

**Rhinomed Limited**

**ABN 12 107 903 159**

**APPENDIX 4E PRELIMINARY FINAL REPORT  
30 June 2020**

**Rhinomed Limited**  
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**30 June 2020**

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**Rhinomed Limited**  
**Appendix 4E**  
**Preliminary final report**

**1. Company details**

Name of entity: Rhinomed Limited  
ABN: 12 107 903 159  
Reporting period: For the year ended 30 June 2020  
Previous period: For the year ended 30 June 2019

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**2. Results for announcement to the market**

			\$
Revenues from ordinary activities	up	8.5% to	3,565,363
Loss from ordinary activities after tax attributable to the owners of Rhinomed Limited	up	22.3% to	(7,266,223)
Loss for the year attributable to the owners of Rhinomed Limited	up	22.3% to	(7,266,223)

*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 \$7,266,223 (30 June 2019: \$5,940,742).

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**3. Net tangible assets**

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>3.28</u>	<u>1.17</u>

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**4. Control gained over entities**

Not applicable.

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**5. Loss of control over entities**

Not applicable.

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**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.

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**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. Audit qualification or review**

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

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

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**11. Attachments**

*Details of attachments (if any):*

Unaudited summary consolidated financial statements for Rhinomed Limited and its controlled entities for the year ended 30 June 2020 is attached.

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**12. Signed**

Signed   
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Date: 26 August 2020

Mr Michael Johnson  
Chief Executive Officer and Managing Director  
Melbourne

**Rhinomed Limited**  
**Corporate directory**  
**30 June 2020**

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)
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 26, 530 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	<a href="http://www.rhinomed.global">www.rhinomed.global</a>

## Rhinomed Limited

### Directors' report 30 June 2020

The Directors submit the preliminary financial statements of the Consolidated entity (referred to hereafter as the 'consolidated entity' or 'the Group') consisting of Rhinomed Limited and the entities it controlled at the end of, or during, the year ended 30 June 2020.

#### Directors

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

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

#### Principal activities

The Group's principal activities in the course of the financial year were research, development and commercialisation of consumer and medical devices. There were no significant changes in the nature of the Group's principal activities during the financial year.

#### Dividends

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

#### Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$7,266,223 (30 June 2019: \$5,940,742).

The Group held cash reserves of \$7,757,474 at 30 June 2020 (2019: \$1,421,315), an increase of \$ 6,336,159 from the previous period end. As at 30 June 2020 the Group's net assets were \$10,857,766 (2019: \$4,620,765) and the net carrying value of the Group's intangible assets was \$2,593,367 (2019: \$2,954,995).

The Group loss of \$ 7,266,223 consists of an operating loss of \$7.26m (up 22% over FY19) and depreciation and amortisation costs of \$595,977 (up 50% over 2019 due to the adoption of AASB16 in FY20) and Employee benefit expenses (up 47% in FY19 to \$4.3m in FY20). Of the employee expenses, 34% (\$1.47M) were non-cash amounts and relate to the expensing of the grant of options as approved at the 2019 Annual General Meeting (AGM). Investors will recall that these options were issued with an exercise price of \$0.29 per option.

Net cash used in operating activities was \$5.74M up from \$4.49M in FY19. Operating expenditure is aligned with revenue generation and investment to support the sales growth in key markets. This includes the continued growth and roll out of the Mute technology. During the year Mute became the fastest growing product in the nasal strip category within US based drug stores. Operational expenditure also includes investment made in the roll out of the new Pronto technology with key retail partners.

The company remains focused on delivering growth based on four key metrics.

- Increasing distribution amongst our existing key accounts in our three key markets
- Increasing the overall retail footprint through a strategic focus on high value retail pharmacy and grocery networks
- Leverage our significant intellectual property and platform technology to create new high value products and solutions
- Delivering strong high margin revenue growth

We note that as at the end of FY20 Q3 the company as on track to achieve all key metrics related to revenues, store growth and product releases. Due to the global Covid-19 pandemic the company withdrew its stated forecasts for FY20.

