NUHEARA

ASX

ASX MARKET RELEASE

Nuheara Company Update and H1 2020FY Financial Results

17 February 2020 – PERTH, Australia

Nuheara Limited (ASX: NUH) ("Company" or "Nuheara") has announced its interim financial results for the half-year ended December 31, 2019 (H1 FY20).

During the half, Nuheara continued to focus on the development of multiple sales channels, with considerable progress achieved across Direct-To-Consumer (DTC) and third-party channels.

KEY POINTS FROM HALF YEAR REPORT

- Half year revenue (net of sales returns) of $1.37M;
- Two consecutive quarters of significant sales growth with cash receipts (net of sales returns) of $910K Q2 FY20 ($452K Q1FY20, $325K Q4FY19);
- Strong marketing effort to monetise inventory of existing products ahead of January 2020 release of Nuheara's third generation product - IQbuds² MAX;
- Continued sales momentum maintained with paid IQbuds² MAX DTC pre-orders (exclusive of traditional retail) now approaching 2,000 units with an Average Selling Price (ASP) well above $400;
- December launch of online sales of IQbuds BOOST with Walgreens, one of USA's leading pharmacy chains;
- Maintained strong cash balance of $3.54M at 31 December 2019;
- Supplemented by $2.5M convertible note funding facility announced January 24 2020;
- Additional one-off costs during the period associated with the transition of all manufacturing from China to contract facility in Malaysia and investment in the development of new technology hardware platform;
- Sale of one of the remaining mining interests for US$250k;
- Key Board appointments of Non Executive Director, David Buckingham and Non Executive Chair, The Hon. Cheryl Edwardes AO;

Commenting on the developments Nuheara CEO Justin Miller said, "It has been a critical six months in proving that our improved retail models were scalable. Significantly, increased market awareness and sales growth was achieved with our legacy products. With our award winning IQbuds² MAX now launched, we have a solid foundation for growth in the second half of 2020FY."

This announcement has been approved for release by the Managing Director Mr Justin Miller.

-ENDS-

NUHEARA

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ABOUT NUHEARA

Nuheara is a global leader in smart personal hearing devices which change people's lives by enhancing the power to hear. Nuheara has developed proprietary and multi-functional intelligent hearing technology that augments a person's hearing and facilitates cable free connection to smart devices. Nuheara is based in Perth, Australia and has an office in New York, USA. Nuheara was the first consumer wearables technology company to be listed on the Australian Stock Exchange (ASX).

In 2016, the Company released its revolutionary wireless earbuds, IQbuds™, which allow consumers to augment their hearing according to their personal hearing preferences and connect hands free with their voice-enabled smart devices. Nuheara products are now sold online and in major consumer electronics retailers, professional hearing clinics and optical chains around the world.

The Company's mission is to transform the way people hear by creating smart hearing solutions that are both accessible and affordable. Learn more about

Nuheara: www.nuheara.com.

NUHEARA

APPENDIX 4D

HALF YEAR CONSOLIDATED FINANCIAL REPORT

1 Results for Announcement to the Market

Current reporting period: Period ended 31 December 2019
Previous corresponding period: Period ended 31 December 2018

	Amount $	% Change Up (+)/down (-)
Revenue from ordinary activities	1,365,966	-4%
Loss from ordinary activities after tax attributable to members (from continuing operations)	(5,726,307)	43%
Net loss for the period attributable to members	(5,726,307)	43%

2 Dividend Information

The directors do not recommend the payment of an interim dividend in relation to the financial year ended 30 June 2019 (2018: nil).

3 Net tangible assets per security

	31 Dec 2019 $	31 Dec 2018 $
Net tangible asset backing per ordinary share	0.003	0.006

As at 31 December 2019 the number of shares on issue was 1,062,210,292 (31 December 2018: 960,660,390).

4 Details of joint venture entities

The Company does not have any interests in joint ventures.

5 Details of entities over which the company has control

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

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6 Commentary on the results

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

The Company incurred a net loss after tax of $5,726,307. This compared with a net loss after tax of $4,011,140 for the same period last year. The net loss after tax result represented a loss of 0.57 cents per share, compared to a loss of 0.45 cents per share over the same period last year.

Net cash inflows of $321,461 were attributable to $3,660,774 received through the issue of shares (net of share issue costs), offset by $1,200,819 in net operating outflows, $16,124 for the payment of plant and equipment (net of sale proceeds from assets that were sold) and $2,122,370 for the purchase of intangible assets (representing capitalised development costs and international trademark registrations).

