AIRWAY TECHNOLOGY

RHINOMED

ANNUAL REPORT 2020

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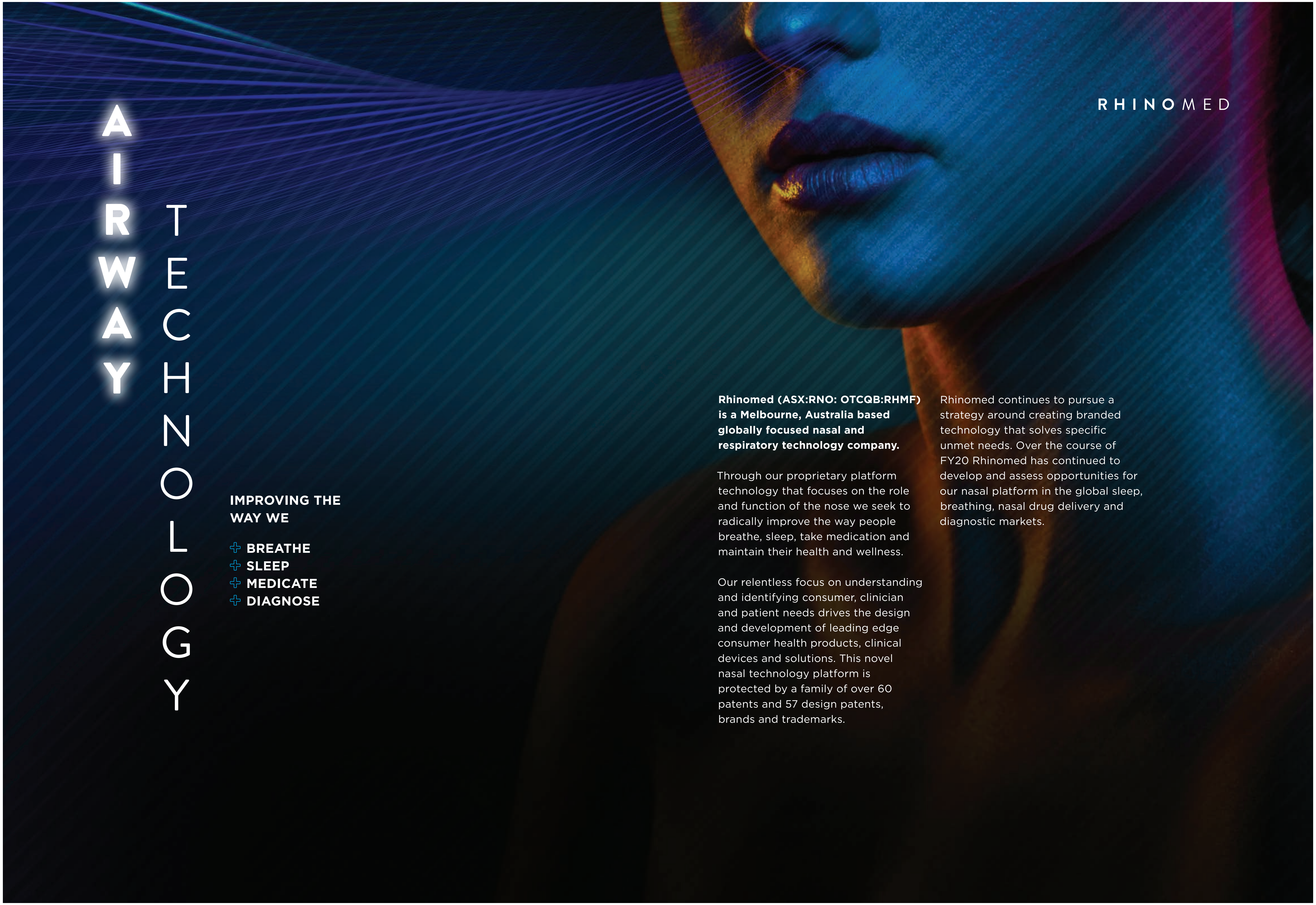


RHINOMED

AIRWAY TECHNOLOGY

IMPROVING THE WAY WE

- **BREATHE**
- **SLEEP**
- **MEDICATE**
- **DIAGNOSE**

Rhinomed (ASX:RNO: OTCQB:RHMF) is a Melbourne, Australia based globally focused nasal and respiratory technology company.

Through our proprietary platform technology that focuses on the role and function of the nose we seek to radically improve the way people breathe, sleep, take medication and maintain their health and wellness.

Our relentless focus on understanding and identifying consumer, clinician and patient needs drives the design and development of leading edge consumer health products, clinical devices and solutions. This novel nasal technology platform is protected by a family of over 60 patents and 57 design patents, brands and trademarks.

Rhinomed continues to pursue a strategy around creating branded technology that solves specific unmet needs. Over the course of FY20 Rhinomed has continued to develop and assess opportunities for our nasal platform in the global sleep, breathing, nasal drug delivery and diagnostic markets.

LETTER FROM THE CHAIRMAN

It is my pleasure to present the Rhinomed Limited 2020, Annual Report.

Consistent with all other companies I can think of, Rhinomed's last year has been overshadowed by the global onset of the COVID19 pandemic.

Whilst this event only manifested itself in the last half of the financial year, its global impact, both socially and economically, has been far reaching, and the most significant event in the last 100 years.

There has not been a region globally that has been unaffected, and the implications for Governments, companies, and most importantly, individuals, has been far reaching and devastating, a life changing moment.

I want to pause for a moment and acknowledge the efforts by our Management Team, led by Michael Johnson, to quickly shift gear in their care for our people, and also move to pivot to a Work from Home model.

This is unchartered territory for all, and with that comes uncertainty, stress of all types, and fear of the unknown.

The most important consideration for the Board and Management is the health and safety of our people.

Being able to secure the company through this pandemic was also a critical consideration for the Board and Management. As I am one to say, "it is not the smartest idea that succeeds, it is a smart idea that can stay the course". In that regard, the company quickly moved to raise additional capital, not something we particularly wanted to do, but necessary to weather the pandemic, and be ready to move forward once the operating environment stabilizes. For that, the Board is indebted to our largest shareholder, Whitney George, who quickly stepped up and underwrote our rights issue to ensure it was successful. Our other major individual shareholders also supported the issue, thank you.

Turning to our results for the year our numbers through the first three quarters were tracking in line with expectations with the March quarter producing a record financial result, but as expected the June quarter fell victim to the impact of the pandemic albeit they were better than expected, and delivered a healthy revenue increase on the 2019 year.

Shareholders will recall at last year's Annual General Meeting we indicated that our expectations were that our numbers would gain momentum in the second half of the financial year, and until the pandemic struck, that was our trajectory.

A pleasing element is that our growth was achieved off the impact of our existing two products, with the planned new product launches understandably slowed by the onset of COVID19.

Our new natural oil products, the Pronto range, are now being placed on the shelves of pharmacies, most particularly in the U.S. and our store count has moved from over 12,000 to 20,000, a very pleasing increase. Further, our online sales continue to gain momentum.

It should be noted that the development of our CBD/medical cannabis licensing agreement with U.S. company, Columbia Care, was put on hold as a result of the impact of COVID 19. That said, the CBD/ medical cannabis product area is still one that we see as an ongoing focus. As I have outlined, with the new products programmed for release we are very optimistic about our future growth prospects.

One fact that has become very clear to us, and is consistent with our long term planning, is that our technology is a platform that can be focused on delivering many different solutions to needs.

As I highlighted last year, when we developed our strategy in 2014 we laid out a plan to evolve the Rhinomed technology platform to broader and more sophisticated uses and the passage of time is validating that belief and commitment.

Consistent with many evolving companies, the pathway and time scale to achieve your ambition is challenging and demanding, There is no such thing as an overnight success, but we are more excited and committed today than at anytime in our history.

Finally, I wish to thank our shareholders and our dedicated Board and staff for their ongoing support, we are sharply focused on delivering the quality outcomes you should expect from Rhinomed.

RON DEWHURST
CHAIRMAN

LETTER FROM THE CEO & MANAGING DIRECTOR

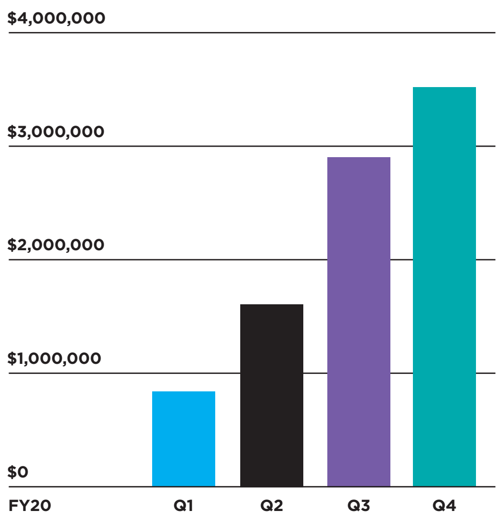
DEAR SHAREHOLDERS,

The past year has seen Rhinomed establish itself as one of the world's leading developers of nasal airway technology. We have continued to build our position through our class leading products which are on sale in markets all around the world.

Our strong progress is built upon a strategy that has guided us from a single product company through to our position now as a leading technology developer.

Over the course of FY20 the company continued to make strong progress across a number of our key milestones. Importantly, and despite the significant impact of the Covid-19 pandemic and the shut down in our major markets, Rhinomed continued to grow, albeit at a lower rate than expected.

REVENUE GROWTH



One of the clear highlights was achieving our goal of establishing our products on over 20,000 shelves before the end of calendar year 2020. This is a major achievement for any company, let alone one headquartered in Melbourne, Australia.

While global distribution has always been a key element of our strategy, partnering with some of the world's leading healthcare retail and pharmacy brands including Walgreens, CVS and Rite Aid (USA), Boots (UK) and through the Symbion and Sigma networks (Australia) is a strength that we believe sets Rhinomed up for success over the long term. We are firm believers that building compelling consumer health brands and strong relationships with these important primary healthcare providers is a critical step to our future growth.

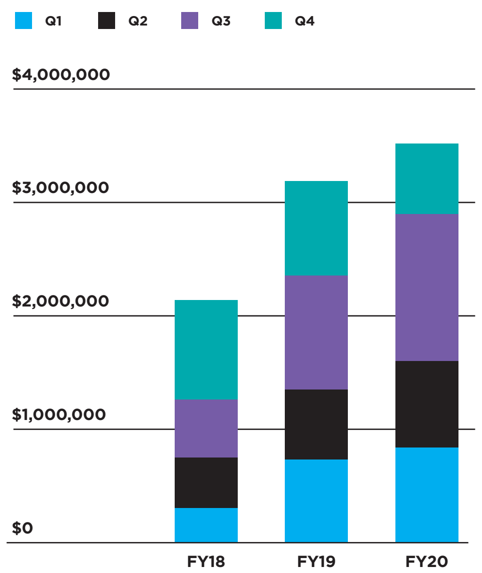
This financial year has proven to be one like no other in Rhinomed's short history. Like many companies we have seen the impact of the Covid-19 pandemic and its effects on both our customers and operations. Despite this, I am pleased to report that our company and our team have responded with a high level of resilience, have remained focused on delivering solutions for our customers and have moved to respond to these difficult times with positivity about the impact our solutions can have on our customers.

CONSISTENTLY DELIVERING MILESTONES

Over the last 12 months Rhinomed has continued to deliver on key milestones:

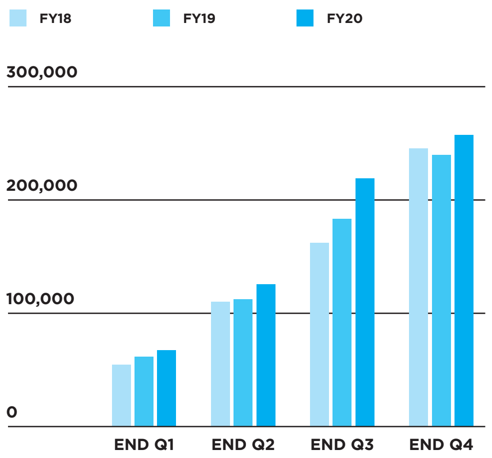
- The company entered the year with strong momentum and this continued into FY20.
- In FY20 Q3 we reported a new record quarter of revenue reflecting the strong sell through of the Mute technology. FY20 Q4 was down significantly as a result of the pandemic and shutdowns in our major markets. Despite this, the company reported 8.5% revenue growth over FY19 ending the FY20 year with $3.6m in recognized revenues.

REVENUE GROWTH Q ON Q



- We shipped over 251,000 units to customers during FY20, up from approximately 240,000 in FY19. This reflected the strong growth of Mute across markets. We expect that Pronto will have an equally important contribution into FY21.

UNITS SHIPPED YEAR ON YEAR



- The company continues to invest strategically in growing our business and supporting our retail presence. In response to the Covid 19 pandemic we introduced a capital conservation strategy to minimise cash burn in FY20 Q4.
- The company continued to push hard on global distribution throughout FY20. Our technology continued to gather support with new accounts being added both in Australia and the North American markets.
- Over the course of the year we gained distribution within the USA of our new Pronto range – Pronto Sleep and Pronto Clear. These two new rechargeable devices play an important role in expanding the platform into the delivery of medication.

In the second half of FY20 we were pleased to announce that leading US based retailer CVS had agreed to stock the new Pronto Clear decongestant technology in over 6,300 stores across the US.

- Our medical cannabis program with Columbia Care continued to move forward. As the Covid-19 pandemic took hold in the USA, the decision was made to put a temporary halt on the Columbia Care program. The company is continuing to assess this relationship with the goal of optimising all possible returns for shareholders.

