Rhinomed Limited

ABN 12 107 903 159

APPENDIX 4D PRELIMINARY HALF-YEAR REPORT

31 December 2022

1. Company details

Name of entity:	Rhinomed Limited
ABN:	12 107 903 159
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

				$
Revenue from ordinary activities	down	9.7%	to	3,383,772
Loss from ordinary activities after tax attributable to the owners of Rhinomed Limited	up	43.2%	to	(4,654,391)
Loss for the half-year attributable to the owners of Rhinomed Limited	up	43.2%	to	(4,654,391)

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 $4,654,391 (31 December 2021: $3,249,926).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible (liabilities)/assets per ordinary security	(0.50)	1.13

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.

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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. Independent review of the financial report

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

This report is based on the consolidated financial statements for the half-year ended 31 December 2022 which have been reviewed by Grant Thornton.

The review report is unqualified and contains a "Material uncertainty related to going concern" paragraph. Note 1 to the financial report provides full disclosure of the factors considered by the Group and the Auditors.

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11. Attachments

Details of attachments (if any):

The consolidated financial statements of Rhinomed Limited and its controlled entities for the half-year ended 31 December 2022 is attached.

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12. Signed

Signed:_____

Mr Michael Johnson
Chief Executive Officer and Managing Director

24 February 2023

Contents

Corporate directory

Directors	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 (appointed 8 September 2022) Dr Eric Knight (Non-Executive Director) (resignation effective 30 September 2022)
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 half-year ended 31 December 2022.

Directors
The following persons were Directors of Rhinomed Limited during the whole of the half-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 half-year.

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

Review of operations

Group Overview
- Operating revenue for 1H FY23 was $3.4 million
- Cash reserves as at 31 December 2023 was $3.6 million
- Loss after income tax for 1H FY23 was $4.7 million
- Net cash outflow from operating activities was $2.7m
- Credit line facility entered into providing up 80% of eligible Accounts Receivables
- Unsecured working capital facility entered into providing US$2.5m
- Appointment of healthcare leader Lyn Swinburne AO, as Non-Executive Director

Rhinomed is a wearable nasal and respiratory medical 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 over the last six months 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.

Key highlights for the six months ending 31 December 2022 include:

Consumer Health
- Total Consumer Health revenue for 1H FY23 was $3.4 million
- Total units shipped for 1H FY23 was 201,748
- Amazon US revenue for 1H FY23 was $1.6 million
- Walgreens expansion in up to 8,000 stores confirmed in the US for 2H FY23
- Roll out in Terry White pharmacies in Australia
- Completion of Amazon UK seller platform
- Attendance and presented at the US ECRM trade show

The Consumer Health business continues to gain strong momentum across the three key markets, USA, EMEA, and APAC. Rhinomed's anti-snoring product, Mute, continues to gain market share and build brand equity as awareness builds in key markets. The online business, driven by Amazon US, remains a critically important channel and is now being supplemented by Amazon UK. The Group expects to bring online Amazon Germany and Amazon Australia during the calendar year 2023. Growth and store expansion in major retail partners has occurred in the US and Australia with Walgreens expanding the presence of Mute into 8,000 stores and the roll out of Mute in the Terry White pharmacy chain in Australia.

Rhinomed recently attended and presented at the US ECRM trade show where further growth opportunities have been developed with retailers in the drug store/pharmacy and grocery channels in the US. The Group's health strategy remains focused on positioning Mute as the preeminent anti snoring technology and respiration solution.

Rhinoswab

- First Rhinoswab orders received from BTNX (1.5m swabs) as part of a 22.5m swab supply deal (delay of delivery due to further testing required by Health Canada)
- BTNX confirms commencement of clinical trial of new Multiplex test featuring Rhinoswab and Rhinoswab Junior™
- Signing of Rhinoswab supply agreement with SureScreen Australia:
    - Minimum Rhinoswab orders of 10 million over 24 months
    - Surescreen received TGA approval of Childrens COVID rapid antigen test kit including Rhinoswab Junior™
- Appointment of new US based distributors, Thomas Scientific and MDMaxx
- Exhibitors at AACC in Chicago and Medica in Germany
- Invited to exhibit at Arab Health by AusTrade
- Successful clinical trial results from Murdoch Children's Research Institute & Royal Children's Hospital Rhinoswab Junior™ trial

