

Appendix 4D Half-Year Financial Report

Name of entity

HEARMEOUT LIMITED

ABN or equivalent company reference

54 614 043 177

1. Details of the reporting period and the previous corresponding period.

Current Period: 1 January 2018 to 30 June 2018

(Previous corresponding period: 1 January 2017 to 30 June 2017)

Results for announcement to the market

		Half-Year Ended 30/6/2018	Half-Year Ended 30/6/2017	Increase/ (decrease) %	Amount change (\$)
2.1	Revenues from ordinary activities	4,097	8,277	(51%)	(4,180)
2.2	Profit / (Loss) after tax from ordinary activities attributable to members	59,302	(3,223,657)	(102%)	(3,282,959)
2.3	Comprehensive income / (loss) for the period attributable to members	59,112	(3,325,169)	(102%)	(3,384,281)

2.4 The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends.

Not Applicable

2.5 The record date for determining entitlements to the dividends (if any).

Not Applicable

2.6 Brief explanation of the above figures.

Revenue from continuing operations largely relates to interest revenue on cash held.

During the period, the Company reversed prior year options of \$2,348,979, as the Board determined that the probability of achieving certain performance milestones was zero. This non-cash transaction therefore resulted in a profit of \$59,302 during the period.

3. Net tangible assets per security

	Half-Year Ended 30/6/2018	Full Year Ended 31/12/2017
Net tangible asset per share	0.02	0.04

For further information, refer to the attached Financial Report and the Operations and Financial Review contained within the Directors' Report which also forms a part of the Financial Report.

4. Details of entities over which control has been gained or lost during the period

Not applicable. No entity over which control has been gained or lost during the period has occurred.

5. Dividend / Distribution Payments or Reinvestment Plans

Not applicable. No dividends have been paid or declared during the half-year ended 30 June 2018 or in previous periods. The Company does not propose to pay dividends, in the immediate future.

6. Associates / Joint Ventures

Not applicable.

7. Foreign Entities

The Company owns 100% of the share capital in its subsidiary: HearMeOut Limited which is based in Israel. The Australian Accounting Standards ("AAS") has been used in compiling this report. Compliance with the Australian Accounting Standards ensures that the financial statements and notes in the Half-Year Report ended 30 June 2018 also comply with International Financial Reporting Standards.

8. Review Conclusion

This report is based on the financial statements for the half-year ended 30 June 2018. The financial statements have been subject to a review by an independent auditor and the review is not subject to qualification.



Mr David Tasker
Non-Executive Director
Date: Friday, 31 August 2018

HearMeOut Limited
And
Controlled Entities

ABN 54 614 043 177

Half-Year Report

For the half-year ended
30 June 2018

HearMeOut Limited
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For the half-year ended 30 June 2018

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**HearMeOut Limited
Corporate Directory
For the half-year ended 30 June 2018**

Board of Directors

Non- Executive Chairman - Mr Glenn Whiddon

Non-Executive Director - Mr David Tasker

Non-Executive Director - Mr Moran Chamsi

Company Secretary

Company Secretary - Mr Peter Webse

Principal Place of Business / Registered Office

Level 2, 50 Kings Park Road

West Perth WA 6005

Postal Address

PO Box 271

West Perth WA 6872

Contact Details

Telephone: 08 6377 8043

ABN 54 614 043 177

Website: home.hearmeoutapp.com

Auditors

BDO Audit (WA) Pty Ltd

38 Station Street

Subiaco WA 6008

Lawyers

GTP Legal

68 Aberdeen Street

Northbridge WA 6003

Bankers

National Australia Bank

1232 Hay Street

West Perth WA 6005

Share Register

Automic Registry Services

Level 2

267 St Georges Terrace

Perth WA 6000

HearMeOut Limited shares are listed on the Australian Securities Exchange (ASX). ASX Code: HMO

HearMeOut Limited

Directors' Report

For the half-year ended 30 June 2018

Your Directors present their financial report of the consolidated entity consisting of HearMeOut Limited ("the Company" or "HMO") and its subsidiary HearMeout Ltd ("HMO Israel") (collectively, "the Group") for the half-year ended 30 June 2018 ("the Period").

