

**Rhinomed Limited**

**ABN 12 107 903 159**

**APPENDIX 4E PRELIMINARY FINAL REPORT  
30 June 2021**

**Rhinomed Limited**  
**Appendix 4E Preliminary final report**

**1. Company details**

Name of entity: Rhinomed Limited  
ABN: 12 107 903 159  
Reporting period: For the year ended 30 June 2021  
Previous period: For the year ended 30 June 2020

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**2. Results for announcement to the market**

				\$
Revenues from ordinary activities	up	9.2%	to	3,894,908
Loss from ordinary activities after tax attributable to the owners of Rhinomed Limited	down	18.9%	to	(8,638,926)
Loss for the year attributable to the owners of Rhinomed Limited	down	18.9%	to	(8,638,926)

*Dividends*

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

*Comments*

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

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**3. Net tangible assets**

	Reporting period Cents	Previous period* Cents
Net tangible assets per ordinary security	<u>1.02</u>	<u>3.40</u>

*\*Certain 2020 amounts have been restated to reflect adjustments relating to Note 8 of the Notes to the consolidated financial statements.*

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**4. Control gained over entities**

Not applicable.

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**5. Loss of control over entities**

Not applicable.

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**6. Dividends**

*Current period*

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

*Previous period*

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

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**7. Dividend reinvestment plans**

Not applicable.

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**8. Details of associates and joint venture entities**

Not applicable.

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**9. Foreign entities**

*Details of origin of accounting standards used in compiling the report:*

Not applicable.

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**10. Audit qualification or review**

*Details of audit/review dispute or qualification (if any):*

This report, and the accompanying summary consolidated financial statements, are based upon accounts which are in the process of being audited.

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**11. Attachments**

*Details of attachments (if any):*

Unaudited summary consolidated financial statements for Rhinomed Limited and its controlled entities for the year ended 30 June 2021 is attached.

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**12. Signed**

Signed \_\_\_\_\_  \_\_\_\_\_

Date: 26 August 2021

Mr Michael Johnson  
Chief Executive Officer and Managing Director  
Melbourne

**Rhinomed Limited**  
**Appendix 4E Preliminary final report**  
**Corporate directory**

Directors	Mr Michael Johnson (Executive Director and Chief Executive Officer) Mr Ron Dewhurst (Non-Executive Chairman) Mr Brent Scrimshaw (Non-Executive Director) Dr Eric Knight (Non-Executive Director) Assoc. Prof. John McBain (appointed as a Non-Executive Director on 14 May 2021)
Company Secretary & CFO	Mr Sean Slattery
Registered and Principal Office	Level 1, 132 Gwynne Street Cremorne VIC 3121 Australia +61 (0)3 8416 0900
Share register	Automic Pty Ltd Level 5, 126 Phillip Street Sydney NSW 2000 +61 (0)2 9698 5414
Auditor	Grant Thornton Audit Pty Ltd Collins Square, Tower 5, Level 22, 727 Collins Street Melbourne VIC 3008
Solicitors	HWL Ebsworth Level 8, 447 Collins Street Melbourne VIC 3000 +61 (03) 8644 3500
Bankers	National Australia Bank 330 Collins Street Melbourne VIC 3000
Stock exchange listing	Rhinomed Limited shares are listed on the Australian Securities Exchange (ASX code: RNO) and the OTC Market in the USA (OTCQB: RHNMF).
Website	<a href="http://www.rhinomed.global">www.rhinomed.global</a>

**Rhinomed Limited**  
**Appendix 4E Preliminary final report**  
**Directors' report**

The directors submit the preliminary consolidated financial statements of the consolidated entity (the 'Group' or 'Rhinomed') consisting of Rhinomed Limited (the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

**Directors**

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

Mr Michael Johnson (Executive Director and Chief Executive Officer)  
Mr Ron Dewhurst (Non-Executive Chairman)  
Mr Brent Scrimshaw (Non-Executive Director)  
Dr Eric Knight (Non-Executive Director)  
Assoc. Prof. John McBain (appointed as a Non-Executive Director on 14 May 2021)

**Principal activities**

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

**Dividends**

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

**Review of operations**

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

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

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

Net cash used in operating activities was \$5.33 million down from \$5.74 million in FY20. Operating expenditure is aligned with revenue generation and investment to support the sales growth in key markets. This includes the continued growth and roll out of the Mute technology and as a result, Mute sales represented 85% of total revenue during FY21.