Revenue from ordinary activities for the period was $1,365,966. This compared with $1,419,232 sales revenue for the same period last year.

The Group successfully completed a capital raising in July 2019, raising $4,000,000 (before costs of $295,211). Funds raised have been used to assist Nuheara in achieving its planned objectives, namely, to increase sales and marketing activities, and manufacture and develop new products, including IQbuds^2 MAX.

As at 31 December 2019, the Group held cash reserves of $3,541,540 (30 June 2019: $3,220,079 / 31 December 2018: $8,080,492).

7 Significant events after balance date

Appointment of Chairperson

The Hon Cheryl Edwardes *AM* was appointed as Non-Executive director and Chairperson on 1 January 2020. With Mrs Edwardes' appointment, Nuheara CEO, Justin Miller, will remain on the board and revert from Executive Chairperson to Managing Director.

Funding Agreement

On 24 January 2020, Nuheara executed an agreement for a 24-month $2.5 million funding (Funding Agreement) with the Lind Global Macro Fund, LP, an entity managed by The Lind Partners (together "Lind"), a New York-based institutional fund manager. The funding will be provided as a secured convertible note with a 24-month term, the proceeds of which will be used, along with Nuheara's current cash, to fund the mass production and marketing of the recently released IQbuds^2 MAX and working capital requirements.

The Funding Agreement includes provisions that allow for conversion of securities outstanding to Lind into fully paid ordinary shares in the capital of the Company, optional cash payments by the Company or early repayment, without penalty and subject to Lind's buy back conversion rights for up to 33% of the outstanding face value. A lock-up provision restricts conversion into shares for 120 days after the closing date. Lind will invest $2.5 million into Nuheara who will issue a secured redeemable convertible security with a face value of $3.0 million. Nuheara has the right to redeem at any time without penalty, which, if repaid within 180 days, the face value will be reduced to $2.85 million. Other than following an event of default, the convertible note does not bear interest.

Lind has agreed to certain conversion limits and trading restrictions, including no conversions within the first 120 days below $0.06 per share. If Lind converts at a price below $0.02, instead of issuing shares, Nuheara will have three business days to elect to pay that conversion in cash plus a 5% premium.

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7 Significant events after balance date *(continued)*

Funding Agreement (*continued*)

The conversion price will be:
- $0.06 for 120 days after closing;
- After 120 days, the lessor of $0.06; or 90% of the average of the five lowest daily VWAPs during the 20-trading days prior to conversion.

As part of the consideration payable for this Funding Agreement, the Company will issue 24,264,706 options to Lind with an exercise price of $0.05 (47% premium over the current share price) with an expiry date 4 years from issue. Security will be provided to Lind by way of the issue of 20 million collateral shares that will be credited or returned to the Company upon expiration or termination of the Funding Agreement.

Sale of Mining Royalty

On 24 January 2020, Nuheara has entered into a Binding Preliminary Sales and Purchase Agreement (“Agreement”) with SilverStream SEZC (“Silverstream”), whereby SilverStream will purchase certain royalty interests (“Royalty”) from Nuheara for a total consideration of US$200,000 (“Consideration”).

The Agreement will serve as the basis for Definitive Sale and Purchase Agreement (“DPA”) to be executed by the parties, with the DPA conditional on third-party consents and approvals being obtained by Nuheara and completion of further legal documentation.

The Royalty to be sold to SilverStream is a 1.5% net smelter royalty over the Mt Ida South/Quinns gold projects located in Western Australia and currently owned by Alt Resources Ltd (ASX:ARS). The Mt Ida Gold Project encompasses the Mt Ida South and the Quinn’s Mining Centre projects, located approximately 90 kilometres west of Leonora.

SilverStream will purchase the Royalty for total aggregate consideration of US$200,000. Payment for the Royalty will be satisfied by the issuance of US$100,000 of SilverStream shares, issued on or about the commencement of trading of SilverStream on the TSX or equivalent exchange at its listing price per share; and US$100,000 in cash payable within seven days of SilverStream listing on the TSX or equivalent exchange.