The global upper respiratory disease diagnostic market continues to grow significantly. Government modelling that previously indicated that the COVID pandemic will continue for a number of years with waves expected every 3-6 months has so far proven to be disturbingly accurate. The Rhinoswab range standardises the sample collection process and has been shown to detect a wide range of upper respiratory pathogens including but not limited to SARS-CoV-2, RSV and influenza across both PCR and Lateral Flow testing platforms while providing significant clinical and user experience advantages. Nasal swabs remain the single most effective population wide sampling method for diagnosing upper respiratory disease and Rhinomed's solution continues to gather strongly supportive data that would indicate that it is not only preferred by users, but also clinically equivalent to the far more invasive combined nose and throat swab.

Rhinomed is executing a business development plan focusing on a number of key segments within the upper respiratory disease testing market. The Group is in active dialogue with a number of Point of Care diagnostic, lateral flow/rapid antigen test and molecular diagnostics companies across multiple geographies.

Due to a request for further clinical data, Health Canada has delayed approval of the Rhinoswab Junior™ with the BTNX rapid antigen test ('RAT'). This has delayed the launch of the RAT with the Rhinoswab Junior™ in the Canadian market and pushed back the completion of the shipment of the initial order made which forms part of the 22.5m swab supply deal. This will result in a delay in Rhinomed's expected revenues from the Rhinoswab business in FY23. There is no change to the terms of the BTNX agreement arising as a result of these delays and both BTNX and Rhinomed remain committed to bringing to market a series of tests that will significantly improve testing rates and outcomes.

Further cementing the relationship between Rhinomed and BTNX, is the inclusion of Rhinoswab adult and Rhinoswab Junior™ in a clinical trial of a new Multiplex RAT for SARS-CoV-2, Flu A and B, and RSV. The clinical trial has commenced in the US in order to gather data supporting the efficacy of this test which will be used to support registration of the new Multiplex tests in both the Canadian and US markets.

Upon receipt of regulatory approvals by Health Canada and the US FDA, BTNX and Rhinomed will work closely to support the launch of this new test that responds to the growing need to identify and respond to the significant number of cases of COVID, RSV, and Flu. BTNX's new Multiplex text for COVID, Flu A and B, and RSV, combined with Rhinoswab and Rhinoswab Junior™ has the potential for a substantially longer product lifespan and combines greater utility with a superior user experience for children, families and clinicians.

In the first half of FY23 Rhinomed also signed a supply deal with SureScreen Australia, the Australian distributor for one of the UK and Europe's premier lateral flow diagnostic companies, Surescreen Diagnostics UK. This is a two year, 10m Rhinoswab supply deal. SureScreen Australia has also successfully received TGA approval for the SureScreen Rapid Antigen Test kit including the Rhinoswab Junior™. This is Australia's first RAT kit designed specifically for children. SureScreen has also submitted a further application to the TGA for inclusion of the Rhinoswab adult into a RAT kit that will target the aged care sector.

Although an initial order has been received, high stock levels held by governments in most countries have slowed the acquisition of new RAT's and this in turn, has had an impact on the penetration of the Surescreen RAT with Rhinoswab Junior™. Stock levels are expected to decrease over the course of 2023 as stockpiles run down and/or existing RAT stock reaches the end of their two year shelf life. With 88% of children preferring the Rhinoswab Junior™ when compared to the standard nasal swab, Surescreen Australia and Rhinomed remain firmly committed to working closely with both federal and state governments in order to test school aged children quickly, easily and accurately.

Rhinoswab business development program has included exhibiting at the American Association of Clinical Chemistry conference in Chicago as well as the Medica conference in Dusseldorf, Germany. From the extremely strong responses received at both, significant opportunities have been identified and Rhinomed remains focused on unlocking these opportunities over the remainder of FY23. The group was also invited by Austrade to exhibit at Arab Health in Dubai that was held in February 2023.

