

Rhinomed Limited

ABN 12 107 903 159

APPENDIX 4E PRELIMINARY FINAL REPORT

30 June 2022

1. Company details

Name of entity:	Rhinomed Limited
ABN:	12 107 903 159
Reporting period:	For the year ended 30 June 2022
Previous period:	For the year ended 30 June 2021

2. Results for announcement to the market

			\$
Revenue from ordinary activities	up	133.8% to	9,104,727
Loss from ordinary activities after tax attributable to the owners of Rhinomed Limited	down	38.9% to	(5,281,038)
Loss for the year attributable to the owners of Rhinomed Limited	down	38.9% to	(5,281,038)

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 \$5,281,038 (30 June 2021: \$8,638,926).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	1.13	1.02

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

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.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

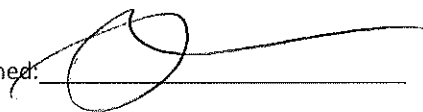
This report, and the accompanying summary consolidated financial statements, are based upon accounts which are in the process of being audited.

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 2022 is attached.

12. Signed

Signed: 

Date: 31. August - 2022

Mr Michael Johnson
Chief Executive Officer and Managing Director
Melbourne

Corporate directory

Directors	Mr Michael Johnson (Executive Director and Chief Executive Officer) Mr Ron Dewhurst (Non-Executive Chairman) Mr Brent Scrimshaw (Non-Executive Director) Dr Eric Knight (Non-Executive Director) Assoc. Prof. John McBain (Non-Executive Director)
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 (0)3 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	www.rhinomed.global
Corporate governance statement	www.rhinomed.global/investor-information/corporate-governance

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 2022.

Directors

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

- Mr Michael Johnson (Executive Director and Chief Executive Officer)
- Mr Ron Dewhurst (Non-Executive Chairman)
- Mr Brent Scrimshaw (Non-Executive Director)
- Dr Eric Knight (Non-Executive Director)
- Assoc. Prof. John McBain (Non-Executive Director)

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 technology 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 on the shelves of the world's leading pharmacies with leading clinicians and practitioners who recognise the impact nose, and upper airway has on a wide range of health issues.

The focus during the year ended 30 June 2022 has been to optimise Rhinomed's wearable technology platform across both the growing sleep and respiratory consumer health markets and strategic entry in the high value diagnostics market.

The loss for the Group after providing for income tax amounted to \$5,281,038 (2021: \$8,638,926).

The Group held cash reserves of \$1,989,138 at 30 June 2022 (2021: \$2,339,616), a decrease of \$350,478 from the previous year. As at 30 June 2022 the Group's net assets were \$5,034,638 (2021: \$4,763,833) and the net carrying value of the Group's intangible assets was \$1,870,108 (2021: \$2,231,736).

The Group loss of \$5,281,038 consists of an operating loss of \$5,238,161 (decrease of 39% compared to FY21), depreciation and amortisation costs of \$699,459 (up 18% compared to FY21), and employee benefit expenses of \$3,885,332 (down 26% compared to FY21). For the year ended 30 June 2022, there were no non-cash amounts relating to options granted (2021: \$2.1 million).

Net cash used in operating activities was \$5.71 million up from \$5.18 million in FY21. 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 61% of total revenue during FY22.

While the Group's COVIDSafe Plan has remained in place for the majority of the year, the Rhinomed team has continued to deliver on key milestones towards the successful delivery of our technology to customers.

Rhinoswab

Since releasing the Rhinoswab program in quarter one of FY22, Rhinomed has received purchase orders and commenced supplying the NSW government and the Victorian government, each for an initial one million unit Rhinoswab order as part of their program to support testing capability. Further, Rhinomed has created the world's first nasal swab designed specifically for children - The Rhinoswab Junior™, which is compatible with PCR and Rapid Antigen Tests.

In 2H FY22, Rhinomed successfully closed two critical supply deals which will deliver significant revenues over the course of two years anchored by a minimum production requirement of 32.5 million Rhinoswab units. Delivery will commence in Q1 FY23 for both deals.

