully paid ordinary shares (ASX code: NUH) as at 4 September 2017 are:

Rank	Name	Shares	% of Total Shares
1	David Cannington	63,142,857	7.91%
2	Wasagi Corporation Pty Ltd <Wasagi Family Trust A/C>	63,142,857	7.91%
3	Inkling Capital Pty Ltd	24,802,321	3.11%
4	RBC Investor Services Australia Nominees Pty Ltd <VFA A/C>	22,984,406	2.88%
5	J P Morgan Nominees Australia Limited	18,881,669	2.37%
6	Citicorp Nominees Pty Limited	17,282,661	2.16%
7	S A Coupe Pty Limited <The Coupe Super Fund A/C>	17,000,000	2.13%
8	Pershing Australia Nominees Pty Ltd <Nominee A/C>	12,858,695	1.61%
9	Mr Xuan Khoa Pham	8,250,000	1.03%
10	Mr Alan Davis	8,095,238	1.01%
11	Ms Kellie Anne Davis	8,095,238	1.01%
12	Mr Kevin Fynn	8,095,238	1.01%
13	Mr Sven Nordholm	8,095,238	1.01%
14	Power Edge Pty Ltd <The Ward Family A/C>	8,095,238	1.01%
15	HSBC Custody Nominees (Australia) Limited - A/C 2	6,730,714	0.84%
16	1215 Capital Pty Ltd	4,348,975	0.54%
17	Ms Carol Anne Austin <Anne Austin Pension Account>	4,328,720	0.54%
18	Ck Corporate Pty Ltd <Ck A/C>	4,250,000	0.53%
19	Daem Nominees Pty Ltd <Daem Super Fund A/C>	4,000,000	0.50%
20	Mr Peter Alfred Ternes <Cloud Thirty Super Fund A/C>	4,000,000	0.50%
	TOTAL	316,480,065	39.61%

Stock Exchange Listing – Listing has been granted for 647,227,793 ordinary fully paid shares of the Company on issue on the Australian Securities Exchange.

The unquoted securities on issue as at 4 September 2017 are detailed below in part (d).

(c) Substantial shareholders

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

Name	Shares	% of Total Shares
Wasagi Corporation Pty Ltd	63,142,857	7.91%
David Cannington	63,142,857	7.91%

ADDITIONAL ASX INFORMATION

(d) Unquoted Securities

The number of unquoted securities on issue as at 4 September 2017:

Security	Number on issue
Fully Paid Ordinary Shares	151,088,035
Unlisted Options – exercisable at 10 cents on or before 15/9/2017	8,319,445
Unlisted Options – exercisable at 10 cents on or before 20/11/2017	500,000
Unlisted Options – exercisable at 3 cents on or before 24/2/2019	20,000,000
Unlisted Options – exercisable at 5 cents on or before 31/5/2019	30,000,000
Unlisted Options – exercisable at 4 cents on or before 18/4/2019	3,000,000
Unlisted Options – exercisable at 6 cents on or before 18/4/2019	5,500,000
Unlisted Options – exercisable at 9 cents on or before 20/4/2019	1,000,000
Unlisted Options – exercisable at 9 cents on or before 30/11/2019	10,500,000
Unlisted Options – exercisable at 11.5 cents on or before 16/2/2020	1,500,000
Unlisted Options – exercisable at 9 cents on or before 22/5/2020	4,000,000
Unlisted Options – exercisable at 7.8 cents on or before 2/11/2019	10,000,000
Unlisted Options – exercisable at 12 cents on or before 6/6/2019	10,000,000
Unlisted Options – exercisable at 9 cents on or before 14/7/2020	1,000,000
Unlisted Options – exercisable at 11.5 cents on or before 24/7/2020	3,000,000

(e) Holder Details of Unquoted Securities

The holders that hold more than 20% of a given class of unquoted securities that were not issued under an employee incentive scheme as at 4 September 2017 are detailed below:

Security	Name	Number of Securities
Unlisted Options – exercisable at 3 cents on or before 24/2/2019	David Cannington	10,000,000
Unlisted Options – exercisable at 3 cents on or before 24/2/2019	Wasagi Corporation Pty Ltd	10,000,000
Unlisted Options – exercisable at 7.8 cents on or before 2/11/2019	Foster Stockbroking Pty Ltd	10,000,000
Unlisted Options – exercisable at 12 cents on or before 6/6/2019	LTL Capital Pty Ltd	5,000,000
Unlisted Options – exercisable at 12 cents on or before 6/6/2019	HSBC Custody Nominees (Australia) Limited	3,000,000
Unlisted Options – exercisable at 5 cents on or before 31/5/2019	Meriwa Street Pty Ltd	8,014,285
Unlisted Options – exercisable at 5 cents on or before 31/5/2019	Prosperion Wealth Management Pty Ltd	10,000,000

(f) Restricted Securities

The Company had the following restricted securities as at 4 September 2017:

Security	Escrow Period
20,000,000 Unlisted Options – exercisable at 3 cents on or before 24/2/2019	Under escrow until 2 March 2018
30,000,000 Unlisted Options – exercisable at 5 cents on or before 31/5/2019	Under escrow until 2 March 2018
194,802,321 Fully Paid Ordinary Shares	Under escrow until 2 March 2018

ADDITIONAL ASX INFORMATION

(g) Voting Rights

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

Unquoted options have no voting rights.

(h) Company Secretary

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

(i) Registered Office

The Company's Registered Office is Unit 5, 28 John Street, Northbridge, WA 6003, Australia.
Telephone: +61 8 6555 9999

(j) Share Registry

The Company's Share Registry is as follows:
Computershare Investor Services Pty Limited
11/172 St Georges Terrace, Perth WA 6000
Telephone: +61 (0)3 9415 4000 or 1300 850 505 (within Australia)

(k) On-Market Buy-back

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

(l) Corporate Governance

The Board of Nuheara Limited is committed to achieving and demonstrating the highest standards of Corporate Governance. The Board is responsible to its Shareholders for the performance of the Company 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 Company 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 Company's Corporate Governance practices is set out on the Company's website at <http://www.nuheara.com/corporate-governance/>.

(m) Application of Funds

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

(n) Schedule of Interests in Mining Tenements

The schedule of interests in mining tenements both as at 30 June 2017 and as at 4 September 2017 is as follows:

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