RHINOMED
MAKE EVERY BREATH COUNT

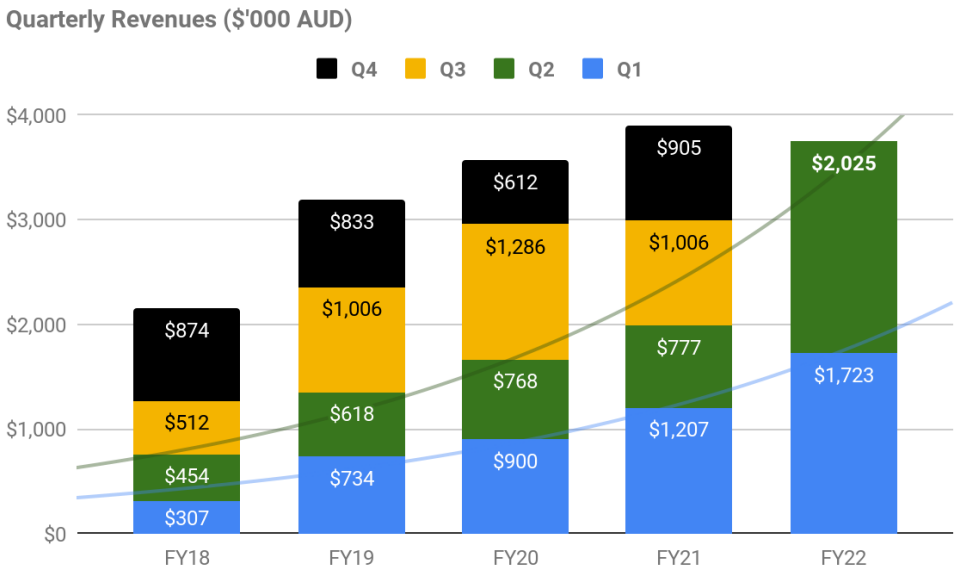
# DECEMBER QUARTERLY ACTIVITIES AND BUSINESS UPDATE (Q2 FY22)

**TOPLINE**

- **MOU to supply Rhinoswabs for new BTNX rapid antigen test kits:**
  - **Collaboration with BTNX – Canada's largest supplier of rapid antigen tests**
  - **BTNX to launch world's first test kit for children featuring Rhinoswab Junior**
  - **Rhinoswabs also to be supplied for adult markets**
  - **New Rapid Response test kit to be launched in both Australia and Canada following registration with Australian TGA and Canada Health**
- **Strong financial performance across the business:**
  - **Q2 FY22 recognised revenues – $2.03m, up 17% on Q1 FY22 revenues**
  - **Q2 FY22 Cash receipts up 63% – $2.53m**
- **Mute, Turbine and Pronto revenues remain strong:**
  - **Mute, Turbine, Pronto revenues – $1.1m in line with Q1 FY22 revenues**
  - **87,072 units shipped to customers**
- **Successful result in MCRI/RCH Rhinoswab Junior trial:**
  - **Rhinoswab Junior meets primary endpoints**
  - **Clinically comparable to more invasive combined nose and throat swab**
  - **Eight out of 10 children prefer Rhinoswab Junior**

**25 January 2022: Melbourne, Australia.**

Rhinomed Limited (ASX:RNO OTCQB:RHNMF), a leader in wearable nasal and respiratory technology, has continued to deliver on key milestones including growth across the business. Revenue for FY22 Q2 was $2.025m up 17% on the previous quarter's record revenue of $1.723m. Unaudited revenues for H1 FY22 of $3.75m is just shy of the FY21 full year revenue of $3.89m.



**BTNX rapid antigen test kit partnership to accelerate Rhinoswab Junior distribution**

Rhinomed has signed an MOU with major Canadian manufacturer of rapid antigen test kits – BTNX Inc to supply the Rhinoswab Junior for a specialised children's Rapid Response antigen test kit.

