

**Rhinomed Limited**

**ABN 12 107 903 159**

**HALF-YEAR REPORT**

**31 December 2023**

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**Corporate directory**

Directors	Mr Michael Johnson (Executive Director and Chief Executive Officer) Mr Ron Dewhurst (Non-Executive Chairman) Mr Brent Scrimshaw (Non-Executive Director) (resignation effective 17 November 2023) Assoc. Prof. John McBain AO (Non-Executive Director) Ms Lynette Swinburne AO (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
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
Website	<a href="http://www.rhinomed.global">www.rhinomed.global</a>
Corporate governance statement	<a href="http://www.rhinomed.global/investor-information/corporate-governance">www.rhinomed.global/investor-information/corporate-governance</a>

## 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 2023.

### 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) (resignation effective 17 November 2023)
- Assoc. Prof. John McBain AO (Non-Executive Director)
- Ms Lynette Swinburne AO (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 half-year.

### Dividends

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

### Review of operations

#### Group Overview

- Revenue from customers for 1H FY24 was \$4.0 million
- Cash reserves as at 31 December 2023 was \$0.37 million
- Loss after income tax for 1H FY24 was \$4.2 million
- Net cash outflow from operating activities was \$3.5m

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 near term opportunities in the Group's consumer health and diagnostics business and to optimise the Group's operations with the objective of reducing operational expenditure and achieving breakeven in the second half of this financial year. We are on track to deliver on these objectives.

Key highlights for the six months ending 31 December 2023 include:

- Total Consumer Health revenue for 1H FY24 was \$4.0 million (up 19% from 1H FY23)
- Total units shipped for 1H FY24 was 225,800 (up 12% from 1H FY23)
- Amazon gross profit for 1H FY24 was \$2.0 million (up 19% from 1H FY23)
- Successful roll out in Chemist Warehouse and Wizard pharmacy networks across Australia
- Australian business unit within \$80k of being EBIT positive
- American business unit EBIT positive to value of \$385k as a stand alone business unit
- Strategic reduction in marketing spend now locked in following change in resources
- Reduction in headcount

Rhinomed's Consumer Health business continues to build strong momentum across our key markets - the USA, APAC and the UK. Our goal is to build a global franchise and be a leading brand and solutions provider in the global sleep and snoring market via a substantial presence on shelf in major pharmacy and grocery chains and online via the Amazon network.

Pleasingly, over the course of the first half of FY24 the Group has achieved major milestones with the roll out of our Mute anti-snoring technology in two of Australia's leading pharmacy networks - Chemist Warehouse and Wizard Pharmacy chains. There is also continued expansion in the USA pharmacy and grocery networks which include the addition of 3,000 additional stores in the CVS retail chain. These additions to our existing global retail network means that our Mute Nasal Dilator is now in the vast majority of pharmacies in Australia and in major pharmacy chains within the USA.

The Mute anti-snoring brand has grown significantly over the past 12 months. We are the Number 1 internal nasal dilator in the USA and consistently rank as a leading anti-snoring solution on Amazon. This growing consumer awareness and retail footprint has enabled the Group to look at further extensions of the Mute brand within the Sleep and Snoring category.

As a result of this success we are pleased to be able to advise investors that following positive presentations to our leading USA retail partners- CVS and Walgreens - in January of 2024, Rhinomed will launch a new Mute Mouth Tape product into approximately 5,800 stores in the USA in the second half of FY24. This will be supplemented by the release of the product on Amazon in the USA shortly thereafter. We expect to follow this launch with the release of the Mouth Tape Product in the APAC market toward the middle of the calendar year 2024.

The strength of our business and growing brand equity is illustrated by the quick turnaround from initial presentation of the Mouth Tape product to the receipt of purchase orders for these products and confirmation of the store counts. This bodes well for future expansion of our product line up in due course.

The global upper respiratory disease diagnostic market continues to grow significantly. Government modelling that previously indicated that the COVID pandemic will continue for years to come with waves expected every 3-6 months has so far proven to be disturbingly accurate.