In response to significant demand both domestically and internationally, production capabilities have been significantly expanded now with Australian based production as well as Chinese based production. Rhinomed is continuing to develop additional manufacturing partners to meet demand globally and also to diversify production sources to mitigate any supply chain disruption risks.

Total Rhinoswab revenue for the year ended 30 June 2022 totalled just over \$3 million.

Consumer Health

The Consumer Health business continues to experience robust growth across our three key markets, USA, EMEA, and APAC. Despite the pandemic effect on pharmacy foot traffic, Rhinomed has experienced strong growth via both global networks and through online ecommerce with Mute becoming the #1 internal nasal dilator in the US.

The Group added the Giant Eagle retail chain situated in the USA northeast, while in the UK, Mute has been added as a line in Holland & Barrett, a leading health and wellbeing chain. This followed further expansion in the Walgreens chain earlier in the year. Although the Australian market has been in lockdown in both NSW and Victoria, the Group has grown its pharmacy numbers in Australia via the rollout of Mute in the API pharmacy network, increasing sales to APAC wholesale distributors by 15%.

To aid the expansion into Europe a new subsidiary has been set up in Germany, Rhinomed EU GmbH, particularly to assist with the European DTC and Amazon implementation which is currently in progress. Amazon UK has also been set up with revenues commencing in Q1 FY23.

Total Consumer Health revenue for the year ended 30 June 2022 totalled just over \$6 million which represents 393,500 units shipped. This is an increase of 38% compared to the units shipped in the prior year.

Outlook

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

- Growing and owning the sleep/snoring category in core markets
- Expanding success with US Amazon and DTC (online) into new markets - EU and UK
- Building the snoring category with retail partners in the USA to make it a destination category
- Increasing distribution amongst or existing key accounts in our key geographic markets
- Building out the Rhinoswab global production network with a 100 million swab production capacity
- Pursuing the significant pipeline opportunities for the Rhinoswab and Rhinoswab Junior roll out
- Delivering strong high margin revenue growth

Rhinomed is well placed to continue to execute its strategy of commercialising its platform technology by expanding its strong and growing presence in the USA, EMEA and APAC markets. Further, with rapid antigen tests now the default testing and screening methodology globally, the opportunity to provide a superior user experience while improving the overall effectiveness of the rapid antigen test is a clear point of differentiation for rapid test makers. With the increased global demand for nasal swabs, the Rhinoswab and Rhinoswab Junior™ are a perfect addition to the Group's pipeline of opportunity.

COVID-19 impact

Despite the global pandemic, Consumer Health units shipped increased by 38% compared to the prior year. Although lockdowns eased up across a number of our key markets, retail sales were consistent compared to the prior year due to the decrease in foot traffic caused in the prior year, however, revenue derived from online sales significantly increased by 142% compared to the prior year. This is due to the focus to expand sales in other online platforms. Online sales represented 62% of total revenue for the year ended 30 June 2022 (compared to 39% in FY21). Amazon is the Group's largest customer with Amazon US alone growing by 149% 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 EU in FY23.

Rhinomed has identified the need to target the global demand for high comfort, high yielding nasal swabs. Nasal swabs are the preferred sampling method used in suspected cases of whooping cough, diphtheria, influenza, and various types of diseases caused by the coronavirus family of viruses, including SARS, MERS, and COVID-19. The development of Rhinoswab and Rhinoswab Junior™ builds on the Group's expertise as a world-leading developer of nasal devices and enables mass, high frequency sample collection designed to capture a superior sample yield. This will greatly enhance the global response to the COVID-19 pandemic. As noted above, Rhinomed has generated a significant revenue stream from Rhinoswab and with two supply deals for 32.5 million units over two years, a compelling opportunity exists in a global high growth market.

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 2022, the Group received two purchase orders from BTNX Inc and Surescreen Australia Pty Ltd totalling 1.75 millions swabs at commercial in confidence pricing, as agreed in previously announced supply agreements. This provides further validation of the focus on the Rhinoswab as a material business line.