BTNX is a world leader in rapid, point of care diagnostics across a range of markets. BTNX is the largest supplier of rapid antigen test kits to the Canadian government where it is under contract to supply over 150 million kits.

BTNX has confirmed it intends to include the Rhinoswab and the Rhinoswab Junior in its new Rapid Response antigen test kits. The Rapid Response with Rhinoswab Junior is expected to be the world's first rapid antigen test kit designed specifically for children.

The parties are finalising the commercial arrangements and intend to complete these by the end of January. In parallel the parties will seek to complete the registration of the new product with the Australian TGA and will commence the regulatory approval process with Canada Health.

The Rapid Response kit will be distributed in Australia by BTNX's Australian distributor SureScreen Australia. SureScreen Australia has begun business development activities and Rhinomed will leverage its retail and distribution networks to optimise distribution in the Australian market.

Rapid antigen testing has grown substantially in Australia following TGA approval on 1 November 2021. Despite this, the use of rapid antigen tests is problematic as most test kits use traditional nasal swabs that are uncomfortable, lack any form of standardised administration and are difficult to use.

This issue is particularly acute with children. A 2021 study by the Royal Children's Hospital in Melbourne identified that 30% of children were reluctant to be tested because of the pain, fear and anxiety related to the nasal swabbing involved in testing. The lack of standardisation – reliability, predictability and repeatability – of the sampling process using the traditional nasal swab can also distort test accuracy.  All these issues are resolved by the novel design of the Rhinoswab and Rhinoswab Junior. In the recently completed trial from the Royal Children's Hospital the Rhinoswab Junior was not only preferred by eight out of 10 children, it was also shown to be clinically comparable to the much more invasive combined nose and throat swab.

With testing becoming increasingly important for return to school, the ability for parents, teachers and healthcare workers to test children quickly and easily is imperative. The Rhinoswab Junior's unique friendly and comfortable design makes nasal swabbing easy, safe and fun.

BTNX INC CEO Iqbal Sunderani said, "*We are excited to formalize our partnership with Rhinomed to bring new, breakthrough innovation to the rapid antigen testing arena. As the use of rapid COVID-19 testing continues to surge globally, research has overwhelmingly emphasized the importance of safe and reliable sample collection—a challenge magnified when screening children. This partnership leverages both Rhinomed's strong background in innovative product development and BTNX's rapid antigen test platform to address these concerns directly. To ensure families quickly receive the means to test their children safely and effectively, we intend to use our significant presence in both the Australian and Canadian markets to aid in the distribution of this exciting new product.*"

Michael Johnson, Rhinomed CEO said, "*We are delighted to work with BTNX to bring this world-first to the Australian and Canadian markets. The combination of Rhinoswab with the BTNX kit creates a class-leading solution for the rapid antigen testing market and is another step in making the Rhinoswab the preferred method for collection of samples for both PCR and rapid antigen testing. Testing children is critically important and is one of the key steps in ensuring we can get kids back to school safely. The Rapid Response test kit with Rhinoswab Junior will make testing so much easier and accurate for families and the education system.*"

**Rhinoswab business**

Following the successful sale of the Rhinoswab to both the NSW and Victorian health systems the company has been actively pursuing opportunities to include the Rhinoswab in PCR pathology testing protocols with governments and business globally. The company has built a sales pipeline and is securing new accounts. The company will provide material updates as they occur.

Rhinoswab sales orders year to date total $3.44m with $910k recorded as recognised revenue based on product manufactured and delivered during Q2 FY22.

As mentioned above, the company signed an MOU with Canada's largest rapid antigen test company BTNX and is moving to lock in the supply arrangements. The company is also well advanced in discussions with two other global rapid antigen test manufacturers and expects to soon release details of these arrangements.

The company believes both the Rhinoswab and Rhinoswab Junior are ideally suited to the self administration needs of rapid antigen tests. The Rhinoswab and Rhinoswab Junior's superior sample collection characteristics also enable the rapid antigen test to deliver a more accurate outcome.