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

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

**Covid-19 impact**

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

Another positive trend has emerged with the APAC region sales increasing to 19.6% of total revenue for FY21 compared to 16.2% of total revenue in the prior year. This is as a direct result of expanding the geographical coverage of the Group's sales representation by employing staff in the majority of states in Australia.

**Rhinomed Limited**  
**Appendix 4E Preliminary final report**  
**Directors' report**

**Significant changes in the state of affairs**

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

**Matters subsequent to the end of the financial year**

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

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

**Environmental regulation**

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

**Rhinomed Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2021**

	Note	30 June 2021 \$	30 June 2020 \$
<b>Revenue</b>			
Revenue from contracts with customers	2	3,894,908	3,565,363
Other income	3	750,168	805,857
<b>Expenses</b>			
Raw materials and consumables used		(1,142,312)	(1,450,320)
Administrative expenses		(1,661,262)	(1,710,107)
Depreciation and amortisation		(591,568)	(595,977)
Employee benefit expense		(5,247,329)	(4,312,098)
Marketing expenses		(3,357,950)	(2,589,571)
Research and development		(731,934)	(179,843)
Other expenses		(539,160)	(768,002)
<b>Operating profit</b>		<b>(8,626,439)</b>	<b>(7,234,698)</b>
Finance income		29,465	13,894
Finance costs		(40,841)	(44,630)
<b>Loss before income tax expense</b>		<b>(8,637,815)</b>	<b>(7,265,434)</b>
Income tax expense		(1,111)	(789)
<b>Loss after income tax expense for the year attributable to the owners of Rhinomed Limited</b>		<b>(8,638,926)</b>	<b>(7,266,223)</b>
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		150,404	(1,215)
Other comprehensive income/(loss) for the year, net of tax		150,404	(1,215)
<b>Total comprehensive loss for the year attributable to the owners of Rhinomed Limited</b>		<b>(8,488,522)</b>	<b>(7,267,438)</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		(3.40)	(4.43)
Diluted earnings per share		(3.40)	(4.43)

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

**Rhinomed Limited**  
**Consolidated statement of financial position**  
**As at 30 June 2021**

	Note	30 June 2021 \$	Restated* 30 June 2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,339,616	7,757,474
Trade and other receivables		1,133,231	944,772
Inventories		157,157	540,384
Other current assets		120,158	245,478
<b>Total current assets</b>		<u>3,750,162</u>	<u>9,488,108</u>
<b>Non-current assets</b>			
Other financial assets		81,414	80,853
Property, plant and equipment		82,272	118,344
Right-of-use assets		402,056	532,270
Intangible assets	4	2,231,736	2,593,367
<b>Total non-current assets</b>		<u>2,797,478</u>	<u>3,324,834</u>
<b>Total assets</b>		<u><b>6,547,640</b></u>	<u><b>12,812,942</b></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		1,073,737	557,249
Contract liabilities	5	-	317,798
Lease liabilities		133,721	117,687
Employee benefits obligations		175,655	117,131
<b>Total current liabilities</b>		<u>1,383,113</u>	<u>1,109,865</u>
<b>Non-current liabilities</b>			
Lease liabilities		336,743	470,463
Employee benefits obligations		63,951	77,984
<b>Total non-current liabilities</b>		<u>400,694</u>	<u>548,447</u>
<b>Total liabilities</b>		<u><b>1,783,807</b></u>	<u><b>1,658,312</b></u>
<b>Net assets</b>		<u><b>4,763,833</b></u>	<u><b>11,154,630</b></u>
<b>Equity</b>			
Share capital	6	71,269,024	71,274,386
Other reserves	7	4,621,921	2,383,010
Accumulated losses		(71,127,112)	(62,502,766)
<b>Total equity</b>		<u><b>4,763,833</b></u>	<u><b>11,154,630</b></u>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes*  
*\*Certain 2020 amounts have been restated to reflect adjustments relating to Note 8.*