#### Covid-19 impact

The global pandemic saw a significant decrease in revenues in FY20 Q4 as a direct result of the lockdowns introduced across number of our key markets. Revenues both online and through our retail network suffered during Q4. Revenues were down during this quarter which brought overall annual growth in at a modest 8.5% over FY19. Despite this the company was able to deliver on its FY20 objectives of reaching 20,000 stores globally following the announcement that a major US based drug store chain would stock the new Pronto Clear in some 6,000 stores in the first half of FY21. Additionally, the company remains on track to deliver two new products to market later this calendar year.

**Rhinomed Limited**  
**Directors' report**  
**30 June 2020**

**Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

**Matters subsequent to the end of the financial year**

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Environmental regulation**

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Rhinomed Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2020**

	Note	Consolidated 30 June 2020 \$	30 June 2019 \$
<b>Revenue from contracts with customers</b>	2	3,565,363	3,285,982
Other income	3	819,751	84,741
<b>Expenses</b>			
Raw materials and consumables used		(1,450,320)	(1,092,670)
Administrative expenses		(1,710,107)	(1,600,424)
Depreciation and amortisation		(595,977)	(395,518)
Employee benefit expense		(4,312,098)	(2,930,965)
Marketing expenses		(2,589,571)	(2,219,856)
Research and development		(179,843)	(373,484)
Other expenses		(812,632)	(686,496)
<b>Loss before income tax expense</b>		(7,265,434)	(5,928,690)
Income tax expense		(789)	(12,052)
<b>Loss after income tax expense for the year attributable to the owners of Rhinomed Limited</b>		(7,266,223)	(5,940,742)
<b>Other comprehensive loss</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(1,215)	(6,451)
Other comprehensive loss for the year, net of tax		(1,215)	(6,451)
<b>Total comprehensive loss for the year attributable to the owners of Rhinomed Limited</b>		<u>(7,267,438)</u>	<u>(5,947,193)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		(4.43)	(4.46)
Diluted earnings per share		(4.43)	(4.46)

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



**Rhinomed Limited**  
**Statement of financial position**  
**As at 30 June 2020**

	Note	Consolidated 30 June 2020 \$	30 June 2019 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		7,757,474	1,421,315
Trade and other receivables		944,772	581,674
Inventories		540,384	336,972
Other		245,478	266,742
<b>Total current assets</b>		<u>9,488,108</u>	<u>2,606,703</u>
<b>Non-current assets</b>			
Other financial assets		80,853	87,170
Property, plant and equipment		118,344	222,159
Right-of-use assets		532,270	-
Intangibles	4	<u>2,593,367</u>	<u>2,954,995</u>
<b>Total non-current assets</b>		<u>3,324,834</u>	<u>3,264,324</u>
<b>Total assets</b>		<u>12,812,942</u>	<u>5,871,027</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		557,249	594,777
Contract liabilities	5	614,662	556,297
Lease liabilities		117,687	-
Employee benefits		117,131	48,218
<b>Total current liabilities</b>		<u>1,406,729</u>	<u>1,199,292</u>
<b>Non-current liabilities</b>			
Lease liabilities		470,463	-
Employee benefits		77,984	50,970
<b>Total non-current liabilities</b>		<u>548,447</u>	<u>50,970</u>
<b>Total liabilities</b>		<u>1,955,176</u>	<u>1,250,262</u>
<b>Net assets</b>		<u>10,857,766</u>	<u>4,620,765</u>
<b>Equity</b>			
Issued capital	6	71,274,386	59,243,447
Reserves	7	2,383,010	1,543,725
Accumulated losses		<u>(62,799,630)</u>	<u>(56,166,407)</u>
<b>Total equity</b>		<u>10,857,766</u>	<u>4,620,765</u>