As a result of the COVID-19 pandemic, it has become clear that in-home testing of upper respiratory disease (COVID 19, Influenza A&B, RSV, etc.) has emerged as a major global market. Consumer expectations are that testing for these types of diseases should be able to be carried out easily and quickly within the home. Rapid Antigen Test kits remain the most economic and efficient form of testing in the home. However, while the 'efficacy' of a test will be determined by the Regulator and is in effect the price of entry into these markets; Rhinomed believes that success and market share will be determined by consumer preference as determined by superior user experience.

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 COVID-19, RSV and Influenza across both PCR and Lateral Flow testing platforms while providing significant clinical and user experience advantages. Our research has consistently proven that the Rhinoswab range is the preferred method of sample collection for testing of upper respiratory disease.

Rhinomed's strategy is to seek to include the Rhinoswab technology in Rapid Antigen Test kits. Unfortunately, the inclusion of our already approved Rhinoswab into approved Rapid Antigen Test kits has suffered from significant timing delays due to regulatory issues faced by our Rapid Antigen Test partners. While waiting for a response from these regulatory bodies Rhinomed has taken the opportunity to fine tune its go to market strategy to take full advantage of the substantial changes that have occurred in the global upper respiratory testing market over the last three years.

The Group notes that the market for Rapid Antigen Tests has expanded to include not only COVID, but also Flu A&B and RSV etc. Additionally, while Governments were the initial channel to market, this has now reverted to a standard consumer health model with pharmacies being the major channel via which a consumer will source a test kit. We also note that there is evidence to indicate that pricing of kits has stabilised.

Rather than simply being a supplier of swabs to test kit manufacturers, Rhinomed has altered its strategy to take full advantage of the margins available and is seeking to partner and/or procure test kits to a distinct set of specifications which includes the Rhinoswab Junior.

Our objective is to become the most trusted and preferred consumer health brand for testing children's upper respiratory disease. This strategy enables Rhinomed to access substantially higher margins and capture significant market share by leveraging:

- a) The clear point of difference the Rhinoswab Junior provides in an otherwise commodity market.
- b) Access to its existing large global retail distribution network.

Having presented the product concept to many of our major USA retail partners and received strong and supportive feedback, we believe that a major commercial opportunity exists to bring these products to market via our existing consumer health channels upon receipt of regulatory approval.

The Group is now awaiting approval for the COVID Flu A&B test from the Australian TGA and following a review of the USA opportunity, is seeking to finalise relationships with a number of potential partners who have a range of tests including COVID, Flu A&B and RSV. Upon receipt of regulatory approvals by the Australian TGA, Health Canada, European Authority and the USA FDA, Rhinomed will work closely to support the launch of these new tests in each of these markets.

### **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 Amazon USA 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
- Pursuing the significant pipeline opportunities for the Rhinoswab and Rhinoswab Junior™ 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



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Mr Michael Johnson  
Chief Executive Officer and Managing Director

15 March 2024

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**Grant Thornton Audit Pty Ltd**

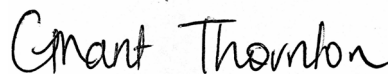
Level 22 Tower 5  
Collins Square  
727 Collins Street  
Melbourne VIC 3008  
GPO Box 4736  
Melbourne VIC 3001  
T +61 3 8320 2222

## Auditor's Independence Declaration

### To the Directors of Rhinomed Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Rhinomed Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



J D Vasiliou  
Partner – Audit & Assurance

Melbourne, 15 March 2024

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**Consolidated statement of profit or loss and other comprehensive income  
For the half-year ended 31 December 2023**