With rapid antigen tests becoming the default testing and screening methodology globally, the opportunity to provide a superior user experience while improving the overall effectiveness of the rapid antigen tests is a clear point of differentiation for rapid test makers. Rhinomed is gearing its production to be able to respond to what we believe will be significant demand over the long term.

The Rhinoswab/Rhinoswab Junior is already registered as a class 1 device in Europe, Australia and the US. Following growing interest from governments and companies, further registrations are underway in a number of Asian countries and will be announced as they occur.

**Rhinoswab Junior meets clinical trial endpoints**

During the quarter the company completed the "*Rhinoswab for diagnosis of respiratory virus in children"* trial, which was carried out by clinical scientists at the Murdoch Children's Research Institute at the Melbourne Children's Trials Centre (Royal Children's Hospital). The Rhinoswab Junior met all endpoints.


The trial investigated the diagnosis of respiratory viruses in children with the novel Rhinoswab Junior, which is designed to collect a nasal sample from children without the discomfort and distress associated with the combined throat and deep nasal (CTDN) swabs. Rhinoswab Junior is a smaller version of the Rhinoswab device with child friendly features to engage children in the sampling process. Rhinoswab Junior's design also enables standardisation of the site of biological sampling as well as self collection, as compared with CTDN swabs, which are operator dependent.

**Laboratory performance results**

Across the 12 different targets on the Ausdiagnostics assay panel the Rhinoswab Junior achieved comparable sensitivity to the highly invasive combined nose and throat swab.

| | Rhinoswab Junior |
|---|---|
| Sensitivity (95% CI) | 96.2% (91.8, 98.3) |
| Specificity (95% CI) | 99.6% (99.6, 99.9) |

The Rhinoswab Junior detected 100% of the patients who presented with SARS-COV-2.

**Preference results**

An online survey was completed at the trial site. Children, parents and nursing staff were asked their opinions across a range of issues.

82.2% of children preferred the Rhinoswab Junior, 6.7% had no preference and 11.5% preferred the standard swab. 79% of parents preferred the Rhinoswab while 82% of the nursing staff preferred the Rhinoswab in the sample collection process. The introduction of the Rhinoswab Junior into the laboratory does require changes to occur and some new workflows to be introduced. Specific details as to these changes are being incorporated into the pathology laboratory instructions and information packs that accompany the Rhinoswab Junior.

With children experiencing significantly more URIs and remaining, at present, largely unvaccinated, we expect the Rhinoswab Junior to play a part in testing children in the 2022 school year.

**Production capacity**
In response to demand Rhinomed is expanding its manufacturing program. This involves maintaining a smaller Australian based manufacturing facility while significantly expanding its outsourced offshore manufacturing.

The company believes that it is feasible to develop a centralised Australian based manufacturing centre that would produce sufficient volume to cater for global supply. Additionally, this manufacturing centre could act as a hub for future development programs in diagnostics and nasal drug delivery. With appropriate government support this is clearly possible.

**Consumer health business**
The consumer health business, featuring Mute, Turbine and Pronto, continues to see strong organic growth across our key markets. It has become clear that consumers are continuing to consolidate their shopping trips online. Foot traffic remains below 2019 levels in many of our US based retail partners. Rhinomed has continued to invest in our online presence via Amazon during the quarter while also releasing the new direct to consumer site at mutesnoring.com

**Current revenue treatment status**
At the end of Q2 FY22 the company recorded $2.025m in recognised revenues and an additional $221k as 'unrecognised revenue'. This figure represents those goods that have been invoiced to customers and that will be recorded as recognised revenues in coming quarters.

| | Stock Shipped | Recognised revenues | Unrecognised Revenues | A/C receivables |
|---|---|---|---|---|
| Q2 FY22 | 87,072 | $2.025m | $221k | $2.887m |

**Operational Update**
The company remains focused on delivering on its strategy of optimising its wearable technology platform across both the growing sleep and respiratory consumer health markets and strategic entry in the high value diagnostics market. Over the course of the quarter the company continued investment in the following areas:

