AIRWAY TECHNOLOGY

RHINOMED

ANNUAL REPORT 2023

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AIRWAY TECHNOLOGY

RHINOMED

IMPROVING THE WAY WE

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

Rhinomed Limited (ASX: RNO, OTCQB: RHNMF) is a nasal and airway technology company developing and commercialising innovative products that improve breathing, help the diagnosis of upper respiratory diseases, and have the potential to enable more effective drug delivery.

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

Our relentless focus on identifying and understanding the needs of our customers, clinicians and patients drives the design and development of leading edge solutions. Rhinomed's novel nasal platform is protected by a family of 70 patents granted or in the process of being granted and 100 designs registered by brands and trademarks.

Rhinomed continues to pursue a strategy of creating category leading technologies that can have a long lasting impact on the health of people around the world. Over the course of FY23 Rhinomed has experienced considerable growth as more and more people try, use and are exposed to Rhinomed's unique offering. As we enter FY24 the company is well positioned to take advantage of significant opportunities in the global sleep, snoring, diagnostic and drug delivery markets.

LETTER FROM THE CHAIRMAN

It is my pleasure to present the Rhinomed Limited Annual Report for 2023.

After a sustained period of the headlines being dominated by the COVID-19 pandemic, it is fair to say that over the last year whilst the public preoccupation has reduced somewhat, the reality is that on the numbers, COVID-19 continues to be a major global health challenge as are other viral infections.

What has occurred, is that society has found a way to move forward and co-exist with COVID-19 but that has not diminished the focus and concerns of health experts around the world as new variants mutate.

A major focus for Rhinomed over the last year has been the advancement of our work in developing our swab capabilities, most importantly, not just for COVID-19 detection but other respiratory viruses and infections.

This evolution from singular focus on detection of the COVID virus has been a major development that has been demanded and welcomed by the medical industry.

A particular priority for Rhinomed is in the paediatric space where our novel product has garnered significant interest, particularly in North America and Europe.

We have partnered with major Canadian Rapid Antigen Test ("RAT") supplier, BTNX, to package our swab and their RAT together. We are currently awaiting final FDA approval for the combined product, having already received FDA approval for our stand alone product. It should be noted that BTNX has supplied over 350 million COVID-19 RATs to the North American market. Rhinomed has similar opportunities in Europe and other global markets with other partners or potential partners.

We also wish to highlight the progress we continue to make in our traditional Mute sleep product.

We are particularly excited by the progress we have made in our online distribution through the Amazon network in North America, and further market penetration we have made in the Australian market highlighted by our recent addition as a supplier to the large Chemist Warehouse group.

The sleep market continues to receive growing global attention by medical practitioners and experts, and Mute is recognised as one of the most prominent growing products in this category. We continue to devote time and resources to build on the presence and profile of Mute.

I wish to pause for a moment and highlight the challenges and demands of building a small cap company in the current operating environment. The public markets both in Australia and globally have been difficult for smaller companies.

That comes with the territory, and we at Rhinomed recognise that shareholders in the smaller end of the market have endured challenging times. There is often a disconnect between the size of the opportunity for our products, and how the stockmarket is prepared to acknowledge and reward those prospects in different market conditions. We cannot control those realities, and importantly, our best energy is spent on building the Rhinomed business and pursuing our longer term strategy.

That said, as we build our company, we need to ensure that as a Board we do whatever is necessary to position our company to give it the best chance to succeed.

We run a business which is headquartered in Melbourne, but the bulk of our revenue is generated in North America and if we are to deliver on our aspirations our greatest growth opportunities is in internationals markets. We are increasingly devoting more time to ensure we structure ourselves to support and grow our manpower and allocate capital where needed.

I wish to thank our CEO Michael Johnson and our talented team both in Australia, and importantly in the U.S. Your passion and devotion is recognised and applauded.
Finally, to my Board colleagues, thank you for your commitment, counsel, and support.

RON DEWHURST
CHAIRMAN

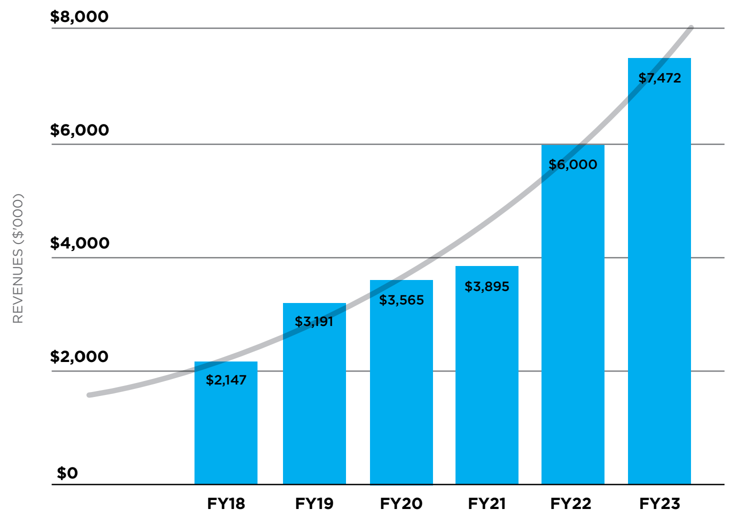
LETTER FROM THE CEO & MANAGING DIRECTOR

In FY23 your company made strong progress across our technology portfolio and in multiple markets. Our strategy is to use our novel intellectual property portfolio to create a range of unique and highly valuable health solutions, while in parallel building a high value global distribution network in the consumer health and diagnostic markets. We remain committed to deliver on this strategy.

In FY23 our focus was on continuing to grow our Mute brand within the global sleep and snoring market.

This market is reaching new heights as more and more people recognise the underlying importance of sleep and respiration and its impact on both physical and mental health. We are pleased to report that while our total revenue declined from $9.1m to $7.5m due to delays in Rhinoswab revenues, our Consumer Health Revenues grew by 24% from $6.0m in FY22 to $7.5m led by our Mute anti-snoring technology.

FULL YEAR REVENUES - CONSUMER HEALTH ONLY

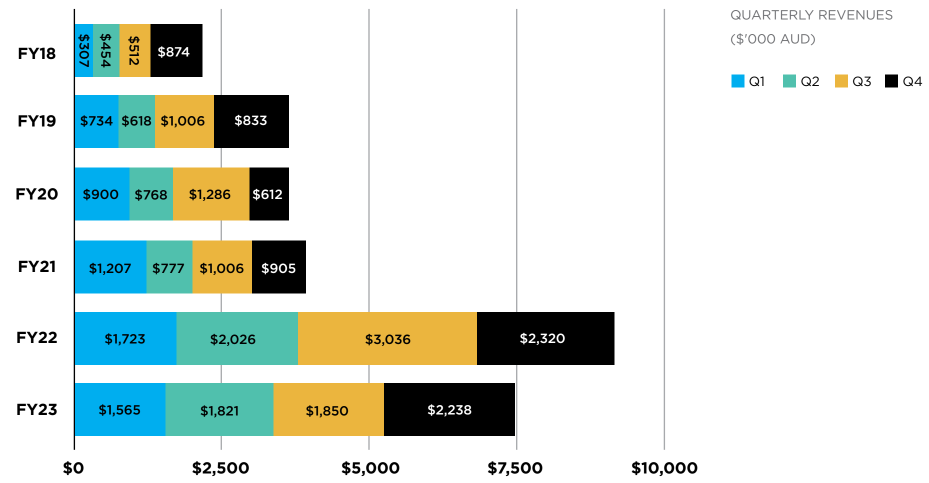


CREATING A GLOBALLY LEADING BRAND IN CONSUMER HEALTH

The Mute technology is an easily inserted, comfortable and fully adjustable nasal stent or dilator. By opening the nasal airway Mute can significantly increase airflow through the nose which can assist with respiration and consequently, reduce snoring.

Rhinomed is executing a strategy that seeks to build awareness of the technology in parallel to building out a global retail distribution network. Pleasingly, the business saw positive growth from our global retail network of pharmacy chains and grocery stores which are carrying our leading Mute snoring and sleep brand.

Over the course of the year we added the Terry White chain in Australia, further expanded our presence in iconic North American drugstore chain Walgreens, while also continuing to expand our presence in the USA grocery channel through the addition of the Ingles grocery chain in the USA. The company was particularly pleased to advise investors that post June 30, we welcomed the Chemist Warehouse chain to our global retail network. We expect to see Mute available in Chemist Warehouse stores throughout Australia over the coming months. This will add significant coverage and growth over the course of FY24.



ANNUAL GLOBAL SLEEP AND SNORING REPORT

Our online presence continues to build. Amazon remains an important channel to market for the business. In the US, our Mute brand remains a leading solution in the snoring market. Our entry in the Amazon UK and Australian markets is delivering solid growth and in FY24 we will expand further with the inclusion of Amazon Germany. The company is well positioned to build a substantial footprint as we seek to ensure consumers can gain access to our Mute product whenever they need and wherever they shop.

Over the course of FY23 Rhinomed released the second Annual Global Snoring and Sleep report. This year we partnered with global online health information leader WebMD. This report continues to highlight the important role sleep and respiration play in the lives of people all over the world. It also shines a spotlight on the considerable market opportunity Rhinomed is pursuing - the significant numbers of people that snore.

Snoring affects close to 57% of the global population. It remains a key issue affecting the lives and relationships of millions of people. By focusing on delivering solutions to these customers Rhinomed is building a significant presence as a brand and thought leader in the market and a leading provider of solutions, information and education for the broader population.

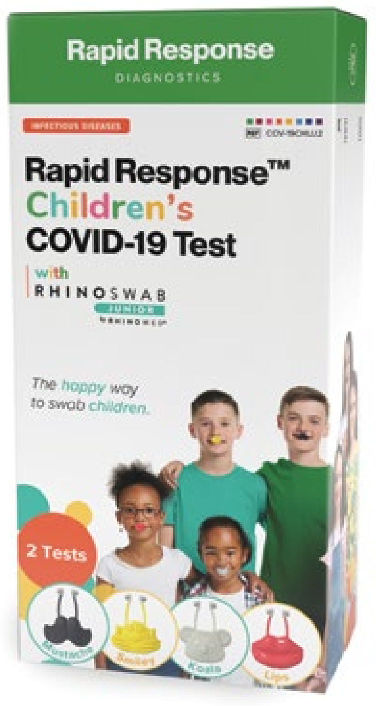
Over the course of the year our customer numbers continued to grow as we shipped 445,360 (up 13% on the previous year) packets of Mute and our Turbine sports breathing technology to customers all around the world.

The Turbine remains a niche sporting technology. Its role in educating people about the role of nasal breathing during aerobic activity continues to build. The emergence of the biohacking market provides an exciting opportunity for the Turbine brand.

RHINOSWAB PLATFORM

Our diagnostic business also continues to build a growing presence. Our novel Rhinoswab technology has established clinical equivalence to the highly invasive combined nose and throat swab while also establishing clear market leading user preference. Both the Rhinoswab adult and Rhinoswab Junior have also established regulatory clearance in Australia, Europe, Malaysia, Canada and the USA.

During FY23 we have been actively working with our Rapid Antigen Test partners to include the Rhinoswab platform into a range of lateral flow tests. This included the widely available Covid-19 tests but will also include in the near future combination tests that include not only Covid but also RSV and Flu A&B.



The path to regulatory clearance for the Rapid Antigen Tests including our Rhinoswab technology has been frustratingly slow in the North American market in particular. Despite already having regulatory clearance for the Rhinoswab(s) in these markets and partnering with test companies whose tests already have clearance; as at the time of the writing of this report we are still waiting for final regulatory clearance for the combined product. While revenues from our Rhinoswab business have been delayed, the company expects that these regulatory delays will be resolved over the course of FY24 which will unlock several significant growth opportunities across the Australian, North American and European markets.

Investors should note that the commercial opportunity for in-home testing of respiratory diseases remains significant. Over the course of the last three years, the concept of in-home testing has moved from a nascent and niche idea to a mainstream health staple. Consumer research carried out by the Consumer Health Products Association in the USA reported that some 56% of American consumers expect to home test.

The growth of this Rapid Antigen Test market globally is substantial. While initially these tests were bought and distributed by Governments, as the pandemic moved to a new phase, the burden of testing and acquiring tests was moved back to the consumer. As a result, consumer health channels are now seen by both Governments and consumers as the destination through which to acquire these tests. This has translated into significant retail sales in all major markets. We note that in the 12 month period ending 26th March 2023, some US$3.4 billion Covid Rapid Antigen Tests were sold in the USA through the food, drug and mass market channels. The expectation amongst health agencies is that Covid will remain a fixture for some years to come. In addition, global communities continue to be assailed by annual waves of upper respiratory disease including Flu variants, RSV etc.

The Rhinomed Rhinoswab platform standardises the sample collection process for the first time thereby significantly improving sample integrity. In addition, our patented superior design radically improves the patient, consumer and clinician experience. In a diagnostic market, be it molecular based or rapid antigen, where there is very little to no differentiation between tests and where the user experience is more often ignored, the Rhinoswab platform offers a compelling opportunity to grow significant market share for our testing partners. For this reason we remain committed to executing our Rhinoswab strategy to radically improve both sample integrity and the testing experience for consumers, patients and clinicians.