This information should be read in conjunction with the 2019 Annual Report and any public announcements made in the period by Nuheara Limited in accordance with continuous disclosure requirements of the Corporations Act 2001 and Listing Rules.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Director’s report and the condensed financial report which has been independently reviewed by Walker Wayland WA Audit Pty Ltd. The Independent Review Report provided by Walker Wayland is included in the condensed consolidated financial report for the half-year ended 31 December 2019.

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DIRECTORS'S REPORT

The Directors of Nuheara Limited present their report, together with the condensed consolidated half-year financial report consisting of Nuheara Limited ("the Company") and its consolidated entities (jointly referred to as "the Group"), for the half-year ended 31 December 2019 and the review report thereon.

Directors

The directors in office at any time during the half year ended 31 December 2019 and up to the date of signing this report are:

- The Hon. Cheryl Edwardes *AM* - Chairperson (appointed 1 January 2020)
- David Buckingham (appointed 1 November 2019)
- Justin Miller
- David Cannington
- Kathryn Foster

Review of Operations

The Group ended the half-year to 31 December 2019 with:

- Total revenue and other income from continuing operations of $1,365,966 (31 December 2018: $1,419,232);
- A net loss from continuing operations after tax of $5,726,307 (31 December 2018: $4,011,140); and
- Operating cash inflows generated from continuing operations of $321,461 (31 December 2018: ($265,206)).

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the Corporations Act 2001 is set out on page 5 for the half-year ended 31 December 2019.

Justin Miller
Managing Director/Chief Executive Officer

Perth, 17 February 2020

walker wayland audit

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

I declare that, to the best of my knowledge and belief, during the half-year end 31 December 2019 there have been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Walker Wayland WA Audit Pty Ltd

WALKER WAYLAND WA AUDIT PTY LTD

Richard J Gregson

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

Dated this 17th day of February 2020.

NUHEARA

NUHEARA LIMITED
ABN 29 125 167 133

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2019

	NOTES	Half-year ended 31 Dec 2019 $	Half-year ended 31 Dec 2018 $
Revenue		**1,365,966**	1,419,232
Cost of sales		**(1,146,023)**	(1,386,689)
Gross profit		**219,943**	**32,543**
Other income	11	**1,868,091**	2,139,006
Salaries and employee benefits		**(3,011,148)**	(2,834,933)
Marketing and promotional		**(1,777,110)**	(1,299,125)
Product development and technology related expenses	6	**(1,954,800)**	(513,890)
General and administrative		**(1,430,633)**	(1,104,314)
Share based payments	10	**359,350**	(428,340)
Loss before tax from continuing operations		**(5,726,307)**	**(4,009,053)**
Income tax expense		**-**	**(2,087)**
Total comprehensive loss for the year		**(5,726,307)**	**(4,011,140)**
		(5,726,307)	**(4,011,140)**
Total comprehensive loss attributable to:			
Equity holders		**(5,726,307)**	**(4,011,140)**
Total comprehensive loss		**(5,726,307)**	**(4,011,140)**
Earnings per share			
Basic loss per share (cents per share)	8	**(0.57)**	(0.45)
Diluted loss per share (cents per share)	9	**(0.55)**	(0.41)

The accompanying notes form part of these financial statements.

NUHEARA

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	NOTES	31 Dec 2019 $	30 Jun 2019 $
CURRENT ASSETS			
Cash and cash equivalents		**3,541,540**	3,220,079
Trade and other receivables		**568,053**	674,458
Inventory		**2,349,362**	2,432,267
Disposal group – mining tenements held for sale	5	**-**	206,233
TOTAL CURRENT ASSETS		**6,458,955**	**6,533,037**
NON-CURRENT ASSETS			
Plant and equipment		**496,100**	605,957
Right of use asset	12	**109,101**	-
Security deposits		**12**	3,515
Intangible assets	13	**5,470,282**	5,241,203
TOTAL NON-CURRENT ASSETS		**6,075,495**	**5,850,675**
TOTAL ASSETS		**12,534,450**	**12,383,712**
CURRENT LIABILITIES			
Trade and other payables		**3,641,861**	1,237,885
Financial liabilities		**109,099**	-
Provisions		**480,421**	424,399
TOTAL CURRENT LIABILITIES		**4,231,381**	**1,662,284**
NON-CURRENT LIABILITIES			
Provisions		**33,446**	23,544
TOTAL NON-CURRENT LIABILITIES		**33,446**	**23,544**
TOTAL LIABILITIES		**4,264,827**	**1,685,828**
NET ASSETS		**8,269,623**	**10,697,884**
EQUITY			
Issued capital	7	**41,986,301**	38,325,527
Share option reserve	8	**1,050,917**	1,410,267
Foreign currency translation reserve		**25,550**	(6,478)
Accumulated losses		**(34,793,145)**	(29,031,432)
TOTAL EQUITY		**8,269,623**	**10,697,884**

