RHINOMED

MAKE EVERY BREATH COUNT

DECEMBER QUARTERLY ACTIVITIES AND BUSINESS UPDATE

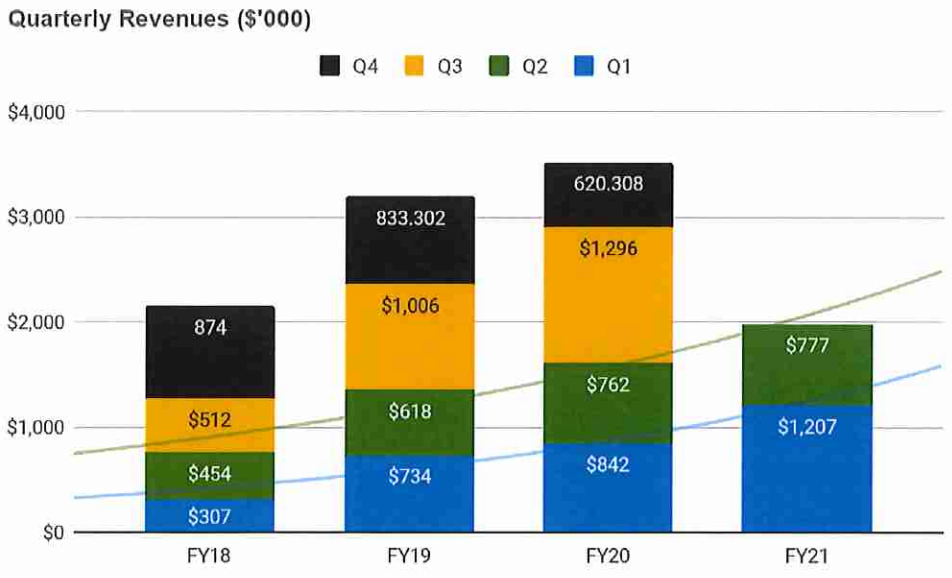
TOPLINE

- **New nasal swab delivers major milestones:**
  - **Meets endpoints in Doherty (VIDRL) clinical program**
  - **US FDA registration as a Class 1 device**
  - **Australian TGA registration as a Class 1 device**
  - **Production program commences**
  - **Commercialisation underway**
- **1H FY21 revenues increase to $2.0 million, up 24% on the prior corresponding period**
- **FY21 Q2 revenues reach $777k, 61,431 units shipped to customers**
- **Cash Balance of $5.5m, strong account receivable book at quarter end.**

29th January, 2021: Melbourne, Australia.

Rhinomed Limited (ASX:RNO OTCQB:RHNMF) a leader in nasal airway and respiratory technology is pleased to report strong year on year revenue growth and the delivery of several key milestones in the new nasal swab development program. Over the course of FY21 Q2 the company continued to see growing momentum in its core consumer health business. Revenues were up 24% to $2.0m, despite the impact of the pandemic, when compared to the prior corresponding period (1H FY20- $1.6m). FY21 Q2 recognised revenue was $777k building on a strong FY21 Q1 result.

Sales of the Mute Snoring and sleep technology continued to grow in both the US and Australian markets. While the COVID-19 pandemic has impacted consumer behaviour, reducing the number and frequency of store visits, sales from ecommerce channels, and in particular via Amazon, continue to grow. The company shipped 61,431 units to customers during the quarter.



RHINOMED LIMITED
ABN 12 107 903 159
WWW.RHINOMED.GLOBAL

L1, 132 GWYNNE ST, RICHMOND, VIC 3121
T +61 (0) 3 8416 0900
F +61 (0) 3 8080 0796

Current revenue treatment status

At the end of FY21 Q2 the company recorded $777k in recognised revenues and an additional $805k as 'unrecognised revenue'. This figure 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
FY21 Q2	61,431	$777k	$805k	$1.6m

Retail environment

The company continues to note a challenging retail environment in its core markets - Australia, the US and the UK. With most markets either recovering from or entering into COVID-19 induced lock downs, consumer behaviour has altered significantly. Visits to major stores are being consolidated as consumers seek to limit their likely exposure to the virus. The Cough, Cold and Flu category, one of the traditionally better performing categories within drug stores/pharmacies, has been particularly affected by the pandemic. The impact of social distancing, lockdowns and better personal hygiene has reduced visitation and sales in this category in both the US and Australia over the last 6 months. This has had an impact on the performance of the Pronto Clear product which has performed below initial expectations during the quarter.

New nasal swab program: A technology led response to the COVID-19 pandemic

During the quarter the company continued development of its patent pending nasal swab program that was announced during Q1 FY21. The new nasal swab is an extension of the Rhinomed platform and represents a radical change in the way that nasal samples are collected. More information about the swab can be found at https://www.rhinomed.global/about-rhino-med/diagnostics/

Clinical validation

Over the course of the quarter the Company began working with the Melbourne based Doherty Institute and its Victorian Infectious Disease Research Laboratory (VIDRL) to validate that the Rhinomed nasal swab was as effective as existing commercial swabs in detecting the SARS-CoV-2 virus in RT-PCR testing. We were pleased to announce in late December that the Study established 100% category detection of SARS-CoV-2 for the Rhinomed swab (Rhinoswab) with no difference in the mean Ct value for detection of SARS-CoV-2 at both low and high virus burdens.

