Rhinomed Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Rhinomed Limited
ABN:	12 107 903 159
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	92.7%	to	3,748,754
Loss from ordinary activities after tax attributable to the owners of Rhinomed Limited	down	40.8%	to	(3,249,926)
Loss for the half-year attributable to the owners of Rhinomed Limited	down	40.8%	to	(3,249,926)

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

Comments
The loss for the consolidated entity after providing for income tax amounted to $3,249,926 (31 December 2020: $5,486,116).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.48	1.02

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

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

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

7. Dividend reinvestment plans

Not applicable.

---

8. Details of associates and joint venture entities

Not applicable.

---

9. Foreign entities

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

Not applicable.

---

10. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

---

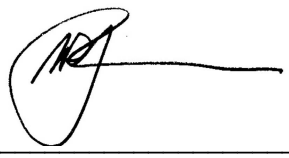
11. Attachments

Details of attachments (if any):

The Interim Report of Rhinomed Limited for the half-year ended 31 December 2021 is attached.

---

12. Signed



Signed _____ Date: 23 February 2022

Mr Michael Johnson
Chief Executive Officer and Managing Director
Melbourne

Rhinomed Limited

ABN 12 107 903 159

Interim Report - 31 December 2021

Rhinomed Limited
Contents

Rhinomed Limited
Corporate directory

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

Rhinomed Limited
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 2021.

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)
Dr Eric Knight (Non-Executive Director)
Assoc. Prof. John McBain (Non-Executive Director)

Principal activities
The Group's principal activities are research, development and commercialisation of consumer and medical devices. There were no significant changes in the nature of the Group's principal activities during the half-year to 31 December 2021.

Review of operations
Rhinomed is a wearable nasal and respiratory technology company.

Rhinomed is actively seeking to improve the way millions of people around the world breathe. We achieve this goal by assisting people to overcome nasal breathing issues, such as congestion and obstruction, and the impact these issues have on sleep and everyday health and wellbeing. 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 2021 include:

Rhinoswab
- New Rhinoswab program released in FY22 Q1
- Received purchase orders and begun supplying the NSW government and the Victorian government, each for an initial one million Rhinoswabs as part of their program to support testing capability
- Total Rhinoswab sales orders received for 1H FY22 was $3 million. This includes recognised revenue of $1.4 million
- Total Rhinoswab units shipped for 1H FY22 was 955,500 units
- Creation of the world's first nasal swab designed specifically for children – The Rhinoswab Junior™ , which is compatible with PCR and Rapid Antigen Tests
- Scaled up manufacturing capabilities to respond to growing domestic and international demand. Now Australian based production as well as Chinese based production
- Collaboration with BTNX – Canada's largest supplier of rapid antigen tests
- Successful result in MCRI/RCH Rhinoswab Junior trial:
  - Rhinoswab Junior meets primary endpoints
  - Clinically comparable to more invasive combined nose and throat swab
  - Eight out of ten children prefer Rhinoswab Junior
- Ethics approval granted for a new post market clinical trial of Rhinoswab at St Vincent's Hospital Melbourne
- Distributors appointed for Rhinoswab in Western Australia, Belgium, the Netherlands and Luxembourg

Consumer Health

- Strong growth via both global retail networks and through online ecommerce despite pandemic effect on pharmacy foot traffic
- Total Consumer Health revenue for 1H FY22 was $2.3 million
- Total units shipped for 1H FY22 was 87,072
- Mute became the #1 internal nasal dilator in US
- Expansion into Europe via online – Amazon and DTC
- The Group added the Giant Eagle retail chain situated in the US northeast, while in the UK Mute has been added as a line in Holland & Barrett, a leading health and wellbeing chain
- Despite the Australian market being in lockdown in both NSW and Victoria, the Group has grown its pharmacy numbers in Australia via the rollout of Mute in the API pharmacy network
- New presence online that will build relationships directly with customers

Group Overview

- Operating revenue for 1H FY22 was $3.75 million
- Cash reserves as at 31 December 2022 was $1.6 million
- Loss after income tax for 1H FY22 was $3.2 million
- Net cash outflow from operating activities was $2.2 million
- While the Group's COVIDSafe Plan has remained in place during the period, the Rhinomed team has continued to deliver on key milestones towards the successful delivery of our technology to customers.

The new Rhinoswab program has made significant progress having commenced in FY22 Q1. 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.

The creation of Rhinoswab Junior which has been designed specifically for children is a world first and is a smaller version of the Rhinoswab device with child friendly features to engage children in the sampling process. It's design also enables standardisation of the site of biological sampling as well as self-collection, as compared to combined throat and deep nasal (CTDN) swabs, which are operator dependent.

