

R H I N O M E D

Rhinomed Limited ACN 107 903 159

PROSPECTUS

This Prospectus is being primarily issued for a renounceable pro rata offer to Eligible Shareholders of 1 New Share for every 2 Shares held on the Record Date, at an issue price of \$0.077 per New Share, to raise up to approximately \$6.5 million (before costs) (**Rights Issue**).

This Prospectus is also being issued for the Shortfall Offer.

The Rights Issue closes at 5.00pm (AEST) on Tuesday, 2 June 2020.*

The Offers are conditionally fully underwritten by Mr W. Whitney George, subject to approval from the Foreign Investment Review Board. See Sections 1.3 and 5.1 for details of the underwriting.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT SHOULD BE READ IN ITS ENTIRETY.

IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER WITHOUT DELAY.

AN INVESTMENT IN THE SHARES OFFERED IN CONNECTION WITH THIS PROSPECTUS SHOULD BE CONSIDERED OF A SPECULATIVE NATURE.

*The Company reserves the right, subject to the Corporations Act and Listing Rules, the Underwriting Agreement and any other applicable laws to extend the Closing Date for the Rights Issue.

Not for release to US wire services or distribution in the United States except to Eligible Shareholders

Important Information

This Prospectus is dated 11 May 2020 and was lodged with the ASIC on that date with the consent of all Directors. Neither ASIC nor ASX nor their respective officers take any responsibility for the contents of this Prospectus.

No New Shares will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus (being the expiry date of this Prospectus). The Company will apply for Official Quotation by ASX of the New Shares offered by this Prospectus.

A copy of this Prospectus is available for inspection at the registered office of the Company at Level 1, 132 Gwynne Street, Cremorne, Victoria, Australia during normal business hours. The Prospectus will also be made available in electronic form. The Company will provide a copy of this Prospectus to any person on request. The Company will also provide copies of other documents on request (see Section 6.4).

Applications for New Shares will only be accepted on an Application Form attached to or provided by the Company with a copy of this Prospectus either in paper or electronic form. The Corporations Act prohibits any person from passing on to another person an Application Form unless it is accompanied by a complete and unaltered copy of this Prospectus. If the application is by BPAY® there is no need to return the original Application Form. The Offers contemplated by this Prospectus are only available in electronic form to persons receiving an electronic version of this Prospectus within Australia.

No person is authorised to give any information or to make any representation in connection with the Offers which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offers.

No action has been taken to permit the offer of New Shares under this Prospectus in any jurisdiction other than Australia, New Zealand, the Isle of Man and the United States to persons who are Eligible Shareholders. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of New Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus. In particular, the New Shares have not been, and will not be, registered under the US Securities Act and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and any applicable US state securities laws.

This document is important and should be read in its entirety before deciding to participate in an Offer. This does not take into account the investment objectives, financial or taxation, or particular needs of any Applicant. Before making any investment in the Company, each Applicant should consider whether such an investment is appropriate to their particular needs, and considering their individual risk profile for speculative investments, investment objectives and individual financial circumstances. Each Applicant should consult their stockbroker, solicitor, accountant or other professional adviser without delay. Some of the risk factors that should be considered by potential investors are outlined in Section 4.

This Prospectus includes forward looking statements that have been based on current expectations about future acts, events and circumstances. These forward looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in the forward looking statements.

Definitions of certain terms used in this Prospectus are contained in Section 8. All references to currency are to Australian dollars and all references to time are to the time in Melbourne, Victoria, Australia unless otherwise indicated. Revenues and expenditures disclosed in this Prospectus are recognised exclusive of the amount of goods and services tax, unless otherwise disclosed.

Corporate Directory

Directors

Mr Michael Johnson	Managing Director & CEO
Mr Ron Dewhurst	Non-Executive Chairman
Mr Brent Scrimshaw	Non-Executive Director
Dr Eric Knight	Non-Executive Director

Company Secretary & CFO

Mr Sean Slattery

Registered and Principal Office

Level 1, 132 Gwynne Street
CREMORNE VIC 3121

Phone: +61 3 8416 0900
Email: info@rhinomed.global
Website: www.rhinomed.global

Stock exchange listings

Australian Securities Exchange (ASX: RNO)
The OTC Market in the USA (OTCQB: RHNMF)

Share Registry*

Automic Pty Ltd
Level 5, 126 Phillip Street
SYDNEY NSW 2000

Phone: +61 2 9698 5414

Auditor*

HLB Mann Judd
Level 9, 575 Bourke Street
MELBOURNE VIC 3000

Solicitors

HWL Ebsworth Lawyers
Level 20, 240 St Georges Terrace
PERTH WA 6000

* These entities are included for information purposes only. They have not been involved in the preparation of this Prospectus.

Proposed Timetable

Event	Date
Lodgement of Prospectus with ASIC Lodgement of Prospectus, announcement of Rights Issue and lodgement of Appendix 3B with ASX	Monday, 11 May 2020
Shares quoted on an "EX" basis	Wednesday, 13 May 2020
Record Date for determining Entitlements	Thursday, 14 May 2020
Company sends Prospectus and Entitlement and Acceptance Form to Eligible Shareholders and announces that this has occurred Rights Issue opens Deferred settlement trading in rights ends	Tuesday, 19 May 2020
Rights trading ends	Tuesday, 26 May 2020
Shares quoted on a deferred settlement basis	Wednesday, 27 May 2020
Last day to extend Closing Date of the Rights Issue	Thursday, 28 May 2020
Closing Date of Rights Issue (5pm AEST)*	Tuesday, 2 June 2020
Announcement of results of Rights Issue, including any shortfall	Friday, 5 June 2020
Last date for issue of the Shares under the Rights Issue Company lodges an Appendix 2A with ASX applying for quotation of the New Shares	Wednesday, 10 June 2020
Anticipated date for commencement of New Shares trading on a normal settlement basis	Thursday, 11 June 2020
Anticipated date for settlement of trades conducted on a deferred settlement basis and on a normal T+2 basis	Monday, 15 June 2020

* All dates (other than the date of the Prospectus and the date of lodgement of the Prospectus with ASIC and ASX) are indicative only. The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX. The Company reserves the right, subject to the Corporations Act, Listing Rules, the Underwriting Agreement and other applicable laws, to vary any other date of the Offers, including accepting late applications, either generally or in particular cases, without notice.

Letter from the Chairman

Dear Shareholders

On behalf of the Board of Rhinomed Limited, I am pleased to invite you as a valued Shareholder to participate in a 1-for-2 pro-rata renounceable rights issue of New Shares at an issue price of 7.7 cents per New Share (**Offer Price**) to raise approximately \$6.5 million (before costs) (**Rights Issue**).

Under the Rights Issue, Eligible Shareholders are entitled to subscribe for 1 New Share for every 2 existing fully paid ordinary shares (**Shares**) in the Company held on the record date, being 7.00pm (AEST) on Thursday, 14 May 2020 (**Record Date**). Eligible Shareholders may also apply for Shares in excess of their Entitlement pursuant to the Shortfall Offer at the Offer Price.

Approximately 84,603,008 New Shares will be issued under the Offers. New Shares will rank equally in all respects with the existing Shares from the date of quotation.

The Rights Issue is conditionally fully underwritten by substantial shareholder Mr W. Whitney George (**Underwriter**), subject to obtaining approval from FIRB (refer to Sections 1.3 and 5.1 for details of the underwriting). Shareholders should be aware that there are potential control implications for the Company as a result of the underwriting arrangements with the Underwriter, which are set out in detail in Section 3.4.

Funds raised by the Rights Issue will be used to drive growth in the Company's major markets; support the Company's leading products, including Mute Snoring, Pronto Sleep and Pronto Clear technologies; provide working capital for the introduction of the new product range into the global cannabidiol (CBD) consumer health market; for general working capital and the costs of the Rights Issue.

The Rights Issue under this Prospectus will close at **5:00pm (AEST) on Tuesday, 2 June 2020**.

The Rights Issue is made to Eligible Shareholders, who will be sent an entitlement and acceptance form with this Prospectus. To participate in the Offers, you will need to complete either the Entitlement and Acceptance Form or a Shortfall Application Form in accordance with the instructions contained in this Prospectus.

As the Rights Issue is renounceable, Entitlements will be tradeable on the ASX or otherwise transferable (refer to Section 1.7).

The Prospectus includes further details of the Offers and the effect of the Offers on the Company, and a statement of the risks associated with investing in the Company. This is an important document and should be read in its entirety. If you have any doubts or questions in relation to the Prospectus you should consult your stockbroker, accountant, solicitor or other independent professional advisor to evaluate whether or not to participate in the Offers.

On behalf of Rhinomed Limited, I invite you to consider this investment opportunity and thank you for your continued support.

Yours faithfully,



Ron Dewhurst
Non-Executive Chairman

Investment Overview

This Section is intended to highlight key information for potential investors. It is an overview only, and is not intended to replace the Prospectus. Potential investors should read the Prospectus in full before deciding to invest in Shares.

Key Information	Further Information
<p>Transaction specific prospectus</p> <p>This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.</p>	Section 6.2
<p>Risk factors</p> <p>Potential investors should be aware that subscribing for Shares involves a number of risks. The key risk factors of which investors should be aware are set out in Section 4, including (but not limited to) risks in respect of:</p> <ul style="list-style-type: none"> • Control risk: In the event the Underwriter takes up his full Entitlement and no other Eligible Shareholders or investors subscribe for Shares under the Offers, the Underwriter's voting power in the Company could be increased from 28.15% to up to 52.10%. • Future capital needs: Further funding will be required by the Company to support its ongoing activities and operations. There can be no assurance that such funding will be available on satisfactory terms or at all. • Coronavirus (COVID-19) risk: The global economic outlook is facing uncertainty due to the COVID-19 pandemic, which has had and may continue to have a significant impact on capital markets and share prices. The Share price may be adversely affected by the economic uncertainty caused by COVID-19. Further, any measures to limit the transmission of the virus implemented by governments around the world (such as travel bans and quarantining) may adversely impact the Company's operations. • Liquidity risk: There can be no guarantee that there will continue to be an active market for Shares or that the price of Shares will increase. There may be relatively few potential buyers or sellers at any given time and this may increase the volatility of the market price of the Shares, making them illiquid and as a consequence, investors may be unable to readily exit or realise their investment in the Company. As announced on 27 April 2020, the Company is assessing all options in respect of capital management, listing status and structure with the objective of optimising shareholder value. The Company is continuing to consider a wide range of options to improve shareholder return, this includes but is not limited to the potential of a delisting from the ASX (which would require shareholder approval and consent from ASX). As at the date of this Prospectus no decision in respect of a delisting from ASX has been made. In the event that shareholders approved a delisting from the ASX there would no longer be an active market for the Company's Shares. 	Section 4

Key Information	Further Information
<p>Rights Issue</p> <p>This Prospectus is for a renounceable entitlement issue of 1 New Share for every 2 existing Shares held by Eligible Shareholders on the Record Date at an issue price of \$0.077 per New Share to raise up to approximately \$6.5 million (before costs).</p>	Section 1.1
<p>Use of funds</p> <p>Funds raised under the Offers will be used for sales and marketing initiatives, research and development, and production costs in order to drive growth in the Company's major markets, support the Company's leading products, including Mute Snoring, Pronto Sleep and Pronto Clear technologies, and provide working capital for the introduction of the new product range into the global cannabidiol (CBD) consumer health market. Funds raised will also go towards general working capital and the costs of the Offers.</p>	Section 1.4
<p>Eligible Shareholders</p> <p>The Rights Issue is made to Eligible Shareholders only. Eligible Shareholders are those Shareholders who:</p> <ul style="list-style-type: none"> • are the registered holder of Shares as at 7.00pm (AEST) on the Record Date; and • have a registered address in Australia, New Zealand, the Isle of Man or the United States (but only if (i) such person in the United States is an "accredited investor" as defined in Rule 501(a) under the US Securities Act and (ii) the Company would like to extend the Offers to such person taking into account any US state "blue sky" securities law requirements). 	Sections 1.1 and 1.12
<p>Shortfall Offer</p> <p>Any New Shares not taken up pursuant to the Rights Issue will form the Shortfall Offer. The issue price for each Shortfall Share shall be \$0.077, being the same price at which New Shares are being offered under the Rights Issue.</p> <p>In addition to their Entitlement, Eligible Shareholders may apply for Shortfall Shares under the Shortfall Offer subject to such applications being received by the Closing Date.</p> <p>Any Shortfall Shares will be allocated in the following order of priority in accordance with the allocation policy outlined in Section 1.2:</p> <ol style="list-style-type: none"> (a) Firstly, to any Eligible Shareholders unrelated to the Company that have fully subscribed for their Entitlement under the Rights Issue and subscribe for Shortfall Shares in excess of their Entitlement. (b) Secondly, to any third parties unrelated to the Company who apply for Shortfall Shares prior to the Closing Date (at the Directors' discretion). (c) Lastly, any remaining Shortfall Shares will be subscribed for by the Underwriter. 	Section 1.2

