AIRWAY TECHNOLOGY

RHINOMED

ANNUAL REPORT 2021

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AIRWAY TECHNOLOGY

IMPROVING THE WAY WE

- BREATHE
- SLEEP
- MEDICATE
- DIAGNOSE

RHINOMED

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 FY21 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 Annual Report for 2021.

This time last year I wrote about the onset of the COVID19 pandemic, and like many, I expected that we would be hopefully back to a normal living environment by now. Alas, that is not the case, and the future is still uncertain, although the progress being made in vaccinating the population does give some hope and expectation that we can restore our lives to a more stable state.

The damage inflicted economically and socially, both domestically and globally, has been significant, albeit we probably do not fully appreciate the extent.

The impact of constant lockdowns in these unprecedented times has wreaked havoc on the community and made any form of planning personal or business problematic and challenging.

That said, businesses in some industries have been fortunate to be able to pivot and continue to operate remotely, at Rhinomed that has been the case.

At this time I do wish to acknowledge that our management team and staff under Michael Johnson' leadership have performed strongly under these extreme conditions.

An important focus for the Board and Management has been the ongoing concern for the health and wellbeing of our staff.

Turning to the performance of Rhinomed, over the last year the pandemic clearly stunted our growth. In particular, foot traffic in pharmacies in the United States and elsewhere fell dramatically hurting the growing penetration we had started to experience in our traditional and developing line of products in some 20,000 outlets.

That said, revenues for the twelve months still rose by 9% to just under $4 million for the full year, and whilst these numbers are disappointing against our pre COVID aspirations, we continue to build our market share and product reputation.

The most significant news for Rhinomed however, has been presented by the challenges created by the COVID19 global pandemic. Rhinomed has utilised its nasal technology platform to develop a swab that is rapidly gaining acceptance as a competitor to the established existing products.

The development of our swab, and the validation of its attributes in comparison to the established global swabs of being substantially less invasive, able to be self-administered, and its capacity to yield consistent reliable results delivering outcomes makes for a compelling proposition. Since the end of the financial year Rhinomed has continued to make strong progress with the swab being awarded orders by both the Victorian and New South Wales governments and is experiencing further interest domestically, but most importantly internationally.

Further, the company has also developed the first swab specifically for children with tests currently being carried out by the Royal Children's Hospital in Victoria.

As I highlighted in last year's Chairman's letter, the developing of our strategy back in 2014, and our progress this year continues to validate our technology platforms multiple applications and opportunities.

Whilst like all, we continue to be challenged by the realities of operating a global business in a difficult operating environment we are genuinely excited by our prospects for the future.

In regard to our Board, we have strengthened our Team by the appointment of Associate Professor John McBain as a Non Executive Director. John brings to the Board significant knowledge and experience in the medical field. Further he is one of our substantial shareholders, and like myself, came to the company as a committed user of a Rhinomed product.

Finally, I wish to thank our shareholders and my fellow Directors, Management and staff for their ongoing support, we look forward to continuing to develop our company.

RON DEWHURST
CHAIRMAN

LETTER FROM THE CEO & MANAGING DIRECTOR

DEAR SHAREHOLDERS

Since Rhinomed's inception in 2013 we have been focused on the development and commercialisation of our unique wearable nasal technology.

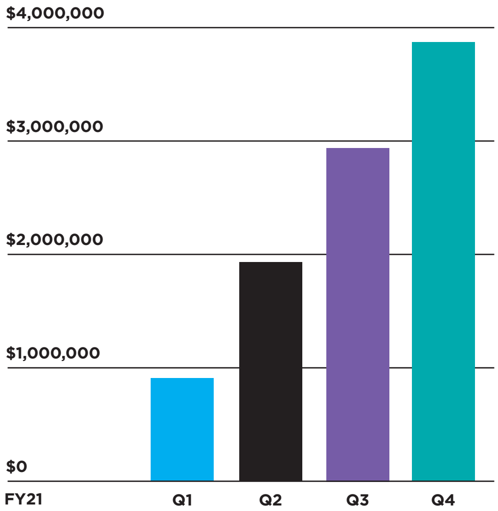
The board and company has remained true to the strategy we set then and remains committed now to the belief that Rhinomed through its technology platform can improve human health and make a significant impact on the lives of people everyday. Over the last 12 months and in the face of the global pandemic the ability of the Rhinomed platform to create new, unique and compelling solutions that radically change the way people breathe, sleep, diagnose disease and maintain their health and wellness has never been more apparent.

Despite the challenges of the global pandemic the Rhinomed team has remained focused and committed to our customers, our colleagues and our goal of making a difference. As we enter the FY22 year Rhinomed has never been better positioned to deliver on the outcomes we set in our original strategy.

THE INGREDIENTS FOR GROWTH

Rhinomed has continued to grow in FY21 with revenues up 9% year on year. This growth occurred despite strong headwinds in our major markets. The global pandemic caused a major shift in consumer behaviour with foot traffic into our retail drug store and pharmacy partners in all major geographies falling significantly.

REVENUE GROWTH



As consumers sought to consolidate their shopping journeys and move to increase their online purchasing of healthcare products, the company responded by making several key changes. The US continues to be both a major contributor to revenue and a major growth opportunity. With that in mind we moved both our Sales and Marketing leadership to the US. The addition of deep consumer health sales, marketing and digital experience is a key element to positioning Rhinomed to take full advantage of the increasing interest and demand for solutions in the global sleep and snoring market.

The pandemic has forced millions of people around the world into extended periods of lock down. The impact of this has been immense. One of the outcomes is the growing realisation and recognition of the role of sleep and respiration in maintaining physical and mental health. The company continues to execute a strategy that positions Mute as the premier consumer health solution in the global over-the-counter sleep and snoring markets.

INNOVATION THAT WILL CHANGE THE WAY THE WORLD TESTS FOR UPPER RESPIRATORY DISEASE - RHINOSWAB

If you think about the medical devices you come into contact with, it can often appear that the 'user experience' didn't figure too highly as an input into the design. Indeed, many medical devices, while practical, appear to have been designed with the clinician in mind rather than the patient. Hence the fear, trepidation and anxiety many people experience when contemplating or going through a medical procedure is both real and visceral. This is particularly true when we think of the traditional nasal swab.

For Rhinomed the nasal swab represents a perfect example of where our wearable nasal technology platform can radically change the way a vital medical process occurs and improve it for the patient, the clinician, the regulator and the testing organsiton.

The new Rhinoswab is a dramatic improvement on the way we swab for upper respiratory disease. Designed with the user experience at the front of mind, the Rhinoswab design responds to the nasal anatomy to sit comfortably just below the lower turbinate. A site where pathogen load (either viral or bacterial) is likely to accumulate. The Rhinoswab has also been designed to capture a significantly larger load and to collect this from both nostrils simultaneously.

The Rhinoswab design recognises one of the more obvious challenges with nasal swabbing - the collection process itself. The administration of traditional nasal swabs is random at best, regardless as to whether they are administered by a healthcare worker or a patient. This variance in sample collection represents a significant challenge that affects the integrity of the testing and pathology process.

The Rhinoswab creates a new standard in sample integrity. The Rhinoswab has been designed so that it can only be administered one way, no matter who is using it or their skill and experience. Additionally, the swabs' unique design targets the same key area of the nose every time. Because the Rhinoswab is significantly more comfortable than standard swabs, the Rhinoswab can stay in-situ for a longer period of time ensuring it captures a larger and better sample.

All of these characteristics are baked into the design of the Rhinoswab, providing clinicians, regulators and patients with greater confidence in the result of any test.

The Covid-19 pandemic has changed the way we view testing and diagnosis of disease. Rhinomed believes that testing for upper respiratory disease will become an everyday occurrence. While testing for SARS-CoV-2 is now common, as we move forward this testing protocol will include other pathogens such as RSV or Flu.

Rhinoswab has been validated to work across a growing menu of assays and a wide range of testing technologies from molecular based polymerase chain reaction (PCR) testing through to rapid antigen testing (RAT). No matter the platform being used, the key element is the device being used to collect the sample. Rhinomed believes that Rhinoswab represents a new best in class experience for both users/patients and clinicians.

RHINOSWAB JUNIOR

Testing reluctance is a significant roadblock to not just the pandemic response, but also importantly, ensuring people access care as quickly as possible. The fear, anxiety and trepidation that children have toward being tested for upper respiratory disease is extreme. A recent study by the Royal Children's Hospital in Melbourne identified that 30% of parents indicated that they would be reluctant to bring their children forward for testing because of this issue.

Rhinoswab Junior has the potential to radically change the way children are tested globally. Designed to empower children to use the swab themselves, the Rhinoswab Junior is easy to use, comfortable and includes some key features that engage children and remove the fear and anxiety that they normally associate with nasal swabs. The Rhinoswab Junior is a world leading innovation that showcases Rhinomeds approach to solving clear unmet clinical needs.

INNOVATION PIPELINE

As Rhinomed continues to drive the growth of its core products, we also remain committed to our innovation program. There are two key areas of our R&D program - Nasal drug delivery and Nasal Diagnostics.

Our drug delivery program has examined a range of targets including sleep, decongestion, anxiety and nausea. Our sleep program which focused on the delivery of medical cannabis has been delayed due to the pandemic and development and commercialisation of the Rhinoswab.

The company continues to explore how the Rhinomed wearable nasal technology platform can overcome significant issues with the reliability, predictability and repeatability of dosing of cannabis based drugs and how medical cannabis can be used to expand Rhinomed's sleep offering.

Additionally, we are also actively exploring how the platform can be used to overcome delivery issues facing other API's such as drugs and vaccines. The opportunities to license the platform are expected to grow as more and more people are socialized with the nasal technology via our existing consumer health offering and the new Rhinoswab Program.

The opportunities for the platform to be used to help diagnose disease are broad. While the Rhinsowab collects a sample, the ability to integrate a 'rapid antigen' type of technology into the platform is an opportunity that Rhinomed will explore over the coming 24-36 months.
This innovation program has the potential to alter the way testing is carried out for a large number of upper airway diseases.

STRENGTHENING THE BOARD

It was with great pleasure that we welcomed long term investor and Mute customer, Prof John McBain to the board in early 2021. John is one of Australia's preeminent innovators and investors. As founder of Melbourne IVF John has already been a pioneer in a world changing technology. As a clinician he brings immense insight and wisdom while as an investor he brings extraordinary experience as both an investor in, and as a board member of, innovative technology companies. John has continually demonstrated an ability to identify and support new technology companies that can grow into global players. John's experience and input has already been an important value add in the development of the Rhinoswab program.