➤ INFORMATION ON DIRECTORS

1. BOARD OF DIRECTORS

The names and details of the Company's Directors in office during the Period and until the date of this report are as follows.

Name	Position	Appointed	Resigned
Mr Moran Chamsi	Managing Director & Chief Executive Officer	29/11/2016	12/07/2018
	Non-Executive Director	12/07/2018	-
Mr Yitzchak (Issy) Livian	Executive Director & VP Business Development	29/11/2016	29/05/2018
Mr Glenn Whiddon	Non-Executive Chairman	11/09/2017	-
Mr David Tasker	Executive Director	11/09/2017	29/05/2018
	Non-Executive Director	29/05/2018	-

2. CORPORATE GOVERNANCE

The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council. This has previously been disclosed in the in the annual financial statements for the year ended 31 December 2017. Accordingly, the interim financial statements are to be read in conjunction with the annual financial statements.

➤ OPERATIONS AND FINANCIAL REVIEW

3. PRINCIPAL ACTIVITIES

HearMeOut Limited (HMO) was incorporated on 4 August 2016 as an Australian public company for the purpose of being listed on the Australian Securities Exchange ("ASX") and to become the parent company of HearMeOut Ltd, which is located in Israel ("HMO Israel"). Following successful listing on the ASX, HMO acquired 100% of the issued capital of HMO Israel.

The HearMeOut App is a mobile application (iOS, android) that enables users to record 42 seconds of audio, add description, category and speak what's on their minds, share their thoughts and listen to others on the go, hands-free (in drive mode), in a super simple way.

4. REVIEW OF OPERATIONS

Highlights during the half-year

On 18 June 2018 the Board of HearMeOut Limited advised that its 100% owned subsidiary HMO Israel had been placed in 'care and maintenance', with immediate effect.

All staff of HMO Israel, except one employee, were given one months' notice on 12 June 2018 and have therefore had their respective employment contracts terminated effective 12 July 2018. The one employee who did not receive one months' notice had his contract extended until 19 September 2018. In addition, the Company has terminated all influencer and general marketing contracts associated with the HearMeOut platform ('the platform') and has given notice in relation to leases and other related contracts.

It is expected these actions will see a saving of approximately USD\$200,000 per calendar month for the Company moving forward.

HearMeOut Limited

Directors' Report

For the half-year ended 30 June 2018

On 17 May 2018, the Board of HMO advised it was undertaking a strategic review of the operation of the HMO platform.

The purpose of this review was to evaluate the platform against historical and planned expenditure, engagement with the platform and revenue opportunities associated with the platform.

Following this review, the Board determined that the significant future capital needs required to achieve scale of operation of the HMO business to make it a sustainable business were in excess of the Company's current cash resources and new funds necessary to achieve the same were not available via capital raising given the sentiment in market towards early stage technology companies.

Against the above backdrop, the Board wanted to determine if a viable 'business case' existed for the platform in its current state.

Unfortunately, a viable 'business case' could not be found for the platform considering the above matters, hence the decision to suspend all activities in relation to the platform immediately.

With costs associated with the platform greatly minimised (and stabilised) it is the intention of the Board to determine what value, if any, can be achieved from the platform and users, the IP associated with the platform, data collected and key strategic contracts.

During this period, the Company's shares have remained suspended.

5. FINANCIAL PERFORMANCE

The financial performance of the Group during the half-year ended 30 June 2018 is as follows:

	Half-year ended 30 June 2018	Half-year ended 30 June 2017
	\$	\$
Income (\$)	4,097	8,277
Net profit / (loss) after tax (\$)	59,302	(3,223,657)
Profit / (loss) per share (cents)	0.09	(4.90)
Dividend (\$)	-	-

Income relates to interest revenue earned on funds sitting in the Company's Cash Maximiser Account.