LETTER FROM
THE CEO

RHINOMED
2023

A UNIQUE PLATFORM TECHNOLOGY

Our goal is to build are strong and sustainable revenue growth. In parallel, we will continue to identify new opportunities for our novel platform technology. We believe that there is substantial opportunity in both the diagnostic and drug delivery markets and are identifying further opportunities to expand our platform. While the Rhinoswab program remains our more immediate focus in FY24 we anticipate that the nasal drug delivery program will continue to provide some exciting opportunities for partnering in the future.

POSITIONED FOR THE FUTURE

As FY24 begins it is clear that there have been many fundamental changes in the way healthcare is delivered globally. The evolution of the 'test to treat' cycle has been dramatic since the onset of the pandemic with Governments and communities actively seeking ways to not only shorten the time involved but the overall cost of this cycle. Rhinomed believes that the Consumer healthcare channel will continue to play a critical role in delivering on these objectives.

Consumers and patients can now readily access information and solutions online to an ever increasing range of health issues. The growth of e-health services, especially in the USA is also worthy of note and we have no doubt that AI will also play a key role in improving the economic efficiency and the individual health outcomes for people all around the world. Our strategy of developing solutions that improve the user experience for consumers, patients and clinicians and building compelling and highly differentiated brands that communicate these solutions provides a strong position from which we can take full advantage of a number of key themes:

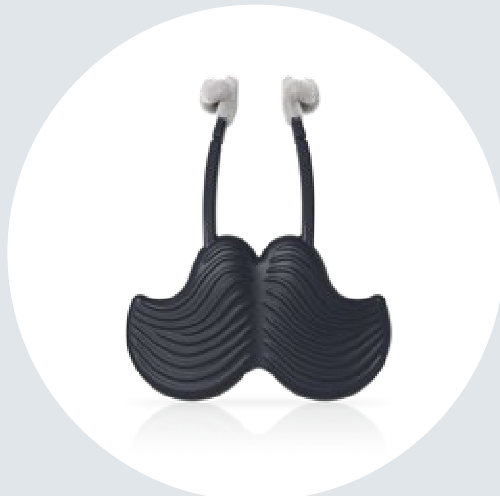
- Firstly, the growing awareness of sleep and the importance of breathing has never been more widely recognised. Whether its clinicians or patients, consumers or Government, there is no doubt that the role and importance of sleep and breathing is now well known and acknowledged.
- Secondly, the role of the nose - especially as it relates to upper respiratory disease - is well accepted clinically and by the community at large. The pandemic has educated people on a mass scale about the role the nose plays in diagnosis of disease. It is highly possible that the vast majority of the world's population have had something stuck up their nose over the last three years. This has created a unique opportunity for Rhinomed to educate and inform people about our technology in a new and powerful manner.

We are excited about FY24 and beyond. Rhinomed's prospects have never been more compelling and this in no small part due to our exceptional team. Despite the challenges we have collectively faced over the last year, our team remains focused on the important things.
Our board continues to challenge, inspire and actively drive us forward, while our dedicated team ensures that all our customers, wherever they are in the world, remain our daily focus. It is an absolute privilege to work with each and every one of them.

Finally, I thank our shareholders, who have stood by the company over its journey to date. You have supported the creation of what is truly a unique platform technology; a platform that continues to make a positive impact on the lives of hundreds of thousands of people around the world every year. We believe that this impact will only continue to grow and look forward to sharing that success with you.

MICHAEL JOHNSON
Chief Executive
Officer and
Managing Director

INTELLECTUAL PROPERTY



INTELLECTUAL PROPERTY

MUTE

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

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

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

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

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

During 2023, the Mute patent achieved granted status in the USA.

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

TURBINE

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

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

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

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

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

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

RHINOSWAB &
RHINOSWAB JUNIOR

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

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

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

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

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

The Rhinoswab by Rhinomed trademark is registered for use.

CORPORATE
DIRECTORY

RHINOMED
2023

CORPORATE DIRECTORY

DIRECTORS

MR MICHAEL JOHNSON
Executive Director and Chief Executive Officer

MR RON DEWHURST
Non-Executive Chairman

MR BRENT SCRIMSHAW
Non-Executive Director

DR ERIC KNIGHT
Non-Executive Director
(resignation effective 30 September 2022)

ASSOC. PROF. JOHN MCBAIN AO
Non-Executive Director

MS LYNETTE SWINBURNE AO
Non-Executive Director
(appointed 8 september 2022)

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

MR SEAN SLATTERY

AUSTRALIAN BUSINESS NUMBER ('ABN')

12 107 903 159

REGISTERED AND PRINCIPAL OFFICE

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

SHARE REGISTER

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

AUDITOR

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

SOLICITORS

HWL Ebsworth
L8, 447 Collins Street
Melbourne VIC 3000
T +61 (0) 3 8644 3500

BANKERS

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

STOCK EXCHANGE LISTINGS

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

WEBSITE

www.rhinomed.global

CORPORATE GOVERNANCE STATEMENT

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

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors are pleased to present their report, together with the financial statements, of the consolidated group consisting of Rhinomed Limited and the entities it controlled (the 'Group') at the end of, or during, the year ended 30 June 2023.

DIRECTORS

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

Mr Michael Johnson
Executive Director and Chief Executive Officer

Mr Ron Dewhurst
Non-Executive Chairman

Mr Brent Scrimshaw
Non-Executive Director

Assoc. Prof. John McBain AO
Non-Executive Director

Ms Lynette Swinburne AO
Non-Executive Director
(appointed 8 September 2022)

Dr Eric Knight
Non-Executive Director
(resignation effective 30 September 2022)

PRINCIPAL ACTIVITIES

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

DIVIDENDS

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

REVIEW OF OPERATIONS

Rhinomed is a wearable nasal and respiratory medical device company. Rhinomed is actively seeking to improve the way millions of people around the world breathe, sleep, take medication and maintain their health by utilising the nose as a site for the delivery of novel solutions.

We achieve this goal by assisting people to overcome nasal breathing issues, such as congestion and obstruction, and socialise 'wearing' a device in the nose in order to solve high value unmet needs in the global consumer health, diagnostic, and drug delivery markets. Our strategy is to ensure our products are available online and on the shelves of the world's leading pharmacy/drugstore, grocery and mass market retailers and are recommended by leading clinicians and practitioners who recognise the impact the nose and upper airway has on a wide range of health issues.

The focus during the year ended 30 June 2023 has been to optimise Rhinomed's wearable technology platform across both the growing sleep and respiratory consumer health markets and to execute our go-to-market strategy for our solutions in the global point of care diagnostics market.

The loss for the Group after providing for income tax amounted to $10,908,255 (2022: $5,281,038).

The Group held cash reserves of $190,412 at 30 June 2023 (2022: $1,984,949), a decrease of $1,794,537 from the previous year. The Group also had access to an undrawn working capital facility of $1.25m which was not drawn down at 30 June 2023, originally expiring on 31 July 2023, which has subsequently been extended to 1 October 2024. As at 30 June 2023, the Group's net (liabilities)/assets were ($6,405,761) (2022: net assets of $5,034,638) and the net carrying value of the Group's intangible assets was $nil (2022: $1,870,108) following amortisation of $277,507 and impairment of $1,592,601 during the financial year.

The Group loss of $10,908,255 consists of an operating loss of $10,597,203 (increase of 102% compared to FY22), depreciation and amortisation costs of $891,984 (up 28% compared to FY22), impairment of intangible assets and inventory of $2,486,577 (FY22 $nil), and employee benefit expenses of $4,889,659 (up 28% compared to FY22). For the year ended 30 June 2023, there were no non-cash amounts relating to options granted (2022: $nil).

Net cash used in operating activities was $7,177,948 increasing from $5,743,485 in FY22. Operating expenditure is aligned with revenue generation and investment to support the sales growth in key markets. This includes the continued growth and roll out of the Mute technology and as a result, Consumer Health sales represented 100% of total revenue during FY23 (2022: 66%).

Total Consumer Health revenue for the Group for the year ended 30 June 2023 totalled $7.5 million which represents 445,360 units shipped. Consumer Health revenue increased by 24% from FY22.

Over the course of FY23 the Group's Consumer Health business has experienced robust growth across three key markets, the USA, EMEA, and APAC. Despite the ongoing impact of both the pandemic and a growing level of economic uncertainty on consumer spending, the Group's flagship Mute snoring relief and sleep aid technology has maintained strong growth via both global retail bricks and mortar networks and through online ecommerce channels.

The Mute brand continues to gain traction and build awareness. During FY23, Mute continued to carve out a position as a leading brand and solution for those seeking a solution to snoring, nasal congestion and poor nighttime respiration and sleep. During the year, the Group continued to invest in a marketing program that positions Mute as a credible category leading solution. This included partnering with global online medical advice company WebMD to produce the second annual global sleep and snoring report. This key report looks at the responses from 6,000 people in the UK, the USA and Australia and further reinforces the significant market opportunity Rhinomed is pursuing.
The report is unique and builds on Rhinomed's thought leadership in the global snoring market.

While brand awareness continues to build across the US, the UK and Australia, growth was complemented by an ever-increasing shelf presence. Over the course of the financial year the Group has continued to add new retail chains to our extensive global retail network. This has included both pharmacy and grocery retailers in the US, the UK and in Australia. Notably, in Australia, the Group added the Terry White chain early in FY23 and at the close of the financial year, Chemist Warehouse. While these additions significantly strengthen the Group's global retail reach, existing key accounts such as the US based Walgreens chain also grew. Following category reviews and strong performance, Walgreens expanded the presence of Mute into over 7,000 Walgreens stores across the USA.

Complementing the increased retail reach, the Group further continued its customer growth via key online channels such as Amazon. Online revenue remains a key source of sales and has grown over 38% over the last 12 months.
Over the course of the financial year the Group expanded its presence on Amazon in both the UK and Australian markets. In line with previous guidance, the Group has established a German subsidiary, Rhinomed EU GmbH, through which regulatory approval has recently been received. The Group expects to see revenues from Amazon Germany commence across 1H in FY24.

The Rhinoswab program continued to gain momentum over the course of FY23. The Group delivered on key milestones including the completion of key clinical trials and the publication of these studies in peer reviewed journals, regulatory approvals, and the development of key relationships with lateral flow test manufacturers and distributors.

The Rhinoswab technology represents a step change in the way nasal samples are collected. The Rhinoswab technology standardises the sample collection process for the first time, delivers the clinical equivalence to a combined nose and throat swab, and radically improves the user experience for both adults and children. Both Rhinoswab and Rhinoswab Junior are compatible with PCR and Rapid Antigen Tests. The Rhinoswab Junior is the world's first nasal swab designed specifically for children.

Rhinomed's goal is to establish the Rhinoswab and Rhinoswab Junior as the gold standard for nasal sample collection for upper respiratory infection diagnosis. Our first step is to ensure that the Rhinoswab Junior is the preferred swab for sample collection in children. After releasing the Rhinoswab program in Q1 of FY22, Rhinomed supplied both the NSW government and the Victorian governments as they rolled out their Covid-19 testing programs. As investors would be well aware, the SARS-CoV-2 pandemic has evolved to a new stage of its lifecycle. While Governments across the globe were significant purchasers of both swabs and lateral flow test kits in the initial phase of the pandemic, they have now largely ceased these purchasing activities with emphasis now placed on individuals to source testing solutions through the traditional consumer health channels.

The growth of the home testing market has been significant over the course of the last 12 months. According to data from industry research group Circana, in the USA alone over $3.4 billion of Covid Rapid Antigen Tests were sold through the food, drug and mass market retail channels in the 52 weeks to end of 23 April 2023. Rhinomed believes that this emerging market will continue to be a significant global opportunity.

Over the course of this financial year, the Group has focussed on the process of getting lateral flow/Rapid Antigen Test companies to include the Rhinoswab and specifically, the Rhinoswab Junior in their test kits.

This process has taken some time and has involved the manufacturing test kit companies liaising with the relevant regulatory authorities in order to amend their existing regulatory approvals to include the Rhinoswab. As investors with a knowledge of the medical technology sector will appreciate, the regulatory process is both long and complex. Rhinomed remains confident that by working closely with its partners we can navigate the regulatory pathways and deliver the appropriate regulatory approvals in a timely manner.

While this process is taking place, Rhinomed has begun leveraging its extensive existing retail network as a channel through which it can ensure these innovative Rapid Antigen Test kits can get to market quickly. As a result, toward the end of the financial year, Rhinomed commenced early discussions with existing key retailers to gauge their interest in what would be the first Covid Rapid Antigen Test kit for children in each of the respective markets. The company will update investors on these discussions over the course of the first half of FY24.

OUTLOOK

The company remains focused on delivering growth based on key metrics:

- Grow and own the sleep/snoring category in core consumer health markets;
- Expand Rhinomed's offering in the snoring category to continue to drive category leadership;
- Leverage the success with Amazon US, Australia and UK as the Group enters the European market via Amazon Germany;
- Increase distribution amongst our existing key accounts in each geography and strategically add retailers across the pharmacy/drug store, grocery and mass market channels;
- Work closely with the Group's Rapid Antigen Test kit partners to successfully launch the Rhinoswab Junior in a range of test kits within the Australian, North American, European, and Indian markets over the course of FY24;
- Deliver strong high margin revenue growth; and
- Achieve positive net cash flow and sustainable growth positions moving forward.