A NEW ERA FOR RHINOMED

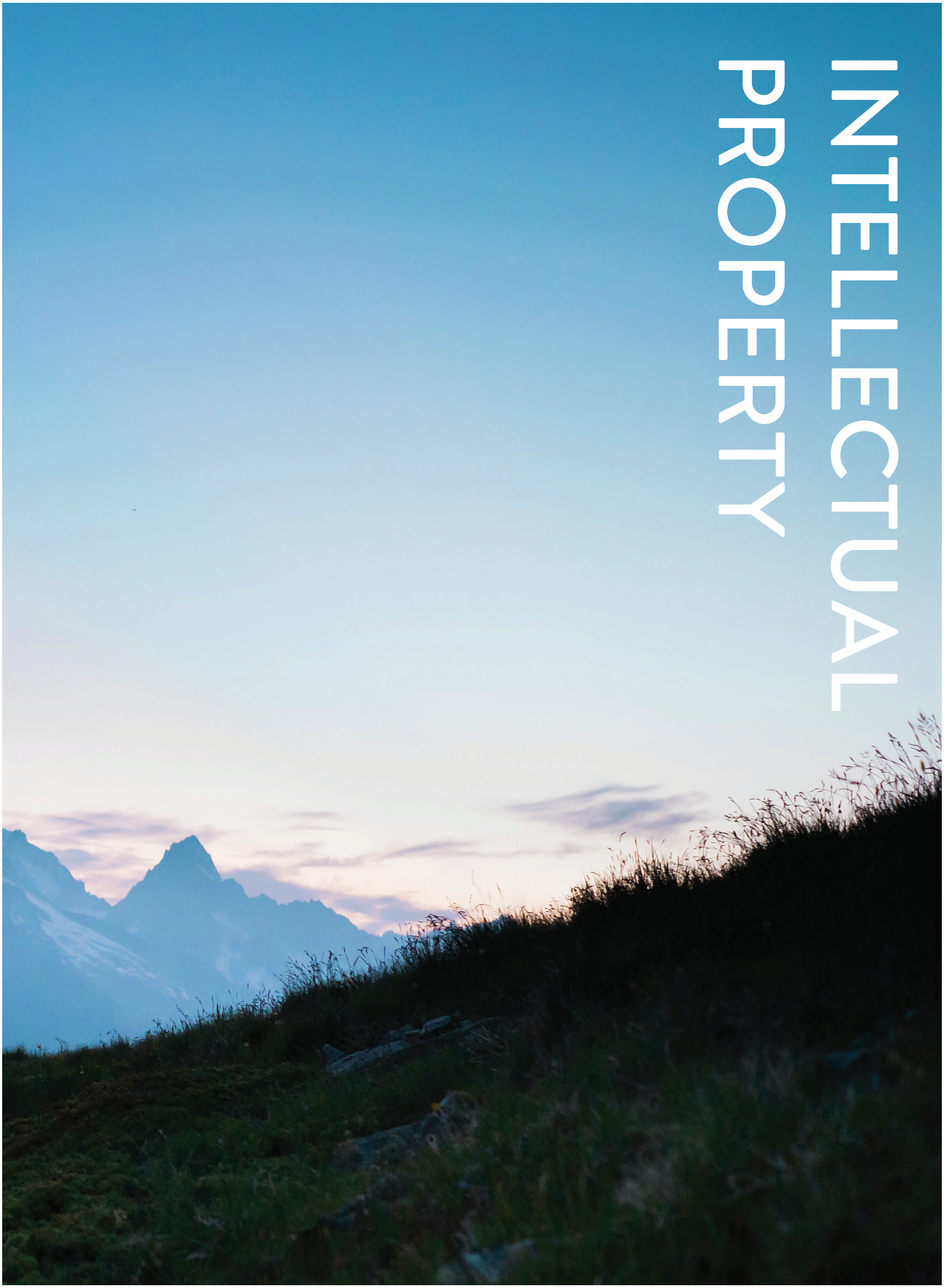
There is no question that 2020/21 has thrown up more challenges than we would have ever expected. On behalf of the Board and the entire Rhinomed team I would like to thank all of our shareholders for their continued support.

Rhinomed continues to demonstrate that we 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. This is only possible with the energy and input from the amazing team we have assembled at Rhinomed. We are also grateful for the ongoing support of a wide number of clinicians and key opinion leaders that endorse and use our technology on a daily basis.

2020/21 has been a watershed period for Rhinomed. The expansion of our product portfolio over the last 12 months has highlighted the value Rhinomed delivers to clinicians, patients and people the world over. We continue to be excited by the opportunities we are pursuing and the long term growth strategies that we believe will deliver long term shareholder value.

MICHAEL JOHNSON
Chief Executive
Officer and
Managing Director

INTELLECTUAL PROPERTY



INTELLECTUAL PROPERTY

MUTE

Mute was invented by Chief Executive Officer Michael Johnson and a team of design experts in 2014.

The concept was bought to market soon after and is now Rhinomed's largest selling OTC product, leading the way in the USA, Australia, and the UK.

Mute is the fastest growing sleep product in all key markets. With over 30 million of nights of sleep under its belt, Mute is a trailblazer.

Rhinomed's IP strategy for Mute involved pursuing patents and trademarks in key sales markets along with emerging sales territories.

The majority of Mute patents have moved to granted, with the remainder in the final phases of prosecution.

Notable recent grants include Australia and Japan.

Trademark protection has been granted in the key markets for Mute.

TURBINE

Rhinomed's first launched product brought scientific advancements to the sporting community, increasing airflow when it's needed most.

Turbine has featured in major marathons and been used by a winner of the Tour de France. It's also extremely popular in the outdoor community.

Turbine has also had widespread use under masks due to its scientifically backed ability to improving breathing while active.

Patent's have been granted in one third of key sales markets, with the remainder expected to be granted within the medium term.

Turbine has extensive design protection, further entrenching Rhinomed's position as the leader in wearable nasal technology.

The Turbine trademark is registered in excess of 20 countries that span the globe.

RHINOMED
PRONTO
CLEAR
Clears a Stuffy
Nose Naturally
Rechargeable Vapor Inhaler
Fast & lasting relief, day or night
Six pure essential oils
Drug free
MEDIUM

PRONTO

Invented by Chief Executive Officer Michael Johnson, Pronto is a next generation platform that opens the nasal passages to improve breathing and also delivers vapour to the nose.

The Sleep format assists in achieving sleep, while the Clear targets blocked and stuffy noses, during the day and night.

Pronto devices come with a storage container that includes a wick that refills the Ponto device.

Patent's are being pursued in markets identified as important strategically. Having recently entered national phase, Pronto patents will begin to be granted over the coming years.

With a custom container and significant advancements to wearable nasal technology, the Pronto system has extensive design protection globally.

The Pronto trademark is registered in excess of 20 countries that span the globe.

**RHINOSWAB &
RHINOSWAB JUNIOR**

Inspired by interactions Chief Executive Officer Michael Johnson had with traditional swabs, the Rhinoswab brings revolutionary comfort to nasopharyngeal testing.

Rhinoswab delivers the possibility of comfortable, mass high frequency testing for any upper respiratory tract infection.

Rhinoswab has been validated in independent studies by multiple prestigious institutions.

The Rhinoswab and Rhinoswab Junior Patent has been filed successfully and planning is currently underway for national phase.

The significant investment in the Rhinoswab platform is also protected by a broad range of Design filings covering much of the global market.

The Rhinoswab by Rhinomed trademark is registered for use.

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

ASSOC. PROF. JOHN MCBAIN
Non-Executive Director
(appointed 14 May 2021)

REGISTERED AND PRINCIPAL OFFICE

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Sydney NSW 2000
T +61 (0) 2 9698 5414

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).**

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

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.

AUDITOR

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SOLICITORS

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WEBSITE

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CORPORATE GOVERNANCE STATEMENT

www.rhinomed.global/investor-information/corporate-governance

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors are pleased to present their report, together with the financial statements, of the consolidated entity (the 'Group' or 'Rhinomed') consisting of Rhinomed Limited (the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

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

Assoc. Prof. John McBain
Non-Executive Director (appointed 14 May 2021)

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 Group after providing for income tax amounted to $8,638,926 (30 June 2020: $7,266,223).

The Group held cash reserves of $2,339,616 at 30 June 2021 (2020: $7,757,474), a decrease of $5,417,858 from the previous year. As at 30 June 2021 the Group's net assets were $4,763,833 (2020: $11,154,630) and the net carrying value of the Group's intangible assets was $2,231,736 (2020: $2,593,367).

The Group loss of $8,638,926 consists of an operating loss of $8,626,439 (increase of 19% compared to FY20), depreciation and amortisation costs of $591,568 (down 1% compared to FY20), and employee benefit expenses of $5,247,329 (up 22% compared to FY20). Of the employee expenses, 40% ($2.1 million) were non-cash amounts and relate to the expensing of the grant of options as approved at the 2020 Annual General Meeting ('AGM').

Net cash used in operating activities was $5.33 million down from $5.74 million in FY20. 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 and as a result, Mute sales represented 85% of total revenue during FY21.

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

- Increasing distribution amongst our existing key accounts in our three key geographic 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

COVID-19 IMPACT

Despite the global pandemic, units shipped increased by 10% compared to the prior year. As a direct result of the lockdowns introduced across a number of our key markets, retail sales fell due to the decrease in foot traffic, however, revenue derived from online sales was able to offset that decline. This is due to a renewed focus to expand sales in other online platforms which has resulted with online derived sales for Q4 FY21 increasing to 49% of total revenue compared to 35% of total revenue for Q4 FY20. Amazon is now the Group's largest customer with Amazon US alone growing by 30% compared to the prior year. Mute and Turbine sales have demonstrated strong growth due to the strategy to shift focus onto Amazon as a customer and sales growth is expected to continue to grow with a strategy to target Amazon Europe in FY22.
Another positive trend has emerged with the APAC region sales increasing to 20% of total revenue for FY21 compared to 16% of total revenue in the prior year. This is as a direct result of expanding the geographical coverage of the Group's sales representation by employing staff in the majority of states in Australia

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 29 July 2021, the Group has entered into an unsecured working capital facility to the value of $2.5m, provided equally from entities related to Chairman Ron Dewhurst and an entity related to the Company's, non-executive director, John McBain. This facility is repayable by 31 July 2023.

Subsequent to 30 June 2021, the Group received purchase orders from NSW Health Pathology and the Victorian Department of Health for one million Rhinoswabs each, for a total of $3.0m. This represents approximately 78% of FY21 total revenue and provides further validation of the focus on the Rhinoswab as a material business line.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

ENVIRONMENTAL REGULATION

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

INFORMATION ON DIRECTORS

MR MICHAEL JOHNSON	EXECUTIVE DIRECTOR & CHIEF EXECUTIVE OFFICER
EXPERIENCE AND EXPERTISE	Michael is an experienced leader and innovator with a focus on the successful commercialisation of emerging technologies. Since joining RhinoMed in 2013 he has been responsible for the development of RhinoMed's nasal technology platform and steering RhinoMed to being one of the world's leading developers of wearable nasal medical technology. The company has now brought four products to market in the global sleep and snoring, respiratory and nasal congestion markets and is developing applications in the diagnostic and drug delivery markets. Over the course of his career he worked for a wide spectrum of companies from large multinationals through to start-up companies in Life Sciences, Cleantech, Financial Services and the Media and Communication industries. Michael received a Master's in Entrepreneurship and Innovation from Swinburne University and a Bachelor's degree in Business from Monash University. Michael is a non-executive director of the US based Foundation for Airway Health.
Other current directorships	None
Former directorships (last 3 years)	None
Special responsibilities	Member of the Audit Committee
Interest in shares	477,712
Interest in options	20,690,457

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	Sprott Inc (TSX:SII) since 2017
Former directorships (last 3 years)	Onevue Holdings Limited (ASX: OVH), from 2016 to 2020
Special responsibilities	Member of the Audit Committee Member of the Remuneration Committee
Interest in shares	14,750,000
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 Chief Executive Officer and Executive Director of Enero Group Limited (ASX:EGG) and is also a non-executive director of Kathmandu Holdings Limited (ASX/NZX: KMD)
Other current directorships	Kathmandu Holdings Limited (ASX/NZX: KMD), since 2018 Enero Group Limited (ASX: EGG) since 2020
Former directorships (last 3 years)	Catapult Sports Ltd (ASX: CAT), from 2014 to 2020
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

ASSOC. PROF. JOHN MCBAIN	NON-EXECUTIVE DIRECTOR
EXPERIENCE AND EXPERTISE	Assoc. Prof. McBain is the former Head of Reproductive Services at The Royal Women's Hospital in Melbourne, Australia. He is also the former President of the Fertility Society of Australia, and was a founder of Melbourne IVF, now Virtus Health (ASX:VRT). Assoc. Prof. McBain served as a Director of Melbourne IVF and subsequently as a Director of Virtus Health prior to its listing on the ASX. Assoc. Prof. McBain holds a Medical degree from Glasgow University
Other current directorships	None
Former directorships (last 3 years)	None
Interest in shares	45,085,801
Interest in options	None

'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 SEAN SLATTERY

Mr Slattery was appointed the company's Chief Financial Officer in December 2018. Mr Slattery has over 20 years' experience as a Director, Company Secretary and Chief Financial Officer 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 2021, and the number of meetings attended by each director were:

	FULL BOARD		AUDIT COMMITTEE	
	ATTENDED	HELD	ATTENDED	HELD
MR MICHAEL JOHNSON	6	6	3	3
MR RON DEWHURST	6	6	3	3
MR BRENT SCRIMSHAW	6	6	3	3
DR ERIC KNIGHT	6	6	3	3
ASSOC. PROF. JOHN MCBAIN	-	-	-	-

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

REMUNERATION REPORT

The directors present the Rhinomed Limited 2021 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration award this year.