During the period, the Company reversed prior year options of \$2,348,979, as the Board determined that the probability of achieving certain performance milestones was zero. This non-cash transaction therefore resulted in a profit of \$59,302 during the period.

The Company incurred the following expenses during the period, \$659,750 on business development, \$392,762 on administration expenses; and \$366,182 on research and development expenses.

HearMeOut Limited

Directors' Report

For the half-year ended 30 June 2018

6. FINANCIAL POSITION

The financial position of the Group as at 30 June 2018 is as follows:

	As at 30 June 2018 \$	As at 31 December 2017 \$
Cash and cash equivalents	1,661,637	2,634,459
Trade and other receivables	80,797	351,372
Net assets / Total equity	1,343,204	2,707,124
Contributed equity	8,153,465	8,153,465
Reserves	2,046,640	3,469,862
Accumulated losses	(8,856,901)	(8,916,203)

The movement in cash is largely attributable to business development, administration, and research and development costs.

The movement in reserves is largely attributable to the reversal of \$2,348,979 worth of prior year performance options, as the Board determined that the probability of achieving certain performance milestones was zero. During the period the Company also incurred \$925,947 in non-cash, share-based payments recognised during the Period on Performance and Advisor options.

7. DIVIDENDS

No amounts have been paid or declared by way of dividend since the date of incorporation.

8. AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* for the half-year ended 30 June 2018 forms a part of the Directors' Report and can be found on page 5.

No officer of the Company is or has been a partner/director of any auditor of the Company.

Signed in accordance with a resolution of the Board of Directors.



Mr David Tasker
Non-Executive Director
Date: Friday, 31 August 2018

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF HEARMEOUT LIMITED

As lead auditor for the review of HearMeOut Limited for the half-year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of HearMeOut Limited and the entity it controlled during the period.



Phillip Murdoch
Director

BDO Audit (WA) Pty Ltd
Perth, 31 August 2018

HearMeOut Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 30 June 2018

	Note	Half-year ended 30 June 2018 \$	Half-year ended 30 June 2017 \$
Interest income		4,097	8,277
Total income		4,097	8,277
Administration expenses	4	(392,762)	(367,856)
Business development expenses	4	(659,750)	(673,843)
Depreciation expense		(1,404)	(1,072)
Foreign exchange gain		55,907	-
Finance expenses		(3,636)	(4,288)
Research & development expenses		(366,182)	(276,037)
Share-based payment expenses	6	1,423,032	(1,908,838)
Total expenses		55,205	(3,231,934)
Profit / (Loss) Before Income Tax		59,302	(3,223,657)
Income tax benefit/(expense)		-	-
Profit / (Loss) for the Period		59,302	(3,223,657)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Unrealised foreign currency loss		(190)	(101,512)
Total comprehensive income / (loss) for the Period		59,112	(3,325,169)
Profit / (loss) per share for attributable to the ordinary equity holders of the company			
Basic profit / (loss) per share (cents)		0.09	(4.90)
Dilutive profit / (loss) per share (cents)		0.09	(4.90)

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

HearMeOut Limited
Consolidated Statement of Financial Position
As at 30 June 2018

	Note	As at 30 June 2018 \$	As at 31 December 2017 \$
CURRENT ASSETS			
Cash and cash equivalents		1,661,637	2,634,459
Trade and other receivables		80,797	351,372
TOTAL CURRENT ASSETS		1,742,434	2,985,831
NON-CURRENT ASSETS			
Property, plant & equipment		8,037	9,003
TOTAL NON-CURRENT ASSETS		8,037	9,003
TOTAL ASSETS		1,750,471	2,994,834
CURRENT LIABILITIES			
Trade and other payables		407,267	287,710
TOTAL LIABILITIES		407,267	287,710
NET ASSETS		1,343,204	2,707,124
EQUITY			
Contributed equity (net)		8,153,465	8,153,465
Reserves	5	2,046,640	3,469,862
Accumulated losses		(8,856,901)	(8,916,203)
TOTAL EQUITY		1,343,204	2,707,124