BUSINESS RISKS

The Group recognises that risk is present in all aspects of its business and that managing risk effectively is essential in meeting the expectations of all shareholders, employees, customers, suppliers, and regulators. These risks include Rhinomed's ability to:

- Implement and execute its business strategy;
- Develop its products;
- Identify and secure capable commercialisation partners on profitable terms;
- Obtain regulatory approval approval for its products;
- Establish cost competitive and reliable supply chains for its products;
- Manage expanding operations; and
- Respond effectively to competitive pressures and developments.

(A) REGULATORY APPROVAL

The Group's products are subject to various laws and regulations including, but not limited to, regulatory approval and quality compliance. Data obtained from clinical activities are susceptible to varying interpretations, which could delay, limit or prevent regulatory approval or clearance.

Before the Group or its commercialisation partners can undertake further clinical trials or market and sell its products, the products must be demonstrated to be safe and effective and of suitable quality and must obtain necessary approvals from regulatory authorities (for example, the Australian Therapeutic Goods Administration and the United States Food and Drug Administration). Such approval may take longer than anticipated, require additional trials to be undertaken, or may not be provided at all.

As a result, the Group's ability to commercialise any new products may be delayed or halted until such funds are raised, in turn delaying the Group from generating revenues.

Changes in laws and regulations (including interpretation and enforcement) could also adversely affect the Group's ability to meet compliance costs and to market, distribute and sell its products. It is also not possible to predict the likelihood, nature or extent of changes in government regulation that may arise.

The Group monitors legislative and regulatory developments and engages proactively with key stakeholders to manage this risk.

(B) SUFFICIENCY OF FUNDING

As at 30 June 2023, the Group had cash and cash equivalents of $190,412, a net working capital deficiency of $6,850,298 and net liabilities of $6,405,761. While at the date of this report, the Group has sufficient forecast cash to sustain operations for the next 12 months, beyond this, the ability of the Group to continue as a going concern is principally dependent upon securing additional working capital to sufficiently fund the continued development, commercialisation, operations, and its other longer-term objectives. The Group's ability to raise additional funds will be subject to, among other things, factors beyond the control of the Group and its Directors, including cyclical factors affecting the economy and share markets generally. If for any reason the Group was unable to raise future funds, its ability to achieve its milestones or continue future development/commercialisation of its technology and products would be significantly impacted.

The Directors regularly review the cash flow requirements to ensure the Group has sufficient cash inflows to settle its creditors and other liabilities. In addition, the Group is eligible for certain government grants and R&D tax incentives.
To meet the Group's short-term obligations the following events have occurred subsequent to 30 June 2023;

(a) The Group has signed a distribution agreement and a supply agreement with Virax Biolabs Group Holdings Ltd. Rhinomed will supply Rhinoswab Junior for inclusion in a new Covid, RSV and Flu A and B lateral flow test that will be released in Europe over the course of FY24. This agreement is on a non exclusive basis and Rhinomed will work closely with Virax to introduce the test kits initially into its existing retailer network in the UK and following that, into Europe.
(b) John McBain has agreed to extend his line of credit of $1,250,000 forward until 1 October 2024, $600,000 of which has been drawn down subsequent to 30 June 2023.
(c) On 26 September 2023, the agreement relating to the unsecured fully drawn loan of US$2,500,000 was amended for the following:
- Replacement of the word "must" with the word "may" in relation to repayment clauses in the loan agreement triggered by capital events and internally generated revenues and cash flows; and
- Extension of the expiry date to 1 October 2024 (previously 30 June 2024).

(d) The Group entered into a further unsecured loan facility to finance working capital on 25 September 2023. The total available amount under the loan is US$1,970,000 and is repayable no later than 1 October 2024 or as agreed by both parties. The facility was fully drawn on 27 September 2023. If the Group raises funds by way of:
  (i) A capital event (including an equity raise, issue of convertible note, or capital raise), the net proceeds raised may be applied in repayment of the loan; or
  (ii) Internally generated revenues and cash flows from commercial operations, the net cash received may be applied in repayment of the loan.

The loan has a fixed rate of 8%, and is a US dollar denominated loan which is carried at amortised cost. There are no facility or transaction fees payable on this loan facility.

When required, the Group will explore further potential funding opportunities to meet any additional obligations as they arise.

(C) SUPPLY RISK

The Group's products are manufactured using a unique, novel and highly specialised manufacturing process. The Group relies on supply relationships with third party organisations for raw materials and other consumables. An inability of these third party organisations to continue to supply the Group in a timely, economical and/or consistent manner could result in inventory shortages. Any sustained inventory shortage would have a material impact on the financial performance of the Group.

Mitigation measures employed by the Group include performing rigorous due diligence on suppliers, engaging suppliers with strong track records and sufficiently capability to meet the Group's foreseeable needs, and employing a senior manager responsible for managing and monitoring the performance of third parties including suppliers.

(D) INTELLECTUAL PROPERTY

The Group's ability to leverage its innovation and expertise is dependent on its ability to obtain and protect its intellectual property including maintaining patent protection for its product technology.

The Group relies on its ability to develop and commercialise intellectual property. A failure or inability to protect its intellectual property rights could lead to a loss of opportunities and adversely impact the Group's operating results and financial position.

The Group proactively monitors applications and renewals of patents and licences and requires relevant stakeholders to comply with the requirements set out in confidential policies.

(E) CURRENCY RISK

Expenditure in overseas jurisdictions is subject to the risk of fluctuations in foreign exchange. The Group's payment obligations to many of its third-party services providers, including its manufacturer, are expected to be in foreign currency. If there are adverse currency fluctuations against the Australian dollar, there is a risk that the cost of manufacturing may cost more than that budgeted for and as a result, the Group may need to obtain additional funds to ensure sufficient inventory levels.

When foreign currency expenditure exceeds foreign currency revenue and foreign currency cash, the Group may consider purchasing foreign currency to meet anticipated requirements under spot or forward contracts.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to 30 June 2023, the Group has signed a distribution agreement and a supply agreement with Virax Biolabs Group Holdings Ltd. Rhinomed will supply Rhinoswab Junior for inclusion in a new Covid, RSV and Flu A and B lateral flow test that will be released in Europe over the course of FY24. The agreement is on a non exclusive basis. Rhinomed will work closely with Virax to introduce the test kits initially into its existing retailer network in the UK and following that, Europe. Rhinomed will update investors on further details of this agreement in due course as they become material.

On 26 September 2023, the agreement relating to the unsecured fully drawn loan of US$2,500,000 was amended for the following:

- Replacement of the word "must" with the word "may" in relation to repayment clauses in the loan agreement triggered by capital events and internally generated revenues and cash flows; and
- Extension of the expiry date to 1 October 2024 (previously 30 June 2024).

The Group entered into a further unsecured loan facility to finance working capital on 25 September 2023. The total available amount under the loan is US$1,970,000 and is repayable no later than 1 October 2024 or as agreed by both parties. The facility was fully drawn on 27 September 2023. If the Group raises funds by way of:

a) A capital event (including an equity raise, issue of convertible note, or capital raise), the net proceeds raised may be applied in repayment of the loan; or
b) Internally generated revenues and cash flows from commercial operations, the net cash received may be applied in repayment of the loan.

The loan has a fixed rate of 8%, and is a US dollar denominated loan which is carried at amortised cost. There are no facility or transaction fees payable on this loan facility.

On 26 September 2023, as part of the unsecured working capital facility, John McBain agreed to extend his line of credit of $1.25m forward until 1 October 2024, $600,000 of which has been drawn subsequent to 30 June 2023.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

ENVIRONMENTAL REGULATION

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

INFORMATION ON DIRECTORS

MR MICHAEL JOHNSON	EXECUTIVE DIRECTOR & CHIEF EXECUTIVE OFFICER ('CEO')
EXPERIENCE AND EXPERTISE	Highly experienced leader and innovator with a focus on the successful commercialisation of emerging technologies. Since joining Rhimomed Mr Johnson has been responsible for the development of Rhinomed's nasal technology platform and has led Rhinomed to being one of the world's leading developers of wearable nasal medical technology. The company has successfully commercialised six products including solutions in the global sleep, snoring, and respiratory markets. More recently, and in response to the global pandemic, Mr Johnson has led the development of the revolutionary new Rhinoswab and Rhinoswab Junior – the world's first nasal swab designed specifically for children. Over the course of his career, he has worked for large multinationals through to start-ups and across sectors – from Life Sciences, Cleantech, Financial Services and the Media and Communication industries. Mr Johnson is the lead author of over 50 patents and has co-authored research in the Journal of Clinical Psychiatry on Sleep and Suicide. Mr Johnson has received a Master's in Entrepreneurship and Innovation from Swinburne University and a bachelor's degree in Business, Banking and Finance from Monash University. Mr Johnson is a non-executive director of the US based Foundation for Airway Health.
Other current directorships	None
Former directorships (last 3 years)	None
Special responsibilities	Member of the Audit Committee
Interest in shares	968,452
Interest in options	30,380,913

MR RON DEWHURST	NON-EXECUTIVE CHAIRMAN
EXPERIENCE AND EXPERTISE	Mr Dewhurst has spent 40 years in the investment banking and asset management industries, covering Australia, Asia, Europe and the United States of America. He was formerly Head of Americas for J P Morgan Asset Management and Senior Executive Vice President and Head of Global Investment Managers for Legg Mason Inc. based in the United States, before returning to live in Melbourne in 2014.
Other current directorships	Sprott Inc (TSX/NYSE: SII) since 2017
Former directorships (last 3 years)	Onevue Holdings Limited (ASX: OVH), from 2016 to 2020
Special responsibilities	Member of the Audit Committee Member of the Remuneration Committee
Interest in shares	19,808,510
Interest in options	2,000,000

MR BRENT SCRIMSHAW	NON-EXECUTIVE DIRECTOR
EXPERIENCE AND EXPERTISE	Mr Scrimshaw brings a unique understanding of the requirements of building disruptive brands and businesses worldwide. During a 19-year career with Nike Inc. where he held the position of Vice President and Chief Executive of Western Europe amongst other leadership roles and was a member of the global corporate leadership team where he was responsible for many of Nike's major growth and brand strategies worldwide. He is now the CEO and Executive Director of Enero Group Limited (ASX: EGG) and is also a non-executive director of Kathmandu Holdings Limited (ASX/NZX: KMD).
Other current directorships	Kathmandu Holdings Limited (ASX/NZX: KMD), since 2018 Enero Group Limited (ASX: EGG) since 2020
Former directorships (last 3 years)	Catapult Sports Ltd (ASX: CAT), from 2014 to 2020
Special responsibilities	Chair of the Remuneration Committee
Interest in shares	108,918
Interest in options	2,000,000

DR ERIC KNIGHT	NON-EXECUTIVE DIRECTOR *(resignation effective 30 September 2022)*
EXPERIENCE AND EXPERTISE	Dr Knight brings a depth of experience in corporate strategy and management, having previously worked for Boston Consulting Group, and subsequently serving as Professor of Strategic Management at University of Sydney and more recently as Professor of Strategic Management and Executive Dean of Macquarie Business School. Dr Knight is a Graduate of the Australian Institute of Company Directors and is known internationally for his work on design-led strategy.
Other current directorships	None
Former directorships (last 3 years)	None
Special responsibilities	Chair of the Audit Committee Member of the Remuneration Committee
Interest in shares	None
Interest in options	1,000,000

ASSOC. PROF. JOHN MCBAIN AO	NON-EXECUTIVE DIRECTOR
EXPERIENCE AND EXPERTISE	Assoc. Prof. McBain is the former Head of Reproductive Services at The Royal Women's Hospital in Melbourne, Australia. He is also the former President of the Fertility Society of Australia, and was a founder of Melbourne IVF, now Virtus Health (ASX:VRT). Assoc. Prof. McBain served as a Director of Melbourne IVF and subsequently as a Director of Virtus Health prior to its listing on the ASX. Assoc. Prof. McBain holds a Medical degree from Glasgow University.
Other current directorships	None
Former directorships (last 3 years)	None
Interest in shares	52,917,490*
Interest in options	None

*As at the date of this Directors' report, interest in shares totalled 53,017,490

MS LYNETTE SWINBURNE AO	NON-EXECUTIVE DIRECTOR *(appointed 8 September 2022)*
EXPERIENCE AND EXPERTISE	Ms Swinburne is the founder of Breast Cancer Network Australia, the nation's most successful consumer-led health organisation with over 160,000 network members. Over the course of her career she has revolutionised awareness of breast cancer and driven a fundamental change to patient-centred care for breast cancer sufferers. She is internationally recognised as a pioneer and leader in developing best practice models for consumer input into health research, policy, services and commercial outcomes. An experienced Non-Executive Director in the corporate and not-for-profit sectors, Ms Swinburne recently stepped down after nine years as Chair of the Board of the Royal Women's Hospital, Melbourne. Ms Swinburne's contribution to the Australian health sector has been acknowledged with numerous awards including the Order of Australia 2018, Honorary Doctorate (Social Sciences) Swinburne University 2015, Australian of the Year finalist 2006, Melburnian of the Year 2007, Equity Trustees' Not-for-Profit CEO of the Year Award 2004, The Centenary Federation Medal 2003, Victorian Women's Honour Role 2002. She was also one of the Australian Financial Review/Westpac's Australian 100 Women of Influence in 2016, and was the winner of the Social Enterprise & Not-for-Profit Category of the 100 Women of Influence Award 2016.
Other current directorships	None
Former directorships (last 3 years)	None
Interest in shares	178,000
Interest in options	None

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

COMPANY SECRETARY

MR SEAN SLATTERY

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

MEETINGS OF DIRECTORS

The number of meetings of the company's Board of Directors ('Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	FULL BOARD		AUDIT COMMITTEE		REMUNERATION COMMITTEE	
	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD
MR MICHAEL JOHNSON	4	4	3	3	-	-
MR RON DEWHURST	4	4	3	3	1	1
MR BRENT SCRIMSHAW	4	4	-	-	1	1
DR ERIC KNIGHT	1	1	1	2	-	-
ASSOC. PROF. JOHN MCBAIN AO	4	4	2	2	-	-
MS LYNNETTE SWINBURNE AO	3	3	-	-	1	1

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

REMUNERATION REPORT (AUDITED)

The directors present the Rhinomed Limited 2023 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration award this year.