	Note	31 December 2023 \$	31 December 2022 \$
<b>Revenue</b>			
Revenue from customers	4	4,007,835	3,383,772
Other income	5	132,459	366,174
Foreign currency exchange gains	6	-	194,713
<b>Expenses</b>			
Raw materials and consumables used		(940,607)	(1,079,567)
Administrative expenses		(955,307)	(689,416)
Depreciation and amortisation		(175,726)	(488,841)
Employee benefit expenses		(2,215,192)	(2,366,150)
Marketing expenses		(2,410,809)	(2,992,804)
Research and development expenses		(433,036)	(462,873)
Other operating expenses		(179,821)	(420,019)
Impairment loss (inventory and plant & equipment)		(281,542)	-
Foreign currency exchange losses	6	(341,957)	(28,541)
<b>Operating loss</b>		<b>(3,793,703)</b>	<b>(4,583,552)</b>
Finance income		1,520	388
Finance costs		(368,335)	(70,481)
<b>Loss before income tax expense</b>		<b>(4,160,518)</b>	<b>(4,653,645)</b>
Income tax expense		(823)	(746)
<b>Loss after income tax expense for the year attributable to the owners of Rhinomed Limited</b>		<b>(4,161,341)</b>	<b>(4,654,391)</b>
<b>Other comprehensive income/(loss) for the year</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		531,363	(170,685)
Other comprehensive income/(loss) for the year		531,363	(170,685)
<b>Total comprehensive loss for the year attributable to the owners of Rhinomed Limited</b>		<b>(3,629,978)</b>	<b>(4,825,076)</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		(1.46)	(1.63)
Diluted earnings per share		(1.46)	(1.63)

*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 2023**

	Note	31 December 2023	30 June 2023
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		369,254	190,412
Trade and other receivables		1,951,598	1,497,381
Inventories		408,346	629,566
Other current assets		178,251	213,786
<b>Total current assets</b>		<b>2,907,449</b>	<b>2,531,145</b>
<b>Non-current assets</b>			
Other financial assets		82,667	82,015
Property, plant and equipment		177,397	320,324
Right-of-use assets		75,988	141,629
Intangible assets	7	-	-
<b>Total non-current assets</b>		<b>336,052</b>	<b>543,968</b>
<b>Total assets</b>		<b>3,243,501</b>	<b>3,075,113</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		2,542,167	2,558,843
Contract liabilities		500,257	417,423
Lease liabilities		102,089	170,572
Employee benefits obligations		419,767	444,506
Borrowings	8	9,619,034	5,790,099
<b>Total current liabilities</b>		<b>13,183,314</b>	<b>9,381,443</b>
<b>Non-current liabilities</b>			
Lease liabilities		-	14,867
Employee benefits obligations		95,926	84,564
<b>Total non-current liabilities</b>		<b>95,926</b>	<b>99,431</b>
<b>Total liabilities</b>		<b>13,279,240</b>	<b>9,480,874</b>
<b>Net liabilities</b>		<b>(10,035,739)</b>	<b>(6,405,761)</b>
<b>Equity</b>			
Share capital	9	77,650,779	77,650,779
Other reserves		1,683,978	2,336,015
Accumulated losses		(89,370,496)	(86,392,555)
<b>Total deficiency in equity</b>		<b>(10,035,739)</b>	<b>(6,405,761)</b>

*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 2023**

	Share capital	Option reserve	Foreign currency translation reserve	Accumulated losses	Total equity
Note	\$	\$	\$	\$	\$
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)
<b>Balance at 31 December 2022</b>	<b>77,650,779</b>	<b>3,576,587</b>	<b>(879,115)</b>	<b>(80,138,691)</b>	<b>209,560</b>

	Share capital	Option reserve	Foreign currency translation reserve	Accumulated losses	Total deficiency in equity
	\$	\$	\$	\$	\$
Balance at 1 July 2023	77,650,779	3,576,587	(1,240,572)	(86,392,555)	(6,405,761)
Loss for the half-year	-	-	-	(4,161,341)	(4,161,341)
Other comprehensive income for the half-year	-	-	531,363	-	531,363
Total comprehensive loss for the half-year	-	-	531,363	(4,161,341)	(3,629,978)
<i>Transactions with owners in their capacity as owners:</i>					
Expiry of options not exercised	10	- (1,183,400)		1,183,400	-
<b>Balance at 31 December 2023</b>	<b>77,650,779</b>	<b>2,393,187</b>	<b>(709,209)</b>	<b>(89,370,496)</b>	<b>(10,035,739)</b>