No other matter or circumstance has arisen since 30 June 2022 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.

**Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2022**

	Note	30 June 2022	30 June 2021
		\$	\$
Revenue			
Revenue from customers	2	9,104,727	3,894,908
Other income	3	1,288,693	750,168
Expenses			
Raw materials and consumables used		(2,898,870)	(1,142,312)
Administrative expenses		(1,210,371)	(1,661,262)
Depreciation and amortisation		(699,459)	(591,568)
Employee benefits		(3,885,332)	(5,247,329)
Marketing		(4,763,126)	(3,357,950)
Research and development		(1,716,232)	(731,934)
Other operating expenses		(458,191)	(539,160)
Operating loss		(5,238,161)	(8,626,439)
Finance income		2,210	29,465
Finance costs		(44,247)	(40,841)
Loss before income tax expense		(5,280,198)	(8,637,815)
Income tax expense		(840)	(1,111)
Loss after income tax expense for the year attributable to the owners of Rhinomed Limited		(5,281,038)	(8,638,926)
Other comprehensive income/(loss) for the year			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(829,912)	150,404
Other comprehensive income/(loss) for the year		(829,912)	150,404
Total comprehensive loss for the year attributable to the owners of Rhinomed Limited		(6,110,950)	(8,488,522)
		Cents	Cents
Basic earnings per share		(2.02)	(3.40)
Diluted earnings per share		(2.02)	(3.40)

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 2022

	Note	30 June 2022	30 June 2021
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		1,989,138	2,339,616
Trade and other receivables		2,093,557	1,133,231
Inventories		1,241,748	157,157
Other current assets		198,452	120,158
Total current assets		5,522,895	3,750,162
Non-current assets			
Other financial assets		81,472	81,414
Property, plant and equipment		751,420	82,272
Right-of-use assets		271,843	402,056
Intangible assets	4	1,870,108	2,231,736
Total non-current assets		2,974,843	2,797,478
Total assets		8,497,738	6,547,640
Liabilities			
Current liabilities			
Trade and other payables		2,669,515	1,073,737
Contract liabilities	5	125,144	-
Lease liabilities		151,304	133,721
Employee benefits obligations		249,083	175,655
Total current liabilities		3,195,046	1,383,113
Non-current liabilities			
Lease liabilities		185,439	336,743
Employee benefits obligations		82,615	63,951
Total non-current liabilities		268,054	400,694
Total liabilities		3,463,100	1,783,807
Net assets		5,034,638	4,763,833
Equity			
Share capital	6	77,650,779	71,269,024
Other reserves	7	2,868,159	4,621,921
Accumulated losses		(75,484,300)	(71,127,112)
Total Equity		5,034,638	4,763,833

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 2022

	Share capital	Option reserve	Foreign currency translation reserve	Accumulated losses	Total equity
Note	\$	\$	\$	\$	\$
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	7	- 2,103,087	-	-	2,103,087
Expiry of options not exercised	7	- (14,580)	-	14,580	-
Share issue transaction costs	6	(5,362)	-	-	(5,362)
Balance at 30 June 2021	71,269,024	4,500,437	121,484	(71,127,112)	4,763,833

	Share capital	Option reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$
Balance at 1 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 loss for the year	-	-	(829,912)	-	(829,912)
Total comprehensive loss for the year	-	-	(829,912)	(5,281,038)	(6,110,950)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	6	4,659,755	-	-	4,659,755
Share issue on exercise of options	6/7	1,722,000	(615,900)	-	1,722,000
Expiry of options not exercised	7	- (307,950)	-	307,950	-
Balance at 30 June 2022	77,650,779	3,576,587	(708,428)	(75,484,300)	5,034,638