Key Information	Further Information												
<p>Underwriting</p> <p>The Offers are fully underwritten by Mr W. Whitney George (Underwriter).</p> <p>The Underwriter is not a related party of the Company and is an existing Shareholder with a substantial holding of 47,631,043 Shares, which is approximately 28.15% of the total number of Shares currently on issue.</p> <p>Pursuant to the Underwriting Agreement, any Shortfall Shares not subscribed for by Eligible Shareholders and other investors will be taken up by the Underwriter. See Section 1.2 for further details of the shortfall allocation policy.</p> <p>No underwriting fees are payable to the Underwriter and the underwriting is conditional upon FIRB approval. See Section 5.1 for further details of the underwriting arrangements.</p>	<p>Sections 1.3 and 5.1</p>												
<p>Effect on control of the Company</p> <p>The effect of the Offers on the control of the Company will depend on the take-up of Entitlements by Eligible Shareholders and any Shortfall Shares by Eligible Shareholders and other third party investors unrelated to the Company.</p> <p>It should be noted that in the event that no other Shareholder or investor subscribes for the Offers, Mr W. Whitney George's maximum potential relevant interest in Shares is 52.10% (assuming no further Shares are issued or Options exercised).</p> <p>Shareholders should note that if they do not participate in the Offers, their holdings will be diluted. Examples of how the dilution may impact Shareholders are set out in Section 3.5.</p>	<p>Sections 3.4 and 3.5</p>												
<p>Indicative capital structure and pro-forma balance sheet</p> <p>Subject to rounding and assuming no further Securities are issued or Options exercised, the indicative capital structure upon completion of the Offers is set out below:</p> <table border="1" data-bbox="197 1335 1214 1641"> <thead> <tr> <th></th> <th>Shares</th> <th>Unquoted Options</th> </tr> </thead> <tbody> <tr> <td>Balance at the date of this Prospectus</td> <td>169,206,016</td> <td>22,150,000</td> </tr> <tr> <td>To be issued pursuant to the Offers</td> <td>84,603,008</td> <td>-</td> </tr> <tr> <td>TOTAL</td> <td>253,809,024</td> <td>22,150,000</td> </tr> </tbody> </table> <p>The indicative pro-forma balance sheet showing the effect of the Offers is in Section 3.2.</p>		Shares	Unquoted Options	Balance at the date of this Prospectus	169,206,016	22,150,000	To be issued pursuant to the Offers	84,603,008	-	TOTAL	253,809,024	22,150,000	<p>Sections 3.1 and 3.2</p>
	Shares	Unquoted Options											
Balance at the date of this Prospectus	169,206,016	22,150,000											
To be issued pursuant to the Offers	84,603,008	-											
TOTAL	253,809,024	22,150,000											

Key Information	Further Information															
<p>Directors' interests in Shares and Entitlements</p> <p>The relevant interest of each of the Directors in Shares as at the date of this Prospectus, together with their respective Entitlements (assuming no Options are exercised), is set out in the table below:</p> <table border="1" data-bbox="196 432 1220 790"> <thead> <tr> <th data-bbox="196 432 531 517">Name</th> <th data-bbox="531 432 892 517">Existing Shares</th> <th data-bbox="892 432 1220 517">Entitlement</th> </tr> </thead> <tbody> <tr> <td data-bbox="196 517 531 584">Michael Johnson</td> <td data-bbox="531 517 892 584">385,934</td> <td data-bbox="892 517 1220 584">192,967</td> </tr> <tr> <td data-bbox="196 584 531 651">Ron Dewhurst</td> <td data-bbox="531 584 892 651">9,000,000</td> <td data-bbox="892 584 1220 651">4,500,000</td> </tr> <tr> <td data-bbox="196 651 531 719">Brent Scrimshaw</td> <td data-bbox="531 651 892 719">108,918</td> <td data-bbox="892 651 1220 719">54,459</td> </tr> <tr> <td data-bbox="196 719 531 790">Dr Eric Knight</td> <td data-bbox="531 719 892 790">76,158</td> <td data-bbox="892 719 1220 790">38,079</td> </tr> </tbody> </table> <p>It is the current intention of Messrs Johnson and Scrimshaw, and Dr Knight to take up all or part of their Entitlement specified above under the Rights Issue. Mr Dewhurst's current intention is to maintain his current voting power in the Company, either by taking up all or part of his Entitlement under the Rights Issue and/or purchasing Shares on-market following the Closing Date.</p>	Name	Existing Shares	Entitlement	Michael Johnson	385,934	192,967	Ron Dewhurst	9,000,000	4,500,000	Brent Scrimshaw	108,918	54,459	Dr Eric Knight	76,158	38,079	<p>Section 6.7(b)</p>
Name	Existing Shares	Entitlement														
Michael Johnson	385,934	192,967														
Ron Dewhurst	9,000,000	4,500,000														
Brent Scrimshaw	108,918	54,459														
Dr Eric Knight	76,158	38,079														
<p>Forward looking statements</p> <p>This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.</p> <p>These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are considered reasonable.</p> <p>Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and the management.</p> <p>The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.</p> <p>The Directors have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.</p> <p>These forward-looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 4.</p>	<p>Key Information and Section 4</p>															

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1. Details of the Offers

1.1 Rights Issue

The Company is making a renounceable pro-rata offer of ordinary fully paid Shares (**New Shares**) at an issue price of \$0.077 each to Eligible Shareholders on the basis of 1 New Share for every 2 Shares held at 7.00pm on the Record Date (**Rights Issue**).

As at the date of this Prospectus, the Company has on issue 169,206,016 Shares and 22,150,000 unquoted Options.

The market price of Shares at the date of this Prospectus is such that it is unlikely that any of the existing Options will be exercised before the Record Date. On the basis that no existing Options are exercised prior to the Record Date (and subject to rounding), the Rights Issue is for a maximum of 84,603,008 New Shares, to raise up to \$6,514,431 (before costs).

Where the determination of the Entitlement of any Eligible Shareholder results in a fraction of a Share, such fraction will be rounded up to the nearest whole Share.

Eligible Shareholders have the opportunity to apply for additional New Shares in excess of their Entitlement. Further details are contained in Section 1.2 below.

New Shares issued under the Rights Issue will be issued as fully paid ordinary shares and will rank equally in all respects with existing Shares on issue. A summary of the rights and liabilities attaching to the New Shares offered under the Rights Issue is in Section 6.1.

1.2 Shortfall Offer

Any New Shares not taken up pursuant to the Rights Issue will become Shortfall Shares. The Shortfall Offer is a separate offer of the Shortfall Shares made pursuant to this Prospectus and will remain open for up to three months following the Closing Date (or such shorter period determined by the Directors).

The issue price of Shares offered under the Shortfall Offer will be \$0.077 each, which is the issue price at which Shares have been offered to Eligible Shareholders under the Rights Issue. Shortfall Shares will be issued as fully paid ordinary shares and will rank equally in all respects with existing Shares on issue. A summary of the rights and liabilities attaching to Shares is in Section 6.1.

The issue of Shortfall Shares will be limited to the extent that there are sufficient New Shares from Eligible Shareholders who do not take up their full Entitlements. Therefore Shortfall Shares will only be issued if the Rights Issue is undersubscribed and will only be issued to the extent necessary to make up any shortfall in subscriptions.

The Company will allow Eligible Shareholders that have fully subscribed for their Entitlement under the Rights Issue to subscribe for Shortfall Shares by completing the

relevant part of the Entitlement and Acceptance Form, or through BPAY®. Please refer to Section 2.7.

Third parties who are not related to the Company may also apply for Shortfall Shares. Investors wishing to participate should contact the Company to obtain a copy of this Prospectus and the Shortfall Application Form.

Any Shortfall Shares will be allocated in the following order of priority:

- (a) Firstly, to any Eligible Shareholders unrelated to the Company that have fully subscribed for their Entitlement under the Rights Issue and subscribe for Shortfall Shares in excess of their Entitlement. If there are insufficient Shortfall Shares to satisfy Applications by Eligible Shareholders, such Applications will be scaled back on a pro rata basis.
- (b) Secondly, to any third parties unrelated to the Company who apply for Shortfall Shares prior to the Closing Date. The Directors reserve the right to issue Shortfall Shares at their absolute discretion. In exercising this discretion, the Board will take into consideration a number of factors, including the Company's best interests, the extent to which an Applicant has sold or bought Shares or Entitlements before and after both the announcement of the Rights Issue and the Record Date, the financial needs of the Company, and the optimal composition of the Company's register following the Offers. To the extent commercially practicable and taking into account the Company's requirement for funds, the Directors will endeavour to allot any Shortfall Shares to a spread of investors, in order to mitigate any control effects which may arise from issuing the Shortfall Shares to a single or small number of investors.
- (c) Lastly, any remaining Shortfall Shares will be subscribed for by the Underwriter, in accordance with the Underwriting Agreement. For the avoidance of doubt, the Underwriter will not be allocated any Shortfall Shares under paragraphs (a) or (b) above. Further, in the event an additional underwriter or underwriters are sourced during the Offer period, the Underwriter's obligation to subscribe for Shortfall Shares will be reduced to the extent of any commitment from additional underwriters. Refer to Section 5.1 for further details.

In the event FIRB approval for the Underwriting Agreement is not obtained prior to the Closing Date, as a measure to mitigate the potential control implications of the Underwriting Agreement, the Company reserves the right to accept late Applications for Shortfall Shares, subject to the Corporations Act and Listing Rules, the Underwriting Agreement and any other applicable laws. In the unlikely event there are any remaining Shortfall Shares due to FIRB approval for the Underwriting Agreement not being obtained, the Company also reserves the right to proceed with the Shortfall Offer and to issue the remaining Shortfall Shares within three months after the Closing Date at its absolute discretion.

Notwithstanding the above, no Shortfall Shares will be allocated or issued to any related party of the Company (including Directors and their associates) without the prior approval of Shareholders or to any person to the extent that the Company is aware that to do so would result in a breach of the Corporations Act, the Listing Rules or any other relevant legislation or law, including without limitation, a breach of section 606 of the Corporations Act.

Applicants wishing to apply for Shortfall Shares must consider whether the issue of the Shortfall Shares applied for would breach the Corporations Act or the Listing Rules having regard to their own circumstances (including the existence of any associates). The Company expressly disclaims any responsibility for monitoring such applications or ensuring that individual Applicants do not breach the Corporations Act or the Listing Rules as a result of participation in the Offers.

It is a term of the Shortfall Offer that, should the Company scale back applications for Shortfall Shares, the Applicant will be bound to accept such lesser number allocated to them. There is no guarantee that Applicants will receive Shares applied for under the Shortfall Offer. In that event, Application Monies for Shortfall Shares will be refunded by the Company (without interest) in accordance with the provisions of the Corporations Act.

1.3 Underwriting

The Offers are fully underwritten by Mr W. Whitney George (**Underwriter**) for up to \$6,514,431 (subject to reconciliation following the Record Date) (**Underwritten Amount**), or 84,603,008 New Shares (subject to reconciliation following the Record Date) (**Underwritten Shares**), pursuant to an underwriting agreement between the Company and the Underwriter (**Underwriting Agreement**).

All valid Applications for New Shares pursuant to this Prospectus received and accepted by the Company, from all sources, will go towards relief of the obligations of the Underwriter under the Underwriting Agreement.

No underwriting fees are payable to the Underwriter under the Underwriting Agreement.

The Underwriter, together with his associates, is a current substantial Shareholder and has undertaken to support the Rights Issue by subscribing in full for his Entitlements, being \$1,833,795, or 23,815,522 New Shares.

Shareholders should note that Mr W. Whitney George's underwriting of the Offers is subject to approval from the Foreign Investment Review Board (**FIRB**). FIRB approval is required because Mr W. Whitney George is a 'foreign person' for the purposes of Australia's foreign investment laws, he currently has a relevant interest in approximately 28.15% of the Company and the underwriting could cause that interest to increase. FIRB approval has not previously been required due to the Company not meeting the monetary threshold value for US investors. On 29 March 2020, the Federal Treasurer announced that due to the impacts of the coronavirus outbreak, all monetary thresholds will be temporarily reduced to \$0. As a result, Mr W. Whitney George is now required to notify the Australian Government and obtain approval before acquiring any further interests in the Company as a result of the underwriting, regardless of the value of the investment. For the avoidance of doubt, FIRB approval is not required for the Underwriter to take up his Entitlements. The Underwriter has lodged an application for approval with FIRB.

The Underwriting Agreement is subject to standard terms and conditions. Section 5.1 contains a summary of the material terms and conditions of the Underwriting Agreement.

Please refer to Section 3.4 for a description of the potential impact of the Offers on control of the Company.

1.4 Use of funds

Completion of the Offers will result in an increase in cash at hand of approximately \$6.5 million before costs (assuming no unquoted Options are exercised prior to the Record Date).

Funds raised by the Rights Issue will be used to drive growth in the Company's major markets; support the Company's leading products, including Mute Snoring, Pronto Sleep and Pronto Clear technologies; provide working capital for the introduction of the new product range into the global cannabidiol (CBD) consumer health market; for general working capital and the costs of the Rights Issue.

The following indicative table sets out the proposed use of funds raised under the Offers:

Proposed use	\$'000¹
Sales and Marketing	4,000
Research and Development	750
Production	250
Working capital requirements	1,419
Estimated expenses of the Offers ²	95
TOTAL	6,514

Notes:

1. In the event that FIRB approval is not obtained for the Underwriting Agreement, and the Company elects to proceed with the Offers, the Company may scale back its proposed use of funds on a pro rata basis (other than in respect of costs of the Offers).
2. See Section 6.10 for further details relating to the estimated expenses of the Offers.