The remuneration report is set out as follows:

A. KEY MANAGEMENT PERSONNEL COVERED IN THIS REPORT

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

C. REMUNERATION OF KEY MANAGEMENT PERSONNEL

D. CONTRACTUAL ARRANGEMENTS WITH EXECUTIVE KEY MANAGEMENT PERSONNEL

E. TERMS AND CONDITIONS OF SHARE-BASED PAYMENT ARRANGEMENTS

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

G. RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND GROUP PERFORMANCE

H. ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

A.
KEY MANAGEMENT PERSONNEL COVERED IN THIS REPORT

Non-executive and executive directors (see pages 32-35 for details about each director)

- Mr Michael Johnson
  Executive Director and Chief Executive Officer
- Mr Ron Dewhurst
  Non-Executive Chairman
- Mr Brent Scrimshaw
  Non-Executive Director
- Dr Eric Knight
  Non-Executive Director (resignation effective 30 September 2022)
- Assoc. Prof. John McBain AO
  Non-Executive Director
- Ms Lynette Swinburne AO
  (appointed 8 September 2022)

Other key management personnel (See page 6 for details about other key management personnel)

- Mr Sean Slattery
  Company Secretary, Chief Financial Officer

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

The Board's policies for determining the amount and nature of compensation of key management personnel ('KMP') of the Group are set out below:

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

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

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

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

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

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

NON-EXECUTIVE DIRECTOR REMUNERATION

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

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

EXECUTIVE REMUNERATION

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

The executive remuneration and reward framework has four components:

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

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

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

Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the Group and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. Compensation levels are reviewed annually by the Remuneration Committee with bonuses being awarded depending on the number and deemed difficulty of the achievement of the individual and the Group.

The long-term incentives ('LTI') include long service leave and share-based payments.

Performance linked compensation includes a STI, in the form of cash bonuses usually paid upon annual targets and KPI's being achieved. KPI's include operational performance targets. LTI provided are options over ordinary shares in the Group. Share options may be issued to KMP to further encourage loyalty, share price increase and the alignment of personal and shareholder interests.

VOTING AND COMMENTS MADE AT THE COMPANY'S 2022 ANNUAL GENERAL MEETING ('AGM')

At the AGM held on 18 November 2022, 99.46% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

DIRECTORS' REPORT
CONTINUED

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C.
REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

2023	CASH SALARY AND FEES* $	BONUS* $	LONG SERVICE LEAVE** $	SUPER-ANNUATION*** $	OPTIONS^ $	TOTAL $
NON-EXECUTIVE DIRECTORS:						
RON DEWHURST	103,348	-	-	6,652	-	110,000
BRENT SCRIMSHAW	66,365	-	-	6,968	-	73,333
ERIC KNIGHT[1]	18,100	-	-	1,900	-	20,000
JOHN MCBAIN	66,365	-	-	6,968	-	73,333
LYNNETTE SWINBURNE AO[2]	52,891	-	-	5,554	-	58,445
EXECUTIVE DIRECTORS:						
MICHAEL JOHNSON	370,960	120,000	15,348	25,292	-	531,600
OTHER KEY MANAGEMENT PERSONNEL:						
SEAN SLATTERY	262,950	87,011	1,236	27,120	-	378,317
	940,979	**207,011**	**16,584**	**80,454**	**-**	**1,245,028**

2022	CASH SALARY AND FEES* $	BONUS* $	LONG SERVICE LEAVE** $	SUPER-ANNUATION*** $	OPTIONS^ $	TOTAL $
NON-EXECUTIVE DIRECTORS:						
RON DEWHURST	117,273	-	-	2,727	-	120,000
BRENT SCRIMSHAW	72,727	-	-	7,273	-	80,000
ERIC KNIGHT	72,727	-	-	7,273	-	80,000
JOHN MCBAIN	72,727	-	-	7,273	-	80,000
EXECUTIVE DIRECTORS:						
MICHAEL JOHNSON	301,240	38,000	6,271	23,760	-	369,271
OTHER KEY MANAGEMENT PERSONNEL:						
SEAN SLATTERY	238,636	74,789	3,766	24,075	-	341,266
	875,330	**112,789**	**10,037**	**72,381**	**-**	**1,070,537**

[1]Dr Eric Knight resigned as Non-Executive Director effective 30 September 2022

[2]Ms Lynnette Swinburne AO was appointed as a Non-Executive Director on 8 September 2022

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

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

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

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

D.
CONTRACTUAL ARRANGEMENTS WITH EXECUTIVE KEY MANAGEMENT PERSONNEL

Name: Mr Michael Johnson

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

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

Details: The employment conditions of Mr Michael Johnson are formalised in an employment contract which includes a notice period of six months by either party. Mr Johnson's contract provides for redundancy pay of 36 weeks' pay for more than five years' continuous service. As KMP, Mr Johnson is entitled to participate in the Group's 'employee share and option plan'.

Name: Mr Sean Slattery

Title: Chief Financial Officer
(appointed 3 December 2018)

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

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

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

E.
TERMS AND CONDITIONS OF SHARE-BASED PAYMENT ARRANGEMENTS

ISSUE OF SHARES

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2023 (FY22: nil).

OPTIONS

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel are as follows:

NAME	NUMBER OF OPTIONS GRANTED	GRANT DATE	VESTING DATE/ EXERCISABLE DATE	EXPIRY DATE	EXERCISE PRICE	FAIR VALUE PER OPTION AT GRANT DATE
MR MICHAEL JOHNSON	5,000,000	29/11/2019	29/11/2019	29/11/2023	$0.2998	$0.1183
MR RON DEWHURST	2,000,000	29/11/2019	29/11/2019	29/11/2023	$0.2998	$0.1183
MR BRENT SCRIMSHAW	2,000,000	29/11/2019	29/11/2019	29/11/2023	$0.2998	$0.1183
DR ERIC KNIGHT	1,000,000	29/11/2019	29/11/2019	29/11/2023	$0.2998	$0.1183
MR SEAN SLATTERY	3,000,000	20/01/2020	20/01/2020	20/01/2024	$0.2998	$0.0967
MR MICHAEL JOHNSON	12,690,457	20/11/2020	20/11/2020	23/12/2024	$0.1160	$0.1381
MR SEAN SLATTERY	2,538,091	20/11/2020	20/11/2020	23/12/2024	$0.1160	$0.1381

All options granted vested on their grant date and carry no dividend or voting rights.

There have been no alterations to the terms or conditions of any grants since grant date. All options granted entitle the holder to one ordinary share for each option exercised.

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

OPTIONS

The table below shows a reconciliation of options held by each KMP from the beginning to the end of the financial year ended 30 June 2023. All vested options were exercisable.

	BALANCE AT THE START OF THE YEAR VESTED #	GRANTED AS COMPENSATION #	VESTED/ EXERCISED #	FORFEITED #	OTHER CHANGES #	BALANCE AT THE END OF THE YEAR VESTED #
RON DEWHURST	2,000,000	-	-	-	-	2,000,000
BRENT SCRIMSHAW	2,000,000	-	-	-	-	2,000,000
ERIC KNIGHT	1,000,000	-	-	-	-	1,000,000
MICHAEL JOHNSON	30,380,913	-	-	-	-	30,380,913
SEAN SLATTERY	5,538,091	-	-	-	-	5,538,091
	40,919,004	**-**	**-**	**-**	**-**	**40,919,004**

No amounts are unpaid on any shares issued on the exercise of options.

SHAREHOLDINGS

The table below shows a reconciliation of shareholdings held by each KMP, including their personally related parties, from the beginning to the end of the financial year ended 30 June 2023.

		BALANCE AT THE START OF THE YEAR #	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS #	OTHER CHANGES* #	BALANCE AT THE END OF THE YEAR #
RON DEWHURST	BENEFICIAL INTEREST	3,303,951	-	-	3,303,951
	NON BENEFICIAL INTEREST	16,504,559	-	-	16,504,559
BRENT SCRIMSHAW	BENEFICIAL INTEREST	75,918	-	-	75,918
	NON BENEFICIAL INTEREST	33,000	-	-	33,000
ERIC KNIGHT	BENEFICIAL INTEREST	85,303	-	(85,303)	-
JOHN MCBAIN	NON BENEFICIAL INTEREST	52,917,490	-	-	52,917,490
LYNNETTE SWINBURNE AO	BENEFICIAL INTEREST	-	-	178,000	178,000
MICHAEL JOHNSON	BENEFICIAL INTEREST	326,051	-	55,555	381,606
	NON BENEFICIAL INTEREST	586,846	-	-	586,846
		73,833,118	**-**	**148,252**	**73,981,370**

*Other changes relate to sale and purchase of shareholdings on the open market and/or resignation or appointment of a non-executive director.

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

G.
RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND GROUP PERFORMANCE

The remuneration of executives consists of fixed base pay and cash bonus based on performance in relation to key strategic, non-financial measures linked to drivers of performance in future reporting periods. The measures are specifically tailored to the area each individual is involved in and has a level of control over. It also comprises the issue of options to directors and executives to encourage loyalty, share price increase and the alignment of personal and shareholder interests. As such, remuneration is not linked to the financial performance of the Group in the current or previous reporting periods.

The earnings of the Group for the five years to 30 June 2023 are summarised below:

	30 JUNE 2023	30 JUNE 2022	30 JUNE 2021	30 JUNE 2020	30 JUNE 2019
	$	$	$	$	$
REVENUE	7,472,451	9,104,727	3,894,908	3,565,363	3,608,556
NET LOSS BEFORE TAX	(10,907,475)	(5,280,198)	(8,637,815)	(7,265,434)	(5,631,826)
NET LOSS AFTER TAX	(10,908,255)	(5,281,038)	(8,638,926)	(7,266,223)	(5,673,878)
SHARE PRICE AT FINANCIAL YEAR END ($)	0.07	0.10	0.15	0.06	0.22
BASIC EARNINGS PER SHARE (CENTS PER SHARE)	(3.82)	(2.02)	(3.40)	(4.43)	(4.26)
DILUTED EARNINGS PER SHARE (CENTS PER SHARE)	(3.82)	(2.02)	(3.40)	(4.43)	(4.26)

H.
ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

RELATED PARTY TRANSACTIONS

The wife of Mr Michael Johnson commenced employment as the National Sales Manager during 2021 and received a salary and bonus totalling $196,828 plus superannuation guarantee of $20,729 during the current financial year. At year end, an amount of $5,068 has been accrued for as annual leave.

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

	30 JUNE 2023	30 JUNE 2022
AMOUNTS RECOGNISED AS EXPENSE		
Employee Benefits	217,557	191,200
AMOUNTS RECOGNISED AS ASSETS AND LIABILITIES Current liabilities (annual leave accrual)	5,068	1,014

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

THIS CONCLUDES THE AUDITED REMUNERATION REPORT.

SHARES UNDER OPTION

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

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER UNDER OPTION
29 November 2019	29 November 2023	$0.2998	10,000,000
20 January 2020	20 January 2024	$0.2998	3,000,000
20 November 2020*	23 December 2024	$0.1160	15,228,548
15 March 2021	31 December 2026	$0.2500	12,690,456
			40,919,004

*Included in these options were options granted as remuneration to the CEO and CFO in the year ended 30 June 2021.

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

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

DIRECTORS' REPORT
CONTINUED

INDEMNITY AND INSURANCE OF OFFICERS

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

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

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company and its Australian-based controlled entities against a liability to the extent permitted by the Corporations Act 2001.

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

INDEMNITY AND INSURANCE OF AUDITOR

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

AUDIT AND NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor (Grant Thornton Audit Pty Ltd) for audit and non-audit services provided during the financial year are outlined in Note 27 to the consolidated financial statements.

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

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

The Board are of the opinion that the services as disclosed in Note 27 to the consolidated financial statements do not compromise the auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved by the audit committee to ensure that they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board.

AUDITOR'S INDEPENDENCE DECLARATION

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

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

On behalf of the directors

Michael Johnson
Chief Executive Officer
and Managing Director

Melbourne
29 September 2023

GrantThornton

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222

Auditor's Independence Declaration

To the Directors of Rhinomed Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Rhinomed Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

JVasiliou

J D Vasiliou
Partner – Audit & Assurance

Melbourne, 29 September 2023

CONSOLIDATED FINANCIAL STATEMENTS

RHINOMED LIMITED
ABN 12 107 903 159

AUDITED FINANCIAL STATEMENTS 30 JUNE 2023

These financial statements are consolidated financial statements for the Group consisting of Rhinomed Limited and its subsidiaries. A list of subsidiaries is included in Note 32.