*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 2023**

	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	4,052,296	4,024,193
Payments to suppliers and employees (inclusive of GST)	(7,443,121)	(7,315,606)
Government grants and tax incentives received	-	639,861
Interest received	868	304
Interest paid	(82,548)	(68,099)
Net cash outflow from operating activities	<u>(3,472,505)</u>	<u>(2,719,347)</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(7,107)	(39,360)
Net cash outflow from investing activities	<u>(7,107)</u>	<u>(39,360)</u>
<b>Cash flows from financing activities</b>		
Lease principal repayment	(83,350)	(73,913)
Proceeds from borrowings	4,289,021	4,560,037
Repayment of borrowings	(527,050)	(85,500)
Net cash inflow from financing activities	<u>3,678,621</u>	<u>4,400,624</u>
Net increase in cash and cash equivalents	199,009	1,641,917
Cash and cash equivalents at the beginning of the financial year	190,412	1,984,949
Effects of exchange rate changes on cash and cash equivalents	(20,167)	3,780
<b>Cash and cash equivalents at the end of the financial year</b>	<b><u>369,254</u></b>	<b><u>3,630,646</u></b>

*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 2023

### Note 1. General information

#### Reporting entity

These financial statements cover Rhinomed Limited as a consolidated entity (the 'Group') 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 an unlisted 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 was listed on the Australian Securities Exchange ('ASX') and the OTC Markets ('OTCQB') until 16 February 2024.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 15 March 2024. 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 2023 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 2023. 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 2023, the Group had a working capital deficiency, being current assets less current liabilities, of \$10,275,865 (30 June 2023: \$6,850,298) and net liabilities of \$10,035,739 (30 June 2023: 6,405,761). For the half-year ended 31 December 2023, the Group experienced a loss of \$4,161,341 (31 December 2022: \$4,654,391) and a net cash outflow from operating activities of \$3,472,505 (31 December 2022: \$2,719,347).

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

To mitigate these risks, the Group will explore potential funding opportunities to meet any short-term obligations when required. To date, the Group has entered into:

- a) an unsecured working capital facility to the value of \$1.25m with Chairman Ron Dewhurst which was fully drawn during the year ended 30 June 2023 and is repayable by 30 June 2025.
- b) an unsecured working capital facility to the value of \$1.25m with non-executive director John McBain. During the half-year ended 31 December 2023, \$850,000 of the facility was drawn.
- c) further unsecured loan facilities to finance working capital with a total value of US\$4.47m. The total available amount under the loan has been drawn.
- d) 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 \$499,275 had been drawn down as at 31 December 2023.
- e) initial discussions regarding ongoing corporate structure of the group. Coupled with this discussion is exploring the structure of an imminent capital raise.

Based on current budget assumptions, which include expected proceeds from an imminent capital raise and the ability to defer drawn facilities, the Group has sufficient funds to meet current commitments towards promoting existing commercialised technology and further development of the technology platform.

Management acknowledges that a material uncertainty exists that may cast doubt upon the Group's ability to continue as a going concern however, the Directors are confident that the Group has adequate resources and funding opportunities to continue in operational existence for the foreseeable future. The Company has an established history of raising funds and Management is confident that it will continue to be able to do so.

#### **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. Critical accounting estimates and judgements used in this half-year report are consistent with those disclosed in the 30 June 2023 annual report.

#### **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. Revenue from customers**

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

	<b>31 December 2023</b>	<b>31 December 2022</b>
	\$	\$
Revenue from customers for the sale of goods	4,007,835	3,383,772

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

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

	<b>31 December 2023</b>	<b>31 December 2022</b>
<i>Geographical regions</i>	<b>\$</b>	<b>\$</b>
North, Central, and South America	2,708,771	2,499,868
Asia-Pacific	997,614	626,414
Europe, Middle East, and Africa	301,449	257,491
	<u>4,007,835</u>	<u>3,383,772</u>

#### **Note 5. Other income**

	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>\$</b>	<b>\$</b>
Government grants and incentives	-	36,600
R&D tax incentive	132,459	329,574
Other income	-	-
	<u>132,459</u>	<u>366,174</u>

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.