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

**Rhinomed Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2020**

	Issued capital	Option reserve	Foreign exchange reserve	Accumulated losses	Total equity
<b>Consolidated</b>	\$	\$	\$	\$	\$
Balance at 1 July 2018	54,366,251	824,089	(21,254)	(50,402,174)	4,766,912
Loss after income tax expense for the year	-	-	-	(5,940,742)	(5,940,742)
Other comprehensive loss for the year, net of tax	-	-	(6,451)	-	(6,451)
Total comprehensive loss for the year	-	-	(6,451)	(5,940,742)	(5,947,193)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	4,877,196	-	-	-	4,877,196
Options issued	-	923,850	-	-	923,850
Options lapsed	-	(176,509)	-	176,509	-
Balance at 30 June 2019	<u>59,243,447</u>	<u>1,571,430</u>	<u>(27,705)</u>	<u>(56,166,407)</u>	<u>4,620,765</u>
<b>Consolidated</b>	\$	\$	\$	\$	Total equity
Balance at 1 July 2019	59,243,447	1,571,430	(27,705)	(56,166,407)	4,620,765
Loss after income tax expense for the year	-	-	-	(7,266,223)	(7,266,223)
Other comprehensive loss for the year, net of tax	-	-	(1,215)	-	(1,215)
Total comprehensive loss for the year	-	-	(1,215)	(7,266,223)	(7,267,438)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	12,030,939	-	-	-	12,030,939
Share-based payments	-	1,473,500	-	-	1,473,500
Transfer to retained earning	-	(633,000)	-	633,000	-
Balance at 30 June 2020	<u>71,274,386</u>	<u>2,411,930</u>	<u>(28,920)</u>	<u>(62,799,630)</u>	<u>10,857,766</u>

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

**Rhinomed Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2020**

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	3,816,066	3,119,966
Payments to suppliers (inclusive of GST)	(10,190,954)	(7,667,545)
R&D tax incentives received	336,733	-
COVID-19 incentives received	134,000	-
Other government grants received	150,000	67,067
Interest received	13,894	17,674
Interest paid	-	(18,637)
Income taxes paid	-	(12,052)
	<u>(5,740,261)</u>	<u>(4,493,527)</u>
Net cash used in operating activities		
<b>Cash flows from investing activities</b>		
Payments for financial assets at amortised cost (term deposits)	-	(35,000)
Payments for property, plant and equipment	(11,023)	(230,796)
Proceeds from release of term deposits	6,317	-
	<u>(4,706)</u>	<u>(265,796)</u>
Net cash used in investing activities		
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	12,514,441	5,094,998
Share issue transaction costs	(464,757)	(217,802)
	<u>12,049,684</u>	<u>4,877,196</u>
Net cash from financing activities		
Net increase in cash and cash equivalents	6,304,717	117,873
Cash and cash equivalents at the beginning of the financial year	1,421,315	1,263,122
Effects of exchange rate changes on cash and cash equivalents	31,442	40,320
	<u>7,757,474</u>	<u>1,421,315</u>
Cash and cash equivalents at the end of the financial year		

**Rhinomed Limited**  
**Notes to the financial statements**  
**30 June 2020**

**Note 1. Operating segments**

The Group has identified one reportable operating segment; that is, the identification, acquisition and commercialisation of late stage therapeutic delivery technologies.

**Note 2. Revenue from contracts with customers**

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

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
Sale of goods	<u>3,565,363</u>	<u>3,285,982</u>

**Note 3. Other income**

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
Government grants and incentives	284,000	67,067
R&D tax incentive	521,857	-
Interest received	<u>13,894</u>	<u>17,674</u>
Other income	<u>819,751</u>	<u>84,741</u>

**Note 4. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
Goodwill - at cost	4,951,996	4,951,996
Less: Impairment	<u>(3,386,992)</u>	<u>(3,386,992)</u>
	1,565,004	1,565,004
Development - at cost	602,503	602,503
Less: Accumulated amortisation	(227,000)	(196,312)
Less: Impairment	<u>(213,576)</u>	<u>(213,576)</u>
	161,927	192,615
Intellectual property - at cost	9,516,217	9,516,217
Less: Accumulated amortisation	(2,156,824)	(1,825,884)
Less: Impairment	<u>(6,492,957)</u>	<u>(6,492,957)</u>
	866,436	1,197,376
	<u>2,593,367</u>	<u>2,954,995</u>