The financial statements are presented in Australian dollars. Rhinomed Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:
L1, 132 Gwynne Street
Cremorne VIC 3121
Australia

The financial statements were authorised for issue by the Directors on 29 September 2023. The Directors have the power to amend and reissue the financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	NOTE	30 JUNE 2023 $	30 JUNE 2022 $
REVENUE			
Revenue from customers	5	7,472,451	9,104,727
Other income	6	983,858	1,288,693
EXPENSES		-	
Raw materials and consumables used		(1,881,248)	(2,898,870)
Administrative expenses		(1,307,983)	(1,210,368)
Depreciation and amortisation expenses	7	(891,984)	(699,462)
Employee benefit expenses		(4,889,659)	(3,885,332)
Marketing expenses		(5,615,397)	(4,763,126)
Research and development expenses		(1,161,353)	(1,716,232)
Other operating expenses		(819,311)	(458,191)
Impairment of intangible assets and inventory	7	(2,486,577)	-
OPERATING LOSS		**(10,597,203)**	**(5,238,161)**
Finance income	24	2,518	2,210
Finance costs	24	(312,790)	(44,247)
LOSS BEFORE INCOME TAX EXPENSE		**(10,907,475)**	**(5,280,198)**
Income tax expense	8	(780)	(840)
LOSS AFTER INCOME TAX EXPENSE FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF RHINOMED LIMITED		**(10,908,255)**	**(5,281,038)**
OTHER COMPREHENSIVE LOSS FOR THE YEAR			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(532,144)	(829,912)
Other comprehensive loss for the year		(532,144)	(829,912)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF RHINOMED LIMITED		**(11,440,399)**	**(6,110,950)**
		CENTS	CENTS
Basic earnings per share	35	(3.82)	(2.02)
Diluted earnings per share	35	(3.82)	(2.02)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	NOTE	30 JUNE 2023 $	30 JUNE 2022 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	190,412	1,984,949
Trade and other receivables	10	1,497,381	2,093,557
Inventories	11	629,566	1,241,748
Other current assets	12	213,786	202,641
TOTAL CURRENT ASSETS		**2,531,145**	**5,522,895**
NON-CURRENT ASSETS			
Other financial assets		82,015	81,472
Property, plant and equipment	13	320,324	751,420
Right-of-use assets	14	141,629	271,843
Intangible assets	15	-	1,870,108
TOTAL NON-CURRENT ASSETS		**543,968**	**2,974,843**
TOTAL ASSETS		**3,075,113**	**8,497,738**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	2,558,843	2,669,515
Contract liabilities	17	417,423	125,144
Lease liabilities	18	170,572	151,304
Employee benefits obligations	19	444,506	249,083
Borrowings	20	5,790,099	-
TOTAL CURRENT LIABILITIES		**9,381,443**	**3,195,046**
NON-CURRENT LIABILITIES			
Lease liabilities	18	14,867	185,439
Employee benefits obligations	19	84,564	82,615
TOTAL NON-CURRENT LIABILITIES		**99,431**	**268,054**
TOTAL LIABILITIES		**9,480,874**	**3,463,100**
NET (LIABILITIES)/ASSETS		**(6,405,761)**	**5,034,638**
EQUITY			
Share capital	21	77,650,779	77,650,779
Other reserves	22	2,336,015	2,868,159
Accumulated losses		(86,392,555)	(75,484,300)
TOTAL (DEFICIENCY IN EQUITY)/EQUITY		**(6,405,761)**	**5,034,638**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	NOTE	SHARE CAPITAL $	OPTION RESERVE $	FOREIGN CURRENCY TRANSLATION RESERVE $	ACCUMULATED LOSSES $	TOTAL EQUITY $
BALANCE AT 01 JULY 2021		**71,269,024**	**4,500,437**	**121,484**	**(71,127,112)**	**4,763,833**
Loss for the year		-	-	-	(5,281,038)	(5,281,038)
Other comprehensive income for the year		-	-	(829,912)	-	(829,912)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		-	-	**(829,912)**	**(5,281,038)**	**(6,110,950)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:						
Contributions of equity, net of transaction costs	21	4,659,755	-	-	-	4,659,755
Share issue on exercise of options	21/22	1,722,000	(615,900)	-	615,900	1,722,000
Expiry of options not exercised	22	-	(307,950)	-	307,950	-
BALANCE AT 30 JUNE 2022		**77,650,779**	**3,576,587**	**(708,428)**	**(75,484,300)**	**5,034,638**

	NOTE	SHARE CAPITAL $	OPTION RESERVE $	FOREIGN CURRENCY	ACCUMULATED LOSSES $	TOTAL DEFICIENCY IN EQUITY $
BALANCE AT 01 JULY 2022		77,650,779	3,576,587	(708,428)	(75,484,300)	5,034,638
Loss for the year		-	-	-	(10,908,255)	(10,908,255)
Other comprehensive loss for the year		-	-	(532,144)	-	(532,144)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		-	-	**(532,144)**	**(10,908,255)**	**(11,440,399)**
BALANCE AT 30 JUNE 2023		**77,650,779**	**3,576,587**	**(1,240,572)**	**(86,392,555)**	**(6,405,761)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	NOTE	30 JUNE 2023 $	30 JUNE 2022 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		8,346,637	8,765,467
Payments to suppliers and employees (inclusive of GST)		(16,037,803)	(14,891,824)
Government grants and tax incentives received		639,862	424,967
Interest received		1,974	2,152
Interest paid		(128,618)	(44,247)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**34**	**(7,177,948)**	**(5,743,485)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(95,249)	(876,746)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(95,249)**	**(876,746)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	21	-	6,645,007
Share issue transaction costs	21	-	(263,252)
Lease principal repayment		(151,304)	(133,721)
Proceeds from borrowings		5,945,739	-
Repayment of borrowings		(329,675)	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		**5,464,760**	**6,248,034**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,808,437)**	**(372,197)**
Cash and cash equivalents at the beginning of the financial year		1,984,949	2,339,616
Effects of exchange rate changes on cash and cash equivalents		13,900	17,530
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**9**	**190,412**	**1,984,949**

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

NOTE 1.

REPORTING ENTITY

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

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

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

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 September 2023. The directors have the power to amend and reissue the financial statements.

NOTE 2.

SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Rhinomed Limited and its subsidiaries.

(A) BASIS OF PREPARATION

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

HISTORICAL COST CONVENTION

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

CRITICAL ACCOUNTING ESTIMATES

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

NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Group has adopted all new or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations has not had a material effect on the Group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the Group for the annual reporting period ended 30 June 2023. The Group has not yet assessed the full impact of these new or amended Accounting Standards and Interpretations.

(a) *AASB 2020-1: Amendments to Australian Accounting Standards - Classification of liabilities as current or non-current*.
AASB 101 has been amended to clarify whether a liability should be presented as current or non-current.

The Group plans on adopting the amendment for the reporting period ending 30 June 2024.

NOTE 2.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amendment is not expected to have a material impact on the financial statements once adopted.

(b) *AASB 2021-2: Amendments to Australian Accounting Standards - Disclosure of accounting policies and definition of accounting estimates.*
Amendments to AASB 7, AASB 101, AASB 108, AASB 134 and AASB Practice Statement 2 has arisen from the issuance by the IASB of the following International Financial Reporting Standards: Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) and Definition of Accounting Estimates (Amendments to IAS 8).

The Group plans on adopting the amendment for the reporting period ending 30 June 2024. The impact of the initial application is not yet known.

GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue trading and realise assets and discharge liabilities in the ordinary course of business for at least 12 months from the date of these consolidated financial statements.

At 30 June 2023, the Group had a working capital deficiency, being current assets less current liabilities, of $6,850,298 (FY22: surplus of $2,327,849) and net liabilities of $6,405,761 (FY22: net assets of $5,034,638). For the year ended 30 June 2023, the Group experienced a loss of $10,908,255 (FY22: $5,281,038) and a net cash outflow from operating activities of $7,177,948 (FY22: $5,743,485).

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

To mitigate these risks, the Group will explore potential funding opportunities to meet any short-term obligations when required and subsequent to 30 June 2023, the following events have occurred.

As at 30 June 2023, the Group had $1.25m of available unsecured working capital facilities from entities related to non-executive director John McBain. Subsequent to 30 June 2023, $600,000 was drawn down and the expiry date of this facility was extended to 1 October 2024.

On 26 September 2023, the agreement relating to the unsecured fully drawn loan of US$2,500,000 was amended for the following:

- Replacement of the word “must” with the word “may” in relation to repayment clauses in the loan agreement triggered by capital events and internally generated revenues and cash flows; and
- Extension of the expiry date to 1 October 2024 (previously 30 June 2024).

In addition to the above, on 25 September 2023 the Group entered into a further unsecured loan facility to finance working capital. The total available amount under the loan is US$1,970,000 and is repayable no later than 1 October 2024 or as agreed by both parties. The facility was fully drawn on 27 September 2023. If the Group raises funds by way of:

(a) A capital event (including an equity raise, issue of convertible note, or capital raise), the net proceeds raised may be applied in repayment of the loan; or
(b) Internally generated revenues and cash flows from commercial operations, the net cash received may be applied in repayment of the loan.

The loan has a fixed rate of 8%, and is a US dollar denominated loan which is carried at amortised cost. There are no facility or transaction fees payable on this loan facility.

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

Due to the above a material uncertainty exists that may cast doubt upon the Group’s ability to continue as a going concern however, the Directors are confident that the Group has adequate resources and funding opportunities to continue in operational existence for the foreseeable future.

(B) PRINCIPLES OF CONSOLIDATION

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

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

NOTE 2.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(C) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.
Operating segments are presented using the 'management approach' where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker ('CODM').

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

(D) FOREIGN CURRENCY TRANSLATION

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional' currency).

TRANSACTIONS AND BALANCES

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

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

GROUP COMPANIES

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

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

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

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

(E) IMPAIRMENT OF ASSETS

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

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

(F) INVESTMENTS AND OTHER FINANCIAL ASSETS

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

NOTE 2.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

RECOGNITION AND DERECOGNITION

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

MEASUREMENT

Investments and other financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss ('FVPL'), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification.
Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

IMPAIRMENT OF FINANCIAL ASSETS

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

(G) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are not recognised for future operating losses.
Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

(H) EMPLOYEE BENEFITS

(I) SHORT-TERM OBLIGATIONS

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

(II) OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS

The Group also has liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service.
These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

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

The fair value of options granted under the Rhinomed Limited ESOP is recognised as an employee benefits

NOTE 2.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

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

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

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

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

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

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

(J) DIVIDENDS

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

NOTE 3.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. Management continually evaluates its estimates and judgements in relation to assets, liabilities, contingent liabilities, revenue, and expenses and bases its estimates and judgements on historical experience and on other various factors, including expectations of future events that management believes to be reasonable under the circumstances. This note provides an overview of the areas that involve a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected item in the financial statements.

SHARE-BASED PAYMENT TRANSACTIONS

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

GOODWILL AND OTHER INDEFINITE LIFE INTANGIBLE ASSETS

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

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

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

NOTE 3.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

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

The Group estimates the value-in-use of Rhinomed Limited cash generating unit ('CGU') using discounted cash flows. For the 2023 reporting period, the recoverable amount of the CGU was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period are extrapolated using the estimated growth rates and assumptions used in the value-in-use calculations stated below.

As a result of the value-in-use calculations, the Directors have concluded that an impairment charge was necessary for the 2023 financial year and as a result, the Group has recognised an impairment loss of $1,592,601.

(I) SALES GROWTH

MUTE

Despite the impact of both the pandemic and a growing level of economic uncertainty on consumer spending, Mute has maintained strong growth via both global retailers and through e-commerce channels. While brand awareness continues to build, growth was complemented with an increase in shelf presence.

There are a number of key trends in the industry impacting sales growth rate assumptions. Firstly, competitors are declining after several years in the market which is seeing the Group acquire a greater market share. This supports the proposition that the useful life of products in the market is significant and can exceed their patent life. Secondly, available sales data illustrates consistent growth of the Mute product. The Group believes that as awareness continues to grow it is reasonable to conclude that this growth rate will continue to increase.

Average annual sales growth rates for Mute of 32% (FY22: 19%) have been incorporated in the value in use model. The sales growth rate contemplates the continued development of the US sales and marketing function, application of US marketing strategies to the AU market, and expansion into European markets.

RHINOSWAB

As mentioned in the Directors' report, the Rhinoswab program continued to gain momentum over the course of FY23, resulting in a number of new supply agreements. The supply arrangements that the Group has entered into goes to proving the focus on the Rhinoswab as a material business line and as such, the Group has prepared its manufacturing facilities to respond to the demand for this innovative technology.
However, as a result of the delays in regulatory approval in the USA and Canada, a material level of Rhinoswab sales revenue has not been included in the value-in-use calculations prepared for financial reporting purposes despite the Group being confident that this emerging market will continue to be a significant global opportunity.

(II) DISCOUNT RATE

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

In completing value-in-use calculations management determined budgeted gross margins based on past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports. Management believes the projected growth rate to be prudent and justified based on the Group's past and expected performance.

(III) PERIOD OVER WHICH CASH FLOWS PROJECTED

Five years

NOTE 4.

OPERATING SEGMENTS

The Group has identified one reportable operating segment; that is, the identification, acquisition, and commercialisation of late stage consumer therapeutic and medical delivery technologies at Rhinomed Group level as one consolidated operation. The Board currently allocates resources and decisions based on the nasal stent technology brand and its commercialisation to the market. Due to the nature of the products sold, the Group has assessed that analysis and reporting of its operations by geographical areas or countries has very limited impact on CODM's decision-making process.