- The company has continued to increase its presence in the North American market. 76% of our revenue base derives from the USA. To further support the growth in this market we welcomed Mr John Ende as EVP Sales North America to provide on the ground leadership to our US team. John is an experienced Consumer health care operator and we are now building a team around John that will drive the business forward in FY21 and beyond.

It is well worth reminding investors that our strategy is to leverage our unique nasal technology platform and to continue to develop new applications from this platform that will unlock significant growth opportunities within some of the world's fastest growing healthcare markets. Over the course of 2020, we have maintained that focus and at the completion of this financial year we have four products on markets. Turbine, Mute, and the new Pronto Sleep and Pronto Clear rechargeable range.

There are several key assumptions that underpin our strategy:

- Sleep will become a major health issue for tens of millions of people globally as emerging medical research increasingly points to poor sleep as a contributor to chronic disease.
- There is a clear unmet need for cheaper, highly accessible, low invasive solution that address respiration and sleep disturbed breathing and associated conditions.
- As wearable technology becomes more omnipresent, the question will turn to not how good your sleep and breathing is, but what you can do to improve it.
- The nose, as the entrance to the airway, plays a major role in how well and efficiently the rest of the airway and indeed, your body and mind function. The awareness of the role of the nose as the first line of defense against infection has grown even more so over the course of FY20.

We are executing a clear strategy that plays to these major trends.

EXPANDING OUR PLATFORM

Our flagship product, the Sleep and anti-snoring technology Mute continues to build its position as the preferred solution for the millions of people around the world affected by snoring and nasal obstruction. As we do this, we are not only growing our position as a front line solution to sleep and respiratory issues, we are also building a major franchise in the global sleep market. This is a critically important step. Socialising people with the concept of using our nasal technology platform significantly de risks our more sophisticated clinical and consumer health programs.

RHINOMED
2020

DEVELOPMENT PIPELINE

GLOBAL MARKETS	TECHNOLOGY	IN MARKET	PIPELINE			
SPORT	Stent	**Turbine**				
SNORING		**Mute**				
SLEEP	Airstream Platform	**Pronto Sleep**		Pronto Sleep Performance - CBD	Obstructive Sleep Apnea - Medical Cannabis	INSOMNIA
COUGH, COLD, CONGESTION		**Pronto Clear**	Pronto Allergy Relief - CBD		Non-Steroidal Anti-Inflammatory Drugs (NSAIDS)	COPD
NAUSEA				Pronto Travel - CBD		
PAIN						MIGRAINE
ANXIETY				Pronto Focus - CBD	PTSD	CNS DISORDERS

RESPONDING TO THE COVID-19 PANDEMIC

The events of the last six months of FY20 have been unprecedented. The scale and speed of the Covid-19 pandemic have been extraordinary. The pandemic has had a significant impact on every element of our everyday life and Rhinomed has not been immune to this.
In order to halt the spread of the virus, Governments in our major markets (UK, USA, Australia) implemented lockdowns. This had a direct impact on the foot traffic in our major retail outlets as consumers sought to minimise their shopping journeys. Additionally, we also saw Amazon prioritise delivery of essential goods during this period in the US and the UK. As a result, we saw a significant drop in sales in FY20 Q4.

Pleasingly, it would seem that this initial first wave of shock, fear and panic buying has passed and societies around the world are now working out what a world with Covid looks like – the new Covid normal. Rhinomed is responding to this in a number of ways. Firstly, there is an increasing awareness of the role of breathing and sleep and their impact on both mental and physical health. Our technologies have been specifically designed to improve the way you sleep and breathe.

A clear goal in FY21 will be to continue to build awareness of the role our technology plays in helping people breathe and sleep. Secondly, our research and development program is actively focused on developing solutions that will improve the way we sample, test, diagnose and treat diseases such as Covid-19 and influenza.

While we will continue to deal with the impact of Covid-19 on our lives, rest assured that Rhinomed will continue to work tirelessly to create solutions that seek to radically improve the way we breathe, sleep and maintain our health and wellness.

I would like to thank our entire team who have worked tirelessly to deliver our program. Rhinomed continues to demonstrate that Australian technology companies can not only create unique and disruptive innovation, but also commercialise this innovation through world's best practice when it comes to strategy, branding and market entry.

Our year on year growth even in these unprecedented times is testament to the hard work and dedication of the small but vibrant team that makes up Rhinomed. We are also grateful for the ongoing support of the range of clinicians and opinion leaders that endorse and use our products on a daily basis – in the clinic, in interviews and at conferences.

I wish to sincerely thank Chairman Ron Dewhurst and fellow Directors, Brent Scrimshaw and Dr Eric Knight, for their significant support in ensuring we deliver on our mission to change the way the world breathes.

MICHAEL JOHNSON
CEO

INTELLECTUAL PROPERTY

INTELLECTUAL PROPERTY

Rhinomed's Intellectual Property portfolio continued to grow at an impressive rate throughout the 2019-20 year. Existing properties continue to be prosecuted successfully in key jurisdictions, with a number of cases moving to Grant status.

Rhinomed continues to pursue an IP strategy centred on protecting the function of its market leading products with Patents, and the appearance of these award winning products via Design protection.

Design protection continued to expand with Rhinomed's Pronto range pursuing registration for both device and container in nine commercially significant markets during the year.

PATENTS

NASAL DILATOR DEVICES - MUTE

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
International	PCT/AU2014/000649	
New Zealand	629495	Granted
Taiwan	104119729	Granted
Australia	2014398172	Granted
Brazil	BR1120160296753	Filed
Canada	CA 2,952,261	Filed
China	2014800805899	Granted
European Union	14895038.9	Filed
Hong Kong	17107450.9	Filed
India	201727000001	Filed
Japan	2016-574088	Granted
Republic of Korea	10-2017-7001614	Filed
Malaysia	PI 2006704619	Filed
Russia	2017101211	Granted
United States of America	15/319,940	Filed

INTELLECTUAL
PROPERTY
CONTINUED

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2020

PATENTS

NASAL DILATOR DEVICES - TURBINE

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
International(PCT)	PCT/AU2015/050032	
New Zealand	727784	Filed
Taiwan	104119734	Granted
Australia	2015278239	Granted
Brazil	BR1120160299140	Filed
Canada	2,952,265	Filed
China	2015800332298	Granted
European Union	15809245.2	Filed
Hong Kong	N/A	Filed
India	201727001322	Filed
Japan	2016-574177	Granted
Republic of Korea	10-2017-7001486	Filed
Malaysia	PI 2016704618	Filed
Russia	2017100406	Granted
United States of America	15/319,941	Filed

NASAL DILATORS ('INPEAP DEVICE')

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
International (PCT)	PCT/AU2015/050314	Completed
Australia	2015397594	Pending
New Zealand	737761	Accepted
Brazil	BR 11 2017 025880 3	Pending
Canada	2,986,934	Pending
Eurasia	201792458	Granted
Europe	15893549.4	Pending
Hong Kong	18104805.7	Filed
India	201727045913	Pending
Japan	2017-562692	Granted
Malaysia	PI 2017704643	Pending
People's Republic of China	2015800807102	Pending
Republic of Korea	10-2017-7036957	Pending
South Africa	2017/08687	Accepted
United States of America	15/579,304	Pending

NASAL DILATORS ('INPEAP CLINICAL')

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
Australia	2015903056	Completed
International	PCT/AU2016/050621	Completed
Australia	2016302387	Pending
Brazil	BR 11 2018 001794 9	Pending
Europe	16831962.2	Pending
Hong Kong	18107572.12	Filed
Japan	2018-502215	Pending
New Zealand	738947	Pending
People's Republic of China	ZL03825243.0	Accepted
United States of America	7105008	Pending

NASAL DILATORS - PRONTO

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
Australia	2019900241	Provisional application

DESIGNS

BELT

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	350709	Registered
Brazil	BR302013003518.2	Registered
India	255356	Registered
Japan	D2013-016585	Registered
Mexico	MX/f/2013/002100	Registered
European Union	002277434	Registered
Argentina	85.804	Registered
China	201330341154.3	Registered
New Zealand	417812	Registered
United States	29/461217	Registered
Canada	152145	Registered

TURBINE I

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	352915	Registered
Canada	154473	Registered
China	201430013176.1	Registered
European Union	002376400	Registered
Japan	2013-030505	Registered
United States	29/479,493	Registered

TURBINE II

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	352986 (16408/2013)	Registered
European Union	002444562	Registered
India	261822	Registered
China	201430089717.9	Registered
United States of America	29/493,060	Registered
South Africa	F2014/00909	Registered
Japan	2014-012345	Registered
Korea	30-2014-0027588	Registered
Russia	2014502234	Registered
New Zealand	418886	Registered

DILATOR - FILTER

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	356549	Certified
European Union	002601088-0001	Registered
United States	29/512,496	Registered
Japan	2014-028705	Registered
China	201430539148.3	Registered
Canada	160233	Registered
Russia	2014505033	Registered
India	268145	Registered

INTELLECTUAL
PROPERTY
CONTINUED

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2020

DESIGNS

DILATOR – WITH RATCHET

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	356550	Certified
European Union	002601088-0002	Registered
United States	29/512,482	Registered
Japan	2014-028703	Registered
China	201430539174.6	Registered
Canada	160231	Registered
Russia	2014505035	Registered
India	268146	Registered

DILATOR – WITHOUT RATCHET

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	356551	Certified
European Union	002601088-0003	Registered
United States	29/512,492	Registered
Japan	2014-28704	Registered
China	201430539868.X	Registered
Canada	160232	Registered
Russia	2014505034	Registered
India	268144	Registered

TURBINE 3.0

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	201510495	Registered
Canada	162563	Registered
China	201530173446.X	Registered
European Union	00271324-0001	Registered
India	272761	Registered
Japan	D2015-013540	Registered
Russia	2015501656	Registered
United States	29/531,291	Registered

INPEAP/CPAP DESIGN

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	201512973	Registered
Canada	162563	Registered
China	201530448184.3	Registered
European Union	002870683	Registered
India	277845	Registered
Japan	2015-27358	Registered
Russia	2015504306	Registered
United States of America	29/547,579	Accepted

INPEAP – NO ARM DESIGN

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	201517103	Registered
European Union	003237924	Registered
United States of America	29/569,108	Accepted

DESIGNS

PRONTO - DEVICE

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	201913296	Registered
United States of America	29/716,995	Pending
China	201930694590.6	Pending
Europe	007383401-001	Registered
Hong Kong	1915231.7	Pending
Japan	2019-07479	Pending
South Korea	30-2019-0060089	Pending
Malaysia	19-01568-0101	Pending
Taiwan	108307615	Pending

PRONTO - CONTAINER - EXTERIOR

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	201913910	Registered
China	202030018722.6	Pending
United States of America	29/720,177	Pending
Europe	007497813-0001/5	Registered
Hong Kong	2015391.8	Pending
Japan	2020-000450	Pending
South Korea	30-2020-0001272	Pending
Malaysia	20-00033-0101	Pending
Taiwan	109300122	Pending

PRONTO - CONTAINER - INTERIOR

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	201915998	Registered
China	202030018721.1	Pending
Japan	2020-000451	Pending

TRADEMARKS

BO2LT

COUNTRY / JURISDICTION	CASE	STATUS
Australia	1517641	Registered

BREATHE ASSIST

COUNTRY / JURISDICTION	CASE	STATUS
United States of America	1111756	Registered
Australia BREATHE ASSIST; BREATHEASSIST; Breathe Assist; BreatheAssist	958713	Registered

INPEAP

COUNTRY / JURISDICTION	CASE	STATUS
Australia	1703812	Registered
United States of America	1259432	Protected

MAKING EVERY BREATH COUNT

COUNTRY / JURISDICTION	CASE	STATUS
Australia	TBA	Registered

MUTE

COUNTRY / JURISDICTION	CASE NO.	STATUS
Argentina	3396439	Registered
Australia	1649558	Registered
Brazil	909.174.849	Registered
Canada	1721352	Registered
Chile	1148530	Registered
Colombia	1258450	Protected
Europe (EUIPO)	1258450	Protected
Hong Kong	303350330	Registered
India	1258450	Protected
Indonesia	D002015013080	Registered
Japan	1258450	Protected
Malaysia	2015054734	Registered
Mexico	1258450	Protected
New Zealand	1258450	Protected
Norway	1258450	Protected
China	1258450	Protected
Korea	1258450	Protected
Singapore	1258450	Protected
South Africa	2015/08334	Protected
Switzerland	1258450	Protected
Taiwan	104016538	Registered
Thailand	171125381	Registered
United States of America	1258450	Protected

TRADEMARKS

RHINOCAN, NASOBINOL NASOCANN, RHINOBINOL

COUNTRY / JURISDICTION	CASE NO.	STATUS
USA - NASOBINOL	87/872,089	Issued
USA - NASOCANN	87/872,094	Issued
USA - RHINOBINOL	87/872,109	Issued
USA - RHINOCAN	87/872,061	Issued

RHINOMED

COUNTRY / JURISDICTION	CASE NO.	STATUS
Australia	1579247	Registered
Europe	1207112	Protected
United States of America	1207112	Protected

SLEEP ASSIST; SLEEP ASSIST; SLEEP ASSIST; SLEEP-ASSIST; SLEEP ASSIST;

COUNTRY / JURISDICTION	CASE NO.	STATUS
Australia	1043158	Registered

TURBINE

COUNTRY / JURISDICTION	CASE NO.	STATUS
Argentina	3369154	Registered
Australia	1568756	Registered
Brazil	908.545.436	Registered
Canada	913836	Registered
Colombia	1191436	Protected
Europe (OHIM)	1191436	Protected
Hong Kong	303173896	Registered
India	1191436	Protected

TURBINE CONT.