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

HearMeOut Limited
Consolidated Statement of Cash Flows
For the half-year ended 30 June 2018

Note	Half-year ended 30 June 2018 \$	Half-year ended 30 June 2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	4,097	8,277
Payments to suppliers & employees	(914,372)	(1,160,850)
Payments for research and development	(366,182)	(52,195)
Net cash outflow used for operating activities	(1,276,457)	(1,204,768)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(3,194)
Proceeds from disposal of investments	246,514	-
Net cash inflow / (outflow) used for investing activities	246,514	(3,194)
Net decrease in cash and cash equivalents	(1,029,943)	(1,207,962)
Cash and cash equivalents at beginning of the Period	2,634,459	5,968,323
Foreign exchange differences	57,121	(101,512)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,661,637	4,658,849

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

HearMeOut Limited
Consolidated Statement of Changes in Equity
For the half-year ended 30 June 2018

Half-year ended 30 June 2018	Contributed Equity \$	Accumulated Losses \$	Option Reserve \$	Foreign Currency Translation Reserve \$	Total \$
Balance as at 1 January 2018	8,153,465	(8,916,203)	3,534,407	(64,545)	2,707,124
Profit for the Period	-	59,302	-	-	59,302
Other comprehensive loss	-	-	-	(190)	(190)
Total comprehensive income for the Period	-	59,302	-	(190)	59,112
Transactions with equity holders in their capacity as equity holders:					
Share-based payments	-	-	(1,423,032)	-	(1,423,032)
Balance as at 30 June 2018	8,153,465	(8,856,901)	2,111,375	(64,735)	1,343,204
Half-year ended 30 June 2017	Contributed Equity \$	Accumulated Losses \$	Option Reserve \$	Foreign Currency Translation Reserve \$	Total \$
Balance as at 1 January 2017	8,153,465	(2,894,670)	574,051	35,715	5,868,561
Loss for the Period	-	(3,223,657)	-	-	(3,223,657)
Other comprehensive loss	-	-	-	(101,512)	(101,512)
Total comprehensive loss for the Period	-	(3,223,657)	-	(101,512)	(3,325,169)
Transactions with equity holders in their capacity as equity holders:					
Share-based payments	-	-	1,908,838	-	1,908,838
Balance as at 30 June 2017	8,153,465	(6,118,327)	2,482,889	(65,797)	4,452,230

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

HearMeOut Limited

Notes to the Financial Statements

For the half-year ended 30 June 2018

1. CORPORATE INFORMATION

The financial statements and notes represent those of the consolidated entity consisting of HearMeOut Limited ("the Company" or "HMO") and its subsidiary HearMeout Ltd ("HMO Israel") (collectively, "the Group") for the half-year ended 30 June 2018 ("the Period"); and were authorised in accordance with a resolution of Directors on 31 August 2018.

The Company is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

2. BASIS OF PREPARATION

Statement of compliance

The interim financial statements for the half-year ended 30 June 2018 is a general purpose financial report prepared in accordance with Australian Accounting Standards AASB 134 Interim Financial Reporting, other authoritative pronouncements of the Australian Accounting Standards Board, and the *Corporations Act 2001*.

The interim financial statements do not include all the information and disclosures required in the annual financial statements. Accordingly, this report is to be read in conjunction with the annual statements for the year ended 31 December 2017 and any public announcements made by HearMeOut Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Basis of measurement and reporting convention

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded off to the nearest dollar unless stated otherwise.

Adoption of new and amended accounting standards

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of the adoption of the following standards:

- AASB 9 *Financial Instruments*; and
- AASB 15 *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the new accounting policies are disclosed below. The impact of these standards, and the other new and amended standards adopted by the Group, has not had a material impact on the amounts presented in the Group's financial statements.

Changes in accounting policies

This note explains the impact of the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* on the group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

AASB 9 *Financial Instruments* – Impact of Adoption

Impairment of financial assets

The Group's financial assets subject to AASB 9's new expected credit loss model are cash and trade receivables, which arise from the provision of services and sale of goods.