The Group has continued to build compelling clinical evidence that Rhinoswab Junior™ is the emerging gold standard for sample collection in children and announced the successful outcomes from a pivotal trial, *Less invasive SARS-CoV-2 testing for children: A comparison of saliva and a novel Anterior Nasal Swab,* carried out at the Murdoch Childrens Research Institute & Royal Children's Hospital Melbourne. This trial builds on the previous studies by the Murdoch Children's Research Institute & Royal Children's Hospital Melbourne that showed:

- 79% of parents want children to be tested with Rhinoswab Junior™
- 82% of nursing staff would prefer to test children with the Rhinoswab Junior™
- Reduces fear and anxiety in children and their parents over testing
- Empowers children to take their own sample under supervision
- Less intrusive, more comfortable and pain free

Over the course of 2023 the Group will continue to execute its strategy and seek to position the Rhinoswab range as the emerging standard of care nasal swab for upper respiratory testing.

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 into new markets - EU and AU
- Building the snoring category with retail partners in the USA to make it a destination category
- Increasing distribution amongst existing key accounts in 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 JuniorTM roll out
- Delivering strong high margin revenue growth
- Reaching a sustainable operational cash flow position

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

Mr Michael Johnson
Chief Executive Officer and Managing Director

24 February 2023

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Melbourne VIC 3008
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Melbourne VIC 3001

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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 review of Rhinomed Limited for the half-year ended 31 December 2022, 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 review; and

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner – Audit & Assurance

Melbourne, 24 February 2023

Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

	Note	31 December 2022	31 December 2021
		$	$
Revenue			
Revenue from customers		3,383,772	3,748,754
Other income	4	560,887	435,521
Expenses			
Raw materials and consumables used		(1,079,567)	(1,335,552)
Administrative expenses		(689,416)	(834,345)
Depreciation and amortisation		(488,841)	(287,717)
Employee benefits		(2,366,150)	(2,187,534)
Marketing		(2,992,804)	(2,075,240)
Research and development		(462,873)	(562,680)
Other operating expenses		(448,560)	(128,716)
Operating loss		**(4,583,552)**	**(3,227,509)**
Finance income		388	1,837
Finance costs		(70,481)	(23,421)
Loss before income tax expense		**(4,653,645)**	**(3,249,093)**
Income tax expense		(746)	(833)
Loss after income tax expense for the half-year attributable to the owners of Rhinomed Limited		**(4,654,391)**	**(3,249,926)**
Other comprehensive income/(loss) for the half-year			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(170,685)	(263,659)
Other comprehensive income/(loss) for the half-year		(170,685)	(263,659)
Total comprehensive loss for the half-year attributable to the owners of Rhinomed Limited		(4,825,076)	(3,513,585)

	Cents	Cents
Basic earnings per share	(1.63)	(1.28)
Diluted earnings per share	(1.63)	(1.28)

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 31 December 2022

	Note	31 December 2022	30 June 2022
Assets		$	$
Current assets			
Cash and cash equivalents		3,630,646	1,984,949
Trade and other receivables		1,421,108	2,093,557
Inventories	5	1,356,815	1,241,748
Other current assets		324,649	202,641
Total current assets		6,733,218	5,522,895
Non-current assets			
Other financial assets		81,556	81,472
Property, plant and equipment	6	548,403	751,420
Right-of-use assets	7	206,201	271,843
Intangible assets	8	1,689,294	1,870,108
Total non-current assets		2,525,454	2,974,843
Total assets		**9,258,672**	**8,497,738**
Liabilities			
Current liabilities			
Trade and other payables		3,347,304	2,669,515
Contract liabilities		430,621	125,144
Lease liabilities	9	160,741	151,304
Employee benefits obligations		431,936	249,083
Borrowings	10	4,476,918	-
Total current liabilities		8,847,520	3,195,046
Non-current liabilities			
Lease liabilities	9	102,089	185,439
Employee benefits obligations		99,503	82,615
Total non-current liabilities		201,592	268,054
Total liabilities		**9,049,112**	**3,463,100**
Net assets		**209,560**	**5,034,638**
Equity			
Share capital	11	77,650,779	77,650,779
Other reserves		2,697,472	2,868,159
Accumulated losses		(80,138,691)	(75,484,300)
Total Equity		**209,560**	**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 half-year ended 31 December 2022

	Note	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 half-year		-	-	-	(3,249,926)	(3,249,926)
Other comprehensive loss for the half-year		-	-	(263,659)	-	(263,659)
Total comprehensive loss for the half-year		-	-	(263,659)	(3,249,926)	(3,513,585)
Transactions with owners in their capacity as owners:						
Share issue on exercise of options		1,722,000	(615,900)	-	615,900	1,722,000
Share-based payments		-	263,176	-	-	263,176
Expiry of options not exercised		-	(307,950)	-	307,950	-
Balance at 31 December 2021		**72,991,024**	**3,839,763**	**(142,175)**	**(73,453,188)**	**3,235,424**