COUNTRY / JURISDICTION	CASE NO.	STATUS
Indonesia	D00 2014 050422	Registered
Japan	1191436	Protected
Malaysia	2014065924	Registered
Mexico	1191436	Protected
Norway	1191436	Protected
New Zealand	1024018	Registered
China	1191436	Protected
Korea	1191436	Protected
Singapore	1191436	Protected
South Africa	2014/28750	Registered
Switzerland	1191436	Protected
Taiwan	103062558	Registered
Thailand	964150	Registered
United States of America	1191436	Protected

PRONTO

COUNTRY / JURISDICTION	CASE NO.	STATUS
Australia	1985810	Registered
International Registration filed Designating: Canada, Switzerland, China, Colombia, European Union, United Kingdom, Indonesia, India, Japan, Republic of Korea, Mexico, Norway, New Zealand, Singapore, Thailand	1488494	Filed
Argentina	3822981	Filed
Brazil	917832167	Accepted
Chile	1331095	Registered
Taiwan	108048992	Registered
Hong Kong	305007546	Registered
South Africa	1985810	Accepted
Malaysia	2019/20882	Accepted

CORPORATE DIRECTORY

DIRECTORS

MR MICHAEL JOHNSON
Executive Director and Chief Executive Officer

MR RON DEWHURST
Non-Executive Chairman

MR BRENT SCRIMSHAW
Non-Executive Director

DR ERIC KNIGHT
Non-Executive Director

COMPANY SECRETARY & CFO

MR SEAN SLATTERY

AUSTRALIAN BUSINESS NUMBER (ABN)
12 107 903 159

Rhinomed Limited is a Public Company Limited by shares and is domiciled in Australia.

REGISTERED AND PRINCIPAL OFFICE

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Melbourne VIC 3121 Australia
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SHARE REGISTER

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L5, 126 Phillip Street
Sydney NSW 2000
T +61 (0) 2 9698 5414

AUDITOR

Grant Thornton Audit Pty Ltd
Collins Square, Tower 5,
L22, 727 Collins Street
Melbourne VIC 3008

BANKERS

National Australia Bank (NAB)
330 Collins Street,
Melbourne VIC 3000

STOCK EXCHANGE LISTINGS

Rhinomed Limited shares are listed on the Australian Securities Exchange **(ASX code: RNO)** and the OTC Market in the USA **(OTCQB: RHNMF).**

WEBSITE

www.rhinomed.global

SOLICITORS

HWL Ebsworth
L26, 530 Collins Street
Melbourne VIC 3000
T +61 (03) 8644 3500

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Rhinomed Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

DIRECTORS

The following persons were Directors of Rhinomed Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Michael Johnson
Executive Director and Chief Executive Officer

Mr Ron Dewhurst
Non-Executive Chairman

Mr Brent Scrimshaw
Non-Executive Director

Dr Eric Knight
Non-Executive Director

PRINCIPAL ACTIVITIES

The Group's principal activities in the course of the financial year were research, development and commercialisation of consumer and medical devices. There were no significant changes in the nature of the Group's principal activities during the financial year.

DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial year.

REVIEW OF OPERATIONS

The loss for the consolidated entity after providing for income tax amounted to $7,266,223 (30 June 2019: $5,940,742).

The Group held cash reserves of $7,757,474 at 30 June 2020 (2019: $1,421,315), an increase of $ 6,336,159 from the previous period end. As at 30 June 2020 the Group's net assets were $10,857,766 (2019: $4,620,765) and the net carrying value of the Group's intangible assets was $2,593,367 (2019: $2,954,995).

The Group loss of $7,266,223 consists of an operating loss of $7.26 million (up 22% over FY19) and depreciation and amortisation costs of $595,977 (up 50% over 2019 due to the adoption of AASB16 in FY20) and Employee benefit expenses (up 47% in FY19 to $4.3 million in FY20). Of the employee expenses, 34% ($1.47 million) were non-cash amounts and relate to the expensing of the grant of options as approved at the 2019 Annual General Meeting (AGM). Investors will recall that these options were issued with an exercise price of $0.29 per option.

Net cash used in operating activities was $5.74 million up from $4.49 million in FY19. Operating expenditure is aligned with revenue generation and investment to support the sales growth in key markets.

This includes the continued growth and roll out of the Mute technology. During the year Mute became the fastest growing product in the nasal strip category within US based drug stores. Operational expenditure also includes investment made in the roll out of the new Pronto technology with key retail partners.

The company remains focused on delivering growth based on four key metrics.

- Increasing distribution amongst our existing key accounts in our three key markets
- Increasing the overall retail footprint through a strategic focus on high value retail pharmacy and grocery networks
- Leverage our significant intellectual property and platform technology to create new high value products and solutions
- Delivering strong high margin revenue growth

We note that as at the end of FY20 Q3 the company was on track to achieve all key metrics related to revenues, store growth and product releases. Due to the global Covid-19 pandemic the company withdrew its stated forecasts for FY20.

COVID-19 IMPACT

The global pandemic saw a significant decrease in revenues in FY20 Q4 as a direct result of the lockdowns introduced across number of our key markets. Revenues both online and through our retail network suffered during Q4. Revenues were down during this quarter which brought overall annual growth in at a modest 8.5% over FY19.

Despite this the company was able to deliver on its calendar year 2020 objectives of reaching 20,000 stores globally following the announcement that a major US based drug store chain would stock the new Pronto Clear in some 6,000 stores in the first half of FY21.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

ENVIRONMENTAL REGULATION

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

INFORMATION ON DIRECTORS

The following information is current as at the date of this report.

MR MICHAEL JOHNSON	EXECUTIVE DIRECTOR & CHIEF EXECUTIVE OFFICER
EXPERIENCE AND EXPERTISE	Mr Johnson is a director of Cogentum, one of Australia's leading market oriented strategic advisory firms based in Melbourne. Over the past 20 years, Mr Johnson has worked in and for a wide spectrum of companies from ASX 300 through to start-up companies in life sciences, cleantech, financial services, energy and utilities, manufacturing, marketing and communication, automotive, and consumer packaged goods. His most recent work has focused on helping companies implement technology platforms and achieve sustainable growth through business model innovation. Mr Johnson has been a Principal at two leading global consulting firms where he advised on innovation and competing in heavily regulated industries. Before that, he held roles within some of the world's most successful marketing and communication firms where he launched a number of high profile new products and brands. Mr Johnson has received a Master of Entrepreneurship and Innovation from Swinburne University and a Bachelor's degree with distinction in business from Monash University.
Other current directorships	None
Former directorships (last 3 years)	None
Special responsibilities	Member of the Audit Committee
Interest in shares	461,046
Interest in options	8,000,000

MR RON DEWHURST	NON-EXECUTIVE CHAIRMAN
EXPERIENCE AND EXPERTISE	Mr Dewhurst has spent 40 years in the investment banking and asset management industries, covering Australia, Asia, Europe and United States of America. He was formerly Head of Americas for J P Morgan Asset Management, and Senior Executive Vice President and Head of Global Investment Managers for Legg Mason Inc. based in the United States before returning to live in Melbourne in 2014.
Other current directorships	Onevue Holdings Limited (ASX:OVH), since 06 October 2016 Sprott Inc (TSX:SII) since 9 January 2017
Former directorships (last 3 years)	None
Special responsibilities	Member of the Audit Committee
Interest in shares	13,250,000
Interest in options	5,000,000

MR BRENT SCRIMSHAW	NON-EXECUTIVE DIRECTOR
EXPERIENCE AND EXPERTISE	Mr Scrimshaw brings a unique understanding of the requirements of building disruptive brands and businesses worldwide. During a 19-year career with Nike Inc. where he held the position of Vice President and Chief Executive of Western Europe amongst other leadership roles and was a member of the global corporate leadership team where he was responsible for many of Nike's major growth and brand strategies worldwide. He is now the CEO and Executive Director of Enero Group Limited (ASX:EGG) and is also a non-executive director of Catapult Group International Limited (ASX: CAT) and Kathmandu Holdings Limited (ASX/NZX: KMD)
Other current directorships	Catapult Sports Ltd (ASX: CAT), since 24 November 2014, Kathmandu Holdings Limited (ASX/NZX: KMD), since 2 October 2018, Enero Group Limited (ASX:EGG) since 1 July 2020
Former directorships (last 3 years)	None
Special responsibilities	Chair of the Remuneration Committee
Interest in shares	108,918
Interest in options	3,500,000

DR ERIC KNIGHT	NON-EXECUTIVE DIRECTOR
EXPERIENCE AND EXPERTISE	Dr Knight brings a depth of experience in corporate strategy and management, having previously worked for Boston Consulting Group, and subsequently serving as Professor of Strategic Management at University of Sydney and more recently as Professor of Strategic Management and Executive Dean of Macquarie Business School. Dr Knight is a Graduate of the Australian Institute of Company Directors and is known internationally for his work on design-led strategy.
Other current directorships	None
Former directorships (last 3 years)	None
Special responsibilities	Chair of the Audit Committee Member of the Remuneration Committee
Interest in shares	77,456
Interest in options	2,500,000

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

COMPANY SECRETARY

MR PHILLIP HAINS
(resigned 20 March 2020)

Mr Hains was a Chartered Accountant operating a specialist public practice, 'The CFO Solution'. The CFO Solution focuses on providing back office support, financial reporting and compliance systems for listed public companies. A specialist in the public company environment, Mr Hains served the needs of a number of company boards and their related committees. He had over 30 years' experience in providing businesses with accounting, administration, compliance and general management services. He held a Master of Business Administration from RMIT University and a Public Practice Certificate from the Chartered Accountants Australia and New Zealand.

MR SEAN SLATTERY
(appointed 20 March 2020)

Mr Slattery was appointed the company's CFO in December 2018. Mr Slattery has over 20 years experience as a director, company secretary and CFO of both private and ASX listed companies. Mr Slattery's previous roles have included media, financial services and technology companies. Mr Slattery has a Master of Taxation from University of Melbourne, is a Member of the Institute of Chartered Accountants and completed his Bachelor of Science, majoring in Accounting, from Salisbury University in Maryland, USA.

MEETINGS OF DIRECTORS

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	FULL BOARD		AUDIT COMMITTEE		REMUNERATION COMMITTEE	
	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD
MR MICHAEL JOHNSON	12	12	7	7	-	-
MR RON DEWHURST	12	12	7	7	1	1
MR BRENT SCRIMSHAW	12	12	-	-	1	1
DR ERIC KNIGHT	12	12	7	7	1	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

B. DETAILS OF REMUNERATION

C. SERVICE AGREEMENTS

D. SHARE-BASED COMPENSATION

E. RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND GROUP PERFORMANCE

F. ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

DIRECTORS' REPORT
CONTINUED

RHINOMED
2020

A.
PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The Board's policies for determining the amount and nature of compensation of key management personnel of the Group are as follows:

The compensation structure for key management personnel is based on a number of factors, including length of service, specific experience of the individual, the individual's performance and contribution to the Group and the overall performance of the Group.

The compensation structure of individual key management personnel is embodied in individual service contracts that include incentives designed to reward key management personnel for results achieved and to retain their services, as well as to create goals congruence between directors, executives and shareholders.

The Board's policy for determining remuneration is based on the following:

(a) The policy is developed by and approved by the board;
(b) All key management personnel (KMP) receive a base remuneration;
(c) Performance incentives are generally paid once predetermined key performance indicators (KPIs) have been met; and
(d) Incentives paid in the form of options are designed to align the interests of the Director and Company with those of shareholders.

All remuneration paid to KMP is valued at the cost to the Group and expensed. KMP are also entitled and encouraged to participate in the employee share and option arrangements to align directors' interest with shareholders.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

NON-EXECUTIVE DIRECTORS REMUNERATION

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board. The Board considers advice from external sources as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process. The Chairman's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. Directors' fees cover all main board activities and committee memberships. All Non-Executive Directors have an agreement for services with the Company that is ongoing. There is no termination clause within the agreement and no entitlement to a termination payment.

EXECUTIVE REMUNERATION

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed compensation consists of a base salary (calculated on a total cost basis, including any fringe benefits tax related to employee benefits) as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the Remuneration Committee through a process that considers individual and Group performance.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. Compensation levels are reviewed annually by the Remuneration Committee through a process that considers individual and the Group's achievement.

The long-term incentives ('LTI') include long service leave and share-based payments.
Performance linked compensation includes short-term incentives (STI), in the form of cash bonuses usually paid upon on specific annual targets and KPI being achieved. KPIs include financial and/or operational performance targets. Long-term incentives (LTI) provided are options over ordinary shares in the Group. share options may be issued to KMP to further encourage loyalty, share price increase and the alignment of personal and shareholders' interests.

CONSOLIDATED ENTITY PERFORMANCE AND LINK TO REMUNERATION

The remuneration of executives consists of fixed base pay and cash bonus based on performance in relation to key strategic, non-financial measures linked to drivers of performance in future reporting periods. It also comprises the issue of options to Directors and executives to encourage the alignment of personal and shareholder interests. As such, remuneration is not linked to the financial performance of the Group in the current or previous reporting periods.