During H1 FY22, the Group completed the '*Rhinoswab for diagnosis of respiratory virus in children*' trial, which was carried out by clinical scientists at the Murdoch Children's Research Institute at the Melbourne Children's Trials Centre (Royal Children's Hospital). The trial investigated the diagnosis of respiratory viruses in children with the novel Rhinoswab Junior, which is designed to collect a nasal sample from children without the discomfort and distress associated with the CTDN swabs. The Rhinoswab Junior was successful in meeting all endpoints.

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

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

The consumer health business, featuring Mute, Turbine, and Pronto, continues to see strong organic growth across key markets. It has become clear that consumers are continuing to consolidate their shopping trips online with foot traffic remaining below 2019 levels in many of the US based retail partners. Rhinomed has continued to invest in its online presence via Amazon while also releasing the new direct to consumer site at mutesnoring.com. This has resulted with revenue derived from online platforms alone totalling $1.5 million for the six months to 31 December 2021

Continued underlying growth and the maturing of the business and impact of sell through from our USA store base is creating a strong business case for new retailers to stock our products.

Outlook
The Group remains focused on delivering growth based on the following key metrics:

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

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

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

23 February 2022

Collins Square, Tower 5
727 Collins Street
Melbourne VIC 3008

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

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 2021, 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, 23 February 2022

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

Rhinomed Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

	Note	31 December 2021 $	31 December 2020 $
Revenue			
Revenue from contracts with customers		3,748,754	1,945,537
Other income	4	435,521	324,000
Expenses			
Raw materials and consumables used		(1,335,552)	(660,539)
Administrative expenses		(834,345)	(1,000,785)
Depreciation and amortisation		(287,717)	(304,623)
Employee benefit expense		(2,187,534)	(3,602,758)
Marketing expenses		(2,075,240)	(1,262,031)
Research and development		(562,680)	(254,881)
Other expenses		(128,716)	(668,900)
Operating loss		**(3,227,509)**	**(5,484,980)**
Finance income		1,837	20,252
Finance costs		(23,421)	(21,342)
Loss before income tax expense		**3,249,093**	**5,486,070**
Income tax expense		(833)	(46)
Loss after income tax expense for the year attributable to the owners of Rhinomed Limited		**(3,249,926)**	**(5,486,116)**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(263,659)	318,582
Other comprehensive income/(loss) for the half-year		(263,659)	318,582)
Total comprehensive loss for the half-year attributable to the owners of Rhinomed Limited		(3,513,585)	(5,167,534)
		Cents	**Cents**
Basic earnings per share		(1.28)	(2.16)
Diluted earnings per share		(1.28)	(2.16)

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

Rhinomed Limited
Consolidated statement of financial position
As at 31 December 2021

	Note	31 December 2021 $	30 June 2021 $
Assets			
Current assets			
Cash and cash equivalents		1,599,811	2,339,616
Trade and other receivables		1,606,546	1,133,231
Inventories	5	372,825	157,157
Other current assets		179,619	120,158
Total current assets		3,758,801	3,750,162
Non-current assets			
Other financial assets		81,459	81,414
Property, plant and equipment	6	277,993	82,272
Right-of-use assets	7	336,415	402,056
Intangible assets	8	2,050,922	2,231,736
Total non-current assets		2,746,789	2,797,478
Total assets		6,505,590	6,547,640
Liabilities			
Current liabilities			
Trade and other payables		2,086,637	1,073,737
Contract liabilities		483,694	-
Lease liabilities	9	142,332	133,721
Employee benefits obligations		219,938	175,655
Total current liabilities		2,932,601	1,383,113
Non-current liabilities			
Lease liabilities	9	266,476	336,743
Employee benefits obligations		71,089	63,951
Total non-current liabilities		337,565	400,694
Total liabilities		3,270,166	1,783,807
Net assets		**3,235,424**	**4,763,833**
Equity			
Share capital	10	72,991,024	71,269,024
Other reserves		3,697,588	4,621,921
Accumulated losses		(73,453,188)	(71,127,112)
Total equity		**3,235,424**	**4,763,833**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Rhinomed Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2021