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2019

	Ordinary Shares $	Accumulated Losses $	Share Option Reserve $	Foreign Currency Translation Reserve $	Total $
Balance at 1 July 2019	38,325,527	(29,031,432)	1,410,267	(6,478)	10,697,884
Comprehensive Income					
Loss for the period	-	(5,726,307)	-	-	(5,726,307)
Total comprehensive loss for the period	-	**(5,726,307)**	-	-	**(5,726,307)**
Transactions with owners in their capacity as owners					
Shares issued during the period	4,000,000	-	-	-	4,000,000
Share issue costs	(339,226)	-	-	-	(339,226)
Movement in valuation of options issued in prior periods	-	-	(359,350)	-	(359,350)
Foreign currency translation movements	-	(35,406)	-	32,028	(3,378)
Balance at 31 December 2019	**41,986,301**	**(34,793,145)**	**1,050,917**	**25,550**	**8,269,623**
Balance at 1 July 2018	33,038,866	(18,974,248)	960,561	(6,478)	15,018,701
Comprehensive Income					
Loss for the period	-	(4,011,140)	-	-	(4,011,140)
Total comprehensive loss for the period	-	**(4,011,140)**	-	-	(4,011,140)
Transactions with owners in their capacity as owners					
Shares issued during the period	5,110,250	-	-	-	5,110,250
Share issue costs	(344,168)	-	-	-	(344,168)
Options issued during the period	-	-	33,370	-	33,370
Movement in valuation of options issued in prior periods	-	-	394,970	-	394,970
Option issue costs	-	-	(807)		(807)
Foreign currency translation movements	-	(29,946)	-	-	(29,946)
Balance at 31 December 2018	**37,804,948**	**(23,015,334)**	**1,388,094**	**(6,478)**	**16,171,230**

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2019

	Half-year ended 31 Dec 2019 $	Half-year ended 31 Dec 2018 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	**1,361,655**	1,386,408
Interest received	**4,657**	7,652
Grants and rebates received	**1,673,964**	2,086,340
Other income	**1,483**	2,249
Proceeds from the sale of assets held for sale	**363,347**	-
Payments to suppliers and employees	**(4,604,870)**	(6,487,015)
Interest and other costs of finance paid	**(1,055)**	-
Income tax paid	**-**	(2,087)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(1,200,819)**	**(3,006,453)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	**(16,124)**	(81,699)
Proceeds from the sale of plant and equipment	**-**	1,343
Payment for the acquisition of intangibles	**(2,122,370)**	(1,943,672)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(2,138,494)**	**(2,024,028)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share and option issues	**4,000,000**	5,110,250
Share raising costs	**(339,226)**	(344,975)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**3,660,774**	**4,765,275**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD	**321,461**	(265,206)
Cash and cash equivalent at beginning of the financial period	**3,220,079**	8,345,698
Cash and cash equivalent at the end of the financial period	**3,541,540**	**8,080,492**

The accompanying notes form part of these financial statements.

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

For the purposes of this report:

Nuheara IP Pty Ltd refers to the company purchased by Nuheara Limited on 25 February 2016. As required by Australian Accounting Standard AASB3: Business Combinations, Nuheara Limited is deemed to have been acquired by Nuheara IP Pty Ltd as at 25 February 2016 under the reverse acquisition rules.

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

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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

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

This preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 30 June 2019 and any public announcements made by Nuheara Limited, during the reporting period, in accordance with the continuous disclosure requirements of the ASX listing rules.

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

Going concern

For the half-year ended 31 December 2019 the Company has incurred a loss of $5,726,307 and generated net operating cash outflows of $1,200,819, as disclosed in the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Cash Flows, respectively. For the same period last year, the Group incurred a loss of $4,011,140 and generated net operating cash outflows of $3,006,453.