	Share capital	Option reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	$	$	$	$	$
Balance at 1 July 2022	77,650,779	3,576,587	(708,428)	(75,484,300)	5,034,638
Loss for the half-year	-	-	-	(4,654,391)	(4,654,391)
Other comprehensive loss for the half-year	-	-	(170,687)	-	(170,687)
Total comprehensive loss for the half-year	-	-	(170,687)	(4,654,391)	(4,825,078)
Transactions with owners in their capacity as owners:					
Share issue on exercise of options	-	-	-	-	-
Share-based payments	-	-	-	-	-
Expiry of options not exercised	-	-	-	-	-
Balance at 31 December 2022	**77,650,779**	**3,576,587**	**(879,115)**	**(80,138,691)**	**209,560**

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

Consolidated statement of cash flows
For the half-year ended 31 December 2022

	Note	31 December 2022	31 December 2021
		$	$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		4,024,193	3,870,317
Payments to suppliers and employees (inclusive of GST)		(7,315,606)	(6,013,259)
Government grants and tax incentives received		639,861	-
Interest received		304	1,792
Interest paid		(68,099)	(15,276)
Net cash outflow from operating activities		(2,719,347)	(2,156,426)
Cash flows from investing activities			
Payments for property, plant and equipment		(39,360)	(236,962)
Net cash outflow from investing activities		(39,360)	(236,962)
Cash flows from financing activities			
Proceeds from issue of shares		-	1,722,000
Lease principal repayment		(73,913)	(78,900)
Proceeds from borrowings		4,560,037	-
Net cash inflow from financing activities		4,400,624	1,643,100
Net increase/(decrease) in cash and cash equivalents		1,641,917	(750,288)
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		3,780	10,483
Cash and cash equivalents at the end of the financial year		**3,630,646**	**1,599,811**

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

Notes to the consolidated financial statements
For the half-year ended 31 December 2022

Note 1. General information

Reporting entity

These financial statements cover Rhinomed Limited as a consolidated entity consisting of Rhinomed Limited and the entities it controlled at the end of, or during, the half-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:

Level 1, 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 24 February 2023. The directors have the power to amend and reissue the financial statements.

Basis of preparation

This consolidated interim financial report for the half-year reporting period ended 31 December 2022 has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

This half-year report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by Rhinomed Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting any new or amended Accounting Standards and Interpretations.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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 31 December 2022, the Group's cash and cash equivalents totalled $3,630,646 (30 June 2022: $1,984,949) and for the half-year ended 31 December 2022, the Group experienced a loss of $4,654,391 (31 December 2021: $3,249,926) and a net cash outflow from operating activities of $2,719,347 (31 December 2021: $2,156,426).

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 has entered into:

a) an unsecured working capital facility to the value of $2.5m, provided equally from entities related to Chairman Ron Dewhurst and non-executive director, John McBain. Half of this will expire on 31 July 2023 and the remaining half has been extended to 31 July 2024. To date, there have been no drawdowns against this facility.

b) a credit line facility to finance working capital. The total available amount under the facility is $2,800,000 at a borrowing base percentage of 80%, of which $784,500 had been drawn down as at 31 December 2022. The Final Repayment Date is 31 October 2023.

c) an unsecured loan facility to finance working capital. The total available amount under the loan is US$2,500,000 which was fully drawn down as at 31 December 2022. The facility is repayable before 30 June 2024.

d) The company had approved at the 2022 AGM placement capacity of 25% under LR 7.1 and LR 7.1A.

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.

Having identified the need to target the global demand for high comfort, high yielding nasal swabs, Rhinomed has successfully closed two critical supply deals which will deliver significant revenue over the course of two years anchored by a minimum production requirement of 32.5 million Rhinoswab units. Although there have been delays with revenue generation, no changes have been made to the original agreements and both BTNX and SureScreen Australia have expressed their commitment to fulfil their agreements. Delivery is expected to commence toward the end of FY23 and goes to proving the focus on the Rhinoswab as a material business line.

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.