The above is a statement of current intentions at the date of this Prospectus. Intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied, including market conditions, the development of new opportunities and/or any number of other factors. The Board reserves the right to alter the way the funds are applied on this basis.

1.5 Opening and Closing Dates

The Company will accept Application Forms from the date it dispatches the Prospectus until 5.00pm (AEST) on Tuesday, 2 June 2020 or such other date as the Directors in their absolute discretion shall determine (having regard to the status of FIRB approval for the Underwriting Agreement), subject to the requirements of the Listing Rules (**Closing Date**).

The Offers may be closed at an earlier date and time at the discretion of the Directors, without prior notice. Applicants are therefore encouraged to submit their Application Forms as early as possible. However, the Company reserves the right to extend the Offers or accept late Applications, subject to the Corporations Act and Listing Rules, the Underwriting Agreement and any other applicable laws.

1.6 Minimum subscription

There is no minimum subscription for the Offers.

1.7 Rights trading

The Entitlements under the Rights Issue are renounceable. This enables Eligible Shareholder who do not wish to subscribe for some or all of their Entitlement under the Rights Issue to sell their respective Entitlements and also enables Shareholders or other investors to purchase additional Entitlements if they wish. Trading of Entitlements on ASX is expected to occur in accordance with the Timetable. Persons in the United States may not purchase Entitlements.

There is no guarantee that there will be a liquid market in traded Entitlements. A lack of liquidity may impact your ability to sell your Entitlement on ASX and the price you may be able to achieve. Prices for Entitlements may rise and fall over the trading period and will depend on many factors, including the demand for and supply of Entitlements on ASX and the value of Shares relative to the price of New Shares under the Offers. If you sell your Entitlement during the trading period, you may receive a higher or lower amount than another Shareholder who sells Entitlements at a different time during the trading period. Up to date information about the current price of Entitlements on ASX can be obtained from www.asx.com.au.

If you sell your entitlement, you will forego any exposure to increases or decreases in the value of the New Shares had you taken up your Entitlement. Your percentage shareholding in the Company will also be diluted.

1.8 Issue Date and dispatch

All New Shares under the Rights Issue are expected to be issued on or before the date specified in the proposed Timetable. The Company intends to issue any Shortfall Shares at the same time as, or as soon as practicable after, the issue of New Shares under the Rights Issue. Shareholder statements will be dispatched at the end of the calendar month following the issue of the New Shares under the Offers.

It is the responsibility of Applicants to determine their allocation prior to trading in the New Shares. Applicants who sell New Shares before they receive their holding statements will do so at their own risk.

1.9 Application Monies held on trust

All Application Monies received for New Shares will be held on trust in a bank account maintained solely for the purpose of depositing Application Monies received pursuant to

this Prospectus until the New Shares are issued. All Application Monies will be returned (without interest) if the New Shares are not issued.

1.10 **ASX quotation**

Application will be made for the Official Quotation of the New Shares offered by this Prospectus. If permission is not granted by ASX for the Official Quotation of the New Shares offered by this Prospectus within three months after the date of this Prospectus (or such period as the ASX allows), the Company will repay, as soon as practicable, without interest, all Application Monies received pursuant to this Prospectus.

1.11 **CHESS**

The Company participates in the Clearing House Electronic Sub-Register System, known as CHESS. ASX Settlement Pty Limited, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Operating Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of Shares. If you are broker sponsored, ASX Settlement Pty Limited will send you a CHESS statement. The CHESS statement will specify the number of Shares issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the Shares, including a notice to exercise the Shares.

If you are registered on the Issuer Sponsored sub-register, your statement will be dispatched by the Share Registry and will contain the number of Shares issued to you under this Prospectus and your security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Shareholding changes. Shareholders may request a statement at any other time; however, a charge may be made for additional statements.

1.12 **Residents outside Australia**

(a) **Offers and distribution of Prospectus**

This Prospectus, and any accompanying Application Form, do not, and are not intended to, constitute an offer of Shares in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus or the New Shares under the Offers.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

(b) **New Zealand**

The New Shares and Entitlements are not being offered to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

(c) **Isle of Man**

No offer or invitation to subscribe for securities may be made to the public in the Isle of Man.

(d) **United States**

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Entitlements and the New Shares have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States.

Accordingly, these securities may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

The New Shares will only be offered and sold in the United States to persons who are Eligible Shareholders.

(e) **Ineligible Foreign Shareholders**

The Company believes that it is unreasonable to extend the Offers to Ineligible Foreign Shareholders. The Company has formed this view having considered:

- (i) the number of Shareholders in the places where the Offers would be made;
- (ii) the number and value of the New Shares that would be offered to those Shareholders; and
- (iii) the cost of complying with the legal requirements and the requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, Ineligible Foreign Shareholders will not be entitled to participate in the Offers.

The Company has appointed Bell Potter (subject to ASIC approval) to arrange for the sale of the Entitlements that would have been given to Ineligible Foreign

Shareholders and to account for them for the net proceeds of the sale (see Section 1.12(f) below for further details).

(f) **Sale of Ineligible Foreign Shareholders' Entitlements**

The Company has applied for ASIC approval of the appointment of Bell Potter (**Nominee**) to sell the Entitlements that would otherwise be held by Ineligible Foreign Shareholders for the purposes of section 615 of the Corporations Act.

The Nominee will seek to sell the Entitlements as soon as practicable on a 'best endeavours' basis, and to that end will be able to procure any buyer for the Entitlements, and will be able to sell some or all of the Entitlements at differing prices, at its sole and absolute discretion.

The proceeds of the sale of these Entitlements will firstly be applied against expenses of such sale, including brokerage. The net proceeds (if any) will then be remitted to the Share Registry for distribution to each of the Ineligible Foreign Shareholders in proportion to their share of such Entitlements (after deducting brokerage commission and other expenses).

For performing this role, the Company has agreed to pay to the Nominee a 1% brokerage fee on the gross amount raised from the sale of any such Entitlements.

There is no guarantee that the Nominee will be able to sell the Ineligible Foreign Shareholders' Entitlements on the ASX. Even where the Nominee is able to do so, Ineligible Foreign Shareholders may receive no net proceeds if the costs of the sale are greater than the sale proceeds. Neither the Company nor the Nominee take any responsibility for the outcome of the sale of such Entitlements or the failure to sell such Entitlements.

If there is no viable market for the Entitlements or those Entitlements cannot otherwise be sold, those Entitlements will be allowed to lapse, and the New Shares will be taken up in accordance with the allocation policy set out in Section 1.2, in which case it is expected that there will be no proceeds remitted to Ineligible Foreign Shareholders in respect of their Entitlements.

Ineligible Foreign Shareholders should note that the sale of any Entitlements may affect their Australian taxation position. It is recommended that Ineligible Foreign Shareholders obtain independent tax advice if they are in doubt as to the tax treatment of any cash proceeds they may receive.

Where this Prospectus has been dispatched to Ineligible Foreign Shareholders, it is provided for information purposes only.

(g) **Notice to nominees and custodians**

Nominees and custodians that hold Shares should note that the Rights Issue is available only to Eligible Shareholders and that nominees and custodians may not distribute this Prospectus, and may not permit any beneficial shareholder to participate in the Offers, in any country outside Australia, New Zealand and the Isle of Man.

The Company is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of Shares.

1.13 Risk factors

An investment in New Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are certain specific risks associated with an investment in the Company which are detailed in Section 4.

1.14 Taxation implications

The Directors do not consider it appropriate to give Applicants advice regarding the taxation consequences of subscribing for New Shares under this Prospectus. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Applicants. As a result, Applicants should consult their professional tax adviser in connection with subscribing for New Shares under this Prospectus.

1.15 Major activities and financial information

A summary of the major activities and financial information relating to the Company, for the financial year ended 30 June 2019, can be found in the Company's Annual Report announced on ASX on 30 September 2019 and, for the half-year ended 31 December 2019, the Half Year Accounts announced on ASX on 2 March 2020. The Company's continuous disclosure notices (i.e. ASX announcements) since 30 September 2019 are listed in Section 6.4. Copies of these documents are available free of charge from the Company. The Directors strongly recommend that Applicants review these and all other announcements prior to deciding whether or not to participate in the Offer.

1.16 Privacy

The Company collects information about each Applicant provided on an Application Form for the purposes of processing the application and, if the application is successful, to administer the Applicant's holding of Shares in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your application (as applicable).

An Applicant has an entitlement to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

1.17 Enquiries

For enquiries concerning the Offers, Application Forms and the Prospectus, please contact the Company Secretary on +61 3 8416 0900.

For general Shareholder enquiries, please contact the Company's share registry, Automic on +61 2 9698 5414.

2. Action required by Shareholders and investors

2.1 Action in relation to the Offers

The Company will send this Prospectus, together with a personalised Entitlement and Acceptance Form, to all Eligible Shareholders.

The number of New Shares to which Eligible Shareholders are entitled are shown on the accompanying personalised Entitlement and Acceptance Form. Eligible Shareholders may:

- (a) accept all of your Entitlement under the Rights Issue (refer to Section 2.2);
- (b) sell all or part of your Entitlement under the Rights Issue on the ASX (refer to Section 2.3);
- (c) accept only part of your Entitlement under the Rights Issue and:
 - (i) sell your remaining Entitlement on the ASX (refer to Section 2.4);
 - (ii) allow the remaining Entitlement to lapse (refer to Section 2.5);
- (d) sell all or part of your Entitlement under the Rights Issue other than on the ASX (refer to Section 2.6);
- (e) apply for Shortfall Shares (refer to Section 2.7); or
- (f) allow all or part of your Entitlement to lapse (refer to Section 2.8).

The Offers may be closed at an earlier date and time at the discretion of the Directors, without prior notice. Applicants are therefore encouraged to submit their Application Forms as early as possible. However, the Company reserves the right to extend the Offers or accept late Applications, subject to the Corporations Act and Listing Rules, the Underwriting Agreement and any other applicable laws.

2.2 Accept all of your Entitlement under the Rights Issue

Should you wish to accept all of your Entitlement to New Shares under the Rights Issue and you are not paying by BPAY®, then applications for Shares under this Prospectus must be made on the Entitlement and Acceptance Form which accompanies this Prospectus, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided and pay the amount indicated on the Entitlement and Acceptance Form via electronic funds transfer (**EFT**) by following the instructions on the Entitlement and Acceptance Form.

Due to the Government's direction for people to remain in their residence and other restrictions under the Public Health (COVID-19) Restrictions on Gathering and

Movement) Order 2020 and for the purposes of public health and safety, payments in cash or by cheque will not be accepted.

If payment is made by EFT, completed Entitlement and Acceptance Forms must be accompanied by a confirmation of EFT and lodged at any time after the issue of this Prospectus and on or before the Closing Date with the Share Registry by email at: **corporate.actions@automicgroup.com.au**.

Whether you are paying via EFT or BPAY®, Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Applicant to ensure that funds are submitted through EFT or BPAY® by the Closing Date. **If you elect to pay via BPAY®, you must follow the instructions for BPAY® set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.**

If you have multiple holdings you will have multiple BPAY® reference numbers. To ensure that you receive your Entitlement in respect of each holding, you must use the customer reference number shown on each personalised Entitlement and Acceptance Form when paying for any New Shares that you wish to accept your Entitlement for in respect of that holding. Payments in excess of the amount payable for one holding will not be treated as payment for another holding, and the excess will be treated as an application for Shortfall Shares (refer to Section 2.7) or refunded to the Applicant without interest.

Applications will be deemed not to have been received until the Company is in receipt of cleared funds.

Applicants are encouraged to pay by BPAY®.

2.3 **Sell all or part of your Entitlement under the Rights Issue on the ASX**

Should you wish to sell all or part of your Entitlement under the Rights Issue on the ASX you must provide instructions to your stockbroker regarding the Entitlement you wish to sell on the ASX. Trading of Entitlements will commence on the ASX on Wednesday, 20 May 2020 and will cease on Tuesday, 26 May 2020 (unless otherwise extended).

The Company does not guarantee that an Eligible Shareholder will be able to sell all or any part of their Entitlement on the ASX or that any particular price will be paid for the Entitlements sold on the ASX.

2.4 **Accept only part of your Entitlement under the Rights Issue and sell the remaining Entitlement on the ASX**

Should you wish to accept part of your Entitlement under the Rights Issue and sell the remaining Entitlement on the ASX, follow the instructions in Section 2.2 in relation to the part of the Entitlement that you wish to accept, and follow the instructions in Section 2.3 in relation to the part of the Entitlement that you wish to sell on the ASX.

2.5 **Accept only part of your Entitlement under the Rights Issue and allow the remaining Entitlement to lapse**

Follow the instructions in Section 2.2 in relation to the Entitlement under the Rights Issue that you wish to accept.

If you do not wish to accept part of your Entitlement, you are not obliged to do anything. The part of the Rights Issue that you do not accept will lapse by the Closing Date. However, you should be aware that as your Entitlement is renounceable, the Entitlement may have value should you choose to sell or trade your Entitlement on the ASX. The number of Shares you hold and the rights attached to those Shares will not be affected should you choose not to accept any of your Entitlement.