- *Research and Developmen*t: decreased 25% to $381k (Q1 FY22 – $510k) reflecting the more advanced stages of the company's new technology development.
- *Production costs:* increased 122% to $858k (Q1 FY22 – $387k) reflecting the investment in manufacturing Rhinoswab, ordering stock, partially for increased demand, and also to allow for increased delivery times globally due to the global pressures on logistics.
- *Marketing and Promotion:* increased 5% to $865k (Q1 FY22 – $825k). The company continued its marketing investment in our key market, the US and Australia during Q2.
- *Staff Costs*: decreased 3% to $829k (Q1 FY22 – $854k). Included in staff costs at item 1.2 (e) of the Appendix 4C, and detailed at Item 6.1, are the amounts paid for Directors fees and salaries, excluding GST where applicable; Executive Board remuneration of $81k and Non-Executive Board Remuneration of $90k. Also included at item 6.1 is the amount of $60k for salaries and wages paid to another related party, on an arm's length basis.
- *Administrative expenses*: decreased 16% to $315k (Q1 FY22 – $377k).

Over the quarter cash receipts from customers increased by 63% to $2.53m (Q1 FY22 – $1.55m) largely due to increased revenue in Q2 FY22 relating to Rhinoswab.

**Solid financial position**

The company continues to execute a prudent capital conservation strategy to support its operational momentum. While the closing quarterly cash balance was $1.636 million we note that the vast majority of our Account Receivables balance of $2.887 million relates to Rhinoswab sales to government customers of $1.4 million that are to be paid in Q3 FY22.

In July 2021 Rhinomed entered into an unsecured working capital facility to the value of $2,500,000. This was provided equally from entities related to the company by way of our Chairman, Ron Dewhurst and Non-Executive Director John McBain. The facility is on commercial terms and is repayable by 31 July 2023.

**Future focus**

The key focus remains reaching a sustainable operational cash flow position. Additionally, the company continues to assess all strategic options that will enable investors to realise the value in the technology platform.

This report has been authorised for release to the market by the Board.

| **Company** | **Investor and Media Relations** |
|---|---|
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**About Rhinomed Limited (ASX: RNO, OTCQB:RHNMF)**

Rhinomed Limited is a Melbourne, Australia based ASX listed nasal and airway technology company that has developed an innovative nasal technology platform that can improve air flow and provide both drug delivery and diagnostic capabilities.

**All financial figures contained in this Announcement are provided on an unaudited basis and are in $AUD*

# Appendix 4C

## Quarterly cash flow report for entities subject to Listing Rule 4.7B

| **Name of entity** | |
|---|---|
| Rhinomed Limited | |
| **ABN** | **Quarter ended ("current quarter")** |
| 12 107 903 159 | 31 December 2021 |

| **Consolidated statement of cash flows** | | **Current quarter $A'000** | **Year to date (6 months) $A'000** |
|---|---|---|---|
| **1.** | **Cash flows from operating activities** | | |
| 1.1 | Receipts from customers | 2,530 | 4,078 |
| 1.2 | Payments for | | |
| | (a) research and development | (381) | (891) |
| | (b) product manufacturing and operating costs | (858) | (1,245) |
| | (c) advertising and marketing | (865) | (1,690) |
| | (d) leased assets | (55) | (112) |
| | (e) staff costs | (829) | (1,683) |
| | (f) administration and corporate costs | (315) | (692) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | - | 2 |
| 1.5 | Interest and other costs of finance paid | (3) | (6) |
| 1.6 | Income taxes paid | (1) | (1) |
| 1.7 | Government grants and tax incentives | - | - |
| 1.8 | Other (provide details if material) | - | - |
| **1.9** | **Net cash from / (used in) operating activities** | **(777)** | **(2,240)** |

| | | | |
|---|---|---|---|
| **2.** | **Cash flows from investing activities** | | |
| 2.1 | Payments to acquire or for: | | |
| | (a) entities | - | - |
| | (b) businesses | - | - |
| | (c) property, plant and equipment | (144) | (225) |
| | (d) investments | - | - |
| | (e) intellectual property | - | - |
| | (f) other non-current assets | - | - |