Management acknowledge that material uncertainty exists that may cast doubt upon the Group's ability to continue as a going concern however, as described above, the Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future.

Note 2. 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 involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions.

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.

Allowance for expected credit losses
The decision whether or not to provide for the impairment of a receivable (provision for expected credit losses) requires a degree of estimation and judgement. The level of provision is assessed by taking into account the ageing of receivables and specific knowledge of the individual debtor's financial position.

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. 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. 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 half-year 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:

(i) New product - Rhinoswab
As mentioned above, the Group has continued its entrepreneurial spirit with the Rhinoswab, which promotes an easier high-frequency and more comfortable method of testing for respiratory viruses (e.g., COVID-19). Rhinoswab has received regulatory approval (TGA, FDA and CE), positive clinical tests, and exceptional customer feedback.

Following the successful sale of the Rhinoswab to the NSW and Victorian health systems, Rhinomed has been actively pursuing opportunities to include the Rhinoswab in PCR pathology testing protocols with governments and business globally. To date, two critical supply deals have been successfully closed which will deliver significant revenue over the course of two years anchored by a minimum production requirement of 32.5 million Rhinoswab units. Delivery is expected to commence late FY23.

The supply arrangements entered into goes to proving the focus on the Rhinoswab as a material business line and as such, the Group is now scaling up its manufacturing facilities to respond to growing domestic and international demand for this innovative technology. With two manufacturing facilities that the Group has had successful long-term partnerships with, production volume for FY23 is expected to reach 2.7 million, increasing to over 24 million swabs in FY24, and further increasing to at least 36 million in FY25.

ii) Existing products - sales growth rate
On the back of the COVID pandemic, e-commerce channels have continued to grow, with the largest online customer growing by 26% compared to the prior half-year. The renewed focus to expand sales in other online platforms has resulted with online derived sales being double that of retail sales.

To maintain the Group's placement in its existing retail market, the Group's US team have continued to attend the biannual trade show buyers' meetings. These meetings drive decision making as to whether a retailer will stock a product and the Group has presented at these meetings over the last five years. By maintaining a presence at these meetings, other retailers have taken up the Mute as a stocked product. This endorsement provides the Group with confidence that the underlying strategy and assumptions that drive the strategy are sound.

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.

Based on the above, average annual sales growth rates of 41% 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. The company also estimates that all expenses remain at existing levels until the two supply agreements commence based on past trends of reducing costs compared to revenues.

(iii) 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, which is considered conservative.

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. A reasonable change in key assumptions, including an adjustment of the pre-tax discount rate applied from 5%-10% would not cause the Group's assets to exceed their recoverable amounts.

(iv) Period over which cash flows projected
Five years

(v) Estimation of useful lives of assets
The estimation of the useful lives of assets has been based on historical experience. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Note 3. 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 the chief operating decision maker'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 4. Other income

	31 December 2022	31 December 2021
	$	$
Government grants and incentives	36,600	-
R&D tax incentive	329,574	198,182
Unrealised currency gains	194,713	237,339
	560,887	435,521

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
Government grants and incentives for the six months to 31 December 2022 is made up of $36,600 for the Export Market Development Grant.

Note 5. Inventories

	31 December 2022	30 June 2022
	$	$
Inventory available for sale -at cost	1,284,060	1,187,122
Inventory on consignment - at cost	72,755	54,626
	1,356,815	1,241,748

Note 6. Property, plant and equipment

	31 December 2022	30 June 2022
	$	$
Plant and equipment - at cost	951,659	922,144
Less: Accumulated depreciation	(438,225)	(202,194)
	513,434	719,950
Fixtures and fittings - at cost	121,355	111,426
Less: Accumulated depreciation	(86,386)	(79,956)
	34,969	31,470
	548,403	751,420

Reconciliation

Reconciliation of the written down values at the beginning and end of the current half-year are set out below:

	Plant and Equipment	Furniture, fittings and equipment	Total
	$	$	$
Balance at 1 July 2022	719,950	31,470	751,420
Additions	29,514	9,846	39,360
Exchange differences	2	-	2
Depreciation expense	(236,030)	(6,349)	(242,379)
Balance at 31 December 2022	513,436	34,967	548,403

Note 7. 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.