The remuneration report is set out as follows:

A.
KEY MANAGEMENT PERSONNEL COVERED IN THIS REPORT

Non-Executive and Executive Directors (see pages 28-31 for details about each Director)

- 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
- Assoc. Prof. John McBain
  Non-Executive Director (from 14 May 2021)

Other key management personnel (See page 31 for details about other key management personnel)

- Mr Sean Slattery
  Company Secretary, Chief Financial Officer

B.
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 ('KMP') of the Group are as follows:

The compensation structure for KMP 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 KMP is embodied in individual service contracts that include incentives designed to reward KMP 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 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 the Group 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.

B. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION (CONTINUED)

EXECUTIVE REMUNERATION

The Group 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 where it does not create any additional costs to the Group 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 a STI, in the form of cash bonuses usually paid upon on specific annual targets and KPI's being achieved. KPI's include financial and/or operational performance targets. 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.

REMUNERATION POLICY AND LINK TO PERFORMANCE

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 2020 ANNUAL GENERAL MEETING ('AGM')

At the AGM held on 29 November 2020, 96% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

C.
REMUNERATION OF KEY MANAGEMENT PERSONNEL

The following table shows details of the remuneration recognised for the Group's KMP for the current and previous financial year measured in accordance with the requirements of the accounting standards.

2021	CASH SALARY AND FEES* $	CASH BONUS* $	LONG SERVICE LEAVE** $	SUPER-ANNUATION*** $	OPTIONS^ $	TOTAL $
NON-EXECUTIVE DIRECTORS:						
RON DEWHURST	109,589	-	-	10,411	-	120,000
BRENT SCRIMSHAW	73,059	-	-	6,941	-	80,000
ERIC KNIGHT	73,059	-	-	6,941	-	80,000
JOHN MCBAIN[1]	9,623	-	-	914	-	10,537
EXECUTIVE DIRECTORS:						
MICHAEL JOHNSON	303,519	112,500	11,128	21,481	1,752,572	2,201,200
OTHER KEY MANAGEMENT PERSONNEL:						
SEAN SLATTERY	228,654	85,250	1,135	21,346	350,514	686,899
	797,503	**197,750**	**12,263**	**68,034**	**2,103,086**	**3,178,636**

[1]Assoc. Prof. John McBain was appointed as a Non-Executive Director on 14 May 2021.

2020						
NON-EXECUTIVE DIRECTORS:						
RON DEWHURST	112,192	-	-	7,808	236,680	356,680
BRENT SCRIMSHAW[2]	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**

[2]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 an arm's length basis. The amount of $133,181 forms part of the total $206,241 paid as fees.

*Short-term benefits as per Corporations Regulation 2M.3.03(1) Item 6

**Other long-term benefits as per Corporations Regulation 2M.3.03(1) Item 8. The amounts disclosed in this column represent the increase in the associated provisions.

***Post-employment benefits as per Corporations Regulation 2M.3.02(1) Item 7

^Equity-settled share-based payments as per Corporations Regulation 2M.3.03(1) Item 11. These include any negative amounts for options and rights forfeited during the year.

D.
CONTRACTUAL ARRANGEMENTS WITH EXECUTIVE KEY MANAGEMENT PERSONNEL

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 which includes a notice period of six months by either party. Mr Johnson's contract provides for redundancy pay of 36 weeks' pay for more than five years' continuous service. As 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 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.

E.
TERMS AND CONDITIONS OF SHARE-BASED PAYMENT ARRANGEMENTS

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 2021 (2020: nil).

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
MICHAEL JOHNSON	12,690,457	20/11/2020	20/11/2020	23/12/2024	$0.1160	$0.1381
SEAN SLATTERY	2,538,091	20/11/2020	20/11/2020	23/12/2024	$0.1160	$0.1381

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.

F.
RECONCILIATION OF OPTIONS AND ORDINARY SHARES HELD BY KEY MANAGEMENT PERSONNEL

OPTIONS

The table below shows a reconciliation of options held by each KMP from the beginning to the end of the financial year ended 30 June 2021. All vested options were exercisable.

	BALANCE AT THE START OF THE YEAR VESTED #	GRANTED AS COMPENSATION #	VESTED/ EXERCISED #	FORFEITED #	OTHER CHANGES #	BALANCE AT THE END OF THE YEAR VESTED #
RON DEWHURST	5,000,000	-	-	-	-	5,000,000
BRENT SCRIMSHAW	3,500,000	-	-	-	-	3,500,000
ERIC KNIGHT	2,500,000	-	-	-	-	2,500,000
MICHAEL JOHNSON	8,000,000	12,690,457	12,690,457	-	-	20,690,457
SEAN SLATTERY	3,000,000	2,538,091	2,538,091	-	-	5,538,091
	22,000,000	**15,228,548**	**15,228,548**	**-**	**-**	**37,228,548**

There were no ordinary shares of Rhinomed Limited issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

SHAREHOLDINGS

The table below shows a reconciliation of shareholdings held by each KMP, including their personally related parties, from the beginning to the end of the financial year ended 30 June 2021.

		BALANCE AT THE START OF THE YEAR #	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS #	OTHER CHANGES #	BALANCE AT THE END OF THE YEAR #
RON DEWHURST	NON BENEFICIAL INTEREST	13,250,000	-	1,500,000	14,750,000
BRENT SCRIMSHAW	BENEFICIAL INTEREST	75,918	-	-	75,918
	NON BENEFICIAL INTEREST	33,000	-	-	33,000
ERIC KNIGHT	BENEFICIAL INTEREST	77,456	-	-	77,456
JOHN MCBAIN[1]	NON BENEFICIAL INTEREST	-	-	45,085,801	45,085,801
MICHAEL JOHNSON	BENEFICIAL INTEREST	225,336	-	16,666	242,002
	NON BENEFICIAL INTEREST	235,710	-	-	235,710
		13,897,420	**-**	**46,602,467**	**60,499,887**

[1]Assoc. Prof. John McBain was appointed as a Non-Executive Director on 14 May 2021.

Any KMP as disclosed in section (a) of this remuneration report who are not explicitly referenced in the tables above did not hold any options and/or ordinary shares in the Company for the periods shown.

G.
RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND GROUP PERFORMANCE

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. The earnings of the Group for the five years to 30 June 2021 are summarised below:

	30 JUNE 2021	30 JUNE 2020	RESTATED* 30 JUNE 2019	30 JUNE 2018	30 JUNE 2017
	$	$	$	$	$
REVENUE	3,894,908	3,565,363	3,608,556	2,169,176	1,717,225
NET LOSS BEFORE TAX	(8,637,815)	(7,265,434)	(5,631,826)	(4,079,747)	(4,721,522)
NET LOSS AFTER TAX	(8,638,926)	(7,266,223)	(5,673,878)	(4,004,324)	(4,441,578)

	30 JUNE 2021	30 JUNE 2020	RESTATED* 30 JUNE 2019	30 JUNE 2018	30 JUNE 2017
SHARE PRICE AT FINANCIAL YEAR END ($)	0.15	0.06	0.22	0.17	0.18
BASIC EARNINGS PER SHARE (CENTS PER SHARE)	(3.40)	(4.43)	(4.26)	(3.74)	(6.61)
DILUTED EARNINGS PER SHARE (CENTS PER SHARE)	(3.40)	(4.43)	(4.26)	(3.74)	(6.61)

*Certain amounts have been restated to reflect adjustments relating to Note 4

H.
ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

RELATED PARTY TRANSACTIONS

The Executive Director and Chief Executive Officer, Mr Michael Johnson, is associated with Smart Street Solutions. Rhinomed Limited engaged Smart Street Solutions to provide consulting and marketing related services to the Group during the year. The engagement was based on normal commercial terms and conditions.

The wife of Mr Michael Johnson commenced employment as the National Sales Manager during the year and received a salary of $133,333 plus superannuation guarantee of $12,667. At year end, an amount of $7,927 has been accrued for as annual leave.

Aggregate amounts of each of the above types of other transactions with KMP of the Group:

	30 JUNE 2021	30 JUNE 2020
AMOUNTS RECOGNISED AS EXPENSE		
CONSULTANCY FEES	26,400	118,624
EMPLOYEE BENEFITS	153,927	-
AMOUNTS RECOGNISED AS ASSETS AND LIABILITIES At the end of the reporting period the following aggregate amounts were recognised in relation to the above transactions:		
CURRENT LIABILITIES (ANNUAL LEAVE ACCRUAL)	7,927	-

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

THIS CONCLUDES THE AUDITED REMUNERATION REPORT.

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
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
20/11/2020*	23/12/2024	$0.1160	15,228,548
TOTAL			**37,228,548**

*Included in these options were options granted as remuneration to the Chief Executive Officer and Chief Financial Officer. Details of options granted to KMP are disclosed in the remuneration report.

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

No options were granted to the directors or any key management personnel of the Company since the end of the financial year.

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 and its Australian-based controlled entities 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.*

**AUDIT AND
NON-AUDIT SERVICES**

Details of the amounts paid or payable to the auditor (Grant Thornton) for audit and non-audit services provided during the financial year are outlined in Note 29 to the consolidated financial statements.

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise with the Company and/or Group are important.

The Board, in accordance with advice provided by the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.*

The Board are of the opinion that the services as disclosed in Note 29 to the consolidated financial statements do not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved by the audit committee to ensure that they do not impact the impartiality 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.

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.

This report is made in accordance with a resolution of directors.