The Group's trading and cash flow forecasts for the 12-month period from the date of reporting indicate that there is some risk that it may not meet all of its payment obligations unless the Group is able to complete a successful equity and debt raising. These matters present significant material uncertainties in relation to the Group's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a) Basis of preparation *(continued)*

Going concern (continued)

The Directors remain committed to the long-term business plan that is contributing to improved results as the business progresses from start-up phase into a more established business operation. The Directors believe there are reasonable grounds to believe that the Group will be able to continue as a going concern after consideration of the following factors:

- Growth in Direct-to-Consumer (DTC) sales;
- Growth in sales through other distribution channels, including optical, pharma, and audiology;
- Release of new products over the course of the next 12-months;
- Active management of the current level of discretionary expenditure in line with the funds available to the Group; and
- Raising additional working capital through the issue of securities and/or other funding.

After taking into account all available information, and track history of successful equity raisings, the Directors have concluded that there are currently reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, to continue as a going concern, be in a position to realise its assets and settle its liabilities and commitments in the normal course of business, and at the amounts stated in the financial report. Accordingly, the Directors also believe that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

In the event that the Group does not achieve the conditions stated by the Directors, the ability of the Group to continue as a going concern may be impacted and therefore the Group may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations, and at the amounts stated in the financial report. No adjustments have been made to the recoverability and classification of recorded asset values and the amount and classification of liabilities that might be necessary should the Group not continue as going concern.

b) Accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Group has considered the implications of new or amended Accounting Standards but determined that their application to the financial statements is either not relevant or not material.

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

c) New and Amended Standards Adopted by the Group

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. The Group had to change its accounting policies and make adjustments as a result of adopting the following Standard:

AASB 16: Leases

The impact of the adoption of this Standard and the respective accounting policies is disclosed in Note 2.

2 CHANGE IN ACCOUNTING POLICIES

This note describes the nature and effect of the adoption of AASB 16: Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

Leases

The Group as lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Initial Application of AASB 16: Leases

The Group has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: Leases where the Group is the lessee.

Lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

2. CHANGE IN ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Initial Application of AASB 16: Leases (continued)

The right-of-use assets for the leases have been measured and recognised in the statement of financial position as at 1 July 2019 by taking into consideration the lease liability and the prepaid and accrued lease payments previously recognised as at 1 July 2019 (that are related to the lease).

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

- for a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied.
- leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term leases.
- the use of hindsight to determine lease terms on contracts that have options to extend or terminate.
    - applying AASB 16 to leases previously identified as leases under AASB 117: Leases and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application.
    - not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

The Group's weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 3.83%.

The difference between the undiscounted amount of operating lease commitments at 30 June 2019 of $199,290 and the discounted operating lease commitments as at 1 July 2019 of $190,927 were $8,362 which is due to discounting the operating lease commitments at the Group's incremental borrowing rate.

3 SEGMENT INFORMATION

Operating segments

Nuheara Limited, Nuheara IP Pty Ltd and Nuheara Inc are operating within the hearing health sector and have been aggregated to one reportable segment given the similarity of the products manufactured for sale, method in which products are delivered, types of customers and regulatory environment.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

i. Estimated impairment of assets

The Group assesses impairment of its assets at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Where impairment has been triggered, assets are written down to their recoverable amounts. An impairment trigger includes operating losses and net cash outflows.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

i. Estimated impairment of assets (continued)

The ability of capitalised development costs to generate sufficient future economic benefits to recover the carrying amount is usually subject to greater uncertainty before the asset is available for use than after it is available for use. Judgement has been made in the estimation of future profitability and net cash flows in the assessment of fair value for capitalised development costs, and in the resulting determination that no impairment existed at balance date. Management acknowledges that a modest reduction in realised revenue growth against these forecasts may result in an impairment at a later date.

ii. Estimated warranty costs

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

iii. Valuation of options

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, using the assumptions detailed in Note 8.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 10.

iv. Capitalisation of development costs

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

v. Net Smelter Royalties

The Group holds an 80% interest in Terrace Gold Pty Ltd ("Terrace"). Terrace holds a 0.5% net smelter royalty over the El Molino Gold Project and part of the El Galeno Copper Project located in Northern Peru, currently owned under joint venture by China Minmetals and Jiangxi Copper, and a 1.5% Net Smelter Royalty over the Mt Ida gold project located in Western Australia (under contract for sale as disclosed in note 15).