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 2022

	Note	30 June 2022	30 June 2021
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		8,769,656	3,690,825
Payments to suppliers and employees (inclusive of GST)		(14,891,824)	(9,385,399)
Government grants and tax incentives received		424,967	510,325
Interest received		2,152	28,904
Interest paid		(12,950)	(21,562)
Net cash outflow from operating activities		<u>(5,707,999)</u>	<u>(5,176,907)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		<u>(876,746)</u>	<u>(49,079)</u>
Net cash outflow from investing activities		<u>(876,746)</u>	<u>(49,079)</u>
Cash flows from financing activities			
Proceeds from issue of shares	6	6,645,007	-
Share issue transaction costs		(263,252)	(22,403)
Lease principal repayment		<u>(165,018)</u>	<u>(158,092)</u>
Net cash inflow/(outflow) from financing activities		<u>6,216,737</u>	<u>(180,495)</u>
Net decrease in cash and cash equivalents		(368,008)	(5,406,481)
Cash and cash equivalents at the beginning of the financial year		2,339,616	7,757,474
Effects of exchange rate changes on cash and cash equivalents		17,530	(11,377)
Cash and cash equivalents at the end of the financial year		<u>1,989,138</u>	<u>2,339,616</u>

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

Notes to the consolidated financial statements

For the year ended 30 June 2022

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 at Rhinomed group level as one consolidated operation.

Note 2. Revenue from customers

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

	30 June 2022	30 June 2021
	\$	\$
Revenue from customers for the sale of goods	9,104,727	3,894,908

Note 3. Other income

	30 June 2022	30 June 2021
	\$	\$
Government grants and incentives	-	325,201
R&D tax incentive	501,264	424,967
Other income	5,500	-
Unrealised currency gains	781,929	-
	<u>1,288,693</u>	<u>750,168</u>

Note 4. Intangible assets

	Goodwill	Development Costs	Intellectual Property	Total
	\$	\$	\$	\$
<i>As at 30 June 2021</i>				
Cost	1,565,004	431,049	2,981,138	4,977,191
Accumulated amortisation and impairment	-	(314,808)	(2,430,647)	(2,745,455)
Net book value	<u>1,565,004</u>	<u>116,241</u>	<u>550,491</u>	<u>2,231,736</u>
<i>Year ended 30 June 2022</i>				
Opening net book value	1,565,004	116,241	550,491	2,231,736
Additions	-	-	-	-
Amortisation charge	-	(45,683)	(315,945)	(361,628)
Net book value	<u>1,565,004</u>	<u>70,558</u>	<u>234,546</u>	<u>1,870,108</u>
<i>At 30 June 2022</i>				
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	<u>1,565,004</u>	<u>70,558</u>	<u>234,546</u>	<u>1,870,108</u>

Note 5. Contract liabilities

	30 June 2022	30 June 2021
	\$	\$
Contract liabilities - deferred revenue	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.

Note 6. Share capital

	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	Shares	Shares	\$	\$
Ordinary shares - fully paid	285,719,694	253,809,132	77,650,779	71,269,024

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2020	253,809,132		71,274,386
Less: transaction costs arising on rights issue		-	\$0.000	(5,362)
Balance	30 June 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 June 2022	285,719,694		77,650,779

Note 7. Other reserves

	30 June 2022	30 June 2021
	\$	\$
Foreign currency translation reserve	(708,428)	121,484
Option reserve	3,576,587	4,500,437
	2,868,159	4,621,921

Movements in reserves

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

Details	Date	Option reserve	Foreign currency translation reserve	Total
		\$	\$	\$
Balance	1 July 2020	2,411,930	(28,920)	2,383,010
Options issued/expensed		2,103,087	-	2,103,087
Expiry of options not exercised		(14,580)	-	(14,580)
Currency translation reserve		-	150,404	150,404
Balance	30 June 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	30 June 2022	3,576,587	(708,428)	2,868,159

Note 8. 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 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 (incorporated 14 December 2021)	Germany	100.00%	-

Note 9. Events after the reporting period

Subsequent to 30 June 2022, the Group received two purchase orders from BTNX Inc and Surescreen Australia Pty Ltd totalling 1.75 millions swabs at commercial in confidence pricing, as agreed in previously announced supply agreements. This provides further validation of the focus on the Rhinoswab as a material business line.

No other matter or circumstance has arisen since 30 June 2022 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.