This, along with taking into consideration the cost to develop this reporting, the Group opted not to report its operations by geographical areas.

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

NOTE 5.

REVENUE FROM CUSTOMERS

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

	30 JUNE 2023 $	30 JUNE 2022 $
Revenue from customers for the sale of goods	7,472,451	9,104,727

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

DISAGGREGATION OF REVENUE

The disaggregation of revenue from customers for the sale of goods is as follows:

	30 JUNE 2023 $	30 JUNE 2022 $
PRODUCT LINES		
Consumer Health	7,467,079	6,000,702
Rhinoswab	5,372	3,104,025
	7,472,451	**9,104,727**
GEOGRAPHICAL REGIONS		
North, Central, and South America	5,654,011	4,758,655
Asia-Pacific	1,255,903	3,953,845
Europe, Middle East, and Africa	562,537	392,227
	7,472,451	**9,104,727**

The revenue for the year includes $125,144 (FY22: $nil) included in the contract liability balance at the beginning of the year.

SALE OF GOODS

Revenue from the sale of late stage therapeutic delivery products are recognised at a point in time.

The performance obligation is satisfied when the customer has access and thus control of the product, which is generally at the time of delivery. For retailer customers, control of the product is generally at the point of which sales are made to the end consumer.

NOTE 5.

REVENUE FROM CUSTOMERS (CONTINUED)

MAJOR CUSTOMERS

Three US customers represented just over 60% of the Group's revenue for the year ended 30 June 2023 totalling $4.5 million (FY22: $3.9 million):

- an American 'Big Five' e-commerce company;
- an American healthcare company owning the largest pharmacy chain in the US; and
- an American company that owns the second largest pharmacy store chain in the US.

The revenue generated from the above customers during the year related to Rhinomed's Consumer Health products.

RECOGNITION OF REVENUE FROM CUSTOMERS

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

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

FINANCING COMPONENTS

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

NOTE 6.

OTHER INCOME

OTHER INCOME

	30 JUNE 2023 $	30 JUNE 2022 $
Government grants and incentives	36,600	-
R&D tax incentive	541,667	501,264
Other income	-	5,500
Unrealised currency gains	405,591	781,929
	983,858	**1,288,693**

The R&D tax incentive relates to an incentive to support companies that undertake eligible R&D activities. AusIndustry administers the registration and compliance of the R&D activities and the ATO are responsible for the R&D expenditure claimed on the income tax return.

Government grants and incentives above includes $36,600 for Export Market Development Grant. This was not received in the prior year.

ACCOUNTING POLICY FOR GOVERNMENT GRANTS

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

OTHER INCOME

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

NOTE 7.

EXPENSES

EXPENSES

Loss before income tax includes the following specific expenses:

	30 JUNE 2023 $	30 JUNE 2022 $
DEPRECIATION AND AMORTISATION		
Depreciation of right-of-use assets	130,213	130,213
Depreciation of property, plant and equipment	484,264	207,621
Amortisation of intangible assets	277,507	361,628
	891,984	**699,462**
OPERATING LEASES		
Operating lease expense on short term leases	8,304	84,121
SUPERANNUATION		
Superannuation expenses	30,915	212,135
IMPAIRMENT OF ASSETS		
Impairment on intangible assets	1,592,601	-
Impairment on inventory	893,976	-
	2,486,577	**-**

NOTE 8.

INCOME TAX

RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

	30 JUNE 2023 $	30 JUNE 2022 $
Loss before income tax expense	(10,907,475)	(5,280,198)
Statutory tax rate	25.0%	25.0%
Tax at the statutory tax rate	(2,726,869)	(1,320,050)
TAX EFFECT OF ADJUSTMENTS RELATING TO NON-TEMPORARY DIFFERENCES:		
Research and development incentive	(109,917)	(150,814)
Other non allowable or assessable items	695,963	150,424
TAX EFFECT OF ADJUSTMENTS RELATING TO TEMPORARY DIFFERENCES:		
Temporary differences not recognised	113,852	9,946
Deferred tax assets relating to tax losses not recognised	2,026,971	1,310,494
Adjustment recognised for prior periods	780	840
INCOME TAX EXPENSE	**780**	**840**
REPRESENTED BY		
Current tax on profits for the year	-	-
Adjustment recognised for prior periods	780	840
AGGREGATE INCOME TAX EXPENSE	**780**	**840**
TAX LOSSES		
The group estimates the below carried forward tax losses that have not been recognised as a deferred tax asset to the Group:		
Australia	41,725,633	39,118,881
United States	12,173,271	11,726,037
United Kingdom	41,829	133,422
Germany	40,923	-
	53,981,656	**50,978,340**

These losses are available for offset against taxable income of the companies in which those losses arose subject to the meeting of the relevant tests in that jurisdiction. The benefit of these tax losses has not been brought to account as the probable recognition criteria has not been satisfied. Were these tax losses to be recognised, it would result in a deferred tax asset at the statutory tax rate in the relevant jurisdiction.

ACCOUNTING POLICY FOR INCOME TAX

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment.

The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

NOTE 8.

INCOME TAX (CONTINUED)

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

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

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

NOTE 9.

CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS

	30 JUNE 2023 $	30 JUNE 2022 $
Cash at bank	190,412	1,984,949

ACCOUNTING POLICY FOR CASH AND CASH EQUIVALENTS

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

NOTE 10.

TRADE AND OTHER RECEIVABLES

TRADE AND OTHER RECEIVABLES

	30 JUNE 2023 $	30 JUNE 2022 $
Trade receivables	1,081,401	1,505,399
Less: Allowance for expected credit losses	(51,410)	(54,993)
	1,029,991	**1,450,406**
R&D tax incentive receivable	439,669	501,264
Other receivables	27,721	141,887
	1,497,381	**2,093,557**

CLASSIFICATION AS TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 25.

IMPAIRMENT AND RISK EXPOSURE

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 25.

ACCOUNTING POLICY FOR TRADE AND OTHER RECEIVABLES

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

NOTE 11.

INVENTORIES

INVENTORIES

	30 JUNE 2023 $	30 JUNE 2022 $
Inventory available for sale – at cost	1,453,849	1,187,122
Less: Allowance for impairment of inventories	(893,976)	-
Inventory on consignment – at cost	69,693	54,626
	629,566	**1,241,748**

ACCOUNTING POLICY FOR INVENTORIES

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

As a result of the delays in regulatory approval in the USA and Canada, the Directors have concluded that an impairment charge for Rhinoswab Adult inventory was necessary and as a result, the Group has recognised an impairment loss of $893,976.

NOTE 12.

OTHER CURRENT ASSETS

OTHER CURRENT ASSETS

	30 JUNE 2023 $	30 JUNE 2022 $
Prepayments	157,439	157,439
Other deposits	56,347	45,202
	213,786	**202,641**

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENT

RHINOMED
2023

NOTE 13.

PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT

	30 JUNE 2023 $	30 JUNE 2022 $
Plant and equipment – at cost	965,459	922,144
Less: Accumulated depreciation	(673,318)	(202,194)
	292,141	**719,950**
Fixtures and fittings – at cost	121,279	111,426
Less: Accumulated depreciation	(93,096)	(79,956)
	28,183	**31,470**
	320,324	**751,420**

RECONCILIATION

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

	PLANT AND EQUIPMENT $	FURNITURE, FITTINGS AND EQUIPMENT $	TOTAL $
Balance at 1 July 2021	45,132	37,140	82,272
Additions	871,938	4,808	876,746
Exchange differences	-	23	23
Depreciation expense	(197,120)	(10,501)	(207,621)
Balance at 30 June 2022	719,950	31,470	751,420
Additions	43,315	9,853	53,168
Exchange differences	-	-	-
Depreciation expense	(471,124)	(13,140)	(484,264)
BALANCE AT 30 JUNE 2023	**292,141**	**28,183**	**320,324**

ACCOUNTING POLICY FOR PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on a straight-line basis over the expected useful lives of the respective assets, as follows:

- Plant and equipment: 4-6 years
- Furniture, fittings and equipment: 3-5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(e)). Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

NOTE 14.

RIGHT-OF-USE ASSETS

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

RIGHT-OF-USE ASSETS

	30 JUNE 2023 $	30 JUNE 2022 $
Leased properties – right-of-use - at cost	651,780	651,781
Less: Accumulated depreciation	(510,151)	(379,938)
	141,629	**271,843**

ACCOUNTING POLICY FOR RIGHT-OF-USE ASSETS

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

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

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

NOTE 15.

INTANGIBLE ASSETS

	GOODWILL $	DEVELOPMENT COSTS $	INTELLECTUAL PROPERTY $	TOTAL $
AS AT 30 JUNE 2022				
Cost	1,565,004	431,049	2,981,138	4,977,191
Accumulated amortisation and impairment	-	(360,491)	(2,746,592)	(3,107,083)
NET BOOK VALUE	**1,565,004**	**70,558**	**234,546**	**1,870,108**
YEAR ENDED 30 JUNE 2023				
Opening net book value	1,565,004	70,558	234,546	1,870,108
Additions	-	-	-	-
Amortisation charge	-	(42,961)	(234,546)	(277,507)
Impairment losses	(1,565,004)	(27,597)	-	(1,592,601)
NET BOOK VALUE	**-**	**-**	**-**	**-**
AT 30 JUNE 2023				
Cost	1,565,004	431,049	2,981,138	4,977,191
Accumulated amortisation and impairment	(1,565,004)	(431,049)	(2,981,138)	(4,977,191)
NET BOOK VALUE	**-**	**-**	**-**	**-**

ACCOUNTING POLICY FOR INTANGIBLE ASSETS

(I) GOODWILL

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

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

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

NOTE 15.

INTANGIBLE ASSETS (CONTINUED)

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 4).

(II) RESEARCH AND DEVELOPMENT

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

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

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

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

(III) INTELLECTUAL PROPERTY

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

IMPAIRMENT OF INTANGIBLES

The Group amortises intangible assets with a limited useful life using the straight-line method over 9.5 years for both research and development, and intellectual property intangible assets.

Intangible assets have been subject to an impairment test whereby the recoverable amount was compared to their written-down value. The recoverable amount has been determined by the Board by preparing a value-in-use calculation using cash flow projections over a five-year period with a terminal value calculated on a perpetual growth basis, as well as a fair value calculation using cash flow projections over a five-year period applying a terminal value on EBIT multiple basis, and taking the higher of the two in accordance with Australian Accounting Standards.

In performing the impairment review, the single CGU identified to its lowest level is at Rhinomed group level as one consolidated operation. As the Rhinomed brand and nasal stent technology are key to generating future cash inflows and growth for the company, the Board's focus is on the group level reporting and allocation of resources within the business. Refer to Note 3 for Key assumptions used for value-in-use calculations for impairment assessment as of 30 June 2023.

Apart from the considerations described in determining the value-in-use of the cash-generating unit described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates. The estimate of the recoverable amount is based on a discount rate of 20%.

As a result of the value-in-use calculations the Directors have concluded that an impairment charge was necessary for the 2023 financial year and as a result, the Group has recognised an impairment loss of $1,592,601.

NOTE 16.
TRADE AND OTHER PAYABLES

TRADE AND OTHER PAYABLES

	30 JUNE 2023 $	30 JUNE 2022 $
Trade payables	1,714,854	1,805,897
Accrued expenses	657,527	706,490
Other payables	186,462	157,128
	2,558,843	**2,669,515**

Refer to Note 25 for further information on financial instruments.

ACCOUNTING POLICY FOR TRADE AND OTHER PAYABLES

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

NOTE 17.
CONTRACT LIABILITIES

CONTRACT LIABILITIES

	30 JUNE 2023 $	30 JUNE 2022 $
Opening balance	125,144	-
Increase due to cash received, excluding amounts recognised as revenue	1,243,900	888,485
Revenue recognised that was included in the opening balance	(125,144)	-
Revenue from performance obligations satisfied during the period	(846,132)	(794,561)
Foreign exchange differences	19,655	31,220
	417,423	**125,144**

The group derives revenue from the transfer of goods at a point in time when the products are sold to the end customers by the retailer.

The revenue for the year includes $125,144 (FY22: $nil) included in the contract liability balance at the beginning of the year.

NOTE 18.
LEASE LIABILITIES

LEASE LIABILITIES

	30 JUNE 2023 $	30 JUNE 2022 $
Lease liability - current	170,572	151,304
Lease liability - non-current	14,867	185,439
	185,439	**336,743**

The Group's lease liability relates to the head office in Cremorne. This lease agreement does not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset (Note 14) and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

During the year, payments made in respect to lease liabilities totalled $170,992 (FY22: $165,018) which includes an interest expense of $19,688 (FY22: $31,297).

ACCOUNTING POLICY FOR LEASE LIABILITIES

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

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

NOTE 19.
EMPLOYEE BENEFITS OBLIGATIONS

CURRENT LIABILITY

	30 JUNE 2023 $	30 JUNE 2022 $
Leave obligations	316,408	237,083
Employee entitlements	128,098	12,000
	444,506	**249,083**
NON-CURRENT LIABILITY		
Long service leave obligations	**84,564**	**82,615**

Current leave obligations relate to amounts that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts are classified as current liabilities as the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

Long service leave obligations relate to employee entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.