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

5 DISPOSAL GROUP – MINING TENEMENTS HELD FOR SALE

During the half-year, Nuheara entered into a Mining Concessions Transfer Agreement (the "Transfer Agreement") for the sale of its mining concessions in southern Peru. Under the Transfer Agreement entered with Corisur Peru SAC ("Corisur"), a subsidiary of Auryn Resources Inc. (TSX:ARG), Corisur paid US$250,000 (AUD$363,347) for the following tenements:

	Tenement	Interest %
Peru:		
Sambalay 1	010180210	100%
Sambalay 2	010180310	100%
Sambalay 3	010185310	100%
Salvador	010227410	100%
Salvador	010328310	100%

The mining concessions were held by Nuheara's wholly owned subsidiary, Wild Acre Metals (Peru) SAC which is now undergoing a process of liquidation following the sale.

6 PRODUCT DEVELOPMENT AND TECHNOLOGY RELATED EXPENSES

	Half year ended 31 Dec 2019 $	Half year ended 31 Dec 2018 $
Product development, including research and development costs[i]	910,770	465,456
Inventory and components written off[ii]	1,044,030	48,434
	1,954,800	513,890

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

(ii) Inventories are stated at the lower of cost or market. The Company periodically reviews the value of items in inventory and provides write-downs or write-offs of inventory based on its assessment of market conditions. Write-downs and write-offs are charged as an expense to the Statement of Profit and Loss. In the half-year to 31 December 2019, the company experienced total write-downs and write-offs of $1,044,030 (31 December 2018: $48,434), including a one-time charge of $716,570 attributable to the development of superior technology (31 December 2018: nil).

7 ISSUED CAPITAL

	31 Dec 2019 $	30 June 2019 $	31 Dec 2018 $
(i) Issued and Paid Up Capital:			
1,062,210,292 Ordinary shares, fully paid (30 June 2019: 982,210,292 / 31 December 2018: 960,660,390)	**41,986,301**	38,325,527	37,804,948

7 ISSUED CAPITAL *(continued)*

(ii) Movements during the period	31 Dec 2019 No.	31 Dec 2019 $
Opening Balance at 1 July 2019	**982,210,292**	**38,325,527**
15 July 2019 issued 80,000,000 shares under share placement at $0.05 each	80,000,000	4,000,000
Less: Share issue costs	-	(339,226)
Balance shares at 31 December 2019	**1,062,210,292**	**41,986,301**

	31 Dec 2018 No.	31 Dec 2018 $
Opening Balance at 1 July 2018	**891,473,723**	**33,038,866**
10 December 2018 issued 2,250,000 shares on exercise of options $0.04 each	2,250,000	90,000
10 December 2018 Issued 66,936,667 shares under share placement at $0.075	66,936,667	5,020,250
Less: Share issue costs	-	(344,168)
Balance shares at 31 December 2018	**960,660,390**	**37,804,948**

(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.

8 SHARE OPTION RESERVE

	31 Dec 2019 $	30 June 2019 $	31 Dec 2018 $
(i) Unlisted options:			
24,000,000 (30 June 2019: 78,000,000/ 31 December 2018: 86,750,000) unlisted options	**1,050,917**	1,410,267	1,388,094

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

	31 Dec 2018 No.	31 Dec 2018 $
Opening Balance at 1 July 2018	**78,000,000**	**960,561**
Issue of Employee options @ $0.09 each on 17 September 2018	9,500,000	32,587
Issue of Employee options @ $0.09 each on 10 December 2018	1,500,000	783
Less: Options exercised/forfeited	(2,250,000)	(22,616)
Movement in valuation of options issued in prior reporting periods	-	416,779
Balance unlisted options at 31 December 2018	**86,750,000**	**1,388,094**

9 EARNINGS PER SHARE

	Half year ended 31 Dec 2019 Cents	Half year ended 31 Dec 2018 Cents
Basic loss per share (cents per share)	**(0.57)**	(0.45)
Diluted loss per share (cents per share)	**(0.55)**	(0.41)

	Half year ended 31 Dec 2019 $	Half year ended 31 Dec 2018 $
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	**(5,726,307)**	(4,001,126)

	Half year ended 31 Dec 2019 No.	Half year ended 31 Dec 2018 No.
Weighted average number of ordinary shares – basic loss per share	**997,089,941**	894,246,231
Weighted average number of ordinary shares – diluted loss per share	**1,050,626,593**	974,050,420

10 SHARE BASED PAYMENTS

	Half year ended 31 Dec 2019 $	Half year ended 31 Dec 2018 $
Expense arising from options issued to employees	**-**	33,370
Options forfeited or lapsed	(483,560)	-
Movement in valuation of options issued in prior periods	124,210	394,970
	(359,350)	**428,340**

The following share-based payment arrangements existed:

a) There were no shares or options granted to key management personnel during the half-year ended 31 December 2019 (31 December 2018: nil).

b) There were no shares or options granted to non-key management personnel during the half-year ended 31 December 2019 (31 December 2018: 11,000,000).