2.6 **Sell all or part of your Entitlement under the Rights Issue other than on the ASX**

Should you wish to sell part of your Entitlement under the Rights Issue other than on the ASX, and the purchaser of your Entitlement is an Ineligible Foreign Shareholder or a person that would be an Ineligible Foreign Shareholder if they were a registered holder of Shares, that purchaser will not be able to accept the Entitlement that they have purchased.

If you are a Shareholder on the issuer sponsored subregister and you wish to transfer all or a proportion of your Entitlement to another person other than on the ASX, please complete the standard renunciation and transfer form (obtainable from the Share Registry) by filling in the details in the spaces provided and pay the amount indicated on standard renunciation and transfer form via EFT.

Due to the Government's direction for people to remain in their residence and other restrictions under the Public Health (COVID-19) Restrictions on Gathering and Movement) Order 2020 and for the purposes of public health and safety, payments in cash or by cheque will not be accepted.

Completed standard renunciation and transfer forms must be accompanied by a confirmation of EFT and lodged at any time after the issue of this Prospectus and on or before the Closing Date with the Share Registry by email at:
corporate.actions@automicgroup.com.au.

Should you wish to transfer all or a proportion of your Entitlement to or from another person on the CHESS subregister you must engage your CHESS controlling participant (usually your stockbroker). If the transferee wants to exercise some or all of the Entitlement, you should follow your stockbroker's instructions as to the most appropriate way to take up the Entitlement on their behalf. The Application Monies for New Shares the transferee of the Entitlement wants to acquire must be received by the Share Registry in accordance with Section 2.2.

2.7 **Apply for Shortfall Shares**

If you are an Eligible Shareholder and you wish to apply for New Shares in excess of your Entitlement under the Rights Issue by applying for Shortfall Shares, you may do so by completing the relevant separate section of the Entitlement and Acceptance Form

relating to the Shortfall Offer and which accompanies this Prospectus, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Any Shares applied for in excess of your Entitlement will be applied for under the Shortfall Offer and will be issued in accordance with the allocation policy described in Section 1.2.

If payment is made by EFT, completed Entitlement and Acceptance Forms must be accompanied by a confirmation of EFT and lodged at any time after the issue of this Prospectus and on or before the Closing Date with the Share Registry by email at: **corporate.actions@automicgroup.com.au**.

Whether paying via EFT or BPAY®, Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Applicant to ensure that funds are submitted through EFT or BPAY® by the date and time mentioned above. **If you elect to pay via BPAY®, you must follow the instructions for BPAY® set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.**

Applications will be deemed not to have been received until the Company is in receipt of cleared funds.

Applicants are encouraged to pay by BPAY®.

The Company may also provide Shortfall Application Forms with a copy of this Prospectus to other investors who wish to subscribe for Shortfall Shares in accordance with the allocation policy described in Section 1.2.

2.8 Entitlements not taken up

If you do not wish to accept any or part of your Entitlement, you are not obliged to do anything for those particular Entitlements. However, you should be aware that as your Entitlement is renounceable, the Entitlement may have value should you choose to sell or trade all or some of your Entitlement on the ASX. The Rights Issue will lapse by the Closing Date. The number of Shares you hold and the rights attached to those Shares will not be affected should you choose not to accept any of your Entitlement.

2.9 Application Forms

Acceptance of a completed Application Form by the Company creates a legally binding contract between the Applicant and the Company for the number of New Shares accepted by the Company. The Application Form does not need to be signed to be a binding application for New Shares.

If the Application Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the Application Form as valid and how to construe, amend or complete the Application Form, is final.

The Company will send this Prospectus, together with a personalised Entitlement and Acceptance Form, to all Eligible Shareholders.

By completing and returning your Application Form with a confirmation of EFT (if applicable), or making a payment via BPAY®, you will be deemed to have:

- (a) represented and warranted that you are an Eligible Shareholder, if your Application Form is in respect of the Rights Issue;
- (b) represented and warranted on behalf of yourself or each person on whose account you are acting that the law in your place of residence and/or where you have been given the Prospectus, does not prohibit you from being given the Prospectus;
- (c) agreed to be bound by the terms of the relevant Offer/s;
- (d) declared that all details and statements in the Application Form are complete and accurate;
- (e) declared that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Application Form;
- (f) authorised the Company and its respective officers or agents, to do anything on your behalf necessary for the Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in the Application Form;
- (g) acknowledged that the information contained in, or accompanying, the Prospectus is not investment or financial product advice or a recommendation that the Shares are suitable for you given your investment objectives, financial situation or particular needs; and
- (h) acknowledged that the New Shares offered under this Prospectus have not, and will not be, registered under the securities laws in any jurisdictions outside Australia.

2.10 Enquiries concerning an Application Form or your Entitlement

For all enquiries concerning an Application Form or your Entitlement, please contact Automic on +61 2 9698 5414.

3. Effect of the Offers

3.1 Capital structure on completion of the Offers

	Shares	Unquoted Options ¹
Balance at the date of this Prospectus	169,206,016	22,150,000
Shares to be issued under the Offers ²	84,603,008	-
TOTAL^{3, 4}	253,809,024	22,150,000

Notes:

- Existing unquoted Options on issue are comprised of:
 - 9,000,000 Options exercisable at \$0.287 each on or before 21 December 2021;
 - 150,000 Options exercisable at \$0.40 each on or before 30 December 2020; and
 - 13,000,000 Options exercisable at \$0.2998 each on or before 29 November 2023.
- Assumes that no Securities will be issued or exercised prior to the Record Date. This number is also subject to rounding.
- Assumes no further Securities are issued by the Company and no Options are exercised into Shares.
- Note that following completion of the Offers, pursuant to the Company's long term incentive plan the Company intends to issue incentive securities to the management team, including but not limited to, the Managing Director Michael Johnson and Chief Financial Officer Sean Slattery, comprising up to 5% of the Company's post-Offer issued capital. The final structure of these incentive securities is yet to be determined and the issue of them will be subject to Shareholder approval at the Company's next general meeting.

3.2 Pro forma consolidated statement of financial position

Set out below is:

- the reviewed consolidated statement of financial position of the Company as at 31 December 2019 (**Balance Date**);
- the unaudited significant changes since the Balance Date;
- the unaudited effects of the Entitlement Offer; and
- the unaudited pro forma statement of financial position of the Company at the Balance Date adjusted to reflect paragraphs (b) and (c).

The statements of financial position have been prepared to provide Shareholders with information on the assets and liabilities of the Company and the pro forma assets and liabilities of the Company as noted below. The historical and pro forma information is presented in abbreviated form and does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial statements.

	Reviewed Balance Sheet as at 31/12/19	Significant changes since 31/12/19	Effect of Offers	Unaudited Pro Forma Balance Sheet Post Offers
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Current Assets				
Cash & cash equivalents	3,513	(1,352)	6,419	8,581
Trade & other receivables	544	266	-	809
Inventories	441	-	-	441
Other assets	196	-	-	196
Non-Current Assets				
Financial assets at amortised cost	133	-	-	133
Property, plant, equipment & right of use assets	774	(60)	-	714
Intangible assets	2,774	(90)	-	2,684
TOTAL ASSETS	8,375	(1,236)	6,419	13,558
Current Liabilities				
Trade & other payables	876	25	-	901
Contract liabilities - deferred revenue	522	118	-	641
Employee benefit obligations	87	7	-	94
Other current liabilities	86	(25)	-	61
Non-Current Liabilities				
Employee benefit obligations	63	5	-	68
Other non-current liabilities	555	(15)	-	540
TOTAL LIABILITIES	2,189	115	-	2,305
NET ASSETS	6,186	(1,351)	6,419	11,253
EQUITY				
Issued capital	64,927	-	6,514	71,442
Reserves	2,724	-	-	2,724
Accumulated Losses	(61,466)	(1,351)	(95)	(62,913)
TOTAL EQUITY	6,186	(1,351)	6,419	11,253

Basis of Preparation

The pro forma statement of financial position is based on the reviewed financial position as at 31 December 2019 and is adjusted to reflect the following significant changes and assumptions:

- (a) Material movements to the balance sheet items since 31 December 2019 are as follows; decrease in cash and cash equivalents of \$1,352,000, increase in trade and other receivables of \$266,000, decrease in property, plant, equipment & right of use assets of \$60,000, decrease in intangible assets of \$90,000, increase in trade & other payables of \$25,000, increase in contract liabilities - deferred revenue of \$118,000, decrease in other current liabilities of \$25,000, and decrease in other non-current liabilities of \$15,000;
- (b) approximately \$6.5 million is raised under the Offers (before costs) by the issue of 84,603,008 New Shares at \$0.077 each; and
- (c) the costs of the Offers are approximately \$95,000 (refer to Section 6.10).

Other than in the ordinary course of business or as described above, there have been no other material changes to the Company's financial position between 31 December 2019 and the date of this Prospectus.

3.3 Substantial Shareholders

Based on information known to the Company as at the date of this Prospectus, those persons which, together with their associates, have a voting power in 5% or more of the Shares on issue are set out below:

Substantial Shareholder	Shares	Voting power
Mr W. Whitney George ¹	47,631,043	28.15%
John McBain	15,622,991	9.23%
Paul Stephens	9,351,129	5.53%
Ron Dewhurst	9,000,000	5.32%

Note:

- 1. Mr W. Whitney George is the Underwriter to the Offers. Please refer to Sections 1.3, 3.4 and 5.1 for details of the underwriting arrangements and Mr W. Whitney George's maximum potential relevant interest in Shares.

3.4 Effect on control of the Company

(a) **General**

The total number of New Shares proposed to be issued under the Offers is 84,603,008, which will constitute 33.33% of the Shares on issue following completion of the Offers (assuming no other Shares are issued or Options exercised to Shares prior to the Record Date).

Section 606(1) of the Corporations Act prohibits a person, unless an exception applies, from increasing their voting power in the Company:

- (i) from 20% or below to above 20%; or
- (ii) from a starting point of above 20% and below 90%.

As the Rights Issue is renounceable and for the purposes of Listing Rule 7.7.1, the Company has appointed Bell Potter as nominee (subject to ASIC approval) to sell the Entitlements that might have otherwise been given to Ineligible Foreign Shareholders under the Rights Issue and to account to them for the net proceeds of the sale (see Section 1.12(f)). The Company has applied to ASIC for approval of the appointment pursuant to section 615 of the Corporations Act. Assuming ASIC approves the appointment, Shareholders may rely on the exception for rights issues in item 10 of section 611 of the Corporations Act in relation to an Application for their Entitlements. Underwriter and substantial Shareholder Mr W. Whitney George may also rely on this exception in relation to his Entitlements.

However, this exception does not extend to applications for Shortfall Shares by Shareholders or new investors. Accordingly, Shareholders and new investors must have regard to and comply with the takeovers prohibition in section 606 of the Corporations Act when applying for Shortfall Shares. The Company reserves the right to reject or scale back any application for Shortfall Shares which it considers may result in breach of section 606. The Company expressly disclaims any responsibility for monitoring such applications or ensuring that individual Shareholders and investors in the Shortfall Offer do not breach section 606 as a result of their participation. Investors that may be at risk of exceeding the 20% threshold in section 606 or increasing their voting power from a position above 20% as a result of application for Shortfall Shares should seek professional advice before applying for Shortfall Shares.

(b) **Underwriting**

Another of the exceptions to section 606(1) is where that increase occurs as a result of an issue under a disclosure document to an underwriter or sub-underwriter to the issue. The Company intends that the Rights Issue will fall within this exception in respect of Mr W. Whitney George, the Company's largest Shareholder and the Underwriter to the Offers.

Mr W. Whitney George is a substantial Shareholder who has agreed to take up his Entitlement in full and to fully underwrite up to \$6,514,431, or 84,603,008 New Shares under the Rights Issue. The Underwriter is not a related party of the Company for the purposes of the Corporations Act.

Mr W. Whitney George is based in the United States and serves as President of Sprott Inc., Chief Investment Officer of Sprott Asset Management LP and Chairman of Sprott U.S. Holdings, Inc. He is also a Senior Portfolio Manager at Sprott Asset Management USA. Mr W. Whitney George joined Sprott in 2015 and previously spent 23 years in senior roles at Royce & Associates LLC (**Royce**) in New York. He was Co-Chief Investment Officer of Royce from 2009 to 2013 and played a key role in the firm's growth and evolution into a leading

U.S. small-cap manager with peak assets of more than US\$40 billion. At Sprott, Mr W. Whitney George is also portfolio manager of Sprott Focus Trust (FUND), a closed-end equity investment fund that seeks to provide long-term growth of capital through a focused portfolio of value stocks of companies across all market capitalisations. Prior to joining Royce, Mr W. Whitney George held positions with Dominick & Dominick, Inc., WR Lazard & Laidlaw, Inc., Laidlaw, Adams & Peck and Oppenheimer & Co. Inc. Mr W. Whitney George holds a bachelor's degree from Trinity College.

As at the date of this Prospectus, the Underwriter and his associates hold a relevant interest in 47,631,043 Shares, with 28.15% voting power in the Company and an Entitlement to 23,815,522 New Shares under the Rights Issue.