	Note	Share capital	Option reserve	Foreign currency translation reserve	Accumulated losses	Total equity
		$	$	$	$	$
Balance at 1 July 2020		71,274,386	2,411,930	(28,920)	(62,502,766)	11,154,630
Loss for the half-year		-	-	-	(5,486,116)	(5,486,116)
Other comprehensive loss for the half-year		-	-	318,582	-	318,582
Total comprehensive loss for the half-year		-	-	318,582	(5,486,116)	(5,167,534)
Transactions with owners in their capacity as owners:						
Share-based payments		-	2,103,087	-	-	2,103,087
Expiry of options not exercised		-	(14,580)	-	14,580	-
Share issue transaction costs		(5,363)	-	-	-	(5,363)
Balance at 31 December 2020		71,269,023	4,500,437	289,662	(67,974,302)	8,084,820

	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 income for the half-year		-	-	(263,659)	-	(263,659)
Total comprehensive income/(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	10	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

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

Rhinomed Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2021

	Note	31 December 2021 $	31 December 2020 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,870,317	1,612,415
Payments to suppliers and employees (inclusive of GST)		(6,013,259)	(4,130,402)
Government grants and tax incentives received		-	324,000
Interest received		1,792	18,598
Interest paid		(15,276)	-
Net cash outflow from operating activities		(2,156,426)	(2,175,389)
Cash flows from investing activities			
Payments for property, plant and equipment	6	(236,962)	(15,215)
Net cash outflow from investing activities		(236,962)	(15,215)
Cash flows from financing activities			
Proceeds from issue of shares	10	1,722,000	-
Share issue transaction costs		-	(24,108)
Repayment of lease principal		(78,900)	(57,450)
Net cash inflow/(outflow) from financing activities		1,643,100	(81,558)
Net decrease in cash and cash equivalents		(750,288)	(2,272,162)
Cash and cash equivalents at the beginning of the half-year		2,339,616	7,757,474
Effects of exchange rate changes on cash and cash equivalents		10,483	(45,911)
Cash and cash equivalents at the end of the half-year		1,599,811	5,439,401

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

Rhinomed Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2021

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 Stock Exchange (ASX) and the OTC Markets (OTCQB).

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 February 2022. 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 2021 has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 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 finance year and corresponding interim reporting period, unless otherwise stated.

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 2021, the Group's cash and cash equivalents totalled $1,599,811 (30 June 2021: $2,339,616) and for the half-year ended 31 December 2021, the Group experienced a loss of $3,249,926 (31 December 2020: $5,486,116) and a net cash outflow from operating activities of $2,156,426 (31 December 2020: $2,175,389).

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 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. This facility is repayable by 31st July 2023. As at 31 December 2021, the Group has not drawn down on this facility.

Note 1. General information (continued)

Despite foot traffic remaining below 2019 levels in many of the US based retail partners, Consumer Health revenue increased by 19% compared to the six months to 30 June 2021. This is as a direct result from Rhinomed's successful investment in ecommerce channels. Further, the Rhinoswab program has made significant progress having commenced in FY22 Q1. 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. The creation of the world's first nasal swab device specifically designed for children, Rhinoswab Junior, has also now been registered as a class 1 device in Europe, Australia, and the US, making it another viable inclusion in rapid antigen tests throughout key markets.

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

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.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') 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 standards.

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

Note 2. Critical accounting judgements, estimates and assumptions

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.

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus ('COVID-19') pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

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.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

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, in accordance with the accounting policy stated in Note 2. 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 in Note 1, the Group has continued its entrepreneurial spirit with the Rhinoswab and Rhinoswab Junior, which promotes for an easier high-frequency and more comfortable method of testing for respiratory viruses (e.g., COVID-19). 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.

The Rhinoswab sales generated in the six months to 31 December 2021 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. Having two manufacturing facilities that the Group has had successful long-term partnerships with, production volume for FY22 is expected to reach a total of 7.9 million swabs, increasing to 24.7 million swabs in FY23.

(ii) Existing products - sales growth rate:
While the COVID-19 pandemic has impacted consumer behaviour, reducing the number and frequency of store visits, sales from e-commerce channels have continued to grow, with the largest online customer growing by 47% compared to the prior six months to 30 June 2021. The renewed focus to expand sales in other online platforms has resulted with online derived sales offsetting the decline in 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 four 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.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Based on the above, for consumer health products a conservative average annual sales growth rates of 8% 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 but discounted due to continued uncertainty relating to the COVID-19 pandemic. The company also estimates that marketing and advertising expenses increase at average rates of 10% per annum, staff cost at average rates of 15% per annum and other costs at 10-15% per annum, 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 Groups assets to exceed their recoverable amounts.