The impact of the impairment requirements of AASB 9 on cash and cash equivalents has not resulted in a material impact to the financial statements.

Under AASB 9, the Group was required to revise the impairment methodology used in the calculation of its provision for doubtful debts to the expected credit loss model. This change in methodology has not had a material impact on the financial statements. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure or a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

HearMeOut Limited

Notes to the Financial Statements

For the half-year ended 30 June 2018

AASB 9 Financial Instruments – Accounting Policies Applied from 1 January 2018

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on how the Group manages the financial assets and the contractual terms of the cash flows. At half year end, all of the Group's financial assets have been classified as those to be measured at amortised cost.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment

From 1 January 2018, the Group assesses expected credit losses associated on a forward-looking basis. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

AASB 15 Revenue from Contracts with Customers – Impact of Adoption

The Group has adopted AASB 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes to accounting policies but no adjustments to the amounts recognised in the financial statements.

AASB 15 Revenue from Contracts with Customers – Accounting policies

Group do not have revenue generated from contracts with customers at this stage.

As a consequence, management believe there is no impact on the financial report.

3. SEGMENT REPORTING

The Group's operations are predominately overseas in Israel. Given the nature of the Group, its size and current operations, the Group's management does not treat any part of the Group as a separate operating segment. Internal financial information used by the Group's decision makers is presented on a "whole of entity" manner without dissemination to any separately identifiable segments.

Accordingly, the financial information reported elsewhere in this financial report is representative of the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

HearMeOut Limited
Notes to the Financial Statements
For the half-year ended 30 June 2018

4. EXPENSES

	Half-year ended 30 June 2018 \$	Half-year ended 30 June 2017 \$
Administration expenses		
Legal and professional fees	166,446	164,254
Wages, salaries and employee expenses	183,850	153,353
General administration	42,466	50,249
Total administration expenses	392,762	367,856
Business development expenses		
Wages, salaries and employee expenses	348,259	305,143
Travel and accommodation	34,966	25,528
Marketing and advertising expenses	276,525	343,172
Total business development expenses	659,750	673,843

5. RESERVES

	As at 30 June 2018 \$	As at 31 December 2017 \$
Option reserve	2,111,375	3,534,407
Foreign currency translation reserve	(64,735)	(64,545)
	2,046,640	3,469,862

Reserves are made up of the options reserve and the foreign currency translation reserves.

Option reserve:

	As at 30 June 2018 \$	As at 31 December 2017 \$
Option Reserve		
Balance at the beginning of the year	3,534,407	574,051
Share-based payment expense	925,947	2,960,356
Reversal of prior year options	(2,348,979)	-
Balance at end of year	2,111,375	3,534,407

The option reserve records items recognised as expenses on valuation of options issued. Details of the movement in reserves is shown below.

For further information on the share-based payment expense during the Period, refer to Note 6: Share-based payments.

Foreign currency translation reserve:

	As at 30 June 2018 \$	As at 31 December 2017 \$
Foreign currency translation reserve		
Balance at the beginning of the year	(64,545)	35,715
Foreign currency movement	190	(100,260)
Balance at end of year	(64,735)	(64,545)

HearMeOut Limited
Notes to the Financial Statements
For the half-year ended 30 June 2018

6. SHARE-BASED PAYMENTS

Class of Options	Number of Options	Share-based payment expense @ 30 June 2018	Remaining share-based payment expense @ 30 June 2018	Reversal of prior year options @ 30 June 2018	Ref
Performance Options	43,248,000	204,609	208,000	(2,348,427)	(a)
Broker Options	2,500,000	-	-	-	-
Vendor Options	2,000,010	-	-	-	-
Incentive Options	10,800,000	673,506	542,920	-	(b)
Advisor Options	1,808,400	47,832	67,028	-	(c)
Larry King Options	150,000	-	-	(552)	(d)
	60,506,410	925,947	817,948	(2,348,979)	

As at the date of signing this report, there were 60,506,410 unissued ordinary shares under option. No options expired, lapsed or were exercised during the Period. No option holder has any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