**Rhinomed Limited**  
**Consolidated statement of changes in equity**  
**30 June 2021**

		Share capital	Option reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	Note	\$	\$	\$	\$	\$
Balance at 1 July 2019		59,243,447	1,571,430	(27,705)	(56,166,407)	4,620,765
Retrospective restatement for correction to prior period*	8	-	-	-	296,864	296,864
Balance at 1 July 2019 – restated*		59,243,447	1,571,430	(27,705)	(55,869,543)	4,917,629
Loss for the year		-	-	-	(7,266,223)	(7,266,223)
Other comprehensive loss for the year		-	-	(1,215)	-	(1,215)
Total comprehensive loss for the year		-	-	(1,215)	(7,266,223)	(7,267,438)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs		12,030,939	-	-	-	12,030,939
Share-based payments		-	1,473,500	-	-	1,473,500
Expiry of options not exercised		-	(633,000)	-	633,000	-
Balance at 30 June 2020		<u>71,274,386</u>	<u>2,411,930</u>	<u>(28,920)</u>	<u>(62,502,766)</u>	<u>11,154,630</u>
		Share capital	Option reserve	Foreign currency translation reserve	Accumulated losses	Total equity
		\$	\$	\$	\$	\$
Balance at 1 July 2020		71,274,386	2,411,930	(28,920)	(62,502,766)	11,154,630
Loss for the year		-	-	-	(8,638,926)	(8,638,926)
Other comprehensive income for the year		-	-	150,404	-	150,404
Total comprehensive income/(loss) for the year		-	-	150,404	(8,638,926)	(8,488,522)
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments		-	2,103,087	-	-	2,103,087
Expiry of options not exercised		-	(14,580)	-	14,580	-
Share issue transaction costs		(5,362)	-	-	-	(5,362)
Balance at 30 June 2021		<u>71,269,024</u>	<u>4,500,437</u>	<u>121,484</u>	<u>(71,127,112)</u>	<u>4,763,833</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes  
\*Certain amounts have been restated to reflect adjustments relating to Note 8.

**Rhinomed Limited**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2021**

	Note	30 June 2021	30 June 2020
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		2,916,856	3,816,066
Payments to suppliers and employees (inclusive of GST)		(8,769,289)	(10,190,954)
Government grants and tax incentives received		510,325	620,733
Interest received		28,904	13,894
Interest and other finance costs paid		(21,795)	-
		<u>(5,334,999)</u>	<u>(5,740,261)</u>
Net cash outflow from operating activities			
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(49,079)	(11,023)
Proceeds from financial assets		-	6,317
		<u>(49,079)</u>	<u>(4,706)</u>
Net cash outflow from investing activities			
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	12,514,441
Share issue transaction costs		(22,403)	(464,757)
		<u>(22,403)</u>	<u>12,049,684</u>
Net cash (outflow)/inflow from financing activities			
Net (decrease)/increase in cash and cash equivalents		(5,406,481)	6,304,717
Cash and cash equivalents at the beginning of the financial year		7,757,474	1,421,315
Effects of exchange rate changes on cash and cash equivalents		(11,377)	31,442
		<u>2,339,616</u>	<u>7,757,474</u>
Cash and cash equivalents at the end of the financial year			

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

**Rhinomed Limited**  
**Notes to the consolidated financial statements**  
**30 June 2021**

**Note 1. 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.

**Note 2. Revenue from contracts with customers**

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

	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
Sale of goods	<u>3,894,908</u>	<u>3,565,363</u>

**Note 3. Other income**

	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
Government grants and incentives	325,201	284,000
R&D tax incentive	<u>424,967</u>	<u>521,857</u>
	<u>750,168</u>	<u>805,857</u>

**Note 4. Intangible assets**

	Goodwill	Development Costs	Intellectual Property	Total
	\$	\$	\$	\$
As at 30 June 2020				
Cost	4,951,996	602,503	9,516,217	15,070,716
Accumulated amortisation and impairment	<u>(3,386,992)</u>	<u>(440,576)</u>	<u>(8,649,781)</u>	<u>(12,477,349)</u>
Net book value	<u>1,565,004</u>	<u>161,927</u>	<u>866,436</u>	<u>2,593,367</u>
Year ended 30 June 2021				
Opening net book value	1,565,004	161,927	866,436	2,593,367
Additions	-	-	-	-
Amortisation charge	<u>-</u>	<u>(45,686)</u>	<u>(315,945)</u>	<u>(361,631)</u>
	<u>1,565,004</u>	<u>116,241</u>	<u>550,491</u>	<u>2,231,736</u>
At 30 June 2021				
Cost	4,951,996	431,049	2,981,138	4,977,191
Accumulated amortisation and impairment	<u>(3,386,992)</u>	<u>(314,808)</u>	<u>(2,430,647)</u>	<u>(2,745,455)</u>
Net book value	<u>1,565,004</u>	<u>116,241</u>	<u>550,491</u>	<u>2,231,736</u>