The Underwriter's current and potential significant interest in the capital of the Company means that he is in a position to potentially influence the financial decisions of the Company, and his interests may not align with those of all other Shareholders.

The Underwriter holds a relevant interest in more than 25% of the Company which means he has the potential to prevent special resolutions (i.e. resolutions requiring at least 75% of the votes cast by members entitled to vote on the resolution) from being passed by the Company. Special resolutions are required for approval of certain Company matters, including potentially seeking the delisting of the Company, amending the Constitution, changing the Company name or type, approving a selective reduction of capital or selective buy-back of shares, approving the voluntary winding up of the Company, and, if at any time the share capital of the Company is divided into different classes of shares, approving the variation of the rights attached to any such class.

In the event that the Underwriter obtains a relevant interest in more than 50% of the Company as a result of his underwriting obligations, he will also have the power to unilaterally pass or block ordinary resolutions of the Company as they require approval by a majority of votes cast. Importantly, directors can be appointed and removed by shareholders by ordinary resolution.

Mr W. Whitney George's present intentions with respect to the Company's operations in the event that he is required to take up any additional New Shares pursuant to the underwriting arrangements are reproduced below:

- (i) Mr W. Whitney George intends to maintain the Company's listings on the ASX and OTC, subject to the recommendations of the Board. Mr W. Whitney George notes that in the event that there is no evidence of public interest in the Company as a listed entity or credit given to the Company's fundamental progress moving forward, he would expect the Board to be open to all possibilities regarding public and privatisation options in support of the business;
- (ii) Mr W. Whitney George does not intend to seek to re-constitute the Board of Directors. Therefore, the current Directors of the Company will remain, and Mr W. Whitney George does not have a current Director nominated on the Board;

- (iii) Mr W. Whitney George seeks to continue to maintain the Company's operations, assets, structure and employees;
- (iv) Mr W. Whitney George reserves his right to increase his shareholdings in the Company in accordance with the Corporations Act, the Listing Rules, and all other applicable laws, and/or to inject further capital into the business to support operations;
- (v) Mr W. Whitney George will acquire the New Shares for investment purposes only and will not distribute the New Shares in the United States nor act as an underwriter within the meaning of section 2(a)(11) of the US Securities Act; and
- (vi) Mr W. Whitney George may only transfer or sell the New Shares outside the United States in transactions not subject to the registration requirements of the US Securities Act and applicable US state securities laws.

Shareholders should note that the first four statements above are statements of current intention only, which may change as new information becomes available or circumstances change.

The Underwriter's maximum potential relevant interests in Shares and voting power in the Company under several scenarios are set out in the table below and are based on the assumption that no further Shares are issued by the Company or Options exercised:

	Total Shares on issue	Underwriter	
		Shares	Voting power
Date of this Prospectus	169,206,016	47,631,043	28.15%
<i>Following completion of the Offers</i>			
Fully subscribed	253,809,024	71,446,565	28.15%
75% subscribed by other Shareholders and investors	253,809,024	86,643,437	34.14%
50% subscribed by other Shareholders and investors	253,809,024	101,840,308	40.12%

	Total Shares on issue	Underwriter	
		Shares	Voting power
25% subscribed by other Shareholders and investors	253,809,024	117,037,180	46.11%
Underwritten Shares only	253,809,024	132,234,051	52.10%

It is highly unlikely that no Eligible Shareholders will subscribe for New Shares or Shortfall Shares, and that no new investors subscribe for Shortfall Shares. The underwriting obligation and therefore voting power of the Underwriter will reduce by a corresponding amount for the amount of New Shares subscribed for by the other Eligible Shareholders and any other investors whose applications are accepted by the Company under the Shortfall Offer. As noted in Section 1.2, any Shortfall Shares will be allocated firstly to the Eligible Shareholders who apply for Shortfall Shares, then any third party investors who are unrelated to the Company (to the extent those applications are accepted by the Company as set out in Section 1.2), and lastly to Mr W. Whitney George in his capacity as Underwriter.

(c) **Directors' consideration of underwriting and control implications**

The Directors have taken steps to help ensure that the structure and pricing of the Rights Issue is acceptable and any Shortfall Shares will be reasonably dispersed (as set out in Takeovers Panel Guidance Note 17: *Rights Issues*).

The Company notes the following in respect of the underwriting arrangements:

- (i) the Company entered into the Underwriting Agreement with Mr W. Whitney George, a substantial Shareholder, rather than an independent underwriter, on the basis that:
 - (A) the Underwriting Agreement is provided on terms which are considered more favourable to the Company than market standard terms which may be obtained from a third party (see Section 5.1). For example, there are not termination rights in respect of index or share price falls which are common in underwriting agreements, and no fee is payable for the underwriting (as the effect of a fee would be to reduce the price paid per Share by the Underwriter); and
 - (B) the Company approached other potential third party underwriters but had not received any alternative proposals from these parties on similar or comparative terms to underwrite the Offers;

- (ii) the Underwriter will not benefit from the proposed use of funds raised pursuant to the Offers, other than as a holder of Shares;
- (iii) it is the view of the Directors that Eligible Shareholders have been provided with adequate notice of the proposed Rights Issue and therefore will be provided with a reasonable opportunity to participate in the Rights Issue and the Shortfall Offer;
- (iv) similarly, it is the view of the Directors that external investors have been provided with adequate notice of the proposed Rights Issue and therefore will be provided with a reasonable opportunity to participate in the Shortfall Offer;
- (v) Eligible Shareholders have the ability to subscribe for Shortfall Shares in excess of their Entitlement, in priority to other investors and the underwriting;
- (vi) third parties unrelated to the Company also have the ability to subscribe for Shortfall Shares, at the Directors' discretion in accordance with the allocation policy set out in Section 1.2, in priority to the underwriting;
- (vii) the Company has discretion to source additional underwriters during the Offer period, which if successful will result in fewer Shares being issued to the Underwriter.

3.5 Potential dilution

Shareholders should note that if they do not participate in the Offers, their holdings are likely to be diluted (as compared to their holdings and number of Shares on issue as at the date of the Prospectus). Examples of how the dilution may impact Shareholders are set out in the table below:

Holder	Shareholding at Record Date	% at Record Date	Entitlements	Shareholding if Entitlement not subscribed	% post Offers
Shareholder 1	8,000,000	4.73%	4,000,000	8,000,000	3.15%
Shareholder 2	4,000,000	2.36%	2,000,000	4,000,000	1.58%
Shareholder 3	2,000,000	1.18%	1,000,000	2,000,000	0.79%
Shareholder 4	1,000,000	0.59%	500,000	1,000,000	0.39%
Shareholder 5	100,000	0.06%	50,000	100,000	0.04%

The above table assumes that no Shares are issued other than those offered pursuant to this Prospectus and that no Options are exercised. The dilution effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are subsequently placed under the Shortfall Offer.

3.6 **Market price of Shares**

The highest and lowest closing market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales were:

Highest: \$0.15 on 9 March and 10 March 2020

Lowest: \$0.066 on 24 March 2020

The latest available market sale price of the Shares on ASX prior to the date of lodgement of this Prospectus with ASIC was \$0.079 per Share on 4 May 2020.

4. Risk factors

The New Shares offered under this Prospectus should be considered speculative because of the nature of the business activities of the Company. Whilst the Directors commend the Offers, potential investors should consider whether the New Shares offered are a suitable investment having regard to their own personal investment objectives and financial circumstances and the risk factors set out below. This list is not exhaustive and potential investors should read this Prospectus in its entirety and if in any doubt consult their professional adviser before deciding whether to participate in the Offers.

The principal risks include, but are not limited to, the following:

4.1 Transaction specific risks

(a) Underwriting risk

The Underwriting Agreement entered into by the Company with the Underwriter, Mr W. Whitney George, is subject to certain terms and conditions, including FIRB approval (see Section 5.1). If certain conditions are not satisfied or certain events occur, the Underwriter may terminate the Underwriting Agreement. If the Underwriting Agreement is terminated and the Offers do not proceed or do not raise the funds required for the Company to meet its stated objectives, the Company would need to find alternative financing to meet its funding requirements. There is no guarantee that alternative funding could be sourced, either at all or on satisfactory terms and conditions. If there is a delay in obtaining FIRB approval, the Company may still proceed to complete the Entitlement Offer in accordance with the timetable. In the event FIRB approval is not obtained after the closure and issue of New Shares to Eligible Shareholders and new investors, Mr W. Whitney George will be unable to underwrite any shortfall and the Company will likely need to source alternative funding in the short to medium term, depending on the take up by Eligible Shareholders. Whilst the Company is confident FIRB approval will be obtained, there is no guarantee it will be provided.

(b) Control risk

Mr W. Whitney George is currently the largest Shareholder and has a relevant interest in approximately 28.15% of the Shares in the Company. Assuming the Underwriter takes up his full Entitlement and no other Eligible Shareholders or investors accept their Entitlements or subscribe for Shortfall Shares, the Underwriter's voting power in the Company could be increased to 52.10%.

The Underwriter's interest in the capital of the Company means that it is in a position to potentially influence the financial decisions of the Company, and its interests may not align with those of all other Shareholders. The Underwriter holds a relevant interest in more than 25% of the Company which means that it has the potential to prevent special resolutions (ie resolutions requiring at least 75% of the votes cast by members entitled to vote on the resolution) from being passed by the Company. If the Underwriter obtains a relevant interest in more

than 50% of the Company, he will also have the potential to prevent ordinary resolutions from being passed by the Company.

4.2 Risks specific to the Company

(a) Additional requirements for capital

The funds raised under the Offers are considered sufficient to meet the immediate objectives of the Company. Additional funding may be required to meet any unanticipated liabilities or expenses which the Company may incur. Further additional financing will be required for the continued development of the Company's technology and to effectively implement the Company's business and operational plans in the future.

The Company may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities may result in delay and indefinite postponement of its activities and potential research and development programmes. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

(b) Early stage products and market risks

Some of the Company's products are still at an early stage of development or commercialisation. Investors should consider the inherent risks encountered by an emerging company with early stage products, particularly in the fast-moving global consumer health and medical devices industry. With a limited trading and product sales history, rapidly changing international and domestic macro-economic environments and uncertain nature of the global consumer retail markets, there remains low visibility and a level of uncertainty on the future demand for the Company's products, within Australia or overseas.

The Company's business, in its current form, was established in February 2013 and is still at an early commercial stage. Total revenue for the financial year ended 30 June 2019 was \$3.2 million. The sales potential of the Company's products is still at a relatively early commercial stage. The ongoing and future demand for the Company's products, in existing and target markets, is still being established and remains uncertain. There is a risk that there may not be sufficient demand for the Company's products for their sustainable commercial exploitation.

(c) Liquidity and realisation risk

There can be no guarantee that an active market in the Company's Shares will develop or continue and that the price of the Shares will not decrease. There may be relatively few potential buyers or sellers at any given time and this may increase the volatility of the market price of the Shares, making them illiquid and as a consequence, investors may be unable to readily exit or realise their investment in the Company. As announced on 27 April 2020, the Company is

assessing all options in respect of capital management, listing status and structure with the objective of optimising shareholder value. The Company is continuing to consider a wide range of options to improve shareholder return, this includes but is not limited to the potential of a delisting from the ASX (which would require shareholder approval and consent from ASX). As at the date of this Prospectus no decision in respect of a delisting from ASX has been made. In the event that shareholders approved a delisting from the ASX there would no longer be an active market for the Company's Shares.

(d) **Clinical trial risk**

The successful commercialisation of some of the Company's products (including the development of its Pronto range of products) is dependent on the Company's ability to conduct further user and clinical trials and the results of those trials being positive. There is no guarantee these trials will return positive results. Moving from discovery to development and subsequent commercialisation of technology typically involves multiple and progressively larger and increasingly robust clinical trials. Such trials can be expensive, time consuming, may be delayed or may fail. Clinical trial success can be impacted by a number of factors, including obtaining ethics approval, incomplete or slower than expected recruitment of patients, failure to meet trial end points, lack of product effectiveness during the trial, safety issues and modifications to trial protocols or changes to regulatory requirements for trials. There is no guarantee that any future clinical trials will demonstrate that the Company's products are successful or useful. Failure or material delay at any point of the clinical trial process will reduce the Company's ability to commercialise its intellectual property and generate revenues and could materially adversely affect the Company.

(e) **Inherent risks in medical device development**

The development and commercialisation of medical devices is subject to the inherent risk of failure, including the possibility that products may:

- (i) be found to be unsafe or ineffective;
- (ii) fail to demonstrate any material benefit or advancement in safety and/or efficacy of an existing product;
- (iii) fail to receive necessary regulatory approvals;
- (iv) be difficult or impossible to manufacture on the necessary scale;
- (v) be uneconomical to market or otherwise not commercially exploitable;
- (vi) fail to be developed prior to the successful marketing of a similar product by competitors;
- (vii) compete with products marketed by third parties that are superior; and
- (viii) fail to achieve the support or acceptance of medical practitioners, patients or the medical community.

All of the above factors could materially adversely affect the Company and impede the achievement of its commercialisation objectives.