VOTING AND COMMENTS MADE AT THE COMPANY'S 2019 ANNUAL GENERAL MEETING ('AGM')

At the 29 November 2019 AGM, 90% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

B.
DETAILS OF REMUNERATION

AMOUNTS OF REMUNERATION

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Rhinomed Limited:

- **Mr Michael Johnson**
  Executive Director and Chief Executive Officer
- **Mr Ron Dewhurst**
  Non-Executive Chairman
- **Mr Brent Scrimshaw**
  Non-Executive Director
- **Dr Eric Knight**
  Non-Executive Director

And the following other key management personnel:

- **Mr Sean Slattery**
  Chief Financial Officer and Company Secretary

	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENTS	TOTAL
2020	CASH SALARY AND FEES $	CASH BONUS $	NON-MONETARY $	SUPER-ANNUATION $	LONG SERVICE LEAVE $	EQUITY-SETTLED $	$
NON-EXECUTIVE DIRECTORS:							
RON DEWHURST	112,192	-	-	7,808	-	236,680	356,680
BRENT SCRIMSHAW[1]	206,241	-	-	6,941	-	236,680	449,862
ERIC KNIGHT	73,059	-	-	6,941	-	118,340	198,340
EXECUTIVE DIRECTORS:							
MICHAEL JOHNSON	303,997	120,000	-	21,003	-	591,700	1,036,700
OTHER KEY MANAGEMENT PERSONNEL:							
SEAN SLATTERY	228,997	58,333	-	21,003	-	290,100	598,433
	924,486	**178,333**	**-**	**63,696**	**-**	**1,473,500**	**2,640,015**

[1]Mr Brent Scrimshaw was engaged by the Company for a specific contract that resulted in $133,181 paid to him in recognition of services performed at arms length basis. The amount of $133,181 forms part of the total $206,241 paid as fees.

2019							
NON-EXECUTIVE DIRECTORS:							
RON DEWHURST	95,890	-	-	9,110	-	307,950	412,950
BRENT SCRIMSHAW	111,755	-	-	6,218	-	153,975	271,948
ERIC KNIGHT	65,449	-	-	6,218	-	153,975	225,642
EXECUTIVE DIRECTORS:							
MICHAEL JOHNSON	304,670	115,000	-	20,330	-	307,950	747,950
OTHER KEY MANAGEMENT PERSONNEL:							
SEAN SLATTERY[2]	133,181	-	-	12,652	-	-	145,833
SHANE DUNCAN[3]	156,175	-	-	-	-	-	156,175
	867,120	**115,000**	**-**	**54,528**	**-**	**923,850**	**1,960,498**

[2]Mr Sean Slattery commenced as Chief Financial Officer on 3 December 2018.
[3]Mr Shane Duncan resigned as Vice President Global Sales and Marketing on 28 November 2018.

C.
SERVICE AGREEMENTS

CONTRACTUAL ARRANGEMENTS WITH EXECUTIVE KMPS

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Mr Michael Johnson

Title: Executive Director and Chief Executive Officer
(appointed 1 February 2013)

Term of Agreement: Standard rolling agreement *(no fixed term)*

Details: The employment conditions of Mr Michael Johnson are formalised in an employment contract. This contract includes a notice period of six months by either party. Mr Johnson's contract provides for redundancy pay of 36 weeks' pay given more than five years' continuous service if required under law (for example, if Rhinomed Limited is determined to be a 'small business', redundancy payments may be required). As a KMP, Mr Johnson is entitled to participate in the Group's 'employee share and option plan'.

Name: Mr Sean Slattery

Title: Chief Financial Officer
(appointed 3 December 2018)

Term of Agreement: Standard rolling agreement *(no fixed term)*

Details: The employment conditions of Mr Sean Slattery are formalised in an employment contract. This contract includes a termination period of two months by either party. As a KMP, Mr Slattery is entitled to participate in the Group's 'employee share and option plan'.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

D.
SHARE-BASED COMPENSATION

ISSUE OF SHARES

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2020.

OPTIONS

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

NAME	NUMBER OF OPTIONS GRANTED	GRANT DATE	VESTING DATE AND EXERCISABLE DATE	EXPIRY DATE	EXERCISE PRICE	FAIR VALUE PER OPTION AT GRANT DATE
MICHAEL JOHNSON	3,000,000	14/12/2018	14/12/2018	21/12/2021	$0.2870	$0.1150
RON DEWHURST	3,000,000	14/12/2018	14/12/2018	21/12/2021	$0.2870	$0.1150
BRENT SCRIMSHAW	1,500,000	14/12/2018	14/12/2018	21/12/2021	$0.2870	$0.1150
ERIC KNIGHT	1,500,000	14/12/2018	14/12/2018	21/12/2021	$0.2870	$0.1150
MICHAEL JOHNSON	5,000,000	29/11/2019	29/11/2019	29/11/2023	$0.2998	$0.1183
RON DEWHURST	2,000,000	29/11/2019	29/11/2019	29/11/2023	$0.2998	$0.1183
BRENT SCRIMSHAW	2,000,000	29/11/2019	29/11/2019	29/11/2023	$0.2998	$0.1183
ERIC KNIGHT	1,000,000	29/11/2019	29/11/2019	29/11/2023	$0.2998	$0.1183
SEAN SLATTERY	3,000,000	20/01/2020	20/01/2020	20/01/2024	$0.2998	$0.0967

Options granted carry no dividend or voting rights. There have been no alterations to the terms or conditions of any grants since grant date. All options granted entitle the holder to one ordinary share for each option exercised. The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

NAME	NUMBER OF OPTIONS GRANTED DURING THE YEAR		NUMBER OF OPTIONS VESTED DURING THE YEAR	
	2020	2019	2020	2019
MICHAEL JOHNSON	5,000,000	3,000,000	5,000,000	3,000,000
RON DEWHURST	2,000,000	3,000,000	2,000,000	3,000,000
BRENT SCRIMSHAW	2,000,000	1,500,000	2,000,000	1,500,000
ERIC KNIGHT	1,000,000	1,500,000	1,000,000	1,500,000
SEAN SLATTERY	3,000,000	-	3,000,000	-

D.
SHARE-BASED COMPENSATION (CONTINUED)

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

	VALUE OF OPTIONS GRANTED DURING THE YEAR $	VALUE OF OPTIONS EXERCISED DURING THE YEAR $	VALUE OF OPTIONS LAPSED DURING THE YEAR $	REMUNERATION CONSISTING OF OPTIONS GRANTED DURING THE YEAR %
MICHAEL JOHNSON	591,700	-	422,000	57%
RON DEWHURST	236,680	-	105,500	66%
BRENT SCRIMSHAW	236,680	-	-	53%
ERIC KNIGHT	118,340	-	105,500	60%
SEAN SLATTERY	290,100	-	-	48%

Details of options over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

	GRANT DATE	VESTING DATE	VALUE OF OPTIONS GRANTED $	VALUE OF OPTIONS EXERCISED $	VALUE OF OPTIONS LAPSED $
MICHAEL JOHNSON	29/11/2019	29/11/2019	591,700	-	-
RON DEWHURST	29/11/2019	29/11/2019	236,680	-	-
BRENT SCRIMSHAW	29/11/2019	29/11/2019	236,680	-	-
ERIC KNIGHT	29/11/2019	29/11/2019	118,340	-	-
SEAN SLATTERY	20/01/2020	20/01/2020	290,100	-	-
MICHAEL JOHNSON	28/04/2017	30/04/2020	-	-	422,000
RON DEWHURST	28/04/2017	30/04/2020	-	-	105,500
ERIC KNIGHT	28/04/2017	30/04/2020	-	-	105,500

PERFORMANCE RIGHTS

There were no performance rights over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2020.

There were no performance rights over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2020.

E.
RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND GROUP PERFORMANCE

As detailed under heading (A), remuneration of executives consists of fixed base pay and cash bonus based on performance in relation to key strategic, non-financial measures linked to drivers of performance in future reporting periods As such, remuneration is not linked to the financial performance of the Group in the current or previous reporting periods. The earnings of the consolidated entity for the five years to 30 June 2020 are summarised below:

	30 JUNE 2020	30 JUNE 2019	30 JUNE 2018	30 JUNE 2017	30 JUNE 2016
	$	$	$	$	$
REVENUE	3,565,363	3,285,982	2,169,176	1,717,225	1,012,433
NET LOSS BEFORE TAX	(7,265,434)	(5,928,690)	(4,079,747)	(4,721,522)	(6,435,986)
NET LOSS AFTER TAX	(7,266,223)	(5,940,742)	(4,004,324)	(4,441,578)	(5,998,529)

	30 JUNE 2020	30 JUNE 2019	30 JUNE 2018	30 JUNE 2017	30 JUNE 2016
SHARE PRICE AT FINANCIAL YEAR END ($)	0.06	0.22	0.17	0.18	0.19
BASIC EARNINGS PER SHARE (CENTS PER SHARE)	(4.43)	(4.46)	(3.74)	(6.61)	(9.43)
DILUTED EARNINGS PER SHARE (CENTS PER SHARE)	(4.43)	(4.46)	(3.74)	(6.61)	(9.43)

F.
ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

SHAREHOLDING

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	BALANCE AT THE START OF THE YEAR	RECEIVED AS PART OF REMUNERATION	ADDITIONS[1]	DISPOSALS/ OTHER[2]	BALANCE AT THE END OF THE YEAR
	$	$	$	$	$
ORDINARY SHARES					
MICHAEL JOHNSON	385,934	-	75,112	-	461,046
RON DEWHURST	8,200,000	-	5,050,000	-	13,250,000
BRENT SCRIMSHAW	108,918	-	-	-	108,918
ERIC KNIGHT	76,158	-	1,298	-	77,456
SHANE DUNCAN	30,000	-	-	(30,000)	-
	8,801,010	**-**	**5,126,410**	**(30,000)**	**13,897,420**

[1]Additions represents share purchased during the year. [2]The disposal represents the movement in share held by Shane Duncan which no more qualifies to be represented as shares held by a Key Management Personnel due to his resignation.

OPTION HOLDING

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	BALANCE AT THE START OF THE YEAR	GRANTED	EXERCISED	EXPIRED	BALANCE AT THE END OF THE YEAR
	$	$	$	$	$
OPTIONS OVER ORDINARY SHARES					
MICHAEL JOHNSON	7,000,000	5,000,000	-	(4,000,000)	8,000,000
RON DEWHURST	3,000,000	2,000,000	-	-	5,000,000
BRENT SCRIMSHAW	2,500,000	2,000,000	-	(1,000,000)	3,500,000
ERIC KNIGHT	2,500,000	1,000,000	-	(1,000,000)	2,500,000
SEAN SLATTERY	-	3,000,000	-	-	3,000,000
	15,000,000	**13,000,000**	**-**	**(6,000,000)**	**22,000,000**

RELATED PARTY TRANSACTIONS

	CONSOLIDATED	
	30 JUNE 2020	30 JUNE 2019
PAYMENT FOR GOODS AND SERVICES		
SMART STREET SOLUTIONS*	118,624	120,615

*Consulting fees paid to Smart Street Solutions, a business associated with Mr Michael Johnson.

RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES

Outstanding balances payable at the end of the current year to Smart Street Solutions was $nil (2019: $10,048). Smart Street Solutions provides consulting and marketing related services to the Group.

There are no other outstanding balances at the reporting date in relation to transactions with related parties.

This concludes the remuneration report, which has been audited.

SHARES UNDER OPTION

Unissued ordinary shares of Rhinomed Limited under option at the date of this report are as follows:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER UNDER OPTION
24/01/2017	30/12/2020	$0.4000	150,000
14/12/2018	21/12/2021	$0.2870	9,000,000
29/11/2019	29/11/2023	$0.2998	10,000,000
20/01/2020	20/01/2024	$0.2998	3,000,000
TOTAL			**22,150,000**

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

SHARES UNDER PERFORMANCE RIGHTS

There were no unissued ordinary shares of Rhinomed Limited under performance rights outstanding at the date of this report.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares of Rhinomed Limited issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

SHARES ISSUED ON THE EXERCISE OF PERFORMANCE RIGHTS

There were no ordinary shares of Rhinomed Limited issued on the exercise of performance rights during the year ended 30 June 2020 and up to the date of this report.

DIRECTORS' REPORT
CONTINUED

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INDEMNITY AND INSURANCE OF OFFICERS

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 28 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF GRANT THORNTON AUDIT PTY LTD

There are no officers of the company who are former partners of Grant Thornton Audit Pty Ltd.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

AUDITOR

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001.*

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001.*

On behalf of the directors

Michael Johnson
Chief Executive Officer
and Managing Director

Melbourne
18 September 2020

GrantThornton

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Auditor's Independence Declaration

To the Directors of Rhinomed Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Rhinomed Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner – Audit & Assurance

Melbourne, 18 September 2020

FULL YEAR FINANCIAL ACCOUNTS

FOR THE YEAR

30 JUNE 2020

RHINOMED LIMITED
ABN 12 107 903 159

AUDITED FINANCIAL STATEMENTS
30 JUNE 2020

These financial statements are consolidated financial statements for the Group consisting of Rhinomed Limited and its subsidiaries. A list of major subsidiaries is included in note 10.

The financial statements are presented in the Australian currency. Rhinomed Limited is a Company limited by shares, incorporated and domiciled in Australia.

Its registered office is:
L1, 132 Gwynne Street
Cremorne VIC 3121

Its principal place of business is:
Rhinomed Limited
L1, 132 Gwynne Street
Cremorne VIC 3121

The financial statements were authorised for issue by the Directors on 18 September 2020. The Directors have the power to amend and reissue the financial statements.

FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	NOTES	CONSOLIDATED 30 JUNE 2020 $	CONSOLIDATED 30 JUNE 2019 $
REVENUE			
Revenue from contracts with customers	6	3,565,363	3,285,982
Other income	7	819,751	84,741
EXPENSES			
Raw materials and consumables used		(1,450,320)	(1,092,670)
Administrative expenses		(1,710,107)	(1,600,424)
Depreciation and amortisation expenses	8	(595,977)	(395,518)
Employee benefits expenses		(4,312,098)	(2,930,965)
Marketing expenses		(2,589,571)	(2,219,856)
Research and development expenses		(179,843)	(373,484)
Other expenses		(812,632)	(686,496)
LOSS BEFORE INCOME TAX EXPENSE		**(7,265,434)**	**(5,928,690)**
Income tax expense	9	(789)	(12,052)
LOSS AFTER INCOME TAX EXPENSE FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF RHINOMED LIMITED		**(7,266,223)**	**(5,940,742)**
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(1,215)	(6,451)
Other comprehensive loss for the year, net of tax		(1,215)	(6,451)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF RHINOMED LIMITED		**(7,267,438)**	**(5,947,193)**
		CENTS	CENTS
Basic earnings per share	36	(4.43)	(4.46)
Diluted earnings per share	36	(4.43)	(4.46)

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	NOTES	CONSOLIDATED 30 JUNE 2020 $	CONSOLIDATED 30 JUNE 2019 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	7,757,474	1,421,315
Trade and other receivables	11	944,772	581,674
Inventories	12	540,384	336,972
Other current assets	13	245,478	266,742
TOTAL CURRENT ASSETS		**9,488,108**	**2,606,703**
NON-CURRENT ASSETS			
Other financial assets		80,853	87,170
Property, plant and equipment	14	118,344	222,159
Right-of-use assets	15	532,270	-
Intangibles	16	2,593,367	2,954,995
TOTAL NON-CURRENT ASSETS		**3,324,834**	**3,264,324**
TOTAL ASSETS		**12,812,942**	**5,871,027**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	557,249	594,777
Contract liabilities	18	614,662	556,297
Lease liabilities	19	117,687	-
Employee benefits	20	117,131	48,218
TOTAL CURRENT LIABILITIES		**1,406,729**	**1,199,292**
NON-CURRENT LIABILITIES			
Lease liabilities	21	470,463	-
Employee benefits	22	77,984	50,970
TOTAL NON-CURRENT LIABILITIES		**548,447**	**50,970**
TOTAL LIABILITIES		**1,955,176**	**1,250,262**
NET ASSETS		**10,857,766**	**4,620,765**
EQUITY			
Issued capital	23	71,274,386	59,243,447
Reserves	24	2,383,010	1,543,725
Accumulated losses		(62,799,630)	(56,166,407)
TOTAL EQUITY		**10,857,766**	**4,620,765**

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

STATEMENT OF CHANGES IN EQUITY CONSOLIDATED

FOR THE YEAR ENDED 30 JUNE 2020

	NOTES	ISSUED CAPITAL $	OPTION RESERVE $	FOREIGN EXCHANGE RESERVE $	ACCUMULATED LOSSES $	TOTAL EQUITY $
BALANCE AT 01 JULY 2018		**54,366,251**	**824,089**	**(21,254)**	**(50,402,174)**	**4,766,912**
Loss after income tax expense for the year		-	-	-	(5,940,742)	(5,940,742)
Other comprehensive loss for the year, net of tax		-	-	(6,451)	-	(6,451)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		-	-	**(6,451)**	**(5,940,742)**	**(5,947,193)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:						
Contributions of equity, net of transaction costs	23	4,877,196	-	-	-	4,877,196
Options issued		-	923,850	-	-	923,850
Options lapsed		-	(176,509)	-	176,509	-
BALANCE AT 30 JUNE 2019		**59,243,447**	**1,571,430**	**(27,705)**	**(56,166,407)**	**4,620,765**
BALANCE AT 01 JULY 2019		59,243,447	1,571,430	(27,705)	(56,166,407)	4,620,765
Loss after income tax expense for the year		-	-	-	(7,266,223)	(7,266,223)
Other comprehensive loss for the year, net of tax		-	-	(1,215)	-	(1,215)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		-	-	**(1,215)**	**(7,266,223)**	**(7,267,438)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:						
Contributions of equity, net of transaction costs	23	12,030,939	-	-	-	12,030,939
Share-based payments	8	-	1,473,500	-	-	1,473,500
Transfer to retained earning		-	(633,000)	-	633,000	-
BALANCE AT 30 JUNE 2020		**71,274,386**	**2,411,930**	**(28,920)**	**(62,799,630)**	**10,857,766**

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

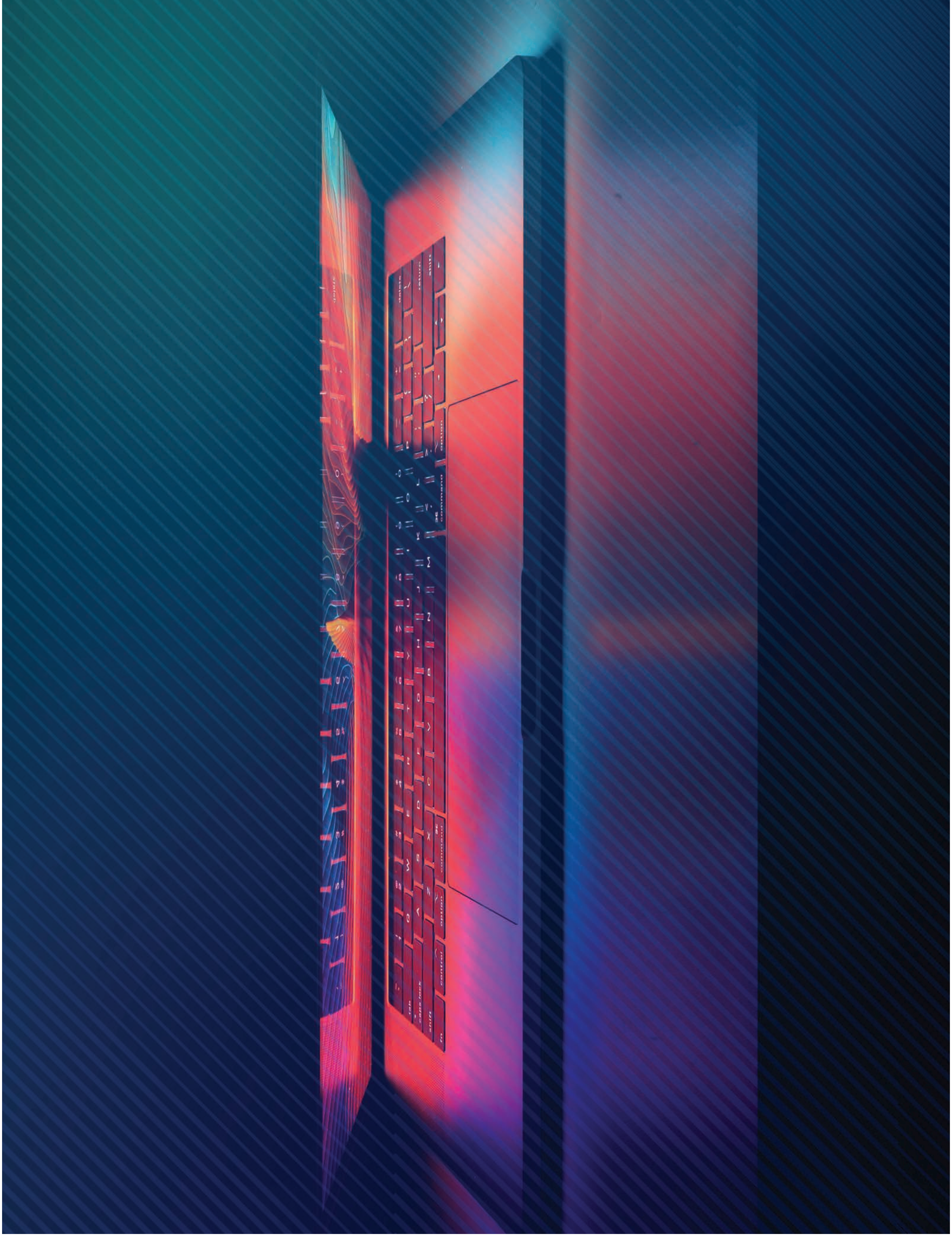
STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	NOTES	CONSOLIDATED 30 JUNE 2020 $	30 JUNE 2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		3,816,066	3,119,966
Payments to suppliers (inclusive of GST)		(10,190,954)	(7,667,545)
Research & development tax incentive received		336,733	-
COVID-19 incentives received		134,000	-
Other government grants received		150,000	67,067
Interest received		13,894	17,674
Interest paid		-	(18,637)
Income taxes paid		-	(12,052)
NET CASH USED IN OPERATING ACTIVITIES	**35**	**(5,740,261)**	**(4,493,527)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for financial assets at amortised cost (term deposits)		-	(35,000)
Payments for property, plant and equipment	14	(11,023)	(230,796)
Proceeds from release of term deposits		6,317	-
NET CASH USED IN INVESTING ACTIVITIES		**(4,706)**	**(265,796)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	23	12,514,441	5,094,998
Share issue transaction costs		(464,757)	(217,802)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**12,049,684**	**4,877,196**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**6,304,717**	**117,873**
Cash and cash equivalents at the beginning of the financial year		1,421,315	1,263,122
Effects of exchange rate changes on cash and cash equivalents		31,442	40,320
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**10**	**7,757,474**	**1,421,315**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



NOTE 1.

GENERAL INFORMATION

The financial statements cover Rhinomed Limited as a consolidated entity consisting of Rhinomed Limited and the entities it controlled at the end of, or during, the year.
The financial statements are presented in Australian dollars, which is Rhinomed Limited's functional and presentation currency.

Rhinomed Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

L1, 132 Gwynne Street
Cremorne VIC 3121
Australia
+61 (0)3 8416 0900

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 18 September 2020. The directors have the power to amend and reissue the financial statements.

NOTE 2.

SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 LEASES

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The impact on the financial performance and position of the consolidated entity from the adoption of this Accounting Standard is detailed in Note 4.

NOTE 2.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB INTERPRETATION 23 UNCERTAINTY OVER INCOME TAX TREATMENTS

Interpretation 23 requires the assessment of whether the effect of uncertainty over income tax treatments should be included in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The Interpretation outlines the requirements to determine whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

The Company has adopted Interpretation 23 from 1 July 2019, based on an assessment of whether it is 'probable' that a taxation authority will accept an uncertain tax treatment. This assessment takes into account that for certain jurisdictions in which the company operates, a local tax authority may seek to open a company's books as far back as inception of the company. Where it is probable, the company has determined tax balances consistently with the tax treatment used or planned to be used in its income tax filings. Where the company has determined that it is not probable that the taxation authority will accept an uncertain tax treatment, the most likely amount or the expected value has been used in determining taxable balances (depending on which method is expected to better predict the resolution of the uncertainty).
There has been no impact from the adoption of Interpretation 23 in this reporting period.

BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities.
These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

HISTORICAL COST CONVENTION

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

GOING CONCERN

At 30 June 2020, the Group's cash and cash equivalents amounted to $7,757,474 (2019: $1,421,315) and for the year ended 30 June 2020, the Group experienced a loss of $7,266,223 (2019: $5,940,742) and a net cash outflow from operating activities of $5,740,261 (2019: net cash outflow of $4,493,527).

As disclosed in Note 23, Rhinomed Limited has raised $12.5 million (before costs) during the year. This represents the continued support from major shareholders and the Group's ability to raise additional capital if required. Cashflow forecast are presented and discussed at each board meeting. The need to raise additional funds are monitored on an ongoing basis.

Based on current budget assumptions, the Group has sufficient funds to meet current commitments towards promoting existing commercialised technology and further development of the technology platform.

There are significant risks associated with product development and regulatory approvals required by biotechnology companies, as such it is difficult to predict the exact timing and quantum of income from the commercialisation of products and technology and there are inherent uncertainties involved in raising funds from investors within forecasted timelines.

The impact of the COVID-19 pandemic has resulted in the group experiencing challenging and uncertain times. Actual economic events and conditions in future may be materially different from those estimated by the group at the reporting date. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have further adverse impacts to the group. At the date of the annual report an estimate of the future effects of the COVID-19 pandemic on the group cannot be made, as the impact will depend on the magnitude and duration of the economic downturn, with the full range of possible effects unknown.

Notwithstanding the above matters, the directors remain confident that the group will be able to continue as a going concern which assumes it will be able to continue trading and realise assets and discharge liabilities in the ordinary course of business for at least 12 months from the date of the consolidated financial statements.

NOTE 2.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Based on the above management do not believe there is a material uncertainty in relation to going concern.

PARENT ENTITY INFORMATION

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

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Rhinomed Limited ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Rhinomed Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Australian dollars, which is Rhinomed Limited's functional and presentation currency.

FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

FOREIGN OPERATIONS

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

CURRENT AND NON-CURRENT CLASSIFICATION

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

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

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

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

INVESTMENTS AND OTHER FINANCIAL ASSETS

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification.

NOTE 2.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either:

(i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or

(ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

IMPAIRMENT OF FINANCIAL ASSETS

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use.

The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

GOODS AND SERVICES TAX ('GST') AND OTHER SIMILAR TAXES

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

NOTE 3.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

CORONAVIRUS (COVID-19) PANDEMIC

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

SHARE-BASED PAYMENT TRANSACTIONS

The value attributed to share options and remuneration shares issued is an estimate calculated using an appropriate mathematical formula based on an option pricing model. The choice of models and the resultant option value require assumptions to be made in relation to the likelihood and timing of the conversion of the options to shares and the value and volatility of the price of the underlying shares.

ALLOWANCE FOR EXPECTED CREDIT LOSSES

The decision whether or not to provide for the impairment of a receivable (provision for expected credit losses) requires a degree of estimation and judgement. The level of provision is assessed by taking into account the ageing of receivables and specific knowledge of the individual debtor’s financial position.

