

RHINOMED DELIVERS RECORD QUARTERLY REVENUE

TOPLINE

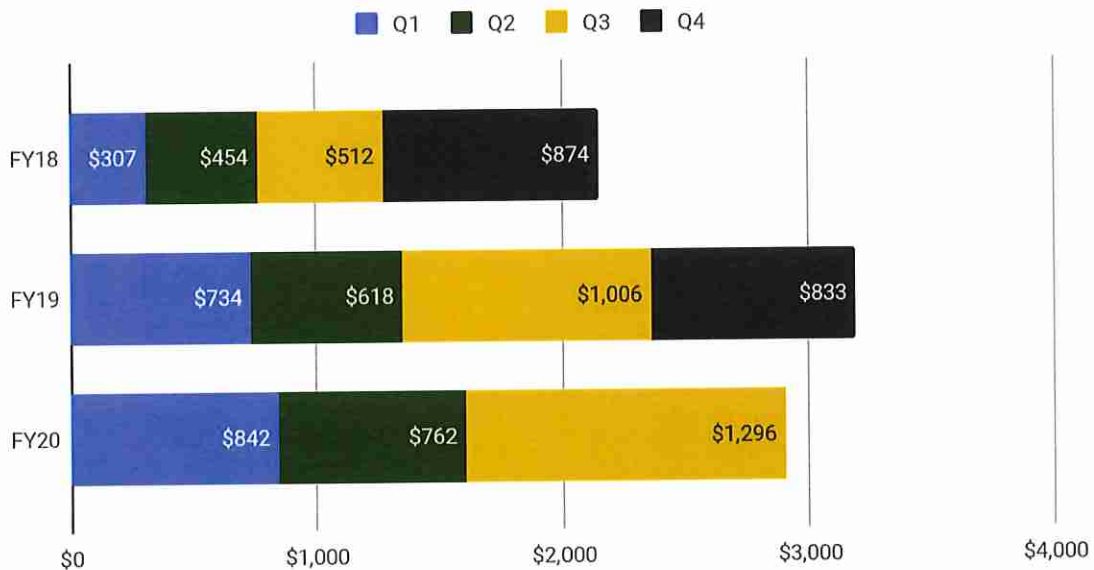
- Record Quarterly Revenue - up 70% quarter on quarter to **\$1.296 million**
- Q3 Cash receipts of **\$841k** - up 38% year on year
- Quarterly units shipped to customers - up 30% to **94,648**
- Continuing growth in global store count

27th April, 2020. Melbourne, Australia.

Rhinomed Limited (ASX:RNO OTCQB:RHNMF) a leader in nasal airway and respiratory technology is pleased to report record quarterly revenue of \$1.296 million for the FY20 Q3 period.

The company also reported strong growth across two critical metrics - Quarterly cash receipts continued to remain strong, up 38% over the previous corresponding period to \$841k and the number of units shipped to customers (94,648) was also up 30% on the previous quarter.

Quarterly Revenues



Strong growth in Units shipped

Rhinomed's strategy of building consumer awareness in parallel to growing its retail footprint continues to deliver growing demand across three continents. 94,648 units were shipped during FY20 Q3 to customers reflecting strong same store sales and strong consumer sales through online channels. The vast majority of this stock movement continues to be the company's flagship Mute snoring and sleep technology, with the benefit and impact of the company's new Pronto product releases yet to be felt.

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The positive Mute sales growth was reflected in publicly reported industry data from US based drug store retailers. This data details the top brands within the nasal strip category for the previous 26 weeks to the end of January 2020*.

Pleasingly, Rhinomed's Mute technology has risen to 3rd in the category and continues to strongly outperform all other competitors in the category in terms of year on year growth, including the incumbent leader GSK's Breathe Right Strips.