On behalf of the directors

Michael Johnson
Chief Executive Officer
and Managing Director

Melbourne
27 September 2021

Collins Square, Tower 5
727 Collins Street
Melbourne VIC 3008

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GPO Box 4736
Melbourne VIC 3001

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E info.vic@au.gt.com
W www.grantthornton.com.au

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 2021, I declare that, to the best of my knowledge and belief, there have been:

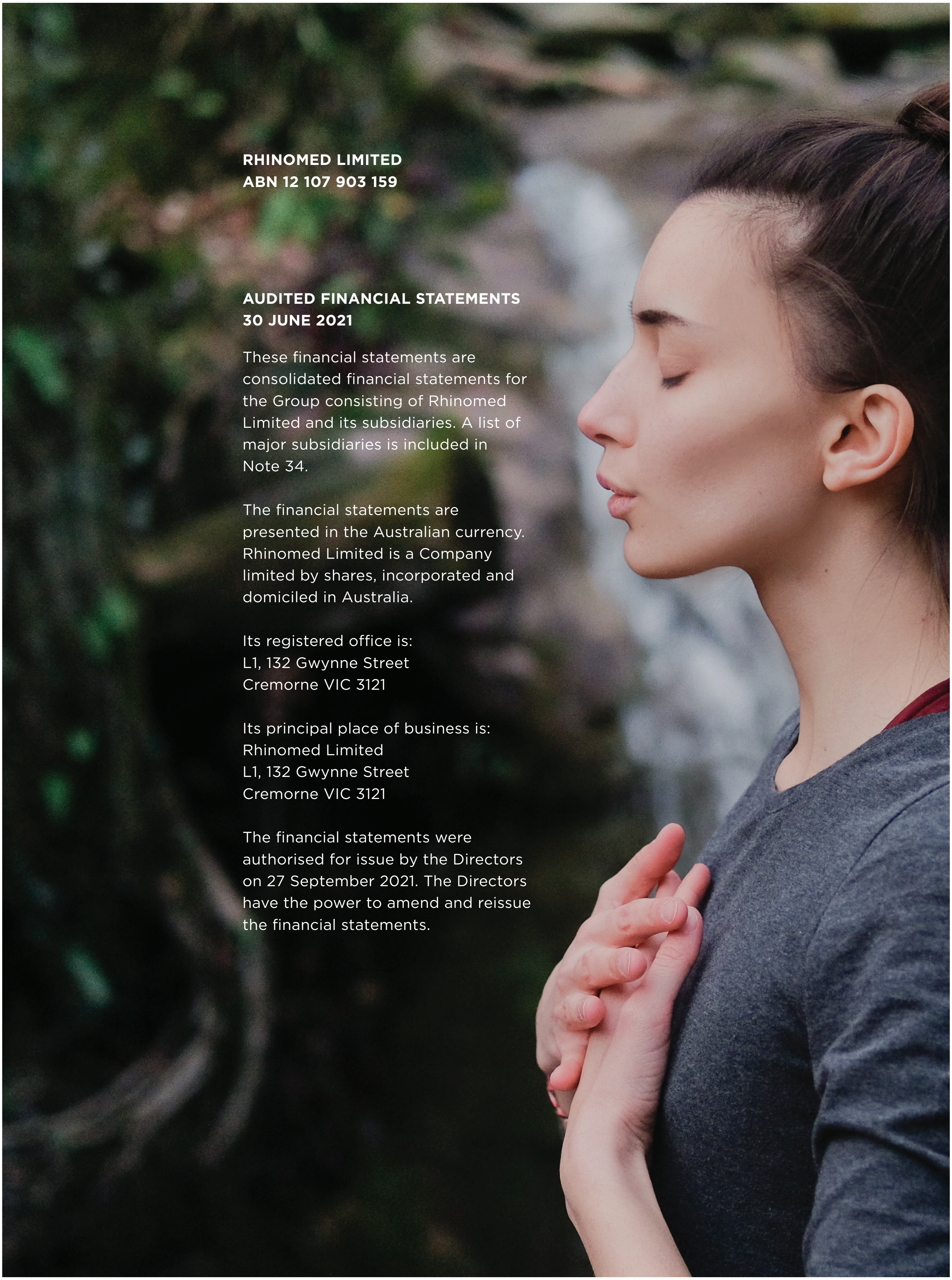
a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

Michael Cunningham
Partner – Audit & Assurance

Melbourne, 27 September 2021



RHINOMED LIMITED
ABN 12 107 903 159

AUDITED FINANCIAL STATEMENTS 30 JUNE 2021

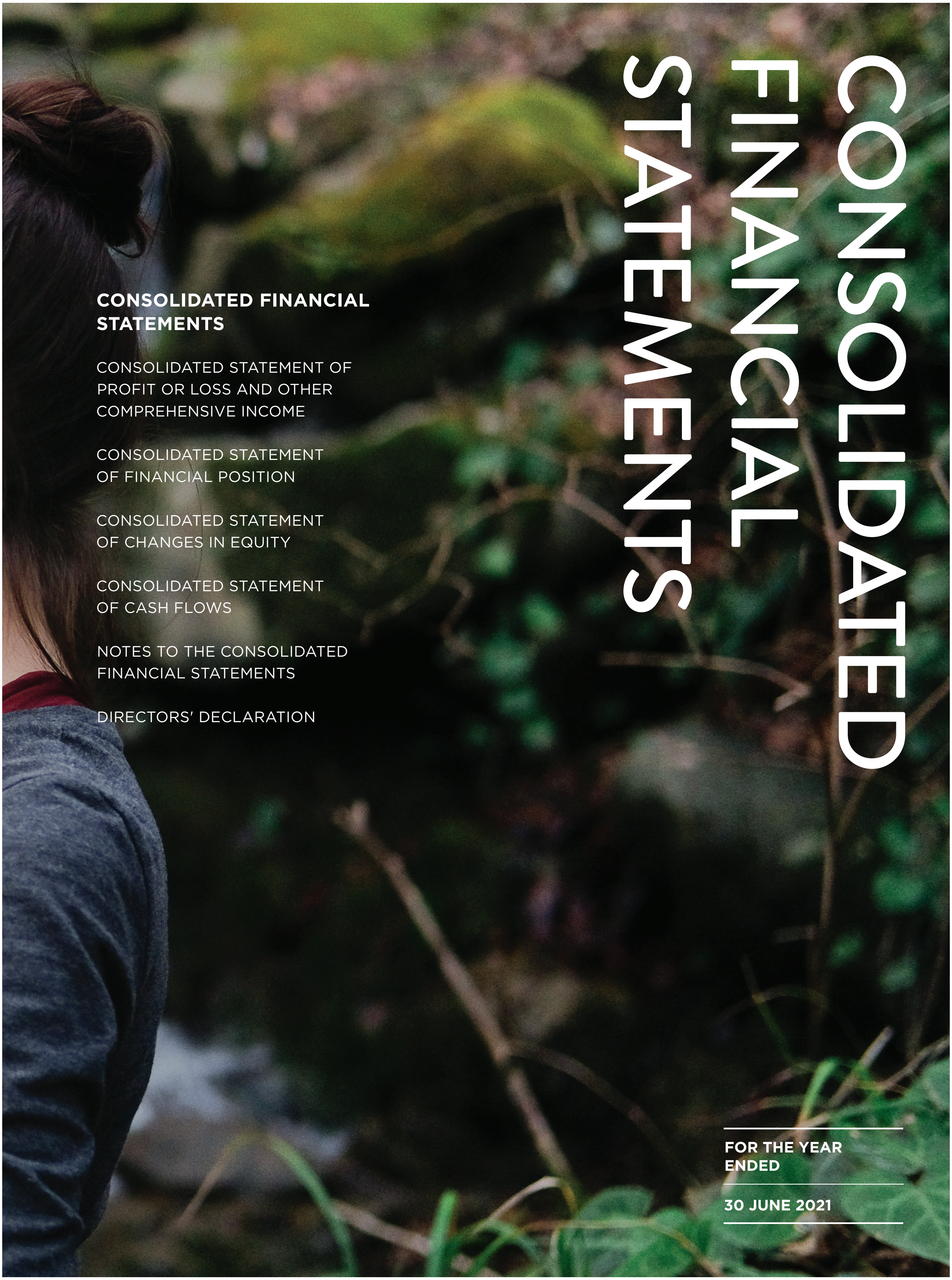
These financial statements are consolidated financial statements for the Group consisting of Rhinomed Limited and its subsidiaries. A list of major subsidiaries is included in Note 34.

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 27 September 2021. The Directors have the power to amend and reissue the financial statements.



CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	30 JUNE 2021 $	30 JUNE 2020 $
REVENUE			
Revenue from contracts with customers	6	3,894,908	3,565,363
Other income	7	750,168	805,857
EXPENSES			
Raw materials and consumables used		(1,142,312)	(1,450,320)
Administrative expenses		(1,661,262)	(1,710,107)
Depreciation and amortisation expenses	8	(591,568)	(595,977)
Employee benefit expenses		(5,247,329)	(4,312,098)
Marketing expenses		(3,357,950)	(2,589,571)
Research and development expenses		(731,934)	(179,843)
Other expenses		(539,160)	(768,002)
OPERATING PROFIT		**(8,626,439)**	**(7,234,698)**
Finance income		29,465	13,894
Finance costs		(40,841)	(44,630)
LOSS BEFORE INCOME TAX EXPENSE		**(8,637,815)**	**(7,265,434)**
Income tax expense	9	(1,111)	(789)
LOSS AFTER INCOME TAX EXPENSE FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF RHINOMED LIMITED		**(8,638,926)**	**(7,266,223)**
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss: Exchange differences on translation of foreign operations		150,404	(1,215)
Other comprehensive income/(loss) for the year, net of tax		150,404	(1,215)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF RHINOMED LIMITED		**(8,488,522)**	**(7,267,438)**
		CENTS	CENTS
Basic earnings per share	37	(3.40)	(4.43)
Diluted earnings per share	37	(3.40)	(4.43)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	NOTE	30 JUNE 2021 $	RESTATED 30 JUNE 2020* $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	2,339,616	7,757,474
Trade and other receivables	11	1,133,231	944,772
Inventories	12	157,157	540,384
Other current assets	13	120,158	245,478
TOTAL CURRENT ASSETS		**3,750,162**	**9,488,108**
NON-CURRENT ASSETS			
Other financial assets		81,414	80,853
Property, plant and equipment	14	82,272	118,344
Right-of-use assets	15	402,056	532,270
Intangible assets	16	2,231,736	2,593,367
TOTAL NON-CURRENT ASSETS		**2,797,478**	**3,324,834**
TOTAL ASSETS		**6,547,640**	**12,812,942**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	1,073,737	557,249
Contract liabilities	18	-	317,798
Lease liabilities	19	133,721	117,687
Employee benefits obligations	20	175,655	117,131
TOTAL CURRENT LIABILITIES		**1,383,113**	**1,109,865**
NON-CURRENT LIABILITIES			
Lease liabilities	21	336,743	470,463
Employee benefits obligations	22	63,951	77,984
TOTAL NON-CURRENT LIABILITIES		**400,694**	**548,447**
TOTAL LIABILITIES		**1,783,807**	**1,658,312**
NET ASSETS		**4,763,833**	**11,154,630**
EQUITY			
Share capital	23	71,269,024	71,274,386
Other reserves	24	4,621,921	2,383,010
Accumulated losses		(71,127,112)	(62,502,766)
TOTAL EQUITY		**4,763,833**	**11,154,630**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes
*Certain 2020 amounts have been restated to reflect adjustments relating to Note 4.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	SHARE CAPITAL $	OPTION RESERVE $	FOREIGN CURRENCY TRANSLATION RESERVE $	ACCUMULATED LOSSES $	TOTAL EQUITY $
BALANCE AT 01 JULY 2019		**59,243,447**	**1,571,430**	**(27,705)**	**(56,166,407)**	**4,620,765**
Retrospective restatement for correction to prior period	4	-	-	-	296,864	296,864
BALANCE AT 01 JULY 2019 – RESTATED*		**59,243,447**	**1,571,430**	**(27,705)**	**(55,869,543)**	**4,917,629**
Loss for the year		-	-	-	(7,266,223)	(7,266,223)
Other comprehensive loss for the year		-	-	(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
Expiry of options not exercised		-	(633,000)	-	633,000	-
BALANCE AT 30 JUNE 2020		**71,274,386**	**2,411,930**	**(28,920)**	**(62,502,766)**	**11,154,630**
BALANCE AT 01 JULY 2020		71,274,386	2,411,930	(28,920)	(62,502,766)	11,154,630
Loss for the year		-	-	-	(8,638,926)	(8,638,926)
Other comprehensive loss for the year		-	-	150,404	-	150,404
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		-	-	**150,404**	**(8,638,926)**	**(8,488,522)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:						
Share-based payments	8	-	2,103,087	-	-	2,103,087
Expiry of options not exercised		-	(14,580)	-	14,580	-
Share issue transaction costs	23	(5,362)	-	-	-	(5,362)
BALANCE AT 30 JUNE 2021		**71,269,024**	**4,500,437**	**121,484**	**(71,127,112)**	**4,763,833**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes
*Certain amounts have been restated to reflect adjustments relating to Note 4

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	30 JUNE 2021 $	30 JUNE 2020 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		3,690,825	3,816,066
Payments to suppliers and employees (inclusive of GST)		(9,543,491)	(10,190,954)
Government grants and tax incentives received		510,325	620,733
Interest received		28,904	13,894
Interest paid		(21,562)	-
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**36**	**(5,334,999)**	**(5,740,261)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(49,079)	(11,023)
Proceeds from financial assets		-	6,317
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(49,079)**	**(4,706)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	23	-	12,514,441
Share issue transaction costs		(22,403)	(464,757)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES		**(22,403)**	**12,049,684**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(5,406,481)**	**6,304,717**
Cash and cash equivalents at the beginning of the financial year		7,757,474	1,421,315
Effects of exchange rate changes on cash and cash equivalents		(11,377)	31,442
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**10**	**2,339,616**	**7,757,474**

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

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 Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

Rhinomed Limited is registered under the *Corporations Act 2001* and is listed on the Australian Stock Exchange (ASX) and the OTC Markets (OTCQB).