GOODWILL AND OTHER INDEFINITE LIFE INTANGIBLE ASSETS

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL AND OTHER INDEFINITE LIFE INTANGIBLE ASSETS

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS FOR IMPAIRMENT ASSESSMENT OF INTANGIBLE ASSETS

The Company estimates the value-in-use of Rhinomed Limited CGU using discounted cash flows. For the 2020 reporting period, the recoverable amount of the cash generating unit (CGU) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period are extrapolated using the estimated growth rates and assumptions used in the value in use calculations are stated below:

(I) STORE COUNT GROWTH

Industry reports show the Group has the strongest growing products in its category year on year and the trend is the same for quarter on quarter and half year on half year. The data also shows that market share is growing in the category from 1.5% to 2.7% (growth rate of 79%) over the latest 52-week period. This externally sourced data is the same data used by major US chains to help them decide if they will stock product in the category. Like wise, the Group uses this externally sourced data to guide the assumptions made around growth, ROI on marketing and promotional investment and track its progress against competitors in the category.

NOTE 3
CONTINUED

NOTE 3.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES & ASSUMPTIONS (CONTINUED)

Twice a year there are trade show buyers' meetings which drive decision making as to whether a retailer will stock a product. The Group has presented at these meetings over the last three years. Our continued attendance along with the strong industry data and proof of product growth over the last two years at key customers has resulted in other retailers taking on initially Mute, but now also the Pronto range. Specifically, the Group has seen its major customers significantly increase the store count for Mute in recent times.

During the calendar year 2020, the company was able to deliver on its objectives of reaching 20,000 stores globally following the announcement that a major US based drug store chain would stock the new Pronto Clear in some 6,000 stores in the first half of FY21.

This endorsement provides the company with confidence that the underlying strategy and assumptions that drive the strategy are sound.

(II) SALES GROWTH RATE

Weekly customer data from major customers shows year on year sales growth for Mute of 50%.

There are a number of key trends in the industry impacting sales growth rate assumptions. Firstly, competitors are declining after several years in the market which is seeing the Group acquire a greater market share. This supports the proposition that the useful life of products in the market is significant and can exceed their patent life. Secondly, available sales data illustrates a strong growth rate of the Mute product over the last 52 weeks, and importantly, it also highlights that the momentum of this growth is increasing. The Group believes that as awareness grows and store count increases that it is reasonable to conclude that this growth rate will continue to increase.

Sales growth rates incorporated in the value in use model are well below these levels with an average annual growth rate of 40% applied. This is estimated to result in a cash inflows growth rate of 40% compared to the actual cash inflows in 2020, this contemplates increased store count and expanded advertising and marketing budget with addition of an expanded US Sales and marketing function and the expansion of the current product range from existing assets which would increase the company's revenues and cash flows. The company also estimated marketing and advertising expenses increase at average rates of 10% per annum, staff cost at average rates of 5% per annum and other costs at 2% per annum, based on past trends of reducing cost base compared to revenues.

(III) DISCOUNT RATE

In performing the value-in-use calculation, the Group has applied a pre-tax discount rate of 20% to pre-tax cash flows, which is considered conservative.

In completing value-in-use calculations management determined budgeted gross margins based on past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports. Management believes the projected growth rate to be prudent and justified based on the Group's past and expected performance. A reasonable change in key assumptions, including an adjustment of the pre-tax discount rate applied from 5%-10% would not cause the Groups assets to exceed their recoverable amounts.

(IV) PERIOD OVER WHICH CASH FLOWS PROJECTED – 5 years

(V) ESTIMATION OF USEFUL LIVES OF ASSETS

The estimation of the useful lives of assets has been based on historical experience. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

NOTE 4.

ADJUSTMENTS RECOGNISED ON ADOPTION OF AASB 16 LEASES

The Group had a lease commitment for the three year commercial lease in Richmond prior to the current reporting period. Since the remaining lease was less than one year and the Group has adopted short-term lease exemption which is allowed under AASB 16, the Group did recognised lease liabilities and right-of-use assets related to the leases expiring during the year.
On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which the group entered into during the current reporting period. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on commencement of the lease was 7.74%.

The associated right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at when leases were entered into. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The impact of adoption on opening retained profits as at 1 January 2019 was as follows:

	CONSOLIDATED
	30 JUNE 2020 $
Operating lease commitments as at 1 July 2019 (AASB 117)	77
Operating lease excluded from capitalisation due to expiring in less than 12 months	(77)
Operating lease commitments discount based on the weighted average incremental borrowing rate of 7.74% (AASB 16)	-
RIGHT-OF-USE ASSETS (AASB 16)	**-**
Lease liabilities – current (AASB 16) on 1 July 2019	-
Total lease liabilities on the date of transition on 1 July 2019	-
IMPACT ON OPENING ACCUMULATED LOSSES AS AT 1 JULY 2019	**-**

Refer to Note 15 and Note 19 for the right-of use assets and the lease liability as at 30 June 2020.

NOTE 5.

OPERATING SEGMENTS

IDENTIFICATION OF REPORTABLE OPERATING SEGMENTS

The Group has identified one reportable operating segment; that is, the identification, acquisition and revenue generation of nasal stent delivery technologies at Rhinomed group level as one consolidated operation. The board currently allocates resources and decisions based on the nasal stent technology brand and its commercialisation to the market. The products are rolled out by the Group globally. Due to nature of the products sold the Group assessed that analysis and reporting of its operations by geographical areas or countries has very limited impact on CODM's decision-making process. This along with taking into consideration the cost to develop this reporting, the group opted not to report its operations by geographical areas.

The segment details are therefore fully reflected in the body of the financial report.

ACCOUNTING POLICY FOR OPERATING SEGMENTS

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is the Board of Directors which is responsible for the allocation of resources to operating segments and assessing their performance.

NOTE 6.

REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group derives revenue from the transfer of goods at a point in time.

	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
Sale of goods	3,565,363	3,285,982

NOTE 6.

REVENUE FROM CONTRACT WITH CUSTOMERS (CONTINUED)

Revenue from the sale of goods relates to late stage therapeutic delivery products.

The revenue for the year includes $366,804 (2019: $329,275) included in the contract liability balance at the beginning of the year.

FINANCING COMPONENTS

The Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds 12 months. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

ACCOUNTING POLICY FOR REVENUE RECOGNITION

Revenue from contracts with customers Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a contract liability.

SALE OF GOODS

Revenue from the sale of late stage therapeutic delivery products are recognised at a point in time.
The performance obligation is satisfied when the customer has access and thus control of the product. Transfer of control occurs at the time of delivery to the ultimate customer, which is the end consumer as opposed to intermediary retail locations.

NOTE 7.

OTHER INCOME

OTHER INCOME	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
Government grants and incentives	284,000	67,067
R&D tax incentive	521,857	-
Interest received	13,894	17,674
	819,751	**84,741**

Government grants and incentives above includes $50,000 COVID-19 cashflow boost and $84,000 JobKeeper payment assistance received from the Government.

ACCOUNTING POLICY FOR GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that the grant will be received and all grant conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is expected to compensate.

INTEREST

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

OTHER REVENUE

Other revenue is recognised when it is received or when the right to receive payment is established.

NOTE 8.
EXPENSES

EXPENSES
Loss before income tax includes the following specific expenses:

	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
DEPRECIATION AND AMORTISATION		
Depreciation of right-of-use assets	119,511	-
Depreciation of property, plant and equipment	114,838	33,890
Amortisation of intangible assets	361,628	361,628
TOTAL DEPRECIATION	**595,977**	**395,518**
OPERATING LEASES		
Operating lease expense on short term leases	83,886	119,023
SUPERANNUATION		
Superannuation expenses	122,074	80,033
LEASES		
Lease interest expense	44,390	-
SHARE-BASED PAYMENTS EXPENSE		
Share-based payments expense	1,473,500	923,850

NOTE 9.
INCOME TAX

INCOME TAX EXPENSE

	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
Adjustment recognised for prior periods	789	12,052
Aggregate income tax expense	789	12,052

NOTE 9.
INCOME TAX (CONTINUED)

NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE AND TAX AT THE STATUTORY RATE

	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
Loss before income tax expense	(7,265,434)	(5,928,690)
Tax at the statutory tax rate of 27.5%	(1,997,994)	(1,630,390)
TAX EFFECT OF AMOUNTS WHICH ARE NOT DEDUCTIBLE (TAXABLE) IN CALCULATING TAXABLE INCOME:		
Impairment and amortisation	163,894	99,448
Share-based payments	405,213	254,059
Research and development incentive	(50,909)	-
Other expenses not deductible	12,662	13,609
Other items	-	(59,899)
Deferred tax assets relating to tax losses not recognised	1,467,134	1,323,173
Adjustment recognised for prior periods	789	12,052
INCOME TAX EXPENSE	**789**	**12,052**

ACCOUNTING POLICY FOR INCOME TAX

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

NOTE 9.

INCOME TAX (CONTINUED)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

NOTE 10.

CURRENT ASSETS – CASH AND CASH EQUIVALENTS

CURRENT ASSETS CASH AND CASH EQUIVALENTS	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
Cash at bank	7,757,474	1,421,315
	7,757,474	**1,421,315**

ACCOUNTING POLICY FOR CASH AND CASH EQUIVALENTS

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at all with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

NOTE 11.

CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

CURRENT ASSETS TRADE AND OTHER RECEIVABLES	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
Trade receivables	804,092	594,089
Less: Allowance for expected credit losses	(103,943)	(58,138)
	700,149	**535,951**
Other receivables	59,499	45,723
R&D tax incentive receivable	185,124	-
	944,772	**581,674**

CLASSIFICATION AS TRADE AND OTHER RECEIVABLE

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 26.

IMPAIRMENT AND RISK EXPOSURE

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 26.

ACCOUNTING POLICY FOR TRADE AND OTHER RECEIVABLES

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

NOTE 12.

CURRENT ASSETS – INVENTORIES

CURRENT ASSETS INVENTORIES	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
Raw materials – at cost	13,046	13,046
Finished goods – at cost	321,980	211,541
Inventory on consignment – at cost	205,358	112,385
	540,384	**336,972**

ACCOUNTING POLICY
FOR INVENTORIES

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

NOTE 13.

CURRENT ASSETS – OTHER

CURRENT ASSETS OTHER	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
Prepayments	231,414	255,257
Other deposits	14,064	11,485
	245,478	**266,742**

NOTE 14.

NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

NON-CURRENT ASSETS PROPERTY, PLANT AND EQUIPMENT	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
Plant and equipment – at cost	553,835	553,835
Less: Accumulated depreciation	(454,730)	(344,537)
	99,105	**209,298**
Fixtures and fittings – at cost	81,707	70,531
Less: Accumulated depreciation	(62,468)	(57,670)
	19,239	**12,861**
	118,344	**222,159**

RECONCILIATIONS

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	CONSOLIDATED		
NON-CURRENT	PLANT AND EQUIPMENT $	FURNITURE, FITTINGS AND EQUIPMENT $	TOTAL $
Balance at 1 July 2018	10,680	14,573	25,253
Additions	228,402	2,394	230,796
Depreciation expense	(29,784)	(4,106)	(33,890)
Balance at 30 June 2019	209,298	12,861	222,159
Additions	-	11,023	11,023
Depreciation expense	(110,193)	(4,645)	(114,838)
BALANCE AT 30 JUNE 2020	**99,105**	**19,239**	**118,344**

ACCOUNTING POLICY
FOR PROPERTY, PLANT
AND EQUIPMENT

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

- Plant and equipment 4-6 years
- Furniture, fitting and equipment 3-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

NOTE 15.

NON-CURRENT ASSETS – RIGHT-OF-USE ASSETS

The Group entered into a five-year commercial lease in Cremorne in August 2019. The lease is for the use of office facilities.

NON-CURRENT ASSETS RIGHT-OF-USE ASSETS

	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
Leased properties – right-of-use	651,781	-
Less: Accumulated depreciation	(119,511)	-
	532,270	**-**

ACCOUNTING POLICY FOR RIGHT-OF-USE ASSETS

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

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

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

NOTE 16.

NON-CURRENT ASSETS – INTANGIBLES

NON-CURRENT ASSETS INTANGIBLES

	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
Goodwill – at cost	4,951,996	4,951,996
Less: Impairment	(3,386,992)	(3,386,992)
	1,565,004	**1,565,004**
Development – at cost	602,503	602,503
Less: Accumulated amortisation	(227,000)	(196,312)
Less: Impairment	(213,576)	(213,576)
	161,927	**192,615**
Intellectual property – at cost	9,516,217	9,516,217
Less: Accumulated amortisation	(2,156,824)	(1,825,884)
Less: Impairment	(6,492,957)	(6,492,957)
	866,436	**1,197,376**
	2,593,367	**2,954,995**

RECONCILIATIONS

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	CONSOLIDATED			
	GOODWILL $	DEVELOPMENT COSTS $	INTELLECTUAL PROPERTY $	TOTAL $
Balance at 1 July 2018	1,565,004	223,303	1,528,316	3,316,623
Amortisation expense	-	(30,688)	(330,940)	(361,628)
Balance at 30 June 2019	1,565,004	192,615	1,197,376	2,954,995
Amortisation expense	-	(30,688)	(330,940)	(361,628)
BALANCE AT 30 JUNE 2020	**1,565,004**	**161,927**	**866,436**	**2,593,367**

NOTE 16.

NON-CURRENT ASSETS – INTANGIBLES (CONTINUED)

IMPAIRMENT OF INTANGIBLES

The Directors conducted an impairment assessment of the Group's intangible assets as at 30 June 2020 and concluded that an impairment charge was not necessary. The Directors assessed that intellectual property and development costs have a finite useful life of 9.5 years. Intangible assets have been subject to an impairment test whereby the recoverable amount was compared to their written-down value. Recoverable amount has been determined by the Board by preparing a value-in-use calculation using cash flow projections over a five-year period with a terminal value calculated on a perpetual growth basis, a fair value calculation using cash flow projections over a five-year period applying a terminal value on EBIT multiple basis, and taking the higher of the two in accordance with Australian Accounting Standards.