#### **Note 6. Foreign exchange differences**

	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>\$</b>	<b>\$</b>
Foreign currency exchange gains	-	194,713
Foreign currency exchange losses	(341,957)	(28,541)
Net foreign currency exchange differences	<u>(341,957)</u>	<u>166,172</u>

**Note 7. Intangible assets**

	Goodwill	Development Costs	Intellectual Property	Total
	\$	\$	\$	\$
As at 30 June 2023				
Cost	1,565,004	431,049	2,981,138	4,977,191
Accumulated amortisation and impairment	(1,565,004)	(431,049)	(2,981,138)	(4,977,191)
Net book value	-	-	-	-
Half-year ended 31 December 2023				
Opening net book value	-	-	-	-
Additions	-	-	-	-
Amortisation charge	-	-	-	-
Net book value	-	-	-	-
At 31 December 2023				
Cost	1,565,004	431,049	2,981,138	4,977,191
Accumulated amortisation and impairment	(1,565,004)	(431,049)	(2,981,138)	(4,977,191)
Net book value	-	-	-	-

The intangible assets of the Group were impaired in full during the 2023 financial year. No amendments to the previously recognised impairment have occurred in the half year period to 31 December 2023.

**Note 8. Borrowings**

	31 December 2023	30 June 2023
	\$	\$
Credit line facility	499,274	595,324
Unsecured loans	9,119,760	5,194,775
	9,619,034	5,790,099

Borrowings are made up of the following financial liabilities:

*Credit line facility*

In October 2022, ASAP Breatheassist Pty Ltd, a subsidiary of the Group, entered into a credit line facility to finance working capital. Under the facility, ASAP Breatheassist Pty Ltd is able to borrow up to 80% of trade receivable balances approved by the funder. The maximum amount that ASAP Breatheassist Pty Ltd can draw under the facility is \$2,800,000. As at 31 December 2023, \$499,275 had been drawn. The final repayment date is 30 November 2024. 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.

The interest rate on this credit line facility is variable and averaged 11.08% for the financial period (FY23: 10.29%). There is also a facility fee of 1.35% (FY23: 1.35%). Interest and facility fees are paid monthly in arrears and are recorded as transaction costs in the profit and loss. An arrangement fee of \$16,000 was also payable to the lender upon signing the credit line facility agreement which was paid prior to the first draw down of the facility and expensed in the profit and loss.

*Unsecured loans*

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

- In December 2022, a US\$2,500,000 loan facility was entered. The facility was fully drawn during the 2023 financial year. On 26 September 2023, the repayment date was extended to 1 October 2024 and the below wording in relation to repayment clauses in the loan agreement was amended to include the word “may” rather than “must”:
  - a) A capital event (including an equity raise, issue of convertible note, or capital raise), the net proceeds raised may be applied in repayment of the loan; or
  - b) Internally generated revenues and cash flows from commercial operations, the cash received may be applied in repayment of the loan.

The loan has a fixed rate of 8%, and is a 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.

- The Group entered into a further unsecured loan facility to finance working capital on 25 September 2023. The total available amount under the loan is US\$1,970,000 and was fully drawn on 27 September 2023. As at 31 December 2023, the drawn amount was repayable no later than 1 October 2024 or as agreed by both parties. If the Group raises funds by way of:
  - a) A capital event (including an equity raise, issue of convertible note, or capital raise), the net proceeds raised may be applied in repayment of the loan; or
  - b) Internally generated revenues and cash flows from commercial operations, the cash received may be applied in repayment of the loan.

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

- In July 2021, the Group entered into the following facilities:
  - \$1,250,000 loan facility with Chairman Ron Dewhurst which was fully drawn during the 2023 financial year and is repayable by 30 June 2025; and
  - \$1,250,000 loan facility with non-executive director John McBain. During the six months to 31 December 2023, \$850,000 was drawn on. On 26 September 2023, the repayment date was extended to 1 October 2024.