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 September 2021. 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 these 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.
The financial statements are for the Group consisting of Rhinomed Limited and its subsidiaries.

(A) 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 ('IFRS') as issued by the International Accounting Standards Board ('IASB').

HISTORICAL COST CONVENTION

The financial statements have been prepared on a historical cost basis, 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 judgement in applying the Group'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.

NEW OR AMENDED ACCOUNTING

The Group has adopted all new or amended Accounting Standards and Interpretations issued by the 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.

GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Group 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 these consolidated financial statements.

At 30 June 2021, the Group's cash and cash equivalents totalled $2,339,616 (2020: $7,757,474) and for the year ended 30 June 2021, the Group experienced a loss of $8,638,926 (2020: $7,266,223) and a net cash outflow from operating activities of $5,334,999 (2020: net cash outflow of $5,740,261).

NOTE 2.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. To mitigate these risks, the Group has entered into an unsecured working capital facility to the value of $2.5m, provided equally from entities related to Chairman Ron Dewhurst and non-executive director, John McBain. This facility is repayable by 31 July 2023.

The Group has continued its entrepreneurial spirit with the Rhinoswab, which promotes for an easier high-frequency and more comfortable method of testing for respiratory viruses (e.g., COVID-19). Rhinoswab has received regulatory approval (TGA, FDA and CE), positive clinical tests, and exceptional customer feedback. A Business Development program is underway, and the prospective pipeline has gained strong traction. Initial sales have been made ahead of expectations with two Australian state governments, representing approximately 78% of FY21 total revenue. This goes to proving the focus on the Rhinoswab as a material business line.

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.

Management acknowledge that material uncertainty exists that may cast doubt upon the Group's ability to continue as a going concern however, as described above, the Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future.

(B) PRINCIPLES OF CONSOLIDATION

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group 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 Group. They are deconsolidated from the date that control ceases.

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

The acquisition method of accounting is used to account for business combinations by the Group.

A change in ownership interest, without the loss of control, is accounted for as an equity transaction, which results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Rhinomed Limited.

Where the Group 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 Group 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.

(C) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

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 Maker ('CODM'). The CODM is the Board of Directors which is responsible for the allocation of resources to operating segments and assessing their performance.

(D) FOREIGN CURRENCY TRANSLATION

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional' currency). The consolidated financial statements are presented in Australian dollars, which is Rhinomed Limited's functional and presentation currency.

TRANSACTIONS AND BALANCES

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of their fair value gain or loss.

NOTE 2.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GROUP COMPANIES

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income ('OCI') are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value of adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(E) IMPAIRMENT OF ASSETS

Goodwill and 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 assets are tested 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. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(F) INVESTMENTS AND OTHER FINANCIAL ASSETS

The Group classifies its financial assets in the following measurement categories:

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

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ('FVOCI').

RECOGNITION AND DERECOGNITION

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

MEASUREMENT

Investments and other financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss ('FVPL'), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. 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.

IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or FVOCI. The measurement of the loss allowance depends upon the Group'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.

(G) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

NOTE 2.
SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(H) EMPLOYEE BENEFITS

(I) SHORT-TERM OBLIGATIONS

Liabilities for wages and salaries, including non-monetary benefits, annual leave and any 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. The liabilities are presented as current employee benefit obligations in the balance sheet.

(II) OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS

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 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

(III) SHARE-BASED PAYMENTS

The fair value of options granted under the Rhinomed Limited ESOP is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(I) 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 taxation authority. In this case it is recognised as part of the cost of 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 taxation 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 taxation 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.

(J) DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

NOTE 3.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Management continually evaluates its estimates and judgements in relation to assets, liabilities, contingent liabilities, revenue, and expenses and bases its estimates and judgements on historical experience and on other various factors, including expectations of future events that management believes to be reasonable under the circumstances.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements.

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 Group 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 Group 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 Group unfavourably as at the reporting date or subsequently as a result of the 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 Group 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 Group 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 Group 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 TANGIBLE AND INTANGIBLE ASSETS

The Group estimates the value-in-use of Rhinomed Limited cash generating unit ('CGU') using discounted cash flows. For the 2021 reporting period, the recoverable amount of the 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 stated below:

(I) NEW PRODUCT – RHINOSWAB

As mentioned in Note 2, the Group has continued its entrepreneurial spirit with the Rhinoswab, which promotes for an easier high-frequency and more comfortable method of testing for respiratory viruses (e.g., COVID-19).

NOTE 3.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES & ASSUMPTIONS (CONTINUED)

Rhinoswab has received regulatory approval (TGA, FDA and CE), positive clinical tests, and exceptional customer feedback. A Business Development program is underway, and the prospective pipeline has gained strong traction.

Initial sales have been made ahead of expectations with two Australian state governments, representing approximately 78% of FY21 total revenue. This goes to proving the focus on the Rhinoswab as a material business line and as such, the Group is now scaling up its manufacturing facilities to respond to growing domestic and international demand for this innovative technology. Having two manufacturing facilities that the Group has had successful long-term partnerships with, production volume for FY22 is expected to reach 24 million swabs, increasing to 50 million swabs in FY23.

(II) EXISTING PRODUCTS – SALES GROWTH RATE

While the COVID-19 pandemic has impacted consumer behaviour, reducing the number and frequency of store visits, sales from e-commerce channels have continued to grow, with the largest online customer growing by 30% compared to the prior year. The renewed focus to expand sales in other online platforms has resulted with online derived sales offsetting the decline in retail sales.

To maintain the Group's placement in its existing retail market, the Group's US team have continued to attend the biannual trade show buyers' meetings. These meetings drive decision making as to whether a retailer will stock a product and the Group has presented at these meetings over the last four years. By maintaining a presence at these meetings, other retailers have taken up the Mute as a stocked product. This endorsement provides the Group with confidence that the underlying strategy and assumptions that drive the strategy are sound.

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 consistent growth of the Mute product. The Group believes that as awareness continues to grow it is reasonable to conclude that this growth rate will continue to increase.

Based on the above, average annual sales growth rates of 11% have been incorporated in the value in use model. This is estimated to result in a cash inflow growth rate of 10% in FY22 compared to the actual cash inflow in FY21. The sales growth rate contemplates the continued development of the US sales and marketing function, application of

US marketing strategies to the Australian market, and expansion into European markets. The company also estimates that marketing and advertising expenses increase at average rates of 16% per annum, staff costs to increase at average rates of 6% per annum and other costs to increase at 7% per annum, based on past trends of reducing costs 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 – Five 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.

RESTATEMENT OF COMPARATIVES

During the financial year ended 30 June 2019, late stage therapeutic products sold to end consumers had not been allocated correctly to revenue from customers. The comparatives shown in the financial statements for the year ended 30 June 2021 has been restated to correct this error.

The effect of the restatement on the financial statements is summarised on below and on the next page.

(I) IMPACT ON CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	PREVIOUSLY REPORTED $	ADJUSTMENT $	RESTATED $
30 JUNE 2019			
Contract liabilities	556,297	(296,864)	259,433
Current liabilities	1,199,292	(296,864)	902,428
Total liabilities	1,250,262	(296,864)	953,398
NET ASSETS	**4,620,765**	**296,864**	**4,917,629**
Accumulated losses	(56,166,407)	296,864	(55,869,543)
TOTAL EQUITY	**4,620,765**	**296,864**	**4,917,629**
30 JUNE 2020			
Contract liabilities	614,662	(296,864)	317,798
Current liabilities	1,406,729	(296,864)	1,109,865
Total liabilities	1,955,176	(296,864)	1,658,312
NET ASSETS	**10,857,766**	**296,864**	**11,154,630**
Accumulated losses	(62,799,630)	296,864	(62,502,766)
TOTAL EQUITY	**10,857,766**	**296,864**	**11,154,630**

(II) IMPACT OF CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME INCREASE

	RESTATED $
30 JUNE 2019	
Revenue from contracts with customers	322,574
Other operating expenses	(25,710)
LOSS BEFORE INCOME TAX EXPENSE	**296,864**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX	**296,864**

There was no impact on the profit or loss and other comprehensive income for the year ended 30 June 2020.

(III) IMPACT OF BASIC AND DILUTED EARNINGS PER SHARE ('EPS') INCREASE

	CENTS
30 JUNE 2019	
Basic earnings per share (cents per share)	0.22
Diluted earnings per share (cents per share)	0.22

There was no impact on the basic or diluted earnings per share for the year ended 30 June 2020.

NOTE 5.

OPERATING SEGMENTS

The Group has identified one reportable operating segment; that is, the identification, acquisition, and commercialisation of late stage consumer therapeutic and medical 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 the nature of the products sold, the Group has 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.

NOTE 6.

REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	30 JUNE 2021 $	30 JUNE 2020 $
Sale of goods	3,894,908	3,565,363

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

The revenue for the year includes $317,798 (2020: $366,804) included in the contract liability balance at the beginning of the year.

NOTE 6.

REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

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.

MAJOR CUSTOMERS

Three US customers represented nearly two thirds of the Group's revenue for the year ended 30 June 2021. The three US customers are a an American 'Big Five' e-commerce company with $1,268,674 (FY20: $878,444), an American healthcare company owning the largest pharmacy chain in the US with $793,888 (FY20:321,593), and another American company that owns the second largest pharmacy store chain in the US with $413,022 (FY20:673,343).

RECOGNITION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group 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.

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.

NOTE 7.

OTHER INCOME

OTHER INCOME

	30 JUNE 2021 $	30 JUNE 2020 $
Government grants and incentives	325,201	284,000
R&D tax incentive	424,967	521,857
	750,168	**805,857**

Government grants and incentives above includes $50,000 COVID-19 cashflow boost, $174,000 Job Keeper payment assistance received from the Government as well as a $100,000 Export Market Development Grant received during the year.