NOTE 20.
BORROWINGS

Borrowings are made up of the following financial liabilities:

BORROWINGS

	30 JUNE 2023 $	30 JUNE 2022 $
Credit line facility	595,324	-
Unsecured loans	5,194,775	-
	5,790,099	**-**

CREDIT LINE FACILITY

In October 2022, ASAP Breatheassist Pty Ltd, a subsidiary of the Group, entered into a credit line facility to finance working capital. Under the facility, ASAP Breatheassist Pty Ltd is able to borrow up to 80% of trade receivable balances approved by the funder. The maximum amount that ASAP Breatheassist Pty Ltd can draw under the facility is $2,800,000. As at 30 June 2023, $595,324 had been drawn. The final repayment date is 31 October 2023. As this facility is Australian dollar denominated, there was no impact on the Group's exposure to foreign exchange risk.

The credit line facility is an uncommitted revolving loan facility with a variable interest rate and is secured by:

- A Featherweight General Security Agreement over ASAP Breatheassist Pty Ltd's assets.
- First ranking priority charge over ASAP Breatheassist Pty Ltd's receivables book.

The interest rate on this credit line facility is variable and averaged 10.29% for the financial year (FY22: N/A). There is also a facility fee of 1.35% (FY22: N/A). Interest and facility fees are paid monthly in arrears and are recorded as transaction costs in the profit and loss. An arrangement fee of $16,000 was also payable to the lender upon signing the credit line facility agreement which was paid prior to the first draw down of the facility and expensed in the profit and loss.

UNSECURED LOANS

The Group has entered into the following unsecured loan facilities to finance working capital:

- In December 2022, US$2,500,000 loan facility was entered. The facility was fully drawn during the 2023 financial year. As at 30 June 2023, the drawn amounts were repayable by 30 June 2024. On 26 September 2023, the repayment date was extended to 1 October 2024 and the below wording in relation to repayment clauses in

NOTE 20.

BORROWINGS (CONTINUED)

the loan agreement was amended to include the word "may" rather than "must":

a) A capital event (including an equity raise, issue of convertible note, or capital raise), the net proceeds raised may be applied in repayment of the loan; or
b) Internally generated revenues and cash flows from commercial operations, the cash received may be applied in repayment of the loan.

- In July 2021, the Group entered into the following facilities:
- $1,250,000 loan facility with Chairman Ron Dewhurst was fully drawn during the 2023 financial year and is repayable by 30 June 2025; and
- $1,250,000 loan facility with non-executive director John McBain was undrawn as at 30 June 2023 and if drawn was repayable by 31 July 2023. Subsequent to 30 June 2023, $600,000 of the facility was drawn. On 26 September 2023, the repayment date was extended to 1 October 2024.

The facilities are on commercial terms, have a fixed rate of 8%, and are AU dollar denominated. There is no impact on the Group's exposure to cash flow interest rate risk and no facility or transaction fees payable.

If the Group raises funds by way of:

a) A capital event (including an equity raise, issue of convertible note, or capital raise), the net proceeds raised may be applied in repayment of the facilities; or
b) Internally generated revenues and cash flows from commercial operations, the cash received may be applied in repayment of the facilities.

COMPLIANCE WITH LOAN COVENANTS

There are no amounts subject to loan covenants.

FAIR VALUE

The fair values of the Group's borrowings are not materially different from their carrying amounts since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

NOTE 21.

SHARE CAPITAL

SHARE CAPITAL

	30 JUNE 2023 SHARES	30 JUNE 2022 SHARES	30 JUNE 2023 $	30 JUNE 2022 $
Ordinary shares – fully paid	285,719,694	285,719,694	77,650,779	77,650,779

MOVEMENTS IN ORDINARY SHARE CAPITAL

DETAILS	DATE	SHARES	ISSUE PRICE	$
Balance	**01/07/2021**	253,809,132	-	71,269,024
Share issue on exercise of options		6,000,000	$0.287	1,722,000
Rights issue		25,910,562	$0.190	4,923,007
Less: transaction costs arising on rights issue		-	$0.000	(263,252)
BALANCE	**30/06/2022**	**285,719,694**		**77,650,779**
BALANCE	**30/06/2023**	**285,719,694**		**77,650,779**

ORDINARY SHARES

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

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

ACCOUNTING POLICY FOR ISSUED CAPITAL

Ordinary shares are classified as equity.

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

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintainan optimal capital structure so as to maximise shareholders' value.
In order to maintain or achieve an optimal capital structure, the Group may issue new shares or reduce its capital, subject to the provisions of the Group's constitution. The capital structure of the Group consists of equity attributed to equity holders of the Group, comprising contributed equity, reserves and accumulated losses. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the Board by the Group's management, the Board monitors the need to raise additional equity from the equity markets.

NOTE 22.

OTHER RESERVES

OTHER RESERVES

	30 JUNE 2023 $	30 JUNE 2022 $
Foreign currency translation reserve	(1,240,572)	(708,428)
Options reserve	3,576,587	3,576,587
	2,336,015	**2,868,159**

MOVEMENTS IN RESERVES

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

	OPTION RESERVE $	FOREIGN CURRENCY TRANSLATION RESERVE $	TOTAL $
Balance at 1 July 2021	4,500,437	121,484	4,621,921
Exercise of options	(615,900)	-	(615,900)
Expiry of options not exercised	(307,950)	-	(307,950)
Currency translation reserve	-	(829,912)	(829,912)
Balance at 30 June 2022	3,576,587	(708,428)	2,868,159
Currency translation reserve	-	(532,144)	(532,144)
BALANCE AT 30 JUNE 2023	**3,576,587**	**(1,240,572)**	**2,336,015**

OPTION RESERVE

The share-based payments reserve is used to recognise:

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

FOREIGN CURRENCY TRANSLATION RESERVE

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

NOTE 23.

DIVIDENDS

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

NOTE 24.

FINANCE INCOME AND COSTS

Interest income is calculated using the effective interest rate method.

FINANCE INCOME

	30 JUNE 2023 $	30 JUNE 2022 $
Interest from financial assets held for cash management purposes	2,518	2,210

FINANCE COSTS

Interest and finance charges paid/payable for lease liabilities	19,688	31,297
Other finance charges	293,102	12,950
	312,790	**44,247**

NOTE 25.

FINANCIAL INSTRUMENTS

The Group's financial instruments are detailed below:

	30 JUNE 2023 $	30 JUNE 2022 $
Cash and cash equivalents	190,412	1,984,949
Net trade receivables	1,029,991	1,450,405
Other financial assets	82,015	81,472
Trade and other payables	(2,558,843)	(2,669,515)
Lease liability	(185,439)	(336,743)
Borrowings	(5,790,099)	-
	(7,231,963)	**510,568**

FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

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

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

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

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

ELEMENTS OF RISK

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

(A) MARKET RISK
(I) FOREIGN EXCHANGE RISK

The Group operates internationally, undertaking certain transactions denominated in foreign currency and is exposed to foreign exchange risk through foreign exchange rate fluctuations. The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date, expressed in Australian dollar, was as follows:

	ASSETS		LIABILITIES	
	30 JUNE 2023 $	30 JUNE 2022 $	30 JUNE 2023 $	30 JUNE 2022 $
US dollars	765,129	173,643	(427,212)	(541,019)
Pound Sterling	34,319	67,159	(12,089)	(4,467)
Euro	-	-	(37,970)	-
Canadian dollars	14,371	-	(11,311)	-
	813,819	**240,802**	**(488,582)**	**(545,486)**

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

As shown above, the Group is primarily exposed to changes in the exchange rates of the US dollar and the Pound Sterling. A strengthening or weakening of the Australian dollar against these currencies would have an equal and opposite effect on the loss after tax and equity.

The following table illustrates the sensitivity of profit and equity in relation to the Group's financial assets and financial liabilities against the AUD/USD exchange rate. The analysis assumes that all other variables remain constant. It assumes a +/- 7% change of the AUD/USD rate for the year ended 30 June 2023 (FY22: +/- 3%). This percentage has been determined based on management's assessment of a reasonably possible change, based on the average market volatility in exchange rates in the previous twelve months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

NOTE 25.

FINANCIAL INSTRUMENTS (CONTINUED)

	AUD STRENGTHENED			AUD WEAKENED		
	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
30 JUNE 2023						
US dollars	7%	(22,107)	(22,107)	7%	25,435	25,435
		(22,107)	**(22,107)**		**25,435**	**25,435**
30 JUNE 2022						
US dollars	3%	10,700	10,700	-3%	(10,700)	(10,700)
		10,700	**10,700**		**(10,700)**	**(10,700)**

The post-tax impact on profit and equity of reasonably possible changes in the Pound Sterling, Euro and Canadian dollar exchange rates were considered and were immaterial.

(ii) INTEREST RATE RISK

As at 30 June 2023, the Group is exposed to market interest rates through its credit line facility. All other borrowings have a fixed interest rate. The exposure to interest rates for the Group's cash and cash equivalents is considered immaterial.

An increase or decrease of 2.00% (FY22: 0.10%) in interest rates at the reporting date would have a corresponding increase/(decrease) effect on profit after tax and equity of $927. There was no exposure to interest rate risk in the prior year.

(B) CREDIT RISK

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to credit risk from financial assets including cash and cash equivalents held at banks and trade and other receivables.

CREDIT RISK MANAGEMENT

The credit risk in respect of cash and cash equivalents is minimised through diversification of bank deposits, and are only with major reputable financial institutions that maintain a high credit rating.

Credit risk in respect to trade and other receivables is managed on a group basis based on the Group's credit risk management policies and procedures (such as the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring the financial stability of significant customers and counterparties) ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms are normally between 30 and 60 days from the invoice date.

IMPAIRMENT OF FINANCIAL ASSETS

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

SECURITY

Trade receivables consist of a large number of customers in various geographic areas. The Group does not hold any security on any trade receivables balances at each annual reporting date.

TRADE RECEIVABLES

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the amount outstanding.

On that basis, there was no further loss allowance as at 30 June 2023 from the expected credit loss method. This was ascertained based on an individual customer analysis; the identified loss beyond this at a portfolio level was determined to be immaterial.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due.

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

NOTE 25.

FINANCIAL INSTRUMENTS (CONTINUED)

(C) LIQUIDITY RISK

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

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

The group's objective is to maintain cash balances to meet its liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting period. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables.

The Group's existing cash resources and trade receivables exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within six months.

REMAINING CONTRACTUAL MATURITIES

The tables on the next page detail the Group's remaining contractual maturity for its financial liabilities. The amounts disclosed in the tables are the contractual undiscounted cash flows of financial liabilities required to be paid, assuming no early repayment clauses are triggered. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

NON-DERIVATIVES	30 JUNE 2023			
	1 YEAR OR LESS $	BETWEEN 1 AND 5 YEARS $	OVER 5 YEARS $	REMAINING CONTRACTUAL MATURITIES $
NON-INTEREST BEARING				
Trade and other payables	2,558,843	-	-	2,558,843
INTEREST BEARING				
Lease liabilities	170,572	14,867	-	185,439
Borrowings	4,865,941	1,487,031	-	6,352,972
TOTAL NON-DERIVATIVES	**7,595,356**	**1,501,898**	**-**	**9,097,254**

NON-DERIVATIVES	30 JUNE 2022			
	1 YEAR OR LESS $	BETWEEN 1 AND 5 YEARS $	OVER 5 YEARS $	REMAINING CONTRACTUAL MATURITIES $
NON-INTEREST BEARING				
Trade and other payables	2,669,515	-	-	2,669,515
INTEREST BEARING				
Lease liabilities	151,304	185,439	-	336,743
TOTAL NON-DERIVATIVES	**2,820,819**	**185,439**	**-**	**3,006,258**

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

NOTE 26.

KEY MANAGEMENT PERSONNEL DISCLOSURES

DIRECTORS

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

Mr Michael Johnson
Executive Director and Chief Executive Officer

Mr Ron Dewhurst
Non-Executive Chairman

Mr Brent Scrimshaw
Non-Executive Director

Assoc. Prof. John McBain AO
Non-Executive Director

Ms Lynette Swinburne AO
Non-Executive Director (appointed 8 September 2022)

Dr Eric Knight
Non-Executive Director (resignation effective 30 September 2022)

OTHER KEY MANAGEMENT PERSONNEL

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

Mr Sean Slattery
Chief Financial Officer and Company Secretary

COMPENSATION

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

	30 JUNE 2023 $	30 JUNE 2022 $
Short-term employee benefits	1,147,990	988,119
Long-term employee benefits	16,584	10,037
Post-employment benefits	80,454	72,381
	1,245,028	**1,070,537**

NOTE 27.

REMUNERATION OF AUDITORS

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

	30 JUNE 2023 $	30 JUNE 2022 $
AUDIT SERVICES		
Audit or review of the financial statements – Grant Thornton Audit Pty Ltd	108,150	125,750
	108,150	**125,750**
OTHER SERVICES		
Tax compliance services – Grant Thornton Pty Ltd	8,500	8,500
	116,650	**134,250**

NOTE 28.

CONTINGENT LIABILITIES

The Group had no contingent liabilities at 30 June 2023 (FY22: nil).

NOTE 29.

COMMITMENTS

The Group had no capital or expenditure commitments as at 30 June 2023 or 30 June 2022.

NOTE 30.

RELATED PARTY TRANSACTIONS

PARENT ENTITY

Rhinomed Limited is the parent entity.

SUBSIDIARIES

Interests in subsidiaries are set out in Note 32.

KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in Note 26 and the remuneration report included in the directors' report.

TRANSACTIONS WITH RELATED PARTIES

The following transactions occurred with related parties:

	30 JUNE 2023 $	30 JUNE 2022 $
RENDERING OR RECEIVING OF SERVICES:		
Employee benefits**	217,557	191,200
	217,557	**191,200**

*The wife of Mr Michael Johnson commenced employment as the National Sales Manager during 2021 and received a salary and bonus totalling $196,828 (FY22: $173,818) plus superannuation guarantee of $20,729 (FY22:$17,382).

NOTE 30.

RELATED PARTY TRANSACTIONS (CONTINUED)

RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES

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

	30 JUNE 2023 $	30 JUNE 2022 $
CURRENT PAYABLES		
Employee benefits obligations	5,068	1,014
	5,068	**1,014**

LOANS TO/FROM RELATED PARTIES

During the year, a drawdown was made by the Group on the unsecured working capital facility to the value of $1.25 million provided by Chairman Ron Dewhurst. The facility is on commercial terms and expires on 30 June 2025, assuming no early repayment clauses are triggered.

Refer to Note 20 Borrowings for further information.

TERMS AND CONDITIONS

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

NOTE 31.

PARENT ENTITY INFORMATION

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	PARENT	
	30 JUNE 2023 $	30 JUNE 2022 $
Loss after income tax	(5,271,447)	(28,025,974)
TOTAL COMPREHENSIVE LOSS	**(5,271,447)**	**(28,025,974)**

STATEMENT OF FINANCIAL POSITION	PARENT	
	30 JUNE 2023 $	30 JUNE 2022 $
Total current assets	704,169	2,356,059
Total assets	955,830	4,585,278
Total current liabilities	2,689,441	878,819
Total liabilities	2,788,872	1,146,873
EQUITY		
Share capital	77,650,779	77,650,779
Other reserves	3,576,587	3,576,587
Accumulated losses	(83,060,408)	(77,788,961)
TOTAL (DEFICIENCY IN EQUITY)/EQUITY	**(1,833,042)**	**3,438,405**

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

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022.

CONTINGENT LIABILITIES

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

CAPITAL COMMITMENTS – PROPERTY, PLANT AND EQUIPMENT

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 32.

INTERESTS IN SUBSIDIARIES

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

NAME	PRINCIPAL PLACE OF BUSINESS/ COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		30 JUNE 2022 %	30 JUNE 2021 %
ASAP Breatheassist Pty Ltd	Australia	100.00%	100.00%
Breathing Space Health Pty Ltd	Australia	100.00%	100.00%
Diagnosehealth Pty Ltd	Australia	100.00%	100.00%
Rhinomed UK Limited	United Kingdom	100.00%	100.00%
Breatheassist Limited	United Kingdom	100.00%	100.00%
Rhinomed Inc.	United States	100.00%	100.00%
Rhinomed EU GmbH	Germany	100.00%	100.00%

NOTE 33.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2023, the Group has signed a distribution agreement and a supply agreement with Virax Biolabs Group Holdings Ltd. Rhinomed will supply Rhinoswab Junior for inclusion in a new Covid, RSV and Flu A and B lateral flow test that will be released in Europe over the course of FY24. The agreement is on a non exclusive basis. Rhinomed will work closely with Virax to introduce the test kits initially into its existing retailer network in the UK and following that, Europe. Rhinomed will update investors on further details of this agreement in due course as they become material.

On 26 September 2023, the agreement relating to the unsecured fully drawn loan of US$2,500,000 was amended for the following:

- Replacement of the word "must" with the word "may"; and
- Extension of the expiry date to 1 October 2024 (previously 30 June 2024).

Further to the above, the Group entered into a further unsecured loan facility to finance working capital on 25 September 2023. The total available amount under the loan is

NOTE 33.

EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

US$1,970,000 and is repayable no later than 1 October 2024 or as agreed by both parties. If the Group raises funds by way of:

a) A capital event (including an equity raise, issue of convertible note, or capital raise), the net proceeds raised may be applied in repayment of the loan: or
b) Internally generated revenues and cash flows from commercial operations, the net cash received may be applied in repayment of the loan.

The loan has a fixed rate of 8%, and is a US dollar denominated loan which is carried at amortised cost. There are no facility or transaction fees payable on this loan facility.

On 26 September 2023, as part of the unsecured working capital facility, John McBain agreed to extend his line of credit of $1.25m forward until 1 October 2024, $600,000 of which has been drawn down subsequent to 30 June 2023.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

NOTE 34.

CASH FLOW INFORMATION

RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES	30 JUNE 2023 $	30 JUNE 2022 $
Loss after income tax expense for the year	(10,908,255)	(5,281,038)
ADJUSTMENTS FOR:		
Depreciation and amortisation	891,984	699,462
Foreign exchange differences	(328,522)	(801,110)
Impairment of intangible assets and inventory	2,486,577	-
CHANGE IN OPERATING ASSETS AND LIABILITIES:		
Decrease/(increase) in trade and other receivables	596,177	(960,326)
Decrease/(increase) in inventories	(281,794)	(1,084,591)
Increase in other operating assets	(11,145)	(82,483)
(Decrease)/increase in trade and other payables	(110,672)	1,595,778
Increase in other liabilities	487,702	170,823
NET CASH USED IN OPERATING ACTIVITIES	**(7,177,948)**	**(5,743,485)**

NOTE 35.

EARNINGS PER SHARE

	30 JUNE 2023 $	30 JUNE 2022 $
LOSS AFTER INCOME TAX ATTRIBUTABLE TO THE OWNERS OF RHINOMED LIMITED	**(10,908,255)**	**(5,281,038)**

	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	285,719,694	261,656,327
Weighted average number of ordinary shares used in calculating diluted earnings per share	285,719,694	261,656,327

	CENTS	CENTS
Basic earnings per share	(3.82)	(2.02)
Diluted earnings per share	(3.82)	(2.02)

BASIC EARNINGS PER SHARE

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

DILUTED EARNINGS PER SHARE

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

NOTE 36.

SHARE-BASED PAYMENTS

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

Set out below are summaries of options granted under ESOP which was established to provide ongoing incentive to reward employees and consultants for their contribution to the Group's performance. All options listed below have a vesting date equal to their grant date:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT THE START OF THE YEAR	GRANTED	EXERCISED	EXPIRED/ FORFEITED	BALANCE AT THE END OF THE YEAR
30 JUNE 2023							
29/11/2019	29/11/2023	$$0.2998	10,000,000	-	-	-	10,000,000
20/01/2020	20/01/2024	$0.2998	3,000,000	-	-	-	3,000,000
20/11/2020	23/12/2024	$0.0116	12,690,457	-	-	-	12,690,457
20/11/2020	23/12/2024	$0.0116	2,538,091	-	-	-	2,538,091
			28,228,548	**-**	**-**	**-**	**28,228,548**
WEIGHTED AVERAGE EXERCISE PRICE			**$0.2006**	**$0.0000**	**$0.0000**	**$0.0000**	**$0.2006**
30 JUNE 2022							
14/12/2018	21/12/2021	$0.2870	9,000,000	-	(6,000,000)	(3,000,000)	-
29/11/2019	29/11/2023	$0.2998	10,000,000	-	-	-	10,000,000
20/01/2020	20/01/2024	$0.2998	3,000,000	-	-	-	3,000,000
20/11/2020	23/12/2024	$0.0116	12,690,457	-	-	-	12,690,457
20/11/2020	23/12/2024	$0.0116	2,538,091	-	-	-	2,538,091
			37,228,548	**-**	**(6,000,000)**	**(3,000,000)**	**28,228,548**
WEIGHTED AVERAGE EXERCISE PRICE			**$0.2215**	**$0.0000**	**$0.1027**	**$0.1027**	**$0.2006**

NOTE 36.

SHARE-BASED PAYMENTS (CONTINUED)

ACCOUNTING POLICY
FOR SHARE-BASED PAYMENTS

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

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

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

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

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

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

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

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by section 295A of the Corporations Act 2001.

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

On behalf of the Directors,

MR MICHAEL JOHNSON
Chief Executive Officer
and Managing Director

29 September 2023

GrantThornton

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222

Independent Auditor's Report

To the Members of Rhinomed Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Rhinomed Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the year ended on that date; and

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

Basis for opinion

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

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

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of $10,908,255 during the year ended 30 June 2023, and as of that date, the Group's current liabilities exceeded its current assets by $6,850,298 and the Group had net liabilities of $6,405,761. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Impairment of Intangible assets (Note 3 and 15)	
As at 30 June 2023, prior to the recorded provision for impairment, the Group had recorded goodwill of $1,565,004 and capitalised development costs of $27,597 assigned to a single Cash Generating Unit (CGU). Goodwill is required to be assessed for impairment annually by Management as prescribed in AASB 136 *Impairment of Assets*. Management recorded an impairment of intangible expense of $1,592,601 against the abovementioned assets. Management tests the CGU for impairment by comparing the carrying amount against the recoverable amount determined by either, the greater of its fair value less costs to sell and its value in use. This area is a key audit matter due to the significant estimates and judgements involved in identifying CGU's and determining the recoverable amount.	Our procedures included, amongst others: • Understanding and documenting Management's process and controls related to the assessment of impairment; • Evaluating management's assessment of CGU's and whether they meet the definition as prescribed by AASB 136; • Evaluating the value in use models against the requirements of AASB 136; • Reviewing Management's value in use calculations to: – Test the mathematical accuracy of the calculations; – Critically challenge the assumptions underlying forecast cash inflows and outflows to be derived by the CGU assets; – Assess estimates and judgements for growth rates applied; and – Assess discount rates applied to forecast future cash flows for reasonableness. • Performing sensitivity analysis on the significant inputs and assumptions made by Management in preparing its calculations; • Engaging our internal valuation specialists to assess Management's discounted cash flow model and evaluate the reasonableness of key assumptions and methodology applied; • Assessing the allocation of any impairment expense across the assets of the CGU; and • Assessing the adequacy of financial statement disclosures.

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 10 to 15 of the Directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Rhinomed Limited, for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

JVasiliou

J D Vasiliou
Partner – Audit & Assurance

Melbourne, 29 September 2023

SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 13 September 2023.

DISTRIBUTION OF EQUITABLE SECURITIES

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

	ORDINARY SHARES		
	NO. HOLDERS	**NO. SHARES**	**SHARE %**
HOLDING			
1 - 1000	107	16,261	0.01%
1,001 - 5,000	401	1,200,615	0.42%
5,001 - 10,000	245	1,953,389	0.68%
10,001 - 100,000	532	17,787,121	6.23%
100,001 and over	156	264,762,308	92.66%
TOTAL	**1,441**	**285,719,694**	**100.00%**
HOLDINGS LESS THAN MARKETABLE PARCEL	**656**		

EQUITY SECURITY HOLDERS

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

		ORDINARY SHARES	
	HOLDER NAME	**NUMBER HELD**	**% OF ISSUED SHARES**
1	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	120,257,693	42.09%
2	FIFTY SECOND CELEBRATION PTY LTD <MCBAIN FAMILY A/C>	30,901,726	10.82%
3	THIRTY-FIFTH CELEBRATION PTY LTD <JC MCBAIN SUPER FUND A/C>	18,084,062	6.33%
4	KROY WEN PTY LTD	8,331,816	2.92%
5	KROY WEN PTY LTD <DEWHURST SUPER FUND A/C>	8,172,743	2.86%
6	CITICORP NOMINEES PTY LIMITED	6,901,583	2.42%
7	PICTON COVE PTY LTD	3,931,702	1.38%
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS A/C>	3,733,542	1.31%
9	MR RONALD RICHARD DEWHURST	3,303,951	1.16%
10	KENSINGTON CAPITAL MANAGEMENT PTY LTD	3,083,687	1.08%
11	ABINGDON NOMINEES PTY LTD <ABINGDON NOMS INVEST A/C>	2,422,897	0.85%
12	ARGUS NOMINEES PTY LTD <THE HALSTEAD SUPER FUND A/C>	2,225,285	0.78%
13	MUTUAL TRUST PTY LTD	1,735,634	0.61%
14	MR GEOFFREY CHARLES HARRINGTON	1,505,555	0.53%
15	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,344,246	0.47%
16	KEN SIEBEL	1,249,929	0.44%
17	MR CALUM MCBAIN	1,245,700	0.44%
18	MR PHILLIP KEITH BIGGS & DR KATHERINE LOUISE SPEARRITT	1,238,583	0.43%
19	MR ANTONY ANDREW SHEIL	1,220,259	0.43%
20	MR WILLIAM HENRY HERNSTADT	1,150,000	0.40%
		222,040,593	**77.75%**

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders in the company are set out below:

		ORDINARY SHARES	
	HOLDER NAME	**NUMBER HELD**	**% OF ISSUED SHARES**
1	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	120,257,693	42.09%
2	FIFTY SECOND CELEBRATION PTY LTD <MCBAIN FAMILY A/C>	30,901,726	10.82%
3	THIRTY-FIFTH CELEBRATION PTY LTD <JC MCBAIN SUPER FUND A/C>	18,084,062	6.33%

VOTING RIGHTS

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

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

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

RHINOMED

L1, 132 Gwynne Street
Cremorne VIC 3121
Australia

T +61 (0) 3 8416 0900
info@rhinomed.global
www.rhinomed.global

ASX: RNO, OTCQB: RHNMF