| Consolidated statement of cash flows | | Current quarter $A'000 | Year to date (6 months) $A'000 |
|---|---|---|---|
| 2.2 | Proceeds from disposal of: | | |
| | (a) entities | - | - |
| | (b) businesses | - | - |
| | (c) property, plant and equipment | - | - |
| | (d) investments | - | - |
| | (e) intellectual property | - | - |
| | (f) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (provide details if material) | - | - |
| **2.6** | **Net cash from / (used in) investing activities** | **(144)** | **(225)** |

| | | | |
|---|---|---|---|
| **3.** | **Cash flows from financing activities** | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | - |
| 3.2 | Proceeds from issue of convertible debt securities | - | - |
| 3.3 | Proceeds from exercise of options | 1,722 | 1,722 |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | - | - |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | - |
| **3.10** | **Net cash from / (used in) financing activities** | **1,722** | **1,722** |

| | | | |
|---|---|---|---|
| **4.** | **Net increase / (decrease) in cash and cash equivalents for the period** | | |
| 4.1 | Cash and cash equivalents at beginning of period | 840 | 2,376 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (777) | (2,240) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (144) | (225) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 1,722 | 1,722 |

| Consolidated statement of cash flows | | Current quarter $A'000 | Year to date (6 months) $A'000 |
|---|---|---|---|
| 4.5 | Effect of movement in exchange rates on cash held | (5) | 3 |
| **4.6** | **Cash and cash equivalents at end of period** | **1,636** | **1,636** |

| **5.** | **Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter $A'000 | Previous quarter $A'000 |
|---|---|---|---|
| 5.1 | Bank balances | 1,636 | 840 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| **5.5** | **Cash and cash equivalents at end of quarter (should equal item 4.6 above)** | **1,636** | **840** |

| **6.** | **Payments to related parties of the entity and their associates** | Current quarter $A'000 |
|---|---|---|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 231 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

Item 6.1: Directors fees and salaries, excluding GST where applicable.

Executive Board remuneration - $81k

Non-Executive Board remuneration - $90k

Related party transaction - $60k

| 7. | **Financing facilities**<br>*Note: the term "facility' includes all forms of financing arrangements available to the entity.*<br>*Add notes as necessary for an understanding of the sources of finance available to the entity.* | **Total facility amount at quarter end $A'000** | **Amount drawn at quarter end $A'000** |
|---|---|---|---|
| 7.1 | Loan facilities | - | - |
| 7.2 | Credit standby arrangements | 2,500 | - |
| 7.3 | Other (please specify) | - | - |
| 7.4 | **Total financing facilities** | **2,500** | - |

| | | |
|---|---|---|
| 7.5 | **Unused financing facilities available at quarter end** | 2,500 |

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

On 29 July 2021 Rhinomed Limited entered into an unsecured working capital facility to the value of $2,500,000 AUD, provided equally from an entity related to the Company, Chairman Ron Dewhurst and an entity related to the Company, Non Executive Director John McBain.

The facility is repayable by 31 July 2023.

This facility will be retired no later than the expiry date.

| 8. | **Estimated cash available for future operating activities** | **$A'000** |
|---|---|---|
| 8.1 | Net cash from / (used in) operating activities (item 1.9) | (777) |
| 8.2 | Cash and cash equivalents at quarter end (item 4.6) | 1,636 |
| 8.3 | Unused finance facilities available at quarter end (item 7.5) | 2,500 |
| 8.4 | Total available funding (item 8.2 + item 8.3) | 4,136 |

| | | |
|---|---|---|
| 8.5 | **Estimated quarters of funding available (item 8.4 divided by item 8.1)** | 5.32 |

*Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.*

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

| | |
|---|---|
| 8.6.3 | Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis? |
| Answer: | |

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 25 January 2022

Authorised by: By the Board of Rhinomed Limited.
(Name of body or officer authorising release – see note 4)

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.