(iv) Period over which cash flows projected - 5 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. The products are rolled out by the Group globally. 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 CODM'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 2021 $	31 December 2020 $
Government grants and incentives	-	324,000
R&D tax incentive	198,182	-
Unrealised currency gains	237,339	-
Other income	435,521	324,000

Government grants and incentives for the six months ending 31 December 2020 includes $50,000 COVID-19 cashflow boost, $174,000 JobKeeper payment assistance received from the Government as well as $100,000 for the Export Market Development Grant. There were no government grants and incentives received for the six months ending 31 December 2021.

Note 5. Inventories

	31 December 2021 $	30 June 2021 $
Inventory available for sale -at cost	308,790	120,354
Inventory on consignment - at cost	64,035	36,803
	372,825	157,157

Note 6. Property, plant and equipment

	31 December 2021 $	30 June 2021 $
Plant and equipment - at cost	287,169	592,686
Less: Accumulated depreciation	(41,053)	(547,554)
	246,116	45,132
Fixtures and fittings - at cost	106,220	106,220
Less: Accumulated depreciation	(74,343)	(69,080)
	31,877	37,140
	277,993	82,272

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

	Plant and Equipment $	Furniture, fittings and equipment $	Total $
Balance at 1 July 2021	45,132	37,140	82,272
Additions	236,962	-	236,962
Exchange differences	-	21	21
Depreciation expense	(35,978)	(5,284)	(41,262)
Balance at 31 December 2021	246,116	31,877	277,993

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 2021 $	30 June 2021 $
Leased properties - right-of-use	651,781	651,781
Less: Accumulated depreciation	(315,366)	(249,725)
	336,415	402,056

Note 8. Intangible assets

	Goodwill	Development Costs	Intellectual Property	Total
	$	$	$	$
As at 30 June 2021				
Cost	1,565,004	431,049	2,981,138	4,977,191
Accumulated amortisation and impairment	-	(314,808)	(2,430,647)	(2,745,455)
Net book value	1,565,004	116,241	550,491	2,231,736
Half-year ended 31 December 2021				
Opening net book value	1,565,004	116,241	550,491	2,231,736
Amortisation charge	-	(22,843)	(157,971)	(180,814)
	1,565,004	93,398	392,520	2,050,922
At 31 December 2021				
Cost	1,565,004	431,049	2,981,138	4,977,191
Accumulated amortisation and impairment	-	(337,651)	(2,588,618)	(2,926,269)
Net book value	1,565,004	93,398	392,520	2,050,922

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 2021 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 2021.

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 – current liability

	31 December 2021 $	30 June 2021 $
Lease liability- Current	142,332	133,721
Lease liability- non-current	266,476	336,743
Total lease liability	408,808	470,464

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 8) 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. Share capital

	31 December 2021 Shares	30 June 2021 Shares	31 December 2021 $	30 June 2021 $
Ordinary shares - fully paid	259,809,132	253,809,132	72,991,024	71,269,024

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	30 June 2021	253,809,132		71,269,024
Share issue on exercise of options	21 December 2021	6,000,000	$0.29	1,722,000
Balance	31 December 2021	259,809,132		72,991,024

Note 11. 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:

31 December 2021

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
14/12/2018	21/12/2021	$0.2870	9,000,000	-	(6,000,000)	(3,000,000)	-
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
22/12/2021	21/12/2025	$0.1611	-	1,269,046	-	-	1,269,046
			37,228,548	1,269,046	(6,000,000)	(3,000,000)	29,497,594

Note 11. Share-based payments (continued)

On 22 December 2021, Rhinomed Limited approved 1,269,046 options to Mr. John Ende, EVP Sales - US, vesting upon issue. The assessed fair value of options issued was determined using the Black-Scholes option pricing model that takes into account the exercise price, term of the option, security price at grant date and expected price volatility of the underlying security, the expected dividend yield, the risk-free interest rate for the term of the security and certain probability assumptions are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
22/12/2021	21/12/2025	$0.2700	$0.1611	100.87%	-	1.09%	$0.2074

Note 12. Contingent liabilities

The Group is not aware of any material contingent liabilities at 31 December 2021 (30 June 2021: nil).

Note 13. Events after the reporting period

The Group is not aware of any significant events that have occurred subsequent to 31 December 2021 that may affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years (30 June 2021: nil).

Rhinomed Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 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

23 February 2022

Collins Square, Tower 5
727 Collins Street
Melbourne VIC 3008

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report

To the Members of Rhinomed Limited

Report on the review of 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 2021, 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 the Group does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2021 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 Group 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 after tax of $3,249,926 during the half year ended 31 December 2021 and, as of that date, the Group experienced a net cash outflow from operating activities of $2,156,426. 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.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

Directors' responsibility for the half-year financial report

The Directors of the Group 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 2021 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, 23 February 2022