ACCOUNTING POLICY FOR GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

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:

	30 JUNE 2021 $	30 JUNE 2020 $
DEPRECIATION AND AMORTISATION		
Depreciation of right-of-use assets	130,213	119,511
Depreciation of property, plant and equipment	99,725	114,838
Amortisation of intangible assets	361,630	361,628
TOTAL DEPRECIATION	**591,568**	**595,977**
OPERATING LEASES		
Operating lease expense on short term leases	60,456	83,886
SUPERANNUATION		
Superannuation expenses	167,725	122,074
LEASES		
Lease interest expense	40,405	44,390
SHARE-BASED PAYMENTS EXPENSE		
Share-based payments expense	2,103,087	1,473,500

NOTE 9.

INCOME TAX

INCOME TAX EXPENSE

	30 JUNE 2021 $	30 JUNE 2020 $
Adjustment recognised for prior periods	1,111	789
Aggregate income tax expense	1,111	789

NOTE 9.

INCOME TAX (CONTINUED)

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

	30 JUNE 2021 $	30 JUNE 2020 $
Loss before income tax expense	(8,637,815)	(7,265,434)
Tax at the statutory tax rate of 26.0% (2020: 27.5%)	(2,245,832)	(1,997,994)
TAX EFFECT OF AMOUNTS WHICH ARE NOT DEDUCTIBLE (TAXABLE) IN CALCULATING TAXABLE INCOME:		
Impairment and amortisation	94,024	163,894
Share-based payments	546,803	405,213
Research and development incentive	(110,491)	(50,909)
Other expenses not deductible	168,249	12,662
Deferred tax assets relating to tax losses not recognised	1,547,247	1,467,134
Adjustment recognised for prior periods	1,111	789
INCOME TAX EXPENSE	**1,111**	**789**

ACCOUNTING POLICY
FOR INCOME TAX

The income tax expense or benefit for the period is the tax payable on the current 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 and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination

NOTE 9.
INCOME TAX (CONTINUED)

that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balance relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

NOTE 10.

CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS

	30 JUNE 2021 $	30 JUNE 2020 $
Cash at bank	2,339,616	7,757,474
	2,339,616	**7,757,474**

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 call 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.

TRADE AND OTHER RECEIVABLES

TRADE AND OTHER RECEIVABLES

	30 JUNE 2021 $	30 JUNE 2020 $
Trade receivables	711,379	804,092
Less: Allowance for expected credit losses	(64,260)	(103,943)
	647,119	**700,149**
Other receivables	61,145	59,499
R&D tax incentive receivable	424,967	185,124
	1,133,231	**944,772**

NOTE 11.

TRADE AND OTHER RECEIVABLES (CONTINUED)

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 27.

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 27.

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.

INVENTORIES

INVENTORIES

	30 JUNE 2021 $	30 JUNE 2020 $
Inventory available for sale – at cost	120,354	335,026
Inventory on consignment – at cost	36,803	205,358
	157,157	**540,384**

ACCOUNTING POLICY FOR INVENTORIES

Inventory is stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTE 13.
OTHER CURRENT ASSETS

OTHER CURRENT ASSETS

	30 JUNE 2021 $	30 JUNE 2020 $
Prepayments	103,020	231,414
Other deposits	17,138	14,064
	120,158	**245,478**

NOTE 14.
PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT

	30 JUNE 2021 $	30 JUNE 2020 $
Plant and equipment – at cost	592,686	553,835
Less: Accumulated depreciation	(547,554)	(454,730)
	45,132	**99,105**
Fixtures and fittings – at cost	106,220	81,707
Less: Accumulated depreciation	(69,080)	(62,468)
	37,140	**19,239**
	82,272	**118,344**

NOTE 14.

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

RECONCILIATIONS

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

	PLANT AND EQUIPMENT $	FURNITURE, FITTINGS AND EQUIPMENT $	TOTAL $
Balance at 1 July 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
Additions	38,851	24,929	63,780
Exchange differences	-	(127)	(127)
Depreciation expense	(92,824)	(6,901)	(99,725)
BALANCE AT 30 JUNE 2021	**45,132**	**37,140**	**82,272**

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 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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amounts is greater than its estimated recoverable amount (Note 2(e)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

NOTE 15.

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.

RIGHT-OF-USE ASSETS

	30 JUNE 2021 $	30 JUNE 2020 $
Leased properties – right-of-use	651,781	651,781
Less: Accumulated depreciation	(249,725)	(119,511)
	402,056	**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 use-ful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

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

NOTE 16.

INTANGIBLES

	GOODWILL $	DEVELOPMENT COSTS $	INTELLECTUAL PROPERTY $	TOTAL $
AS AT 30 JUNE 2020				
Cost	4,951,996	602,503	9,516,217	15,070,716
Accumulated amortisation and impairment	(3,386,992)	(440,576)	(8,649,781)	(12,477,349)
NET BOOK VALUE	**1,565,004**	**161,927**	**866,436**	**2,593,367**
YEAR ENDED 30 JUNE 2021				
Opening net book value	1,565,004	161,927	866,436	2,593,367
Additions	-	-	-	-
Amortisation charge	-	(45,686)	(315,945)	(361,631)
	1,565,004	**116,241**	**550,491**	**2,231,736**
AT 30 JUNE 2021				
Cost	1,565,004	431,049	2,981,138	4,977,191
Accumulated amortisation and impairment	-	(314,808)	(2,430,647)	(2,745,455)
NET BOOK VALUE	**1,565,004**	**116,241**	**550,491**	**2,231,736**

ACCOUNTING POLICY FOR INTANGIBLE ASSETS

(I) GOODWILL

Upon a business combination, goodwill is measured as the excess of the:

- consideration transferred,
- amount of any non-controlling interest in an acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

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

NOTE 16.
INTANGIBLES (CONTINUED)

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the oper-ating segments (Note 5).

(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.

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.

IMPAIRMENT OF INTANGIBLES

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Research and development – 9.5 years
Intellectual property – 9.5 years

The Directors conducted an impairment assessment of the Group's intangible assets as at 30 June 2021 and concluded that an impairment charge was not necessary. The Directors assessed that intellectual property and development costs maintain their 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, the Board's focus is 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 2021.

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. The estimate of the recoverable amount is 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.

NOTE 17.
TRADE AND OTHER PAYABLES

TRADE AND OTHER PAYABLES

	30 JUNE 2021 $	30 JUNE 2020 $
Trade payables	716,958	314,909
Accrued expenses	208,778	34,438
Other payables	148,001	207,902
	1,073,737	**557,249**

Refer to Note 27 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 the 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. Due to their short-term nature, the carrying amounts of trade and other payables are considered to be the same as their fair values.

NOTE 18.
CONTRACT LIABILITIES

CONTRACT LIABILITIES

	30 JUNE 2021 $	30 JUNE 2020 $
Contract liabilities – deferred revenue	-	317,798

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.

The revenue for the year includes $317,798 (2020: $366,804) included in the contract liability bal-ance at the beginning of the year.

NOTE 19.

LEASE LIABILITIES - CURRENT LIABILITY

LEASE LIABILITIES

	30 JUNE 2021 $	30 JUNE 2020 $
Lease liability - current liability	133,721	117,687

The Group's lease liability relates to the head office in Cremorne. This 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 and the accounting policy for lease liabilities.

NOTE 20.

EMPLOYEE BENEFITS OBLIGATIONS - CURRENT LIABILITY

EMPLOYEE BENEFITS OBLIGATIONS

	30 JUNE 2021 $	30 JUNE 2020 $
Leave obligations	162,125	117,131
Employee entitlements	13,530	-
	175,655	**117,131**

Current leave obligations relate to amounts 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 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.

NOTE 21.

LEASE LIABILITIES - NON-CURRENT LIABILITY

LEASE LIABILITIES

	30 JUNE 2021 $	30 JUNE 2020 $
Lease liability - non-current liability	336,743	470,463
	336,743	**470,463**

During the year, payments made in respect to lease liabilities totalled $158,092 which includes an interest expense of $40,405.

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.

EMPLOYEE BENEFITS OBLIGATIONS - NON-CURRENT LIABILITY

EMPLOYEE BENEFITS OBLIGATIONS

	30 JUNE 2021 $	30 JUNE 2020 $
Long service leave obligation	63,951	77,984
	63,951	**77,984**

Long service leave obligations relate to employee 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.

NOTE 23.

SHARE CAPITAL

SHARE CAPITAL

	30 JUNE 2021 SHARES	30 JUNE 2020 SHARES	30 JUNE 2021 $	30 JUNE 2020 $
Ordinary shares – fully paid	253,809,132	253,809,132	71,269,024	71,274,386
	253,809,132	**253,809,132**	**71,269,024**	**71,274,386**

MOVEMENTS IN ORDINARY SHARE CAPITAL

DETAILS	DATE	SHARES	ISSUE PRICE	$
Balance	**01/07/2019**	**141,933,281**	-	**59,243,447**
Private placement	23/09/2019	27,272,735	$0.2200	6,000,002
Rights issue	26/06/2020	84,603,116	$0.0800	6,514,439
Less: transaction cost arising on share issue		-	$0.0000	(483,502)
Balance	**30/06/2020**	**253,809,132**	-	**71,274,386**
Less: transaction cost arising on share issue		-	$0.0000	(5,362)
BALANCE	**30/06/2021**	**253,809,132**		**71,269,024**

NOTE 23.

SHARE 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.

ACCOUNTING POLICY FOR SHARE 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.

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard its 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.

NOTE 24.

OTHER RESERVES

OTHER RESERVES

	30 JUNE 2021 $	30 JUNE 2020 $
Foreign currency translation reserve	121,484	(28,920)
Options reserve	4,500,437	2,411,930
	4,621,921	**2,383,010**

MOVEMENTS IN RESERVES

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

	OPTION RESERVE $	FOREIGN CURRENCY TRANSLATION RESERVE $	TOTAL $
Balance at 1 July 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
Options issued/expensed	2,103,087	-	2,103,087
Expiry of options not exercised	(14,580)	-	(14,580)
Currency translation reserve	-	150,404	150,404
BALANCE AT 30 JUNE 2021	**4,500,437**	**121,484**	**4,621,921**

OPTION RESERVE

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised
- the grant date fair value of shares issued to employees
- the grant date fair value of deferred shares granted to employees but not yet vested

FOREIGN CURRENCY TRANSLATION RESERVE

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income as described in Note 2(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

NOTE 25.
DIVIDENDS

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

NOTE 26.
FINANCE INCOME AND COSTS

FINANCE INCOME

	30 JUNE 2021 $	30 JUNE 2020 $
Interest from financial assets held for cash management purposes	29,465	13,894
	29,465	**13,894**

Interest income is calculated using the effective interest rate method.

FINANCE COSTS

	30 JUNE 2021 $	30 JUNE 2020 $
Interest and finance charges paid/payable for lease liabilities	40,405	44,390
Other finance charges	436	240
	40,841	**44,630**

TURBINE
SPORTS BREATHING TECHNOLOGY
SMALL
3 PACK
RHINOMED
mu:te
BREATHE MORE
SNORE LESS
SLEEP BETTER
SOFT & COMFORTABLE
38% MORE AIR
ADJUSTABLE
GENTLY OPENS THE NOSE
SMALL
3 PACK (30 NIGHT SUPPLY)
RHINOMED
MEDIUM
Four pure essential oils carefully blended to help you sleep better naturally.
LAVENDER
EUCALYPTUS
VALERIAN
TEA TREE
prontosleep.com
RHINOMED
PRONTO
SLEEP
Sleep Better Naturally
Rechargeable Vapor Inhaler
Works fast and lasts all night
Four pure essential oils
Drug free
MEDIUM

NOTE 27.