(f) **Product liability risk**

The Company may be adversely impacted by any manufacturing defects or unknown risks in its products. The Company's products on sale have been registered with relevant authorities such as the Therapeutic Goods Administration and hence it believes that they meet basic safety standards. Despite this, there may still be risks inherent in or risks caused by defective manufacturing of the Company's products. In the medical devices market, such defects may give rise to claims against the Company that could materially adversely affect its business to a degree that insurance may either not compensate or for which insurance is not economically available to the Company.

The Company maintains insurance to cover product liability risks, but there is no guarantee that adequate insurance coverage will be available at an acceptable cost (or in adequate amounts), if at all, or that product liability or other claims will not materially and adversely affect the operations and condition of the Company. A product liability claim may give rise to significant liabilities as well as damage the Company's reputation.

(g) **Regulatory risk**

Many of the Company's products are subject to strict regulation by the *Therapeutic Goods Act 1989* (Cth) and associated legislation, the US Food and Drug Administration (**FDA**) and equivalent legislation in other overseas jurisdictions where the products are sold. Any material changes in these regulations, or relevant legislation or policies may have the potential to affect the viability, profitability and progress of the Company's business.

Data obtained from pre-clinical and clinical activities are susceptible to varying interpretations, which could delay, limit or prevent regulatory approval or clearance. Before the Company can market and sell its products, it must demonstrate that the products are safe and effective and must obtain necessary approvals from market regulators (for example, the Australian Therapeutic Goods Administration (**TGA**) and the FDA). Such approval may take longer than anticipated, require additional trials to be undertaken or may not be provided at all. As a result, the Company may require additional funding to clear the regulatory pathway. No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company.

As a result, the Company's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Company from commercialising its intellectual property and generating revenues.

Further, should the Company's products that must be registered as medical devices under regulatory regimes in the Company's markets cease to be registered for any reason, the Company's sales of those products may be materially reduced.

(h) **Regulatory changes**

The Company operates in an industry which is subject to laws, regulatory restrictions and certain government directives, recommendations and guidelines relating to, amongst others, occupational health and safety, laboratory practice, use and handling of hazardous materials, prevention of illness and injury and environmental protection. Any changes to the regulatory environment may increase the cost of compliance and may have an impact on the Company's profitability in the future.

(i) **Regulatory approval of products under development**

The Company continues to develop and expand its Pronto range of products. It also continues to examine new applications for the nasal stent platform. Any developed products will need to be registered by the TGA and the other relevant overseas authorities before they can be sold in Australia and overseas markets. Under the TGA and overseas regulatory regimes, medical devices must undergo a comprehensive and highly regulated development and review process before receiving clearance for sale. Any further medical devices developed by the Company will also need to obtain the requisite registrations before they can be sold to customers in Australia and overseas markets. There is no guarantee that such registrations will be obtained.

(j) **Commercial, manufacturing and distribution risk**

The Company's success is dependent upon its ability to manufacture its products on a commercial scale with outsourced manufacturers, with continuity of supply and in accordance with current good manufacturing practices prescribed by regulatory authorities. Any delays or difficulties in the future manufacture of products, including as a result of unexpected termination of key agreements with the Company's manufacturers or the impact of the COVID-19 pandemic may have a material adverse effect on the Company. Should the Company's outsourced manufacturing facilities be disrupted or agreements terminate unexpectedly, it may not be able to source alternate methods of creating its products within a reasonable time and could suffer reputational damage. The Company's distribution arrangements may be terminated at the discretion of the counterparties, which could, in cases of material distribution agreements, materially adversely affect the Company. The impact of the COVID-19 pandemic may impact the ability of the Company's logistics suppliers to supply customers in a timely manner which may in turn cause reputational or financial damage.

(k) **Competition**

The medical device and medical cannabis industries are highly competitive and subject to rapid change. The Company competes or will in due course compete with other businesses. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Company will compete effectively with these companies, or with new companies that enter the industry. There is also a risk that the Company's competitors may develop a product or products that causes the Company's

products to become obsolete or unattractive to its current customers or potential consumers, with adverse effects on the Company.

(l) **Intellectual Property**

As the Company relies upon its own intellectual property to conduct its business it will need to protect its intellectual property. There may be circumstances where the Company's intellectual property cannot be protected or is subject to unauthorised disclosure, infringement or challenge by a third party. The Company may incur significant costs in asserting its rights in such circumstances. Even a registered patent can be invalidated in certain circumstances. Although the Company will seek to protect its intellectual property, there can be no assurance that these measures will be successful.

The Company relies on its ability to develop and commercialise intellectual property. A failure to protect its intellectual property successfully may lead to a loss of opportunities and adversely impact on the Company's operating results and financial position. There can be no assurance that any patents the Company may own or control or licence now and in the future will afford the Company a competitive advantage, commercially significant protection of the intellectual property, or that any of the projects that may arise from the intellectual property will have commercial application. Any challenge to the Company's intellectual property position, including its patents, would divert the limited resources of the Company away from its primary development program and may result in the Company requiring additional funds to complete that program. It may also result in the Company being unable to fully utilise its intellectual property portfolio or being required to in-licence certain intellectual property in order to be able to conduct its development program in a manner which will allow commercialisation of its products, and which may reduce the profits available from such activities. Any loss of key intellectual property of the Company will materially adversely affect the Company.

(m) **Infringement of Intellectual Property**

There is always a risk of third parties claiming involvement in technological and medical discoveries. Further, competition in retaining and sustaining protection of intellectual property and the complex nature of intellectual property can lead to expensive and lengthy patents disputes, for which there can be no guaranteed outcome. Some parties may be able to utilise their greater financial resources to sustain the costs of litigation or proceedings.

Securing rights to intellectual property, and in particular patents, is an integral part of securing potential product value in the outcomes of medical device research and development.

The granting of a patent does not guarantee that the rights of others are not infringed or that a competitor will not develop competing intellectual property that circumvents such patents. The patent position of medical device companies can be highly uncertain and frequently involves complex legal and scientific evaluation. The breadth of claims allowed in medical device patents and their enforceability cannot be predicted.

(n) **Australian Government R&D incentives may change**

The Company's development program includes anticipated receipt of research and development (**R&D**) tax incentives based on the Company's actual research and development spending. If the status of the Company or its connected entities should change or the Australian Federal Government changes its R&D incentive program in a manner which adversely affects the amount of funds available or the timing of receipt of such funds, there is a risk that the Company may need to obtain additional funds to complete the program.

No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company. As a result, the Company's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Company from commercialising its intellectual property and generating revenues.

(o) **R&D Claims**

In the last 3 years, the Company has received \$412,156 in R&D incentives. While the Company believes that its claims are substantiated with appropriate evidence, the Company cannot guarantee that the Australian Taxation Office (**ATO**) or another governmental authority may not in the future take a different view on some or all of those claims, in which case the Company may be compelled to refund amounts received to the ATO.

The Company employed an accounting firm with specialist expertise to assist it in making its R&D claims and the process employed by those accountants was rigorous. However, the legislation is complex, the issues are technical and should some or all of the Company's previous R&D refunds may be clawed back, this may have a material adverse impact on the Company.

(p) **Dependence on key personnel**

The success of the Company depends to a significant extent on the ability, performance and experience of its key personnel. The loss of key personnel or an inability to recruit or retain suitable replacement or additional personnel may impact the Company's ability to develop and implement its strategies, which may have an adverse effect on its future financial performance.

There can be no assurance that the Company will be able to attract or retain sufficiently qualified scientific and management personnel or maintain its relationship with key scientific organisations and contractors. The loss of key scientific and management personnel and the associated corporate knowledge of those people could have a detrimental impact on the Company and may adversely affect the Company by impeding the achievement of its research, product development and commercialisation objectives.

(q) **Dependence on key relationships and agreements**

The Company depends on the performance of its key commercial partners to successfully grow its business. The loss of any such relationships (including by termination of agreements between the Company and its key commercial

partners such as manufacturers and suppliers) may have a material adverse effect on the Company.

The Company has engaged third parties to assist with the supply, sales and marketing of its products. Accordingly, the success of the Company may depend, in part, on the performance of these third parties. Poor performance or breakdown of the Company's relationships with these commercial partners may lead to loss of or poor production quality and customer dissatisfaction. The Company's distribution arrangements may be terminated at the discretion of the counterparties, which could, in cases of material distribution agreements, adversely affect the Company's ability to generate revenue.

(r) **Development of new markets**

The Company's ability to manufacture and sell its products in countries beyond those in which it is currently authorised, is dependent upon regulatory clearances in target markets. If and when the Company seeks to expand into additional markets, the Company may not obtain the regulatory clearances that it requires for sale of its products in those markets or such approvals may be subject to delay.

(s) **Innovation risk**

Should the Company fail to develop new technologies, or anticipate or react to changes in existing technologies, either within or outside of its industry, development of new products may be materially delayed, which could result in a reduction in net sales and a loss of market share, with materially adverse impacts on the Company.

(t) **Currency risk and lack of hedging**

The Company is exposed to foreign currency risk, mainly through its foreign currency cash balances, receivables and payables denominated in foreign currencies. The Group's exposures are mainly against the US dollar (USD) and European euro (EUR) and are managed through continuous monitoring of movements in exchange rates, and by settling foreign currency purchases with proceeds from foreign currency income.

Currently, the Company does not have any currency hedging arrangements in place, but this may change if the Directors form the view that the cost of such arrangements is appropriate. This means the Company does not currently have measures in place to soften the adverse effect of currency movements.

(u) **Healthcare insurers and reimbursement**

In many markets, volumes of sales of medical devices are likely to be influenced by the availability and amounts of reimbursement of patients' medical expenses by third party payer organisations, including government agencies, private health care insurers and other health care payers.

There is currently no reimbursement available for the Company's products. Even if such reimbursement is provided, the approved reimbursement amounts

may not be sufficient to enable the Company to sell future products on a profitable basis.

(v) **Reputational risk**

The Company's reputation and brand and its products are important to the Company's standing in its industry. Reputational damage could arise due to a number of circumstances, including:

- (i) inadequate services or unsatisfactory clinical outcomes for patients;
- (ii) error, malpractice or negligence of the Company's employees; or
- (iii) error, malpractice or negligence of the licensed medical specialists recommending the Company's products.

Any reputational damage or negative publicity around the Company or its products could adversely impact its business, by preventing it from attracting and retaining high calibre professionals, reducing its attractiveness to licensing partners and adversely impacting on its ability to raise funds in the broader market, all of which would adversely affect the Company and impede the achievement of its commercialisation objectives.

(w) **Management of growth**

If the Company's business experiences rapid growth in the future, the Company may not be able to manage this growth effectively. There is no guarantee that, should demand for the Company's products reach a level where its current manufacturing is insufficient to meet demand, the Company will be able to expand or upgrade existing facilities, build or obtain access to new facilities or develop manufacturing technology to meet such demand.

(x) **Litigation and counterparty risks**

The Company is exposed to litigation risks, including contractual disputes and potential defaults by contract counterparties. In either case, the litigation may not yield the results or recovery hoped for. Such events may materially adversely affect the Company and its business. The Company is not currently engaged in any litigation.

(y) **Strategy and delay risks**

The Company's strategies and milestones it sets may be affected by changes in market conditions and other circumstances, such as risks mentioned in this Section. In such circumstances, there is potential for the delay of strategic milestones set by the Company, which may result in failure to achieve anticipated revenue within anticipated timeframes or at all and potential cost overruns.

(z) **Debt collection risk**

Customers may be slow, or fail, to pay the Company, impacting cash flow. Where a customer fails to pay, the Company may be required to engage in litigation to recover the funds due to it. As with any litigation, there can be no guarantee of success.

(aa) **International agreements**

The Company has entered, and may in future enter into, contractual relations with parties that are domiciled in foreign jurisdictions. Changes to laws or absence of legal remedies in those countries may adversely affect the Company's ability to carry on its business. It is costly for the Company to enforce compliance with contractual obligations in foreign jurisdictions and outcomes in those legal systems may differ from those in Australia.

(bb) **Acquisition risks**

As part of its business strategy, the Company may make acquisitions of, or significant investment in, complementary companies or prospects. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions. In many cases, acquisitions do not generate the value envisaged.

(cc) **Market failure**

The Company is dependent on commercially attractive markets remaining available to it. Commercial sales may not fund sufficient revenue for growth and potentially, continued operations, if it loses access to or its share of markets.

(dd) **Uncertainty of future profitability or dividends**

In light of nature of the Company's early stage business and the specific risks facing it as disclosed in this Section, the extent of future profits, if any, of the Company and the time required to achieve a sustained profitability, is necessarily uncertain. Moreover, the level of such profitability cannot be predicted.

If the Company is in the future in a position to pay dividends, the amount, timing and payment of future dividends is dependent on a range of factors including future capital and research and development requirements, as well as the overall financial position of the Company. The Directors are unable to give any assurance regarding the payment of dividends in the future, if at all.

(ee) **Insurance**

The Company maintains insurance where it is considered appropriate for its needs. However, the Company is not be insured against all risks, either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue. Accordingly, the Company may not be fully insured against all losses and liabilities that could unintentionally arise from its operations. If the Company

incurs losses or liabilities for which it is uninsured, the value of the Company's assets may be at risk.