(a) Performance Options

During the prior year, the Group provided benefits to employees of the Group in the form of share-based payment transactions. The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value was determined using fair value inputs using a Black Scholes valuation model on Performance A and B Options; and Trinomial model on Performance C and D Options, refer to the 31 December 2017 Annual Report for further detail. It was assumed that no dividends are expected to be declared or paid by the Company during the terms of the various classes of Options. The cost of these equity-settled transactions, and the inputs used, are outlined below:

	Class	# Options	Financial year	Grant date	Vesting date	Vesting condition	Expiry date	Exercise price (\$)	Fair value per option at grant date (\$)	Share-based payment expense @ 30/6/18	Remaining Share-based payment expense balance @ 30/6/18
Performance Options											
Moran Chamsi	A	4,333,334	2016	2/12/16	Note 1	Note 3	1/01/22	\$0.20	\$0.150	-	-
Moran Chamsi	B	4,333,334	2016	2/12/16	Note 1	Note 3	1/01/22	\$0.20	\$0.150	-	-
Moran Chamsi	C	4,333,334	2016	2/12/16	31/12/18	Note 3	1/01/22	\$0.20	\$0.066	68,203	69,334
Moran Chamsi	D	1,416,002	2016	2/12/16	Note 2	Note 3	1/01/22	-	\$0.086	-	-
Issy Livian	A	4,333,333	2016	2/12/16	Note 1	Note 3	1/01/22	\$0.20	\$0.150	-	-
Issy Livian	B	4,333,333	2016	2/12/16	Note 1	Note 3	1/01/22	\$0.20	\$0.150	-	-
Issy Livian	C	4,333,333	2016	2/12/16	31/12/18	Note 3	1/01/22	\$0.20	\$0.066	68,203	69,333
Issy Livian	D	1,415,999	2016	2/12/16	Note 2	Note 3	1/01/22	-	\$0.086	-	-
Lior Menashe	A	4,333,333	2016	2/12/16	Note 1	Note 3	1/01/22	\$0.20	\$0.150	-	-
Lior Menashe	B	4,333,333	2016	2/12/16	Note 1	Note 3	1/01/22	\$0.20	\$0.150	-	-
Lior Menashe	C	4,333,333	2016	2/12/16	31/12/18	Note 3	1/01/22	\$0.20	\$0.066	68,203	69,333
Lior Menashe	D	1,415,999	2016	2/12/16	Note 2	Note 3	1/01/22	-	\$0.086	-	-
Total		43,248,000								204,609	208,000

Note 1: For accounting purposes, Performance A and B options have been fully reversed at 30 June 2018 as the Board determined that the probability of achieving the performance milestones was zero. Nonetheless they have not legally vested and therefore cannot be exercised until the performance condition attached them has been met. Refer to Note 3 below for further information on the Performance Conditions attached to Performance Options on issue.

Note 2: For accounting purposes, the Performance D options were fully expensed as at 31 December 2017 based upon the expected accounting vesting date determined at the grant date. Nonetheless they have not legally vested and therefore cannot be exercised until the performance condition attached them has been met. This being, that they will legally vest upon the achievement of the first of either Performance A, B or C performance conditions being achieved. Refer to Note 3 below for further information on the Performance Conditions attached to Performance Options on issue.

HearMeOut Limited
Notes to the Financial Statements
For the half-year ended 30 June 2018

Note 3: Vesting conditions attached to the Performance Options are detailed below:

1. Performance Options A - Upon the HearMeOut App being available for download in at least 3,000,000 cars not including Ford cars worldwide.
2. Performance Options B - Upon the HearMeOut App acquiring at least 150,000 registered users in any continuous six-month period with an overall 19% or more 90-day Retention of all users acquired in the relevant six-month period with an Average User Acquisition Cost of USD\$3 or less for American users, USD\$2 or less for European users and USD\$1 or less for users in the rest of the world.
3. Performance Options C - Upon the Company's Shares achieving a volume weighted average price of \$0.80 or more over a period of 20 consecutive trading days.
4. Performance Options D - Upon the achievement of the first of the above performance conditions to be achieved.