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:

	30 JUNE 2021 $	30 JUNE 2020 $
Cash and cash equivalents	2,339,616	7,757,474
Net trade receivables at amortised cost	1,197,491	1,055,608
Other financial assets at amortised cost	81,414	80,853
Trade and other payables at amortised cost	(1,073,737)	(557,249)
	2,544,784	**8,336,686**

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 Group 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 Group’s foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	ASSETS		LIABILITIES	
	30 JUNE 2021 $	30 JUNE 2020 $	30 JUNE 2021 $	30 JUNE 2020 $
US dollars	109,263	289,338	(302,838)	(53,080)
Pound Sterling	21,850	6,877	(8,654)	-
	131,113	**296,215**	**(311,492)**	**(53,080)**

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 following table illustrates the sensitivity of profit and equity in relation to the Group’s finance assets and financial liabilities against the AUD/USD exchange rate and the AUD/GBP exchange rate. The analysis assumes that all other variables remain constant. It assumes a +/- 11% change of the AUD/USD rate for the year ended 30 June 2021 (2020: +/- 4%). A +/- 4% change is considered for the AUD/GBP exchange rate (2020: +/- 3%). Both percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group’s foreign currency financial instruments held at each reporting date.

NOTE 27.
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
30 JUNE 2021						
US dollars	11%	19,183	19,183	(11%)	(19,183)	(19,183)
Pound Sterling	4%	(508)	(508)	(4%)	508	508
		18,675	**18,675**		**(18,675)**	**(18,675)**
30 JUNE 2020						
US dollars	4%	36,606	36,606	(4%)	(36,606)	(36,606)
Pound Sterling	3%	861	861	(3%)	(861)	(861)
		37,467	**37,467**		**(37,467)**	**(37,467)**

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

	30 JUNE 2021 $	30 JUNE 2020 $
Cash and cash equivalents	2,339,616	7,757,474
Other financial assets at amortised cost	81,414	80,853
	2,421,030	**7,838,327**

An increase or decrease of 0.10% (2020: 0.10%) in interest rates at the reporting date would have an increase/(decrease) effect on cash and cash equivalents and other financial assets by $2,421 (2020: $7,838).

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 2021 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, there was no further loss allowance as at 30 June 2021 from the expected credit loss method. This was ascertained based on an individual client analysis; the identified loss beyond this at a portfolio level was determined to be immaterial.

NOTE 27.
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 — **30 JUNE 2021**

	1 YEAR OR LESS $	BETWEEN 1 AND 5 YEARS $	OVER 5 YEARS $	REMAINING CONTRACTUAL MATURITIES $
NON-INTEREST BEARING				
Trade and other payables	1,073,737	-	-	1,073,737
Lease liabilities	133,721	336,743	-	470,464
TOTAL NON-DERIVATIVES	**1,207,458**	**336,743**	**-**	**1,544,201**

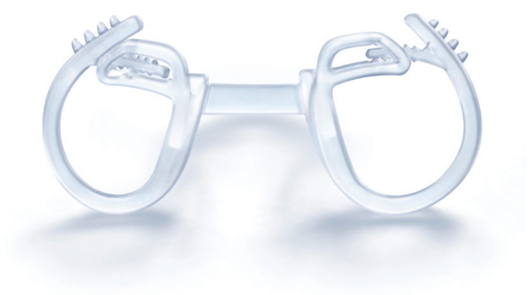
NON-DERIVATIVES — **30 JUNE 2020**

	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**

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 28.

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

Assoc. Prof. John McBain
Non-Executive Director
(appointed on 14 May 2021)

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 Group is set out below:

	30 JUNE 2021 $	30 JUNE 2020 $
Short-term employee benefits	995,253	1,102,819
Long-term employee benefits	12,263	-
Post-employment benefits	68,034	63,696
Share-based payments	2,103,086	1,473,500
	3,178,636	**2,640,015**

NOTE 29.

REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by the auditor of the parent entity, Rhinomed Limited, by the auditor's related network firms and by non-related audit firms:

	30 JUNE 2021 $	30 JUNE 2020 $
AUDIT SERVICES		
Audit of the financial statements – HLB Mann Judd	-	22,000
Audit of the financial statements – Grant Thornton Pty Ltd	82,800	53,000
OTHER SERVICES		
Tax compliance services – HLB Mann Judd	-	14,500
Tax compliance services – Grant Thornton Pty Ltd	6,750	-
	89,550	**89,500**

NOTE 30.

CONTINGENT LIABILITIES

The Group had no contingent liabilities at 30 June 2021 (2020: nil).

NOTE 31.
COMMITMENTS

	30 JUNE 2021 $	30 JUNE 2020 $
OTHER EXPENDITURE COMMITMENTS		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,379	2,759
One to five years	-	1,379
	1,379	**4,138**

There were no further capital or expenditure commitments not recognised as liabilities as at 30 June 2021.

NOTE 32.
RELATED PARTY TRANSACTIONS

PARENT ENTITY

Rhinomed Limited is the parent entity.

SUBSIDIARIES

Interests in subsidiaries are set out in Note 34.

KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in Note 28 and the remuneration report included in the directors' report.

TRANSACTIONS WITH RELATED PARTIES

The following transactions occurred with related parties:

NOTE 32.

RELATED PARTY TRANSACTIONS – CONTINUED

	30 JUNE 2021 $	30 JUNE 2020 $
SALES AND PURCHASES OF GOODS AND SERVICES		
Consulting fees*	26,400	118,624
Employee benefits**	153,927	-
	180,327	**118,624**

*Consulting fees paid to Smart Street Solutions, a business associated with Mr Michael Johnson. Smart Street Solutions provides consulting and marketing related services to the Group.

**The wife of Mr Michael Johnson was employed during the year as National Sales Manager and received a salary of $133,333 plus superannuation guarantee of $12,667.

RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	30 JUNE 2021 $	30 JUNE 2020 $
CURRENT PAYABLES		
Employee benefits obligations	7,927	-
	7,927	**-**

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 33.

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 2021 $	30 JUNE 2020 $
Loss after income tax	(26,795,910)	(23,824,202)
TOTAL COMPREHENSIVE LOSS	**(26,795,910)**	**(23,824,202)**

STATEMENT OF FINANCIAL POSITION	PARENT	
	30 JUNE 2021 $	30 JUNE 2020 $
Total current assets	2,358,102	7,910,399
Total assets	5,056,903	11,054,500
Total current liabilities	745,226	719,960
Total liabilities	1,145,920	1,268,407
EQUITY		
Share capital	71,269,023	71,274,386
Other reserves	4,500,437	2,411,930
Accumulated losses	(71,858,477)	(63,900,223)
TOTAL EQUITY	**3,910,983**	**9,786,093**

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 2021 and 30 June 2020.

CONTINGENT LIABILITIES

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

CAPITAL COMMITMENTS – PROPERTY, PLANT AND EQUIPMENT

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the parent entity are consistent with those of the Group, 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 34.

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 2021 %	30 JUNE 2020 %
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%
Diagnosehealth Pty Ltd (incorporated 12 August 2020)	Australia	100.00%	-

NOTE 35.

EVENTS AFTER THE REPORTING PERIOD

On 29 July 2021, the Group has entered into an unsecured working capital facility to the value of $2.5m, provided equally from entities related to Chairman Ron Dewhurst and non-executive director, John McBain. This facility is repayable by 31 July 2023.

Subsequent to 30 June 2021, the Group received purchase orders from NSW Health Pathology and the Victorian Department of Health for one million Rhinoswabs each, for a total of $3.0m. This represents approximately 78% of FY21 total revenue and provides further validation of the focus on the Rhinoswab as a material business line.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

NOTE 36.

CASH FLOW INFORMATION

RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	30 JUNE 2021 $	30 JUNE 2020 $
Loss after income tax expense for the year	(8,638,926)	(7,266,223)
ADJUSTMENTS FOR:		
Depreciation and amortisation	591,568	476,466
Share-based payments	2,103,087	1,473,500
Foreign exchange differences	149,658	(32,659)
AASB 16 adjustment	(117,687)	55,880
CHANGE IN OPERATING ASSETS AND LIABILITIES:		
Increase in trade and other receivables	(188,459)	(304,733)
Decrease/(increase) in inventories	383,227	(203,412)
Decrease in other operating assets	125,320	21,263
Increase/(decrease) in trade and other payables	516,488	(56,271)
(Decrease)/Increase in other provisions	(259,275)	95,928
NET CASH USED IN OPERATING ACTIVITIES	**(5,334,999)**	**(5,740,261)**

NOTE 37.

EARNINGS PER SHARE

	30 JUNE 2021 $	30 JUNE 2020 $
LOSS AFTER INCOME TAX ATTRIBUTABLE TO THE OWNERS OF RHINOMED LIMITED	**(8,638,926)**	**(7,266,223)**

	30 JUNE 2021 NUMBER	30 JUNE 2020 NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	253,809,132	163,856,708
Weighted average number of ordinary shares used in calculating diluted earnings per share	253,809,132	163,856,708

	CENTS	CENTS
Basic earnings per share	(3.40)	(4.43)
Diluted earnings per share	(3.40)	(4.43)

ACCOUNTING POLICY FOR EARNINGS PER SHARE

(I) 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.

(II) 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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

NOTE 38.

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 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 2021							
24/01/2017	30/12/2020	$0.4000	150,000	-	-	(150,000)	-
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
20/11/2020	23/12/2024	$0.0116	-	12,690,457	-	-	12,690,457
20/11/2020	23/12/2024	$0.0116	-	2,538,091	-	-	2,538,091
			22,150,000	**15,228,548**	**-**	**(150,000)**	**37,228,548**
WEIGHTED AVERAGE EXERCISE PRICE			**$0.2900**	**$0.1160**	**$0.0000**	**$0.4000**	**$0.2215**
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**

NOTE 38.

SHARE-BASED PAYMENTS (CONTINUED)

On 23 December 2020, Rhinomed Limited issued 12,690,457 and 2,538,091 options to Mr. Michael Johnson, Chief Executive Officer and Sean Slattery, Chief Financial Officer respectively vesting upon issue. 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
20/11/2020	23/12/2024	$0.1850	$0.1160	96.78%	-	0.37%	$0.1381

ACCOUNTING POLICY FOR SHARE-BASED PAYMENTS

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.