Nasal Strip Category - US Drug stores		
Category Position	BRAND	26 Week Year on Year Change
1	Breathe Right	-12.00%
2	Private Label Nasal Strips	+0.50%
3 ↑	Rhinomed Mute	+68.10.%

* Source: IRI Data to end January 2020

Global distribution network continues to grow

At the beginning of the quarter the company had stock on the shelves of approximately 13,000 stores globally. During the quarter the company successfully showcased the Pronto Clear nasal decongestant technology at the ECRM trade show in Florida. The response to this technology was very positive and we are awaiting the outcomes of the cough, cold, flu category reviews by our major retail partners.

Within the Australian market the company continues to grow its retail distribution. During the quarter Rhinomed welcomed one of the country's leading pharmacy groups, Blooms the Chemist, to our global retailer footprint.

Following the close of the quarter the company reported that major US drug store and pharmacy chain, CVS, will stock the new Pronto Sleep device in its sleep category in 1,930 stores across the USA. As of today's date, Rhinomed technology now sits on close to 15,000 shelves globally. The company remains confident that despite the COVID-19 pandemic, it is on track to achieve its goal of having technology on 20,000 retail shelves by the end of 2020.

During the quarter the company signed an agreement with *Solutions for Otolaryngology LLC*, a Texas, USA based Group Purchasing Organization (GPO) supplying products and services to thousands of Ear, Nose and Throat specialists across the USA. ENT's are a vitally important key opinion leader (KOL) group for Rhinomed as these clinicians are actively engaging and endorsing the role of nasal breathing. The company believes that this relationship will play an important role in building awareness and endorsement of the company's technology over time.

With breathing, and especially nasal breathing, growing in importance during the COVID-19 pandemic, the company continues to actively engage in communication and education programs with ENT's, Sleep Specialists and Sleep Dentists. These programs highlight the importance and positive impact of nasal breathing and sleep on both physical and mental health.

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Operational Update

In line with company strategy, FY20 Q3 saw its largest ever quarterly recognised revenues (\$1.296 million) as demand for the Mute technology continued to grow in line with the programmed marketing and promotional campaigns. This strong sell through on a same store basis continues to build confidence that Mute can be the 'Go-to' front line solution for the millions of people around the world who are impacted by snoring.

The company saw a steady improvement in cash management and working capital during the quarter. Cash receipts from customers were \$841k for FY20 Q3 - up 38% on the same quarter last year. Net Cash used in Operating Activities was \$1.595m (down 29% on the previous quarter).

Over the quarter the company took action to reduce its cost base:

- *Research and Development*: Down to \$120k (Q2 - \$209k) which covers the company's new technology development program.
- *Production costs*: Down to \$242k (Q2 - \$330k) reflects the impact of the FY20 Q2 buildup of stock prior to the Chinese New year period. Following the February lock down in China, the company subsequently reported the re-commencement of production in the ChinaMed manufacturing facility. A number of production runs are now underway in response to demand forecasts for both Mute and the Pronto range.
- *Marketing and Promotion*: Down to \$847k (Q2 - \$1.26m). The company reduced its marketing spend during Q3 and will reduce this further in Q4 reflecting the impact COVID-19 related shutdowns are having on retail and consumer behaviour. Online support will continue.
- *Staff Costs*: Down to \$759k (Q2 - \$875k) covering changes to the team across the Australian and US operations.
- *Administrative expenses*: Down to \$470k (Q2 - \$523k)

As disclosed in the March 20th ASX update the company has put in place a capital conservation program. This will see a reduction in planned investment over FY20 Q4 and FY21 Q1. This will continue judiciously until such time as the retail environment returns to some semblance of normality.

Current revenue treatment status

At the end of FY20 Q3 the company recorded \$1.118m as 'unrecognised revenue', which represents those goods that have been shipped and invoiced to customers and that will be recorded as recognised revenues in coming quarters.

	Stock Shipped	Recognised revenues	Unrecognised Revenues	A/c receivables
FY20 Q3	94,648 k	\$1.296 m	\$1.118m	\$1.69m

Strong cash position.

At the end of the quarter the company had a closing cash balance of \$2.02 million and Account Receivables balance of \$1.69 million (the vast majority of which is in \$USD). In addition, the company has yet to draw down on the \$2.0 million line of credit facility which remains in place.