(ff) **Legacy business risk**

The Company has previously carried on other businesses before focussing on commercialising its technology. The Company is not aware of claims in relation to those businesses, but there is a risk that claims in relation to the Company's legacy business may arise in future. This risk is exacerbated by the changes of personnel that have occurred since the Company's registration, which can cause a break in its institutional memory.

(gg) **Infectious disease pandemics**

Infectious disease pandemics such as the coronavirus have the potential to interrupt the Company's operations, impair deployment of its products to customers and prevent suppliers or distributors from honouring their contractual obligations. Such pandemics could also cause hospitalisation or death of the Company's existing and potential customers and staff.

While the Company has introduced a COVID-19 action plan including remote working to mitigate the effects of the current pandemic of the Company's operations, there is no guarantee that this plan will limit the impact of the pandemic on its operations and results.

4.3 **General risks**

(a) **Securities investments and share market conditions**

There are risks associated with any securities investment. The prices at which the securities trade may fluctuate in response to a number of factors.

Furthermore, the stock market may experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of companies. These factors may materially adversely affect the market price of the securities of the Company regardless of the Company's operational performance. Neither the Company nor the Directors warrant the future performance of the Company, or any return of an investment in the Company.

Share market conditions are affected by many factors, including:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;
- (iv) changes in investor sentiment towards equities or particular market sectors;
- (v) political instability;

- (vi) short selling and other trading activities;
- (vii) the demand for, and supply of, capital; and
- (viii) force majeure events.

(b) **Economic risk**

Changes in both Australia and world economic conditions may adversely affect the financial performance of the Company. Factors such as inflation, currency fluctuations, interest rates, industrial disruption, general economic outlook and economic growth may impact on future operations and earnings.

(c) **Government policy or regulatory change**

Any material changes in government policies or relevant legislation of the countries in which the Company may operate have the potential to affect the viability, profitability and progress of the Company's business.

(d) **Trade policy**

Access to international markets may be limited in the future, depending on trade policy. The Company's performance may be adversely affected by such changes in trade policy and, in particular, the trade policies of Australia, the USA, European Union and Canada (being the main markets in which the Company currently sells its products).

(e) **Unforeseen risks**

There may be other risks which Directors or management are unaware of at the time of issuing this Prospectus which may impact on the Company, its operations and/or the valuation and performance of the Shares.

(f) **Force majeure**

Force majeure is a term used to refer to an event beyond the control of a party claiming that the event has occurred. Significant catastrophic events – such as war, acts of terrorism, pandemics, loss of power, cyber security breaches or global threats – or natural disasters - such as earthquakes, fire or floods or the outbreak of epidemic disease – could disrupt the Company's operations and impair deployment of its products to customers, interrupt critical functions, reduce demand for the Company's products, prevent suppliers from honouring their contractual obligations to the Company or otherwise harm the business. To the extent that such disruptions or uncertainties result in delays or cancellations of the deployment of the Company's products, its business, results of operations and financial condition could be harmed.

(g) **Taxation**

There may be tax implications arising from applications for New Shares and on the future disposal of Shares. Potential investors should consult their professional tax adviser before deciding whether to apply for New Shares.

4.4 **Investment speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares offered under this Prospectus. Therefore, the New Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for New Shares pursuant to this Prospectus.

5. Material contracts

5.1 Underwriting Agreement

The Offers are fully underwritten by Mr W. Whitney George (**Underwriter**) for up to \$6,514,431.62 (**Underwritten Amount**), or 84,603,008 New Shares (**Underwritten Shares**), pursuant to an underwriting agreement between the Company and the Underwriter (**Underwriting Agreement**).

The Underwriter, together with his associates, is a current substantial Shareholder and has undertaken to support the Rights Issue by subscribing in full for his Entitlements, being \$1,833,795.16, or 23,815,522 New Shares.

The obligations of the Underwriter under the Underwriting Agreement are subject to the satisfaction of the following outstanding conditions precedent:

- (a) **(FIRB Approval):**
 - (i) the Underwriter receiving written notice under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**) by or on behalf of the Treasurer of the Commonwealth of Australia, stating that the Commonwealth Government has no objection under the Federal Government's foreign investment policy or under FATA to the Underwriter acquiring any of the Underwritten Shares as contemplated under the Underwriting Agreement, and that approval is subject to no conditions or only those conditions that the Underwriter reasonably considers to be acceptable; or
 - (ii) the Treasurer ceasing to be entitled to make an order under Part III of FATA in respect of the Underwriter acquiring all of the Underwritten Shares as contemplated by the Underwriting Agreement; and
- (b) **(ASIC Nominee):** ASIC approving pursuant to section 615 of the Corporations Act the appointment of the Nominee for the Rights Issue. The Company has applied to ASIC for this approval.

All valid Applications for New Shares pursuant to this Prospectus received and accepted by the Company, from all sources, will go towards relief of the obligations of the Underwriter under the Underwriting Agreement. Further, in the event an additional underwriter or underwriters are sourced during the Offer period, the Underwriter's obligation to subscribe for Shortfall Shares will be reduced to the extent of any commitment from additional underwriters.

No underwriting fees are payable to the Underwriter under the Underwriting Agreement. However, the Company is required to pay and indemnify the Underwriter against all reasonable costs and expenses of and incidental to the Rights Issue, including but not limited to the professional fees and disbursements of the Underwriter (including the application to FIRB) up to a total cap of \$25,000, provided that the aggregate of all costs and expenses does not exceed \$2,000 without the Company's prior consent.

The Underwriter will acquire the New Shares for investment purposes only and will not distribute the New Shares in the United States nor act as an underwriter within the meaning of section 2(a)(11) of the US Securities Act. The Underwriter may only transfer or sell the New Shares outside the United States offshore transactions not subject to the registration requirements of the US Securities Act (in compliance with Regulation S under the US Securities Act) and applicable US state securities laws.

As is normal for agreements of this nature, the Underwriter may terminate his obligations under the Underwriting Agreement if certain events occur before completion of the Rights Issue (**Unqualified Termination Events**). In respect of the occurrence of certain other events, the Underwriter's ability to terminate is limited to circumstances in which the Underwriter is of the reasonable opinion reached in good faith that the event has had or is likely to have a Material Adverse Effect or the event can be expected to give rise to a liability for the Underwriter under the Corporations Act or otherwise (**Qualified Termination Events**).

The Unqualified Termination Events are:

- (a) **(Prospectus)**: the Prospectus or the Rights Issue is withdrawn by the Company;
- (b) **(No Official Quotation)**: Official Quotation has not been granted by shortfall notice deadline date, being 5 June 2020, or, having been granted, is subsequently withdrawn, withheld or qualified;
- (c) **(Supplementary Prospectus)**: the Underwriter, having elected not to exercise its right to terminate his obligations under the Underwriting Agreement as a result of significant change, forms the view on reasonable grounds that a supplementary or replacement Prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement Prospectus in such form and content and within such time as the Underwriter may reasonably require;
- (d) **(Non-compliance with disclosure requirements)**: it transpires that the Prospectus does not contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of:
 - (i) the effect of the Rights Issue on the Company; and
 - (ii) the rights and liabilities attaching to the New Shares;
- (e) **(Misleading Prospectus)**: it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of sections 711, 713 and 716 of the Corporations Act) or if any statement in the Prospectus becomes or misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive;

- (f) **(Restriction on allotment)**: the Company is prevented from allotting the New Shares within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority;
- (g) **(Withdrawal of consent to Prospectus)**: any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent;
- (h) **(ASIC application)**: an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the shortfall notice deadline date has arrived, and that application has not been dismissed or withdrawn;
- (i) **(ASIC hearing)**: ASIC gives notice of its intention to hold a hearing under section 739 or any other provision of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus;
- (j) **(Takeovers Panel)**: the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act;
- (k) **(Authorisation)**: any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter;
- (l) **(Indictable offence)**: a director or senior manager of a Relevant Company is charged with an indictable offence;
- (m) **(Suspension)**: trading in Shares on the financial market operated by ASX is suspended for a minimum of 10 Business Days (other than with the prior written consent of the Underwriter), or the Shares cease to be officially quoted;
- (n) **(Event of Insolvency)**: an event of insolvency occurs in respect of a Relevant Company;
- (o) **(Suspension of debt payments)**: the Company suspends payment of its debts generally;
- (p) **(Official Quotation qualified)**: the Official Quotation is qualified or conditional other than as set out in the definition of "Official Quotation" in the Underwriting Agreement;
- (q) **(Certificate)**: any certificate which is required to be furnished by the Company under the Underwriting Agreement is not furnished when required; or
- (r) **(Timetable)**: there is a delay in any specified date in the timetable in the Underwriting Agreement which is greater than 5 Business Days without the prior written consent of the Underwriter.

The Qualified Termination Events are:

- (a) **(Default)**: default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;
- (b) **(Adverse change)**: an event occurs which gives rise to a Material Adverse Effect or any adverse change or any development including a prospective adverse change after the date of this agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of any Relevant Company including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;
- (c) **(Significant change)**: in the reasonable opinion of the Underwriter, at any time on or after the lodgement of the Prospectus, a new circumstance arises which is a matter materially adverse to investors in New Shares and which would have been required by the Corporations Act to be included in the Prospectus had the new circumstance arisen before lodgement of the Prospectus with ASX;
- (d) **(Certificate incorrect)**: a statement in any certificate provided to the Underwriter by the Company under the Underwriting Agreement is false, misleading, inaccurate, untrue or incorrect;
- (e) **(Prescribed Occurrence)**: a Prescribed Occurrence occurs;
- (f) **(Judgment against a Relevant Company)**: a judgment in an amount exceeding \$300,000 is obtained against a Relevant Company and is not set aside or satisfied within 7 days;
- (g) **(Force Majeure)**: a force majeure affecting the Company's business or any obligation under this agreement lasting in excess of 14 days occurs;
- (h) **(Certain resolutions passed)**: a Relevant Company passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
- (i) **(Capital Structure)**: any Relevant Company alters its capital structure in any manner not contemplated by the Prospectus;
- (j) **(Investigation)**: any person is appointed under any legislation in respect of companies to investigate the affairs of a Relevant Company;
- (k) **(Hostilities)**: there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of this agreement involving one or more of Australia, New Zealand, the United States, Canada, the United Kingdom, China, Hong Kong, Singapore, Japan or a member state of the European Union; or
- (l) **(Board and senior management composition)**: there is a change in the composition of the Board or a change in the senior management of the

Company before completion of the Offers without the prior written consent of the Underwriter.

The Underwriting Agreement contains various representations and warranties made by the Underwriter and the Company, which are customary in such agreements. The Company is not liable for any inaccuracy or breach of the warranties or representations if the inaccuracy or breach is, or the facts giving rise to the inaccuracy or breach were made known to the Underwriter in writing.

The Company has agreed to indemnify each of the Underwriter, its related bodies corporate and their officers, employees, partners, agents and advisers against any damage, loss, cost or expense (excluding any consequential loss or indirect loss) incurred directly in connection with the Rights Issue or the Underwriting Agreement. This is limited to losses other than losses caused from the wilful default, misconduct, fraud, negligence or breach of contract of the Underwriter or an indemnified party.

6. Additional information

6.1 Rights and liabilities attaching to Shares

A summary of the rights attaching to Shares in the Company is provided below. This summary is qualified by the full terms of the Constitution (a full copy of the Constitution is available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, the Shareholder should seek legal advice.

(a) **General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company. Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of Shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable, whether or not called (excluding amounts credited), on the Shares.

(c) **Dividend rights**

Subject to the rights of persons entitled to Shares with special rights as to dividends, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the shareholders in kind all or any of the Company's assets, and may for that purpose determine how the division is to be carried out as between the Shareholders or different classes of Shareholders but may not require a Shareholder to accept Shares or other securities in respect of which there is any liability.

(e) **Transfer of Shares**

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

(f) **Future increase in capital**

The issue of any new Shares is under the control of the Directors of the Company as appointed from time to time. Subject to restrictions on the issue or grant of Securities contained in the Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing Share or class of shares), the Directors may issue Shares and options over Shares as they shall, in their absolute discretion, determine.

(g) **Variation of rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

6.2 Company is a disclosing entity

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purpose of ASX making the information available to the securities market conducted by ASX. In particular, the Company has an obligation under the Listing Rules (subject to certain limited exceptions), to notify ASX once it is, or becomes aware of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a Directors' statement and report, and an audit review or report. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office (see Section 6.4 below). Copies of all documents announced to the ASX can be found on the Company's website.