In performing the impairment review, the single CGU identified to its lowest level is at Rhinomed group level as one consolidated operation, as the products held do not generate independent cash inflows. As the Rhinomed brand and nasal stent technology are key to generating future cash inflows and growth for the company and hence the boards focus on the group level reporting and allocation of resources within the business.

Refer to Note 3 for Key assumptions used for value-in-use calculations for impairment assessment as of 30 June 2020.

Apart from the considerations described in determining the value-in-use of the cash-generating unit described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates. However, the estimate of recoverable amount are based on a discount rate of 20% factoring in unforeseen circumstances around COVID-19 and the uncertainty this has provided. Based on this management has adequate comfort that this will not lead to an impairment based on current projections and assumptions used in the value-in-use calculation.

ACCOUNTING POLICY FOR INTANGIBLE ASSETS

Intangible assets are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in an accounting estimate.

The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

(I) GOODWILL

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
- any non-controlling interest; and
- the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value uplifts in the value of pre-existing equity holdings are taken to profit or loss. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

(II) RESEARCH AND DEVELOPMENT

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

NOTE 16.

NON-CURRENT ASSETS – INTANGIBLES (CONTINUED)

The carrying values of non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(III) INTELLECTUAL PROPERTY

Intellectual property acquired as part of a business combination is recognised separately from goodwill. Intellectual property is carried at cost, which is its fair value at the date of acquisition less accumulated amortisation and impairment losses. Intellectual property is amortised over its useful life commencing from the completion of development. The Group will carry its intellectual property at cost whilst it is under development and it is subject to annual impairment testing.

NOTE 17.

CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

CURRENT LIABILITIES – TRADE AND OTHER PAYABLES	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
Trade payables	314,909	365,310
Accrued expenses	34,438	21,238
Other payables	207,902	208,229
	557,249	**594,777**

Refer to note 26 for further information on financial instruments.

ACCOUNTING POLICY FOR TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

NOTE 18.

CURRENT LIABILITIES – CONTRACT LIABILITIES

CURRENT LIABILITIES CONTRACT LIABILITIES	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
Contract liabilities – deferred revenue	614,662	556,297

With the Group's adoption of AASB 15 Revenue from Contracts with Customers, deferred revenue is recognised as part of contract liabilities from 1 July 2018.

The revenue for the year includes $366,804 (2019: $329,275) included in the contract liability balance at the beginning of the year.
Contract liabilities represents the value of the products with the retailers.
The group derives revenue from the transfer of goods at a point in time when the products are sold to the end customers by the retailer.

NOTE 19.

CURRENT LIABILITIES – LEASE LIABILITIES

CURRENT LIABILITIES LEASE LIABILITIES	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
Lease liability	117,687	-

The Group's lease agreement does not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset (Note 15) and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Refer to Note 21 for the Non-current portion of the lease liabilities.

NOTE 20.

CURRENT LIABILITIES – EMPLOYEE BENEFITS

CURRENT LIABILITIES EMPLOYEE BENEFITS	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
Leave obligation	117,131	48,218
	117,131	**48,218**

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts are classified as current liabilities as the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

Refer to Note 22 for Accounting policy for employee benefits

NOTE 21.

NON-CURRENT LIABILITIES – LEASE LIABILITIES

NON-CURRENT LIABILITIES LEASE LIABILITIES	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
Lease liability	470,463	-
	470,463	**-**

$108,021 was paid during the year towards the lease liability. This includes interest expense on lease liability of $44,390.

ACCOUNTING POLICY FOR LEASE LIABILITIES

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

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

NOTE 22.

NON-CURRENT LIABILITIES – EMPLOYEE BENEFITS

**NON-CURRENT LIABILITIES
EMPLOYEE BENEFITS**

	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
Long service leave obligation	77,984	50,970
	77,984	**50,970**

This non-current provision relates to long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits are as per accounting policies below.

ACCOUNTING POLICY FOR EMPLOYEE BENEFITS

The Group's obligations for short-term employee benefits such as wages and salaries are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as employee benefit obligations in the consolidated statement of financial position.

(I) SHORT-TERM OBLIGATIONS

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(II) ACCOUNTING POLICY FOR OTHER LONG-TERM EMPLOYEE BENEFITS

In some countries, the Group also has liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

NOTE 23.

EQUITY – ISSUED CAPITAL

**EQUITY
ISSUED CAPITAL**

	CONSOLIDATED			
	30 JUNE 2020 SHARES	30 JUNE 2019 SHARES	30 JUNE 2020 $	30 JUNE 2019 $
Ordinary shares – fully paid	253,809,132	141,933,281	71,274,386	59,243,447
	253,809,132	**141,933,281**	**71,274,386**	**59,243,447**

MOVEMENTS IN ORDINARY SHARE CAPITAL

DETAILS	DATE	SHARES	ISSUE PRICE	$
Balance	**1 July 2018**	**117,671,387**		**54,366,251**
Private placement	9 November 2018	23,563,376	$0.2100	4,948,309
Share purchase plan	21 December 2018	698,518	$0.2100	146,689
Less: transaction cost arising on share issue		-		(217,802)
Balance	**30 June 2019**	**141,933,281**		**59,243,447**
Private placement	23 September 2019	27,272,735	$0.2200	6,000,002
Rights issue	26 June 2020	84,603,116	$0.0800	6,514,439
Less: transaction cost arising on share issue		-		(483,502)
BALANCE	**30 June 2020**	**253,809,132**		**71,274,386**

NOTE 23.
EQUITY – ISSUED CAPITAL (CONTINUED)

ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value.

In order to maintain or achieve an optimal capital structure, the Group may issue new shares or reduce its capital, subject to the provisions of the Group's constitution.

The capital structure of the Group consists of equity attributed to equity holders of the Group, comprising contributed equity, reserves and accumulated losses. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the Board by the Group's management, the Board monitors the need to raise additional equity from the equity markets.

ACCOUNTING POLICY FOR ISSUED CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTE 24.
EQUITY – RESERVES

INSTRUMENTS WITH CASH FLOW RISK	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
Foreign currency reserve	(28,920)	(27,705)
Options reserve	2,411,930	1,571,430
	2,383,010	**1,543,725**

MOVEMENTS IN RESERVES

Movements in each class of reserve during the current and previous financial year are set out below:

	CONSOLIDATED		
	OPTION RESERVE $	FOREIGN EXCHANGE RESERVE $	TOTAL $
Balance at 1 July 2018	824,089	(21,254)	802,835
Options issued/expensed	923,850	-	923,850
Options lapsed	(176,509)	-	(176,509)
Currency translation reserve	-	(6,451)	(6,451)
Balance at 30 June 2019	1,571,430	(27,705)	1,543,725
Options issued/expensed	1,473,500	-	1,473,500
Options lapsed	(633,000)	-	(633,000)
Currency translation reserve	-	(1,215)	(1,215)
BALANCE AT 30 JUNE 2020	**2,411,930**	**(28,920)**	**2,383,010**

NOTE 25.
EQUITY – DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial year.

NOTE 26.

FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

The Board is responsible for overseeing the establishment and implementation of the risk management system, and reviews and assesses the effectiveness of the Group's implementation of that system on a regular basis.

The Directors and senior management identify the general areas of risk and their impact on the activities of the Group, with management performing a regular review of:

- the major risks that occur within the business;
- the degree of risk involved;
- the current approach to managing the risk; and
- if appropriate, determine:
    - any inadequacies of the current approach; and
    - possible new approaches that more efficiently and effectively address the risk.

Management reports risks identified to the Board through the monthly 'operations report'.

The Group seeks to ensure that its exposure to undue risk which is likely to impact its financial performance, continued growth and survival is minimised in a cost effective manner.

The Group's financial instruments are detailed below:

INSTRUMENTS WITH CASH FLOW RISK	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
Cash and cash equivalents	7,757,474	1,421,315
Net trade receivables at amortised cost	1,055,608	535,951
Other financial assets at amortised cost	80,853	87,170
Trade and other payables at amortised cost	(557,249)	(594,777)
	8,336,686	**1,449,659**

ELEMENTS OF RISK

The main risks the Group is exposed to through its operations are foreign exchange risk, interest rate risk, credit risk and liquidity risk.

FOREIGN CURRENCY RISK

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	CONSOLIDATED			
	ASSETS		LIABILITIES	
	30 JUNE 2020 $	30 JUNE 2019 $	30 JUNE 2020 $	30 JUNE 2019 $
US dollars	289,338	777,542	(53,080)	(198,478)
Pound Sterling	6,877	274,202	-	(13,553)
	296,215	**1,051,744**	**(53,080)**	**(212,031)**

A strengthening or weakening of the Australian dollar against the following currencies would have an equal and opposite effect on the loss after tax and equity as outlined below. The analysis assumes that all other variables remain constant.

During the current financial period, the percentage movement was determined based on the analysis of USD and GBP change on a high and low value basis, between 30 June 2019 and 30 June 2020 (2019: between 30 June 2018 and 30 June 2019). The average change of these currencies within this period was approximately 4% and 3%, for USD and GBP, respectively (2019: 8% and 8%, for USD and GBP respectively).

NOTE 26.

FINANCIAL INSTRUMENTS (CONTINUED)

	AUD STRENGTHENED			AUD WEAKENED		
	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
CONSOLIDATED – 2020						
US dollars	4%	36,606	36,606	-	(36,606)	(36,606)
Pound Sterling	3%	861	861	-	(861)	(861)
		37,467	**37,467**		**(37,467)**	**(37,467)**
CONSOLIDATED – 2019						
US dollars	8%	46,325	46,325	(8%)	(46,325)	(46,325)
Pound Sterling	8%	20,852	20,852	(8%)	(20,852)	(20,852)
		67,177	**67,177**		**(67,177)**	**(67,177)**

INTEREST RATE RISK

The Group is exposed to interest rate risk via the cash and cash equivalents and other financial assets that it holds. Interest rate risk is the risk that financial instruments value will fluctuate as a result of changes in market interest rates.

INSTRUMENTS WITH CASH FLOW RISK	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
Cash and cash equivalents	7,757,474	1,421,315
Other financial assets at amortised cost	80,853	87,170
	7,838,327	**1,508,485**

An increase or decrease of 0.10% (2019: 0.17%) in interest rates at the reporting date would have the following increase/(decrease) effect on cash and cash equivalents and other financial assets by $7,838 (2019: $2,564).

CREDIT RISK

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

RISK MANAGEMENT

Credit risk is managed through the maintenance of procedures (such as the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring the financial stability of significant customers and counterparties), ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms are normally 30 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating.

IMPAIRMENT OF FINANCIAL ASSETS

The Group has one type of financial asset subject to the expected credit loss model, being trade receivables for sales of inventory. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

TRADE RECEIVABLES

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 30 June 2020 from the expected credit loss method was determined to be $45,805. This amount was ascertained based on an individual client analysis; the identified loss beyond this at a portfolio level was determined to be immaterial.

NOTE 26.

FINANCIAL INSTRUMENTS (CONTINUED)

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 of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 121 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

LIQUIDITY RISK

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk as follows:

- preparation of cash flow analyses related to its operating, investing and financing activities;
- obtaining funding from a variety of sources;
- managing credit risk related to financial assets;
- investing surplus funds with reputable financial institutions.

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

NON-DERIVATIVES	CONSOLIDATED – 30 JUNE 2020			
	1 YEAR OR LESS $	BETWEEN 1 AND 5 YEARS $	OVER 5 YEARS $	REMAINING CONTRACTUAL MATURITIES $
NON-INTEREST BEARING				
Trade and other payables	557,249	-	-	557,249
Lease liabilities	158,091	528,106	-	686,197
TOTAL NON-DERIVATIVES	**715,340**	**528,106**	**-**	**1,243,446**

NON-DERIVATIVES	CONSOLIDATED – 30 JUNE 2019			
	1 YEAR OR LESS $	BETWEEN 1 AND 5 YEARS $	OVER 5 YEARS $	REMAINING CONTRACTUAL MATURITIES $
NON-INTEREST BEARING				
Trade and other payables	594,777	-	-	594,777
TOTAL NON-DERIVATIVES	**594,777**	**-**	**-**	**594,777**

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

NOTE 27.
KEY MANAGEMENT PERSONNEL DISCLOSURES

DIRECTORS

The following persons were directors of Rhinomed Limited during the financial year:

Mr Michael Johnson
Executive Director and Chief Executive Officer

Mr Ron Dewhurst
Non-Executive Chairman

Mr Brent Scrimshaw
Non-Executive Director

Dr Eric Knight
Non-Executive Director

Other key management personnel
The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Mr Sean Slattery
Chief Financial Officer

COMPENSATION
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
Short-term employee benefits	1,102,819	982,120
Post-employment benefits	63,696	54,528
Share-based payments	1,473,500	923,850
	2,640,015	**1,960,498**

NOTE 28.
REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by the auditor of the company:

INSTRUMENTS WITH CASH FLOW RISK	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
AUDIT SERVICES		
Audit of the financial statements – Grant Thornton Pty Ltd	53,000	-
Audit of the financial statements – HLB Mann Judd	-	64,000
	53,000	**64,000**
OTHER SERVICES		
Tax compliance services – HLB Mann Judd	14,500	12,500
	67,500	**76,500**

NOTE 29.
CONTINGENT LIABILITIES

The Group had no contingent liabilities at 30 June 2020 (2019: nil).

NOTE 30.

COMMITMENTS

	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
NON-CANCELLABLE OPERATING LEASES		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	77,064
OTHER EXPENDITURE COMMITMENTS		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	2,759	2,759
One to five years	1,379	4,138
	4,138	**6,897**

With the adoption of AASB 16-Leases from 1 July 2019, these operating leases have been recognised as lease liabilities in the statement of financial position as at 30 June 2020. The parent entity had no capital or other expenditure commitments as at 30 June 2020.

NOTE 31.