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

	No.	Weighted Average Exercise Price
Options outstanding and exercisable as at 31 December 2018	**86,750,000**	**$0.08**
Granted	11,000,000	$0.09
Exercised	(2,250,000)	-
Options outstanding and exercisable as at 30 June 2019	**56,000,000**	**$0.09**
Forfeited	(32,000,000)	-
Options outstanding and exercisable as at 31 December 2019	**24,000,000**	**$0.09**

The weighted average remaining contractual life of options outstanding at year end was 1.42 years (30 June 2019: 1.35 years/31 December 2018: 1.04 years). The weighted average exercise price of outstanding options at the end of the reporting period was $0.09 (30 June 2019: $0.09 / 31 December 2018: $0.08).

10 SHARE BASED PAYMENTS *(continued)*

The fair value of options granted during the half-year was nil (30 June 2019: $660,170 / 31 December 2018: $381,430). Fair values of options are calculated using the Black-Scholes option pricing model.

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

There were no equity-settled share-based payment transactions during the period (30 June 2019: $nil / 31 December 2017: $nil).

11 OTHER INCOME	**Half year ended 31 Dec 2019 $**	**Half year ended 31 Dec 2018 $**
Interest income	35,530	50,417
Grants and rebates received	1,673,964	2,086,340
Profit on sale of mining interests	157,114	-
Sundry income	1,483	2,249
Total other income	**1,868,091**	**2,139,006**

12 RIGHT OF USE ASSETS

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

Options to extend or terminate

There are no extension options for the building leases.

(i) AASB 16 related amounts recognised in the Statement of Financial Position	**31 Dec 2019 $**
Right-of-use assets	
Leased building	190,927
Less: accumulated depreciation	(81,826)
Net carrying amount	**109,101**
Movement in carrying amounts:	
Recognised on initial application of AASB 16 (previously classified as operating leases under AASB 117)	190,927
Depreciation expense for the half-year ended	(81,826)
Net carrying amount	**109,101**

(ii) AASB 16 related amounts recognised in the Statement of Profit or Loss	**31 Dec 2019 $**
Depreciation charge related to right-of-use assets	81,826
Interest expense on lease liabilities (under finance cost)	3,582

(iii) AASB 16 related amounts recognised in the Statement of Cash Flows	**31 Dec 2019 $**
Total half-yearly operating cash outflows for leases	85,410

13 INTANGIBLE ASSETS	31 Dec 2019 $	30 June 2019 $
Development costs – at cost	11,785,331	9,828,331
Less: accumulated amortisation and impairment losses	(7,033,908)	(5,177,446)
Net carrying amount	**4,751,423**	4,650,885
Patents & Trademarks – at cost	827,882	662,512
Less: accumulated amortisation and impairment losses	(109,023)	(72,194)
Net carrying amount	**718,859**	590,318
Total intangible assets	**5,470,282**	**5,241,203**

14 CONTINGENT ASSETS AND LIABILITIES

There are no known contingent assets and liabilities.

15 SIGNIFICANT EVENTS AFTER BALANCE DATE

Appointment of Chairperson

The Hon Cheryl Edwardes *AM* was appointed as Non-Executive director and Chairperson on 1 January 2020. With Mrs Edwardes' appointment, Nuheara CEO, Justin Miller, will remain on the board and revert from Executive Chairperson to Managing Director.

Funding Agreement

On 24 January 2020, Nuheara executed an agreement for a 24-month $2.5 million funding (Funding Agreement) with the Lind Global Macro Fund, LP, an entity managed by The Lind Partners (together "Lind"), a New York-based institutional fund manager. The funding will be provided as a secured convertible note with a 24-month term, the proceeds of which will be used, along with Nuheara's current cash, to fund the mass production and marketing of the recently released IQbuds² MAX and working capital requirements.