**Rhinomed Limited**  
**Notes to the consolidated financial statements**  
**30 June 2021**

**Note 5. Contract liabilities**

	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
Contract liabilities - deferred revenue	<u>-</u>	<u>317,798</u>

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

**Note 6. Share capital**

	<b>30 June 2021</b>	<b>30 June 2020</b>	<b>30 June 2021</b>	<b>30 June 2020</b>
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>253,809,132</u>	<u>253,809,132</u>	<u>71,269,026</u>	<u>71,274,386</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1 July 2019	141,933,281		59,243,447
Private placement	23 September 2019	27,272,735	\$0.22	6,000,002
Rights issue	26 June 2020	84,603,116	\$0.08	6,514,439
Less: transaction cost arising on share issue		-	\$0.00	(483,502)
Balance	30 June 2020	253,809,132		71,274,386
Less: transaction cost related to share issue		-	\$0.00	(5,362)
Balance	30 June 2021	<u>253,809,132</u>		<u>71,269,024</u>

**Note 7. Other reserves**

	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
Foreign currency translation reserve	121,484	(28,920)
Option reserve	4,500,437	2,411,930
	<u>4,621,921</u>	<u>2,383,010</u>

**Rhinomed Limited**  
**Notes to the consolidated financial statements**  
**30 June 2021**

**Note 7. Other reserves (continued)**

*Movements in reserves*

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

<b>Consolidated</b>	Option reserve \$	Foreign currency translation reserve \$	Total \$
Balance at 1 July 2019	1,571,430	(27,705)	1,543,725
Options issued/expensed	1,473,500	-	1,473,500
Options lapsed	(633,000)	-	(633,000)
Currency translation reserve	-	(1,215)	(1,215)
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2020	2,411,930	(28,920)	2,383,010
Options issued/expensed	2,103,087	-	2,103,087
Expiry of options not exercised	(14,580)	-	(14,580)
Currency translation reserve	-	150,404	150,404
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2021	<u>4,500,437</u>	<u>121,484</u>	<u>4,621,921</u>

**Note 8. Restatement of comparatives**

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

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

*(i) Impact on consolidated statement of financial position*

	Previously reported \$	Adjustment \$	Restated \$
<b>30 June 2019</b>			
Contract liabilities	556,297	(296,864)	259,433
<b>Current liabilities</b>	1,199,292	(296,864)	902,428
<b>Total liabilities</b>	1,250,262	(296,864)	953,398
<b>Net assets</b>	<hr/> <u>4,620,765</u>	<hr/> <u>296,864</u>	<hr/> <u>4,917,629</u>
Accumulated losses	(56,166,407)	296,864	(55,869,543)
<b>Total equity</b>	<hr/> <u>4,620,765</u>	<hr/> <u>296,864</u>	<hr/> <u>4,917,629</u>
<b>30 June 2020</b>			
Contract liabilities	614,662	(296,864)	317,798
<b>Current liabilities</b>	1,406,729	(296,864)	1,109,865
<b>Total liabilities</b>	1,955,176	(296,864)	1,658,312
<b>Net assets</b>	<hr/> <u>10,857,766</u>	<hr/> <u>296,864</u>	<hr/> <u>11,154,630</u>
Accumulated losses	(62,799,630)	296,864	(62,502,766)
<b>Total equity</b>	<hr/> <u>10,857,766</u>	<hr/> <u>296,864</u>	<hr/> <u>11,154,630</u>

**Rhinomed Limited**  
**Notes to the consolidated financial statements**  
**30 June 2021**

**Note 8. Restatement of comparatives (continued)**

(ii) Impact of consolidated profit or loss and other comprehensive income increase

<b>30 June 2019</b>	<b>\$</b>
Revenue from customers	322,574
Other operating expenses	(25,710)
<b>Loss before income tax expense</b>	<u>296,864</u>
Total comprehensive loss for the period, net of income tax	<u><u>296,864</u></u>

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

(iii) Impact of basic and diluted earnings per share (EPS) increase

<b>30 June 2019</b>	<b>Cents</b>
Basic earnings per share (cents per share)	0.22
Diluted earnings per share (cents per share)	0.22

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

**Note 9. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies:

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2021 %	30 June 2020 %
ASAP Breatheassist Pty Ltd	Australia	100.00%	100.00%
Rhinomed UK Limited	United Kingdom	100.00%	100.00%
Breatheassist Limited	United Kingdom	100.00%	100.00%
Rhinomed Inc.	United States	100.00%	100.00%

**Note 10. Events after the reporting period**

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

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