RELATED PARTY TRANSACTIONS

PARENT ENTITY

Rhinomed Limited is the parent entity.

(A) SUBSIDIARIES

Interests in subsidiaries are set out in note 33.

(B) KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the directors' report.

TRANSACTIONS WITH RELATED PARTIES

The following transactions occurred with related parties:

	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
Other transactions:		
Smart Street Solutions*	118,624	120,615
	118,624	**120,615**

*Consulting fees paid to Smart Street Solutions, a business associated with Mr Michael Johnson.

RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES

Outstanding balances payable at the end of the current year to Smart Street Solutions was $nil (2019: $10,048). Smart Street Solutions provides consulting and marketing related services to the Group.

LOANS TO/FROM RELATED PARTIES

There were no loans to or from related parties at the current and previous reporting date.

TERMS AND CONDITIONS

All transactions were made on normal commercial terms and conditions and at market rates.

NOTE 32.

PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	PARENT	
	30 JUNE 2020 $	30 JUNE 2019 $
Loss after income tax	(23,824,202)	(3,917,657)
TOTAL COMPREHENSIVE LOSS	**(23,824,202)**	**(3,917,657)**

STATEMENT OF FINANCIAL POSITION	PARENT	
	30 JUNE 2020 $	30 JUNE 2019 $
Total current assets	7,910,399	1,012,707
Total assets	11,054,500	20,459,437
Total current liabilities	719,960	302,611
Total liabilities	1,268,407	353,581
EQUITY		
Issued capital	71,274,386	59,243,447
Options reserve	2,411,930	1,571,430
Accumulated losses	(63,900,223)	(40,709,021)
TOTAL EQUITY	**9,786,093**	**20,105,856**

GUARANTEES ENTERED INTO BY THE PARENT ENTITY IN RELATION TO THE DEBTS OF ITS SUBSIDIARIES

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

CONTINGENT LIABILITIES

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

CAPITAL COMMITMENTS – PROPERTY, PLANT AND EQUIPMENT

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

NOTE 33.

INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

NAME	PRINCIPAL PLACE OF BUSINESS/ COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		30 JUNE 2020 %	30 JUNE 2019 %
ASAP Breatheassist Pty Ltd	Australia	100.00%	100.00%
Rhinomed UK Limited	United Kingdom	100.00%	100.00%
Breatheassist Limited	United Kingdom	100.00%	100.00%
Rhinomed Inc.	United States	100.00%	100.00%

NOTE 34.

EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

NOTE 35.

CASH FLOW INFORMATION

RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
Loss after income tax expense for the year	(7,266,223)	(5,940,742)
ADJUSTMENTS FOR:		
Depreciation and amortisation	476,466	395,518
Share-based payments	1,473,500	923,850
Foreign exchange differences	(32,659)	(46,771)
AASB 16 adjustment	55,880	-
CHANGE IN OPERATING ASSETS AND LIABILITIES:		
Decrease/(increase) in trade and other receivables	(304,733)	441,413
Decrease/(increase) in inventories	(203,412)	22,098
Decrease/(increase) in other operating assets	21,263	(212,540)
Decrease in trade and other payables	(56,271)	(101,298)
Increase in other provisions	95,928	24,945
NET CASH USED IN OPERATING ACTIVITIES	**(5,740,261)**	**(4,493,527)**

NOTE 36.

EARNINGS PER SHARE

	CONSOLIDATED	
	30 JUNE 2020 $	30 JUNE 2019 $
LOSS AFTER INCOME TAX ATTRIBUTABLE TO THE OWNERS OF RHINOMED LIMITED	**(7,266,223)**	**(5,940,742)**

	2020 NUMBER	2019 NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	163,856,708	133,078,739
Weighted average number of ordinary shares used in calculating diluted earnings per share	163,856,708	133,078,739

	CENTS	CENTS
Basic earnings per share	(4.43)	(4.46)
Diluted earnings per share	(4.43)	(4.46)

ACCOUNTING POLICY FOR EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

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

DILUTED EARNINGS PER SHARE

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

NOTE 37.

SHARE-BASED PAYMENTS

The establishment of the 'employee share and option plan' (ESOP) was approved by shareholders at the 2017 annual general meeting. The plan is designed to provide long-term incentives for employees (including Directors) to deliver long-term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Set out below are summaries of options granted and vested upon issue under ESOP which was established to provide ongoing incentive to reward employees and consultants for their contribution to the Group's performance.

GRANT DATE	EXPIRY DATE	EXERCISE PRICE $	BALANCE AT THE START OF THE YEAR	GRANTED	EXERCISED	EXPIRED/ FORFEITED/ OTHER	BALANCE AT THE END OF THE YEAR
30 JUNE 2020							
24/01/2017	30/12/2020	$0.4000	150,000	-	-	-	150,000
28/04/2017	30/04/2020	$0.2700	6,000,000	-	-	(6,000,000)	-
14/12/2018	21/12/2021	$0.2870	9,000,000	-	-	-	9,000,000
29/11/2019	29/11/2023	$0.2998	-	10,000,000	-	-	10,000,000
20/01/2020	20/01/2024	$0.2998	-	3,000,000	-	-	3,000,000
			15,150,000	**13,000,000**	**-**	**(6,000,000)**	**22,150,000**
WEIGHTED AVERAGE EXERCISE PRICE			**$0.2810**	**$0.2998**	**$0.0000**	**$0.2700**	**$0.2900**
30 JUNE 2019							
23/12/2015	30/04/2019	$0.6500	76,923	-	-	(76,923)	-
11/04/2016	11/04/2019	$0.6500	1,800,000	-	-	(1,800,000)	-
20/05/2016	30/04/2019	$0.6700	1,000,000	-	-	(1,000,000)	-
24/01/2017	30/12/2020	$0.4000	150,000	-	-	-	150,000
28/04/2017	30/04/2020	$0.2700	6,000,000	-	-	-	6,000,000
14/12/2018	21/12/2021	$0.2870	-	9,000,000	-	-	9,000,000
			9,026,923	**9,000,000**	**-**	**(2,876,923)**	**15,150,000**
WEIGHTED AVERAGE EXERCISE PRICE			**$0.3960**	**$0.2870**	**$0.0000**	**$0.6510**	**$0.2810**

NOTE 37.

SHARE-BASED PAYMENTS (CONTINUED)

On 29 November 2019, Rhinomed Limited issued 10,000,000 options and 3,000,000 options granted vest upon issue to Directors and key management personnel of the Group respectively. The assessed fair value of options issued was determined using the Black-Scholes option pricing model that takes into account the exercise price, term of the option, security price at grant date and expected price volatility of the underlying security, the expected dividend yield, the risk-free interest rate for the term of the security and certain probability assumptions. are as follows:

GRANT DATE	EXPIRY DATE	SHARE PRICE AT GRANT DATE	EXERCISE PRICE	EXPECTED VOLATILITY	DIVIDEND YIELD	RISK-FREE INTEREST RATE	FAIR VALUE AT GRANT DATE
29/11/2019	29/11/2023	$0.2050	$0.2998	92.00%	-	0.65%	$0.1180
20/01/2020	20/01/2024	$0.1800	$0.2998	89.00%	-	0.85%	$0.0960

ACCOUNTING POLICY
FOR SHARE-BASED PAYMENTS

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

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

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

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

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

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

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

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

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited. If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

DIRECTOR'S DECLARATION

DIRECTORS' DECLARATION

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors,

MR MICHAEL JOHNSON
Chief Executive Officer
and Managing Director

18 September 2020
Melbourne

GrantThornton

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Independent Auditor's Report

To the Members of Rhinomed Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Rhinomed Limited (the Company) and its Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the consolidated financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of intangible assets (Note 3 and 16)	
The Group has recorded goodwill of $1,565,004, capitalised development costs of $161,927 and intellectual property of $866,436 at 30 June 2020 assigned to a single Cash Generating Unit (CGU). Goodwill is required to be assessed for impairment annually by Management as prescribed in *AASB 136 Impairment of Assets*. Management test the CGU for impairment by comparing the carrying amount against the recoverable amount determined by either, the greater of its fair value less costs to dispose and its value in use. This area is a key audit matter due to the significant balance carried by the Group that Management have assessed using estimates and judgement. The Group use a discounted cash flow model (value in use) to determine the recoverable value, in doing so, include significant estimates and judgements which requires specific valuation expertise and analysis.	Our procedures included, amongst others: • Understanding and documenting Management's process and controls related to the assessment of impairment, including Management's identification of CGUs and the calculation of the recoverable amount for each CGU; • Evaluating the value-in-use models against the requirements of AASB 136, including consultation with our auditor's valuation expert; • Challenging the appropriateness of Management's revenue and cost forecasts by comparing the forecasted cash flows to the actual growth rates achieved historically; • Reviewing Management's value-in-use calculations to: - Test the mathematical accuracy of the calculations; - Test forecast cash inflows and outflows to be derived by the CGU assets; - Assess estimates and judgements for growth rates applied; and - Agree discount rates applied to forecast future cash flows including consultation with our valuation auditor's expert. • Performing sensitivity analysis on the significant inputs and assumptions made by Management in preparing its calculations; and • Assessing the adequacy of financial statement disclosures.
Going concern – COVID-19 (Note 2)	
As set in Note 2 of the financial report, the impact of COVID-19 has resulted in continuing uncertainty on the Group's operating performance. Cash flow forecasts prepared by Management indicate that there are sufficient cash reserves to continue to support the going concern assumption. This area is a key audit matter due to the uncertainty related to the impact that COVID-19 may have on the actual results achieved by the Group, compared with the financial forecasts that underpin the assessment of its ability to continue as a going concern.	Our procedures included, amongst others: • Discussed with Management the Group's plans in the context of COVID-19; • Reviewed the Group's cash flow forecasts for the period to 30 September 2021; • Challenged Management's assumptions in the cash flow forecasts which included sensitivity analysis of revenues and expenses within the forecasted cash flows; • Inquired of Management as to whether they are aware of any events or conditions beyond the period of Management's assessment that may cast significant doubt on the Group's ability to continue as a going concern; and • Assessed the adequacy of the Group's disclosures in relation to the assessment of going concern.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's financial report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 39 to 49 of the Directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Rhinomed Limited, for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Grant Thornton

Responsibilities

The Directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner – Audit & Assurance

Melbourne, 18 September 2020

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 12 September 2020.

DISTRIBUTION OF EQUITABLE SECURITIES

Analysis of number of equitable security holders by size of holding for holders of ordinary shares:

	TOTAL HOLDERS	UNITS	% UNITS
RANGE			
1 - 1000	82	14,564	0.01%
1,001 - 5,000	243	826,752	0.33%
5,001 - 10,000	211	1,724,439	0.68%
10,001 - 100,000	519	18,613,853	7.33%
100,001 and over	161	232,629,524	91.66%
TOTAL	**1,216**	**253,809,132**	**100.00%**
HOLDINGS LESS THAN MARKETABLE PARCEL	**364**		

EQUITY SECURITY HOLDERS

The names of the twenty largest security holders of listed equity securities are listed below:

	HOLDER NAME	NUMBER	%
1	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	105,869,675	41.71%
2	THIRTY-FIFTH CELEBRATION PTY LTD <JC MCBAIN SUPER FUND A/C>	13,951,657	5.50%
3	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	10,854,547	4.28%
4	FIFTY SECOND CELEBRATION PTY LTD <MCBAIN FAMILY A/C>	9,482,830	3.74%
5	KROY WEN PTY LTD	7,565,320	2.98%
6	CITICORP NOMINEES PTY LIMITED	7,009,312	2.76%
7	KROY WEN PTY LTD <DEWHURST SUPER FUND A/C>	5,684,680	2.24%
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	5,383,317	2.12%
9	UBS NOMINEES PTY LTD	3,753,476	1.48%
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	3,090,275	1.22%
11	MUTUAL TRUST PTY LTD	3,000,000	1.18%
12	KENSINGTON CAPITAL MANAGEMENT PTY LTD	2,800,000	1.10%
13	ARGUS NOMINEES PTY LTD <THE HALSTEAD SUPER FUND A/C>	2,225,285	0.88%
14	ABINGDON NOMINEES PTY LTD <ABINGDON NOMS INVEST A/C>	2,200,000	0.87%
15	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,942,300	0.77%
16	JASFORCE PTY LTD	1,514,572	0.60%
17	ASHLAW PTY LIMITED <WHITEHEAD SUPER FUND A/C>	1,500,000	0.59%
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,265,441	0.50%
19	KEN SIEBEL	1,249,929	0.49%
20	HISHENK PTY LTD	1,100,000	0.43%
TOTAL OF TOP 20 SHAREHOLDERS		**191,442,616**	**75.43%**
TOTAL ISSUED EQUITY SECURITIES		**253,809,132**	**100%**

SUBSTANTIAL SHAREHOLDERS

Details of substantial shareholders are set out below:

	HOLDER NAME	NUMBER	%
1	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	105,869,675	41.71%
2	THIRTY-FIFTH CELEBRATION PTY LTD <JC MCBAIN SUPER FUND A/C>	13,951,657	5.50%

VOTING RIGHTS

The voting rights attached to ordinary shares are set out below:

At meeting of members or classes of members:

(a) each member entitled to vote may vote in person or by proxy, attorney or respective;

(b) on a show of hands, every person present who is a member or a proxy, attorney or representative of a member has one vote; and

(c) on a poll, every person present who is a member or a proxy, attorney or representative of a member has:

- (i) for each fully paid share held by person, or in respect of which he/she is appointed a proxy, attorney or representative, one vote for the share;

- (ii) for each partly paid share, only the fraction of one vote which the amount paid (not credited) on the share bears to the total amounts paid and payable on the share (excluding amounts credited).

Subject to any rights or restrictions attached to any shares or class of shares.

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