The Funding Agreement includes provisions that allow for conversion of securities outstanding to Lind into fully paid ordinary shares in the capital of the Company, optional cash payments by the Company or early repayment, without penalty and subject to Lind's buy back conversion rights for up to 33% of the outstanding face value. A lock-up provision restricts conversion into shares for 120 days after the closing date. Lind will invest $2.5 million into Nuheara who will issue a secured redeemable convertible security with a face value of $3.0 million. Nuheara has the right to redeem at any time without penalty, which, if repaid within 180 days, the face value will be reduced to $2.85 million. Other than following an event of default, the convertible note does not bear interest.

Lind has agreed to certain conversion limits and trading restrictions, including no conversions within the first 120 days below $0.06 per share. If Lind converts at a price below $0.02, instead of issuing shares, Nuheara will have three business days to elect to pay that conversion in cash plus a 5% premium.

The conversion price will be:

- $0.06 for 120 days after closing;
- After 120 days, the lessor of $0.06; or 90% of the average of the five lowest daily VWAPs during the 20-trading days prior to conversion.

15. SIGNIFICANT EVENTS AFTER BALANCE DATE *(continued)*

As part of the consideration payable for this Funding Agreement, the Company will issue 24,264,706 options to Lind with an exercise price of $0.05 (47% premium over the current share price) with an expiry date 4 years from issue. Security will be provided to Lind by way of the issue of 20 million collateral shares that will be credited or returned to the Company upon expiration or termination of the Funding Agreement.

Sale of Mining Royalty

On 24 January 2020, Nuheara has entered into a Binding Preliminary Sale and Purchase Agreement (“Agreement”) with SilverStream SEZC (“Silverstream”), whereby SilverStream will purchase certain royalty interests (“Royalty”) from Nuheara for a total consideration of US$200,000 (“Consideration”).

The Agreement will serve as the basis for Definitive Sale and Purchase Agreement (“DPA”) to be executed by the parties, with the DPA conditional on third-party consents and approvals being obtained by Nuheara and completion of further legal documentation.

The Royalty to be sold to SilverStream is a 1.5% net smelter royalty over the Mt Ida South/Quinns gold projects located in Western Australia and currently owned by Alt Resources Ltd (ASX:ARS). The Mt Ida Gold Project encompasses the Mt Ida South and the Quinn’s Mining Centre projects, located approximately 90 kilometres west of Leonora.

SilverStream will purchase the Royalty for total aggregate consideration of US$200,000. Payment for the Royalty will be satisfied by the issuance of US$100,000 of SilverStream shares, issued on or about the commencement of trading of SilverStream on the TSX or equivalent exchange at its listing price per share; and US$100,000 in cash payable within seven days of SilverStream listing on the TSX or equivalent exchange.

NUHEARA LIMITED
ABN 29 125 167 133

DIRECTORS' DECLARATION

The Directors of Nuheara Limited declare that:

1 the financial statements and notes are in accordance with the Corporations Act 2001 and:

a) comply with Australian Accounting Standards which, as stated in the accounting policy Note 1 to the financial statements, constitutes compliance with International Accounting Reporting Standards (IFRS); and

b) give a true and fair view of the financial position as at 31 December 2019 and of the performance for the half year ended on that date of the Company;

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

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

On behalf of the Board of Directors:

Justin Miller
Managing Director/Chief Executive Officer

Perth, 17 February 2020

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

REPORT ON THE HALF-YEAR FINANCIAL REPORT

We have reviewed the accompanying half-year financial report of Nuheara Limited ("the Company") and its controlled entities ("the Group") , which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Nuheara Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

walkerwayland audit

Conclusion

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

(i) giving a true and fair view of the group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;

(ii) and complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

Emphasis of Matter – Going Concern

Without modifying our opinion, we draw attention to the following matter. As a result of the matters disclosed in Note 1a) "Going Concern" of the financial report, there are material uncertainties that cast significant doubt whether the group can continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report. The ability of the group to continue as a going concern is dependent upon its ability to generate sufficient growth in direct-to-consumer sales, growth in sales through other distribution channels, release of new products over the course of 12 months, management of the current level of discretionary expenditure in line with the funds available to the group, and equity raisings.

Walker Wayland WA Audit Pty Ltd

WALKER WAYLAND WA AUDIT PTY LTD

Richard J Gregson

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

Dated this 17th day of February 2020.