**Rhinomed Limited**  
**Notes to the financial statements**  
**30 June 2020**

**Note 4. Non-current assets – intangibles (continued)**

*Reconciliations*

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

<b>Consolidated</b>	Goodwill \$	Development Cost \$	Intellectual Property \$	Total \$
Balance at 1 July 2018	1,565,004	223,303	1,528,316	3,316,623
Amortisation expense	-	(30,688)	(330,940)	(361,628)
Balance at 30 June 2019	1,565,004	192,615	1,197,376	2,954,995
Amortisation expense	-	(30,688)	(330,940)	(361,628)
Balance at 30 June 2020	<u>1,565,004</u>	<u>161,927</u>	<u>866,436</u>	<u>2,593,367</u>

**Note 5. Current liabilities - contract liabilities**

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
Contract liabilities - deferred revenue	<u>614,662</u>	<u>556,297</u>

With the Group's adoption of AASB 15 Revenue from Contracts with Customers, deferred revenue is recognised as part of contract liabilities from 1 July 2018.

**Note 6. Equity - issued capital**

	<b>Consolidated</b>			
	<b>30 June 2020</b>	<b>30 June 2019</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>253,809,132</u>	<u>141,933,281</u>	<u>71,274,386</u>	<u>59,243,447</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1 July 2018	117,671,387		54,366,251
Private placement	9 November 2018	23,563,376	\$0.21	4,948,309
Share purchase plan	21 December 2018	698,518	\$0.21	146,689
Less: transaction cost arising on share issue		-	-	(217,802)
Balance	30 June 2019	141,933,281		59,243,447
Private placement	23 September 2019	27,272,735	\$0.22	6,000,002
Rights issue	26 June 2020	84,603,116	\$0.08	6,514,439
Less: transaction cost arising on share issue		-	-	(483,502)
Balance	30 June 2020	<u>253,809,132</u>		<u>71,274,386</u>

**Rhinomed Limited**  
**Notes to the financial statements**  
**30 June 2020**

**Note 7. Equity - reserves**

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
Foreign currency reserve	(28,920)	(27,705)
Options reserve	2,411,930	1,571,430
	<u>2,383,010</u>	<u>1,543,725</u>

*Movements in reserves*

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

<b>Consolidated</b>	Option reserve \$	Foreign exchange reserve \$	Total \$
Balance at 1 July 2018	824,089	(21,254)	802,835
Options issued/expensed	923,850	-	923,850
Options lapsed	(176,509)	-	(176,509)
Currency translation reserve	-	(6,451)	(6,451)
	<u>1,571,430</u>	<u>(27,705)</u>	<u>1,543,725</u>
Balance at 30 June 2019	1,571,430	(27,705)	1,543,725
Options issued/expensed	1,473,500	-	1,473,500
Options lapsed	(633,000)	-	(633,000)
Currency translation reserve	-	(1,215)	(1,215)
	<u>2,411,930</u>	<u>(28,920)</u>	<u>2,383,010</u>
Balance at 30 June 2020	<u>2,411,930</u>	<u>(28,920)</u>	<u>2,383,010</u>

**Note 8. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note:

<b>Name</b>	<b>Principal place of business / Country of incorporation</b>	<b>Ownership interest</b>	
		<b>30 June 2020</b>	<b>30 June 2019</b>
		%	%
ASAP Breatheassist Pty Ltd	Australia	100.00%	100.00%
Rhinomed UK Limited	United Kingdom	100.00%	100.00%
Breatheassist Limited	United Kingdom	100.00%	100.00%
Rhinomed Inc.	United States	100.00%	100.00%

**Note 9. Events after the reporting period**

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.