(b) Incentive Options

During the prior year, the Group issued remuneration in the form of Incentive Options. The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, refer to the 31 December 2017 Annual Report for further detail. It was assumed that no dividends are expected to be declared or paid by the Company during the terms of the various classes of Options. The cost of these equity-settled transactions, and the inputs used, are outlined below:

	Class	# Options	Financial year	Grant date	Vesting date	Expiry date	Exercise price (\$)	Fair value per option at grant date (\$)	Share-based payment expense @ 30/6/18	Remaining Share-based payment expense balance @ 30/6/18
Incentive Options										
Moran Chamsi	Incentive 1	1,200,000	2017	18/12/17	11/09/18	28/12/22	-	0.1350	109,820	44,292
Issy Livian	Incentive 1	1,200,000	2017	18/12/17	11/09/18	28/12/22	-	0.1350	109,820	44,292
Glenn Whiddon	Incentive 1	1,200,000	2017	18/12/17	11/09/18	28/12/22	-	0.1350	109,820	44,292
Glenn Whiddon	Incentive 2	1,200,000	2017	18/12/17	Note 1	28/12/22	0.15	0.1350	32,693	84,479
Glenn Whiddon	Incentive 3	1,200,000	2017	18/12/17	Note 2	28/12/22	0.25	0.0996	29,510	76,251
David Tasker	Incentive 1	1,200,000	2017	18/12/17	11/09/18	28/12/22	-	0.0899	109,820	44,292
David Tasker	Incentive 2	1,200,000	2017	18/12/17	Note 1	28/12/22	0.15	0.1350	32,693	84,479
David Tasker	Incentive 3	1,200,000	2017	18/12/17	Note 2	28/12/22	0.25	0.0996	29,510	76,251
Lior Menashe	Incentive 1	1,200,000	2017	18/12/17	11/09/18	28/12/22	-	0.0899	109,820	44,292
Total		10,800,000							673,506	542,920

Vesting conditions attached to the Incentive Options are detailed below:

1. 6,000,000 Tranche 1 Incentive Options shall vest on the Cliff Date, this being 11 September 2018, upon the continuous provision of services to the Company from the date of grant until the relevant vesting date.
2. 2,400,000 Tranche 2 Incentive Options shall vest incrementally upon the continuous provision of services to the Company from the date of grant until the relevant vesting date. 600,000 options shall vest at the end of each 6-month period after the Cliff Date, this being 11 September 2018. Such that all Tranche 2 Incentive Options will become vested by 11 September 2020.
3. 2,400,000 Tranche 3 Incentive Options shall vest incrementally upon the continuous provision of services to the Company from the date of grant until the relevant vesting date. 600,000 options shall vest at the end of each 6-month period after the Cliff Date, this being 11 September 2018. Such that all Tranche 2 Incentive Options will become vested by 11 September 2020.

HearMeOut Limited
Notes to the Financial Statements
For the half-year ended 30 June 2018

(c) Advisor Options

During the prior year, the Company issued 657,600 Advisor Options with an exercise price of \$0.20 each and an expiry date of 2 May 2021; and 493,200 Advisor Options with an exercise price of \$0.30 each and an expiry date of 2 May 2021. On 19 February 2018, the Company issued 657,600 Advisor Options with an exercise price of \$0.20 each and an expiry date of 13 February 2022.

The accounting standard AASB2 Share-based payment requires that when equity instruments are issued to parties other than employees for services received, the value of the equity instruments shall be measured directly in reference to the value of the services received. As the services are provided by specialists with very specific expertise, the group has rebutted the presumption that the value of the services can be measured reliably and hence has valued the services based on the value of the equity instrument being issued. The options granted were valued using the Black & Scholes valuation method with the following terms and key inputs.