6.3 Dividend Policy

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

6.4 Copies of documents

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of ASIC. The Company will provide free of charge to any person who requests it during the period of the Offers a copy of:

- (a) the Annual Report for the period ending 30 June 2019 lodged with ASX on 30 September 2019 (**Annual Financial Report**);
- (b) the Half Yearly Report for the period ending 31 December 2019 lodged with ASX on 2 March 2020; and
- (c) the continuous disclosure notices given by the Company to notify ASX of information relating to the Company during the period from the date of lodgement of the Annual Financial Report lodged with ASX on 30 September 2019, until the date of this Prospectus:

Date lodged	Subject of Announcement
11 May 2020	Updated Constitution
5 May 2020	Trading halt
27 April 2020	Appendix 4C - quarterly

Date lodged	Subject of Announcement
20 April 2020	Rhinomed receives R&D rebate
6 April 2020	Pronto Sleep US shelf space expansion
31 March 2020	Ceasing to be a substantial holder
26 March 2020	Change of Director's Interest Notice - RD
20 March 2020	Rhinomed Appoints Company Secretary
20 March 2020	Becoming a substantial holder - RD
20 March 2020	Change of Director's Interest Notice - RD
20 March 2020	COVID-19 BUSINESS UPDATE
16 March 2020	Change in substantial holding (WG)
2 March 2020	RNO FY20 H1 results presentation
2 March 2020	Half Yearly Report and Accounts
12 February 2020	Change in substantial holding (WG)
31 January 2020	Appendix 4C - quarterly
28 January 2020	Change of Director's Interest Notice - RD
28 January 2020	Change of Director's Interest Notice - MJ
28 January 2020	Change of Director's Interest Notice - EK
28 January 2020	Change of Director's Interest Notice - BS
28 January 2020	Appendix 3B
20 December 2019	Change in substantial holding (WG)
29 November 2019	2019 AGM Chairman's Address
29 November 2019	Results of Meeting
29 November 2019	Rhinomed AGM Presentation
30 October 2019	Appendix 4C - quarterly
25 October 2019	Notice of Annual General Meeting/Proxy Form
25 October 2019	Appendix 4G and Corporate Governance Statement

Date lodged	Subject of Announcement
25 October 2019	Annual Report to shareholders

The following documents are available for inspection throughout the period of the Offers during normal business hours at the registered office of the Company:

- (a) this Prospectus;
- (b) the Constitution; and
- (c) the consents referred to in Section 6.11 and the consents provided by the Directors to the issue of this Prospectus.

6.5 Information excluded from continuous disclosure notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules other than as is set out in this Prospectus.

6.6 Determination by ASIC

ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in offering and issuing the New Shares under this Prospectus.

6.7 Interests of Directors

(a) Information disclosed in this Prospectus

Other than as set out in this Prospectus, no Director holds or has held within the 2 years preceding lodgement of this Prospectus with ASIC, any interest in:

- (i) the formation or promotion of the Company;
- (ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Offers; or
- (iii) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director:

- (iv) as an inducement to become, or to qualify as, a Director; or
- (v) for services provided in connection with the formation or promotion of the Company, or the Offers.

(b) **Security holdings**

The relevant interests of each of the Directors in Securities as at the date of this Prospectus and their Entitlements under the Rights Issue (assuming no Options are exercised) are set out below.

Director	Shares	Unquoted Options	Entitlement
Michael Johnson ¹	385,934	8,000,000	192,967
Ron Dewhurst ²	9,000,000	5,000,000	4,500,000
Brent Scrimshaw ³	108,918	3,500,000	54,459
Dr Eric Knight ⁴	76,158	2,500,000	38,079

Notes:

1. Mr Johnson holds 5,000,000 Options exercisable at \$0.2998 each on or before 29 November 2023 and 3,000,000 Options exercisable at \$0.287 each on or before 21 December 2021.
2. Mr Dewhurst holds 3,000,000 Options exercisable at \$0.287 each on or before 21 December 2021 and 2,000,000 Options exercisable at \$0.2998 each on or before 29 November 2023.
3. Mr Scrimshaw holds 1,500,000 Options exercisable at \$0.287 each on or before 21 December 2021 and 2,000,000 Options exercisable at \$0.2998 each on or before 29 November 2023.
4. Dr Knight holds 1,500,000 Options exercisable at \$0.287 each on or before 21 December 2021 and 1,000,000 Options exercisable at \$0.2998 each on or before 29 November 2023.

It is the current intention of Messrs Johnson and Scrimshaw, and Dr Knight to take up all or part of their Entitlement specified above under the Rights Issue. Mr Dewhurst's current intention is to maintain his current voting power in the Company, either by taking up all or part of his Entitlement under the Rights Issue and/or purchasing Shares on-market following the Closing Date.

Note that following completion of the Offers, pursuant to the Company's long term incentive plan the Company intends to issue incentive securities to the management team, including but not limited to, Managing Director Michael Johnson and Chief Financial Officer Sean Slattery, comprising up to 5% of the Company's post-Offers issued capital. The final structure of these incentive securities is yet to be determined and the issue of them will be subject to Shareholder approval at the Company's next general meeting.

(c) **Remuneration**

The Constitution provides that the non-executive Directors may be paid for their services as Directors a maximum total amount of director's fees as determined by the Company in general meeting. The fees are to be divided among the non-executive Directors as the Directors shall determine, and in default of agreement then in equal shares.

A Director may also be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship.

Directors received the following remuneration for the financial year ended 30 June 2019:

Director	Directors' fees and salary (\$)	Cash bonus (\$)	Super-annuation (\$)	Share based payments (\$)	Total (\$)
Michael Johnson	304,670	115,000	20,330	307,950	747,950
Ron Dewhurst	95,890	0	9,110	307,950	412,950
Brent Scrimshaw	111,755	0	6,218	153,975	271,948
Dr Eric Knight	65,449	0	6,218	153,975	225,642

Directors received the following remuneration for the financial year ended 30 June 2018:

Director	Directors' fees and salary (\$)	Cash bonus (\$)	Super-annuation (\$)	Share based payments (\$)	Total (\$)
Michael Johnson	254,951	87,500	20,049	0	362,500
Ron Dewhurst	76,712	0	7,288	0	84,000
Brent Scrimshaw	54,795	0	5,205	0	60,000
Dr Eric Knight	54,795	0	5,205	0	60,000

Smart Street Solutions is a business associated with Mr Michael Johnson which provides consulting and marketing related services to the Company group. Smart Street Solutions received \$120,615 for the financial year ended 30 June 2019 and \$88,660 for the financial year ended 30 June 2018.

6.8 Related party transactions

There are no related party transactions involved in the Offers.

6.9 Interests of other persons

Except as disclosed in this Prospectus, no expert, promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity:

- (a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the New Shares offered under this Prospectus or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the New Shares offered under this Prospectus; or
- (b) has been paid or given or will be paid or given any amount or benefit in connection with the formation or promotion of the Company or the New Shares offered under this Prospectus.

HWL Ebsworth Lawyers will be paid approximately \$42,000 (plus GST) in fees for legal services in connection with the Offers.

Mr W. Whitney George has been appointed by the Company as Underwriter and will not be paid any fees in connection with the Offers.

Bell Potter will be appointed as nominee under Listing Rule 7.7 and section 615 of the Corporations Act (subject to ASIC approval) and will be paid the fees set out in Section 1.12(f) in connection with the Offers.

6.10 Expenses of Offers

The estimated expenses of the Offers are as follows:

Estimated expense	\$
ASIC lodgement and ASX quotation fees	23,800
Legal and preparation expenses	58,500
Printing, mailing and other expenses	12,700
TOTAL	95,000

6.11 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of Shares under this Prospectus), the Directors, any persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary

responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

HWL Ebsworth Lawyers has given its written consent to being named as the Solicitors to the Company in this Prospectus. HWL Ebsworth Lawyers has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Mr W. Whitney George has given his written consent to being named as the Underwriter to the Offers and to statements attributable to him in this Prospectus. Mr W. Whitney George has not withdrawn his consent prior to lodgment of this Prospectus with ASIC.

Bell Potter has given its written consent to being named as Nominee to the Company in this Prospectus. Bell Potter has not withdrawn its consent prior to lodgment of this Prospectus with ASIC.

7. Directors' authorisation

The issue of this Prospectus has been authorised by each of the Directors of the Company.

This Prospectus is signed for and on behalf of Company by:

A handwritten signature in black ink, appearing to be 'RD', with a long horizontal stroke extending to the right.

Ron Dewhurst
Non-Executive Chairman
Rhinomed Limited

Dated: 11 May 2020

8. Glossary

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

\$	means Australian dollars.
AEST	means Australian Eastern Standard Time, being the time in Melbourne, Victoria, Australia.
Applicant	means a person who submits an Application Form.
Application	means a valid application for New Shares and/or Shortfall Shares made on an Application Form.
Application Form	means the relevant application form for an Offer provided by the Company with a copy of this Prospectus, including an Entitlement and Acceptance Form and/or a Shortfall Application Form.
Application Monies	means the amount of money in dollars and cents payable for New Shares at \$0.077 per New Share pursuant to the Offers.
ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited.
Automic	means Automic Pty Ltd (ACN 152 260 814).
Bell Potter	means Bell Potter Securities Limited (ACN 006 390 772) (AFSL 243480).
Board	means the Directors meeting as a board.
Business Day	means Monday to Friday inclusive, other than a day that ASX declares is not a business day.
CHESS	means ASX Clearing House Electronic Subregistry System.
Closing Date	has the meaning given in Section 1.5.
Company	means Rhinomed Limited (ACN 107 903 159).
Constitution	means the constitution of the Company as at the date of this Prospectus.
Corporations Act	means <i>Corporations Act 2001</i> (Cth).
Directors	mean the directors of the Company.

EFT	means electronic funds transfer.
Eligible Shareholder	means a person registered as the holder of Shares on the Record Date whose registered address is in Australia, New Zealand, the Isle of Man or the United States (but only if (i) such person in the United States is an “accredited investor” as defined in Rule 501(a) under the US Securities Act and (ii) the Company would like to extend the Offers to such person taking into account any US state “blue sky” securities law requirements).
Entitlement	means the number of New Shares for which an Eligible Shareholder is entitled to subscribe under the Rights Issue, being 1 New Share for every 2 existing Shares held on the Record Date.
Entitlement and Acceptance Form	means the application form provided by the Company with a copy of this Prospectus that describes the entitlement of Eligible Shareholders to subscribe for Shares pursuant to the Rights Issue.
FIRB	means the Australian Foreign Investment Review Board.
Ineligible Foreign Shareholder	means a person registered as the holder of Shares on the Record Date who is not an Eligible Shareholder.
Issuer Sponsored	means Shares issued by an issuer that are held in uncertified form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.
Listing Rules	means the official listing rules of ASX and any other rules of ASX which are applicable while any Securities are admitted to the Official List, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.
Material Adverse Effect	means: <ul style="list-style-type: none"> (a) a material adverse effect on the outcome of the Offers or on the subsequent market for the New Shares (including, without limitation, matters likely to have a material adverse effect on a decision of an investor to invest in New Shares); or (b) a material adverse effect on the assets, condition, trading or financial position, performance, profits and losses, results, prospects, business or operations of the Company and its subsidiaries either individually or taken as a whole.
New Shares	means Shares offered under the Rights Issue.
Nominee	means Bell Potter.

Offers	means the Rights Issue and/or the Shortfall Offer, as applicable.
Official List	means the official list of ASX.
Official Quotation	means quotation of Securities on the Official List.
Option	means an option to acquire a Share, subject to the terms and conditions attaching to that option.
Prescribed Occurrence	<p>means:</p> <ul style="list-style-type: none"> (a) a Relevant Company converting all or any of its shares into a larger or smaller number of shares; (b) a Relevant Company resolving to reduce its share capital in any way; (c) a Relevant Company: <ul style="list-style-type: none"> (i) entering into a buy-back agreement or; (ii) resolving to approve the terms of a buy-back agreement under section 257C or 257D of the Corporations Act; (d) a Relevant Company making an issue of, or granting an option to subscribe for, any of its shares, or agreeing to make such an issue or grant such an option, other than an issue or agreement to issue in accordance with the Offer or the terms of this agreement; (e) a Relevant Company issuing, or agreeing to issue, convertible notes; (f) a Relevant Company disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property; (g) a Relevant Company charging, agreeing to charge, the whole, or a substantial part, of its business or property; (h) a Relevant Company resolving that it be wound up; (i) the appointment of a liquidator or provisional liquidator to a Relevant Company; (j) the making of an order by a court for the winding up of a Relevant Company; (k) an administrator of a Relevant Company, being appointed under section 436A, 436B or 436C of the Corporations Act; (l) a Relevant Company executing a deed of company arrangement; or (m) the appointment of a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of a Relevant Company.

Prospectus	means this prospectus dated 11 May 2020.
Record Date	means 7.00pm (AEST) on the date identified in the Timetable as the record date.
Relevant Company	means the Company and each subsidiary.
Rights Issue	means the offer under this Prospectus of up to approximately 84,603,008 New Shares to Eligible Shareholders in accordance with their Entitlements.
Section	means a section of this Prospectus.
Securities	mean any securities including Shares or Options issued or granted by the Company.
Share	means a fully paid ordinary share in the capital of the Company.
Share Registry	means Automic.
Shareholder	means a holder of Shares.
Shortfall Application Form	means the application form provided by the Company with a copy of this Prospectus that enables an investor to apply for Shortfall Shares pursuant to the Shortfall Offer.
Shortfall Offer	means the offer of the Shortfall Shares under this Prospectus.
Shortfall Shares	means the Entitlements not subscribed for under the Rights Issue.
Timetable	means the proposed timetable on page iii of this Prospectus.
Underwriter	means Mr W. Whitney George, who is also an Eligible Shareholder.
Underwriting Agreement	means the formal underwriting agreement between the Company and Mr W. Whitney George dated 8 May 2020, a summary of which is set out in Section 5.1.
US Securities Act	means the United States Securities Act of 1933, as amended.