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Post the end of the quarter (20th April 2020) the company received its FY2019 R&D Tax incentive of \$336,733. In addition the company can report it is expecting to receive its Export Market Development Grant (EMDG) refund of \$100,000. Rhinomed is actively seeking access to all existing and new Government funding and support facilities relevant to its activities.

Medical cannabis program

Due to the impact of the COVID-19 pandemic the company has agreed with Columbia Care to temporarily halt production of the nasal device. This allows Rhinomed to prioritise production of its core Mute, Pronto Sleep and Pronto Clear product, to ensure continuity of supply and to meet increasing demand from global customers. We expect to be able to update investors on the resumption and progress of this program during FY20Q4.

Future focus

The key focus of the company remains reaching a sustainable cash flow position. In terms of FY20 Q4 and full year revenue forecasts, as detailed in the ASX release of March 20th, the company withdrew any prior guidance as to full year revenue targets. At present the company is unable to provide any indication as to the likely impact of the COVID-19 pandemic on the FY2 Q4 or full year revenues.

Given the increasing focus of the business on the US market and the significant global opportunity in its core markets, the company continues to assess all options in regards to capital management, listing status and structure with the objective of optimising shareholder value.

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About Rhinomed Limited (ASX: RNO, OTCQB:RHNMF)

Rhinomed Limited is a Melbourne based ASX listed airway technology company that has developed a simple and innovative nasal stent to improve air flow to the lungs and deliver therapeutic agents.

With its initial product Turbine, Rhinomed has established a leading position in sports performance enhancement, as testified by athletes including two-time Tour de France winner Chris Froome. With its variant called Mute, the company has also entered the sleep sector to tackle the global snoring market while its third product, the Pronto range, tackles nasal congestion and sleep disturbance issues. The company is developing applications for the delivery of medical cannabis and for conditions including anxiety, pain, allergies, nausea, anxiety and coughs and colds.

Rhinomed's devices are sold in nearly 15,000 stores worldwide including Walgreens, CVS, Boots and online with Amazon; and are approved in major markets including the US, Europe and Australia.

**All financial figures contained in this Announcement are provided on an unaudited basis and are in \$AUD*

Appendix 4C

Quarterly cash flow report for entities
subject to Listing Rule 4.7B

Name of entity

Rhinomed Limited

ABN

12 107 903 159

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	841	2,396
1.2 Payments for		
(a) research and development	(120)	(423)
(b) product manufacturing and operating costs	(241)	(720)
(c) advertising and marketing	(847)	(2,724)
(d) leased assets	-	-
(e) staff costs	(759)	(2,196)
(f) administration and corporate costs	(470)	(1,445)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	11
1.5 Interest and other costs of finance paid	(3)	(18)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	40
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,595)	(5,079)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(66)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	(66)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	6,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(316)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	5,684

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,594	1,456
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,595)	(5,079)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(66)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	5,684

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	23	27
4.6	Cash and cash equivalents at end of period	2,022	2,022

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,022	3,594
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,022	3,594

6. Payments to related parties of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	273
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

The amount at 6.1 includes payment of directors' fees and payments to a director-related entity, excluding reimbursement for administrative expenses and travel expenses.

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	2,000	Nil
7.3 Other (please specify)	-	-
7.4 Total financing facilities	2,000	Nil

7.5 **Unused financing facilities available at quarter end** 2,000

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

On 30 January 2017, RNO entered into an unsecured working capital facility to the value of A\$2 million.
The facility is provided from an entity related to the company, Chairman Ron Dewhurst.
The facility can be drawn upon in multiples of A\$250,000 and interest is at a commercial rate.
The facility has been rolled over and is repayable by 31 July 2020.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,595)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,022
8.3 Unused finance facilities available at quarter end (Item 7.5)	2,000
8.4 Total available funding (Item 8.2 + Item 8.3)	4,022
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.5

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 April 2020

Authorised by: *By the Board of Rhinomed Limited.*
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.