	Class	# Options	Financial year	Grant date	Vesting date	Expiry date	Exercise price (\$)	Fair value per option at grant date (\$)	Share-based payment expense @ 30/6/18	Remaining Share-based payment expense balance @ 30/6/18	
Advisor Options											
	Tranche 1	Advisor	657,600	2017	24/04/17	Note 1	24/04/21	0.20	0.0935	12,118	15,193
	Tranche 2	Advisor	493,200	2017	20/04/17	Note 2	20/04/21	0.30	0.0854	11,385	11,075
	Tranche 3	Advisor	657,600	2018	13/02/18	Note 3	13/02/22	0.20	0.0990	24,329	40,760
	Total		1,808,400							47,832	67,028

Vesting conditions attached to the Advisor Options are detailed below:

1. Of the 657,600 Tranche 1 Advisor Options, 8.33% of the options (this being 54,778 options) will vest on grant date (Cliff Date: 24 July 2017) and thereafter at 2.78% each month (this being 18,281 options each month) for 33 months after Cliff Date. Such that all options will become vested by 24 April 2020.
2. Of the 493,200 Tranche 2 Advisor Options, 33.36% of the options (this being 164,532 options) will vest 12 months after grant date, on Cliff Date: 20 April 2018; and thereafter at 8.33% each quarter months (this being 41,084 each quarter) after Cliff Date for 2 years. Such that all options will become vested by 20 April 2020.
3. Of the 657,600 Tranche 3 Advisor Options, 8.33% of the options (this being 54,789 options) will vest on grant date (Cliff Date: 13 February 2018) and thereafter at 2.78% each month (this being 18,267 options each month) after Cliff Date for 2 years. Such that all options will become vested by 13 February 2021.

Fair value inputs using Black Scholes valuation model:

Class	Risk Free Rate %	Volatility Factor %
Advisor Options – Tranche 1	1.75%	100%
Advisor Options – Tranche 2	1.75%	100%
Advisor Options – Tranche 3	2.26%	120%

HearMeOut Limited
Notes to the Financial Statements
For the half-year ended 30 June 2018

(d) Larry King Options

During the prior year, the Company granted 150,000 Larry King Options with an exercise price of \$0.20 each and an expiry date of 28 November 2021. The options will only be issued once the following Issue Conditions are met:

1. All Options will be issued to the Optionholder on the first business day following the date that the Optionholder reaches 300,000 unique new followers on the Company's social network application (HMO App) (Issue Condition), provided that the Optionholder:
 - (a) satisfies the Issue Condition on or prior to 28 November 2018 (Vesting Date); and
 - (b) continuously provides the Services (as defined in the Talent Agreement) to the Company from 28 November 2017 until the Grant Date.
2. Once issued, all Options shall vest with the Optionholder on the date that is two years following the Vesting Date, subject to the Optionholder's continued provision of Services to the Company from the Grant Date until the Vesting Date. If any takeover, merger, trade sale or change of control event occurs, any granted but unvested Options will immediately vest (subject to the Optionholder's continued provision of services to the Company from the date of grant up until the relevant date).

For accounting purposes, the options have been fully reversed at 30 June 2018 as the Board determined that the probability of achieving the vesting conditions was zero. Nonetheless they have not legally vested and therefore cannot be exercised until the conditions attached them have been met.

7. CONTINGENCIES

The Directors are not aware of any contingent liabilities or assets as at 30 June 2018.

8. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Other than what has already been stated within this Report, there have been no other matters or circumstances that have arisen since the end of the Period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of the Group in subsequent financial periods.

HearMeOut Limited
Directors' Declaration
For the half-year ended 30 June 2018

In the Directors opinion:

1. The financial statements and notes set out on pages 6 to 16, are in accordance with the *Corporations Act 2001* including:
 - (a) complying with Accounting Standards AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the half-year ended on that date;
2. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



Mr David Tasker
Non-Executive Director
Date: Friday, 31 August 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of HearMeOut Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of HearMeOut Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



Independence

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

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'P. Murdoch', written over a horizontal line.

Phillip Murdoch

Director

Perth, 31 August 2018