	31 December 2022	30 June 2022
	$	$
Leased properties - right-of-use	651,781	651,781
Less: Accumulated depreciation	(445,580)	(379,938)
	206,201	271,843

Note 8. 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
Half-year ended 31 December 2022				
Opening net book value	1,565,004	70,558	234,546	1,870,108
Additions	-	-	-	-
Amortisation charge	-	(22,841)	(157,973)	(180,814)
Net book value	1,565,004	47,717	76,573	1,689,294
At 31 December 2022				
Cost	1,565,004	431,049	2,981,138	4,977,191
Accumulated amortisation and impairment	-	(383,332)	(2,904,565)	(3,287,897)
Net book value	1,565,004	47,717	76,573	1,689,294

Impairment of intangibles

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Research and development	9.5 years
Intellectual Property	9.5 years

The Directors conducted an impairment assessment of the Group's intangible assets as at 31 December 2022 and concluded that an impairment charge was not necessary. The Directors assessed that intellectual property and development costs maintain their finite useful life of 9.5 years. Intangible assets have been subject to an impairment test whereby the recoverable amount was compared to their written-down value. 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, 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 products held do not generate independent cash inflows. 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 2 for Key assumptions used for value-in-use calculations for impairment assessment as of 31 December 2022.

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% factoring in unforeseen circumstances around COVID-19 and the uncertainty this has provided. Based on this, management has adequate comfort that this will not lead to an impairment based on current projections and assumptions used in the value-in-use calculation.

Note 9. Lease liabilities

	31 December 2022	30 June 2022
	$	$
Lease liability - current	160,741	151,304
Lease liability - non-current	102,089	185,439
	262,830	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 7) 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.

Note 10. Borrowings

In October 2022, ASAP Breatheassist Pty Ltd, a subsidiary of the Group, entered into a credit line facility to finance the Australian working capital. The total available amount under the facility is $2,800,000 at a borrowing base percentage of 80%, of which $784,500 had been drawn down as at 31 December 2022. 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 a 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.

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.

In addition, the Group entered into a new unsecured loan facility to finance working capital in December 2022. The total available amount under the loan is US$2,500,000 which was fully drawn down as at 31 December 2022. The facility is repayable before 30 June 2024. If Rhinomed raises funds by of:

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

The loan is a fixed rate, US dollar denominated loan which is carried at amortised cost. There is no impact on the Group's exposure to cash flow interest rate risk. Further, there are no facility or transaction fees payable.

As at 31 December 2022, the contractual maturities of the group's non-derivative financial liabilities were as follows:

Contractual maturities of financial liabilities	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/liabilities
31 December 2022							
Borrowings	-	870,854	4,147,323	-	-	5,018,177	4,476,918
Lease liabilities	85,771	88,630	104,069	-	-	278,470	262,830
	85,771	959,484	4,251,392	-	-	5,296,647	4,739,748

There are no amounts subject to loan covenants.

Further to the above, Rhinomed entered into an unsecured working capital facility to the value of $2.5m in July 2021. This is provided equally from entities related to Chairman Ron Dewhurst and non-executive director, John McBain. The facility is on commercial terms with half expiring on 31 July 2023. The remaining balance has been extended to 31 July 2024. To date, there have been no drawdowns against this facility.

Note 11. Share capital

	31 December 2022 Shares	30 June 2022 Shares	31 December 2022 $	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	1 July 2022	285,719,694		77,650,779
Balance	31 December 2022	285,719,694		77,650,779

Note 12. 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.

31 December 2022

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited	Balance at the end of the period
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

Note 13. Contingent liabilities

The Group is not aware of any material contingent liabilities at 31 December 2022 (30 June 2022: nil).

Note 14. Events after the reporting period

Subsequent to 31 December 2022, as part of the unsecured working capital facility, Chairman Ron Dewhurst agreed to extend his line of credit of $1.25m forward until 31 July 2024.

The Group is not aware of any other significant events that have occurred subsequent to 31 December 2022 that may affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors' declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial half-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.

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
24 February 2023

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Independent Auditor's Review Report

To the Members of Rhinomed Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Rhinomed Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and 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 half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Rhinomed Limited does not comply with the *Corporations Act 2001* including:

a giving a true and fair view of Rhinomed Limited's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of $4,654,391 during the half-year ended 31 December 2022 and, as of that date, a net cash outflow from operating activities of $2,719,347. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner – Audit & Assurance

Melbourne, 24 February 2023