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

If the Group raises funds by way of:

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

*Compliance with loan covenants*

There are no amounts subject to loan covenants.

*Fair value*

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



**Note 9. Share capital**

	31 December 2023	30 June 2022	31 December 2023	30 June 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	285,719,694	285,719,694	77,650,779	77,650,779

Details	Date	Shares	Issue price	\$
Balance	1 July 2023	285,719,694		77,650,779
Balance	31 December 2023	285,719,694		77,650,779

**Note 10. 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 on the next page have a vesting date equal to their grant date.

**31 December 2023**

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 <sup>1</sup>	\$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	-	-	(10,000,000)	18,228,548

<sup>1</sup> These options expired/were forfeited on 20 January 2024 with none exercised.

**Note 11. Contingent liabilities**

The Group is not aware of any material contingent liabilities at 31 December 2023 (30 June 2023: nil).

**Note 12. Events after the reporting period**

Subsequent to 31 December 2023, the Group completed a minimum holding share buy-back offer (Unmarketable Parcels Buy-Back) to shareholders who held less than a marketable parcel of shares in the Company as at 8 December 2023. The total number of ordinary shares to be bought back under the Unmarketable Parcel Buy-Back was 3,250,644 shares at a price of \$0.04c per share, held by 690 eligible shareholders. This represented approximately 1% of the Company's share capital. Payment of \$130,026 for the share buy-back was completed on 2 February 2024.

Further to the above, the Group completed a Share Purchase Plan offering each eligible shareholder the opportunity to apply for up to \$30,000 worth of shares at an issue price of \$0.04 cents per share. Under the Share Purchase Plan, there were 1,055,165 shares taken up valued at \$42,206. Payment was completed on 7 February 2024.

At an extraordinary general meeting held on 16 January 2023, a Special Resolution to approve the Company's removal from the ASX official list was decided on a poll and was carried. Rhinomed Limited was officially removed from the ASX office list at the close of the trading day on 16 February 2024.

The Group is not aware of any other significant events that have occurred subsequent to 31 December 2023 that may affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

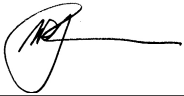
**Directors' declaration**

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 2023 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



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Mr Michael Johnson  
Chief Executive Officer and Managing Director  
15 March 2024

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**Grant Thornton Audit Pty Ltd**

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## Independent Auditor's Review Report

### To the Members of Rhinomed Limited

#### Report on the half-year financial report

##### Disclaimer of Conclusion

We were engaged to review 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 2023 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 summary of significant accounting policies, other selected explanatory notes, and the directors' declaration.

We do not express a conclusion on the accompanying half-year report of the Group. Because of the significance of the matter described in the *Basis for Disclaimer of Conclusion* section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for a review conclusion on this half-year financial report.

##### Basis for Disclaimer of Conclusion

The Group has incurred a net loss of \$4,161,341 and net cash outflows from operating activities of \$3,472,505 for the half-year ended 31 December 2023, and as at 31 December 2023, the Group's current liabilities exceeded its current assets by \$10,275,865 and the Group had net liabilities of \$10,035,739. The Group is reliant on ongoing cash funding from external parties to support its operations.

The half-year report has been prepared on a going concern basis. The directors have not been able to provide sufficient evidence to support management's assessment of the Group's ability to pay its debts as and when they fall due, and as a result, we are unable to determine whether the use of the going concern basis of accounting is appropriate.

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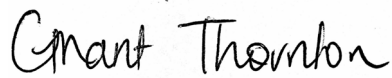
### **Directors' responsibility for the half-year report**

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

### **Auditor's responsibility for the review of the financial report**

Our responsibility is to express a conclusion on the half-year report based on a review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. However, because of the matter described in the *Basis for Disclaimer of Conclusion* section of our report, we were not able to obtain sufficient evidence to provide a basis for a review conclusion on the half-year financial report.

We are independent of the Group in accordance with 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 review of the half-year financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



J D Vasiliou  
Partner – Audit & Assurance

Melbourne, 15 March 2024