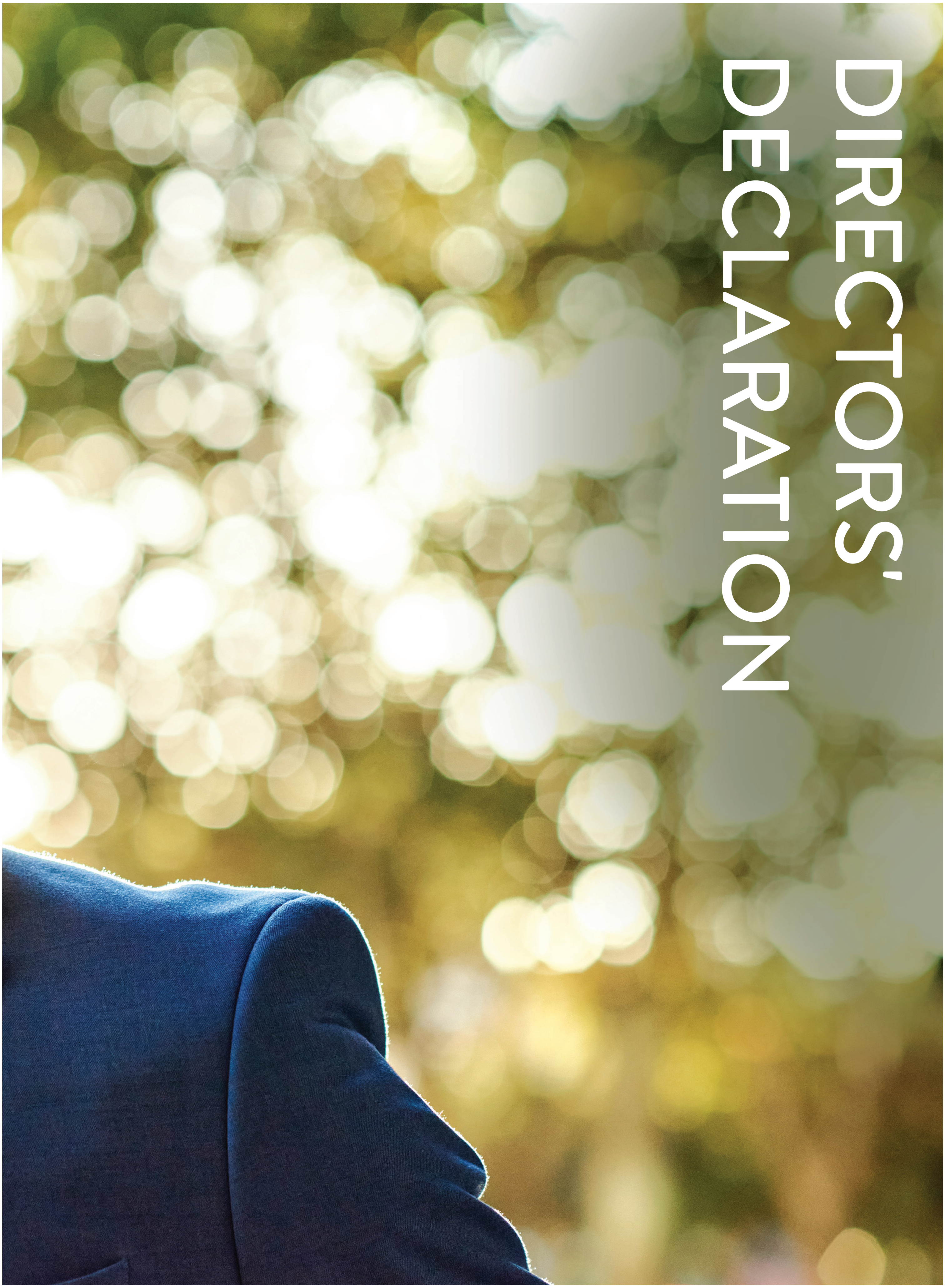
Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

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.

DIRECTORS' 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 Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Group 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*.

This declaration is made in accordance with a resolution of directors.

On behalf of the Directors,

MR MICHAEL JOHNSON
Chief Executive Officer
and Managing Director

27 September 2021
Melbourne

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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 subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, 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 2021 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 (including Independence Standards)* (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.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of $8,638,926 during the year ended 30 June 2021, and as of that date, the Group experienced a net cash outflow from operating activities of $5,334,999. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

GrantThornton

Key audit matters

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

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed 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 $116,241 and intellectual property of $550,491 at 30 June 2021 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 sell 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 the discounted cash flow model (value in use) to determine their recoverable value, in doing so, include significant estimates and judgements.	Our procedures included, amongst others: • Understanding and documenting Management's process and controls related to the assessment of impairment, including Management's identification of one CGU and the calculation of the recoverable amount for the single CGU; • Evaluating the value in use model against the requirements of AASB 136; • 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: o Test the mathematical accuracy of the calculations; o Critically challenge assumptions underlying forecast cash inflows and outflows to be derived by the CGU assets; o Assess estimates and judgements for growth rates applied; and o Assess discount rates applied to forecast future cash flows for reasonableness 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.

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 annual report for the year ended 30 June 2021, 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.

GrantThornton

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: https://www.auasb.gov.au/auditors_responsibilites/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 33 to 44 of the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Rhinomed Limited, for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

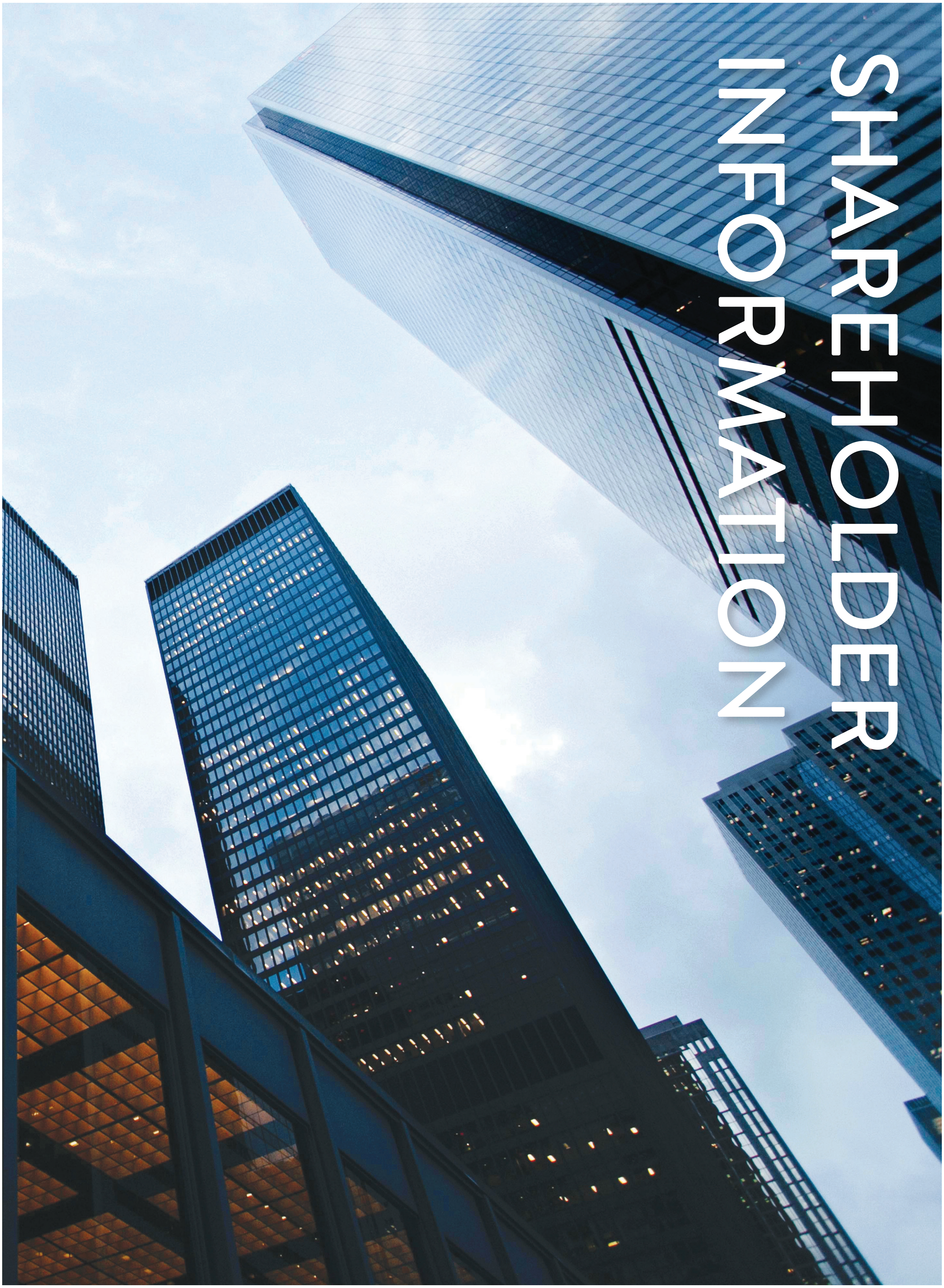
Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner – Audit & Assurance

Melbourne, 27 September 2021

SHAREHOLDER INFORMATION



SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 22nd September 2021.

DISTRIBUTION OF EQUITABLE SECURITIES

Analysis of the number of equity security holders by size of holding and the total percentage of securities in that class held by the holders in each category:

	ORDINARY SHARES		
	NO. HOLDERS	NO. SHARES	SHARE %
HOLDING			
1 - 1000	98	17,551	0.01%
1,001 - 5,000	502	1,463,954	0.58%
5,001 - 10,000	309	2,488,574	0.98%
10,001 - 100,000	642	21,601,495	8.51%
100,001 and over	141	228,237,558	89.92%
TOTAL	**1,692**	**253,809,132**	**100.00%**
HOLDINGS LESS THAN MARKETABLE PARCEL	**132**		

EQUITY SECURITY HOLDERS

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

	HOLDER NAME	ORDINARY SHARES NUMBER HELD	% OF ISSUED SHARES
1	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	103,324,186	40.71%
2	FIFTY SECOND CELEBRATION PTY LTD <MCBAIN FAMILY A/C>	29,153,143	11.49%
3	THIRTY-FIFTH CELEBRATION PTY LTD <JC MCBAIN SUPER FUND A/C>	15,626,133	6.16%
4	KROY WEN PTY LTD	7,565,320	2.98%
5	KROY WEN PTY LTD <DEWHURST SUPER FUND A/C>	7,184,680	2.83%
6	CITICORP NOMINEES PTY LIMITED	5,637,484	2.22%
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS A/C>	5,249,141	2.07%
8	UBS NOMINEES PTY LTD	3,038,868	1.20%
9	MUTUAL TRUST PTY LTD	3,000,000	1.18%
10	KENSINGTON CAPITAL MANAGEMENT PTY LTD	2,800,000	1.10%
11	ABINGDON NOMINEES PTY LTD <ABINGDON NOMS INVEST A/C>	2,200,000	0.87%
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,011,207	0.79%
13	ARGUS NOMINEES PTY LTD <THE HALSTEAD SUPER FUND A/C>	1,725,285	0.68%
14	KEN SIEBEL	1,249,929	0.49%
15	Jasforce Pty Ltd	1,158,009	0.46%
16	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,128,578	0.44%
17	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,072,470	0.42%
18	MHBIAT PTY LTD <JASON PHILLIP WALLS DISC A/C>	1,000,000	0.39%
18	MR PHILLIP KEITH BIGGS & DR KATIE LOUISE SPEARRITT	1,000,000	0.39%
18	OPIMA PTY LIMITED <OPIMA A/C>	1,000,000	0.39%
19	MR CALUM MCBAIN	980,700	0.39%
20	DH NEWTON NOMINEES PTY LTD <DH NEWTON S/F NO 2 A/C>	795,993	0.31%
		197,901,126	**77.97%**

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders in the company are set out below:

	HOLDER NAME	ORDINARY SHARES NUMBER HELD	% OF ISSUED SHARES
1	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	103,324,186	40.71%
2	FIFTY SECOND CELEBRATION PTY LTD <MCBAIN FAMILY A/C>	29,153,143	11.49%
3	THIRTY-FIFTH CELEBRATION PTY LTD <JC MCBAIN SUPER FUND A/C>	15,626,133	6.16%

VOTING RIGHTS

Shareholders may vote at a meeting of shareholders in person, directly or by proxy, attorney or representative, depending on whether the shareholder is an individual or a company.

Subject to any rights or restrictions attaching to shares, on a show of hands each shareholder present in person or by proxy, attorney or representative has one vote and, on a poll, has one vote for each fully paid share held.

Currently, there is only one class of fully paid ordinary shares and these do not have any voting restrictions. If shares are not fully paid, on a poll the number of votes attaching to the shares is pro-rated accordingly.

THE HAPPY WAY
TO SWAB CHILDREN

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