User Study

During the quarter the company carried out a User study (n=32) to validate the design response. The study showed that 97% of participants found the swab to be painless, 84% reported that it was the right size and 74% found it either comfortable or very comfortable. With nasal swabs and nasopharyngeal swab continuing to be used as a front line response and with discomfort and pain being two of the reported key issues - the Rhinomed nasal swab is a compelling technology that has the potential to remove the barriers to mass, high frequency testing.

Regulatory registration

In parallel, the company also successfully registered the new nasal swab as a Class 1 Device with both the US FDA and the Australian TGA during the quarter. These are critically important first steps in ensuring that the new nasal swab can be sold in both the Australian and US market.

Production

Prototype production of the novel nasal swab was initially undertaken via 3D printing. During the quarter the company commenced a tooling project to enable mass production of the swab. It is expected that this program will be completed in the first months of calendar year 2021 enabling the company to meet customer demand. Rhinomed is actively engaging with both Federal and State Governments as it seeks support for establishing an Australian based manufacturing facility that would create skilled employment opportunities, build the country's sovereign capability and lower the existing reliance on imported swabs, improve the National health system's response capability and provide a compelling export opportunity via a world leading technology.

Commercialisation

The company is actively progressing a global business development program as we seek to secure orders from a wide range of local and international customers. The new nasal swab provides several compelling benefits to both users, clinicians, pathology partners and Government health systems, while also being price competitive with existing nasal swabs. With global demand for nasal swabs continuing to grow the company is focused on building out a significant pipeline of opportunity in a market that was reported to be worth $4bn in 2020.[#]

Operational Update

During the quarter the company continued to assess the consumer sentiment and response to the COVID-19 in its global markets. This resulted in prudent investment in key areas and tight control across the company's cost base:

- *Research and Developmen*t: increased 103% to $309k (FY21 Q1 - $152k) which covers the company's new technology development program. This takes into account the investment made in the Rhinoswab program, which represented $95k in Q2.
- *Production costs:* decreased 54% to $111k (FY21 Q1 - $240k) reflects the stronger management of costs and greater efficiencies in stock management.
- *Marketing and Promotion:* increased 104% to $552k (FY21 Q1 - $270k). The company recommenced its marketing spend during Q1 and continued investment in our key market, the USA during Q2. The amounts of marketing and promotion spend in Q2 FY21 is in line with the revenue splits across our main geographies for the same period.
- *Staff Costs*: increased 59% to $894k (FY21 Q1 - $563k) covering changes to the team across the Australian operations and oncosts associated with staffing changes. Included in Staff costs at item 1.2 (e) of the Appendix 4C, and detailed at Item 6.1, are the amounts paid for Directors fees and salaries, excluding GST where applicable; Executive Board remuneration of $81k and Non-Executive Board Remuneration of $70k. Also included at item 6.1 is the amount of $58k for salaries and wages paid to another related party, on an arm's length basis.

- *Administrative expenses*: increased 34% to $457k (FY21 Q1 - $340k). Included in this increase of $116k from Q1 FY21 to Q2 FY21 is timing of payment of audit and other professional advisors fees.

Over the quarter cash receipts from customers stayed constant at $648k (FY20 Q1 - $641k) reflecting the pandemic affected end of FY20 result.

The company continued to access Government support where applicable. During the quarter ended 31 December 2020 the company received $100k representing the final instalment of our FY20 Export Market Development Grant. The company has previously advised the ATO that it would not be eligible for the Commonwealth Government's Job Keeper program from September onwards.

Strong Balance sheet and cash position

In the face of significant global uncertainty the company took steps during the previous quarter to strengthen its balance sheet and cash position. The company continues to execute a prudent capital conservation strategy to support its operational momentum. The closing quarterly cash balance was $5.5 million. In addition we note that the vast majority of our Account Receivables balance of $1.6 million is held in $USD with our premium pharmacy accounts.

US Medical Cannabis Opportunity

As noted previously the company is in dialogue with its US medical cannabis partner, Columbia Care, regarding the commercialisation of a range of cannabis based products which utilises the company's patented nasal delivery platform. We continue to believe that the global cannabis market represents a significant opportunity and upside for investors over the longer term.

The Company is continuing to assess opportunities in other markets where medical cannabis has been legalised.

Future focus

The key focus remains reaching a sustainable operational cash flow position. Additionally, the company continues to assess all strategic options that will enable investors to realise the value in the technology platform.

Company	Investor and Media Relations
Michael Johnson, CEO & Director +61 (0) 3 8416 0900 mjohnson@rhinomed.global Follow us on **Twitter** @rhinomedceo	Rudi Michelson Monsoon Communications +61(0) 411 402 737 rudim@monsoon.com.au

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

Rhinomed Limited is a Melbourne, Australian-based medical technology company with a patented nasal technology platform whose first products are used by consumers in the global sleep, respiration, and nasal congestion markets. These products, sold at major US retailers, support the development, acceptance, and adoption of a pipeline of future wearable, sensor, diagnostic, and drug delivery opportunities. The company has recently secured FDA class 1 registration for its Rhinoswab, a dual nostril swab designed to collect nasal specimens for diagnostic testing for respiratory diseases, particularly COVID-19.

Since its formation six years ago, Rhinomed has built the necessary foundation to accelerate its already increasing revenue growth. The company trades on the ASX:RNO and the OTCQB:RHNMF.

**All financial figures contained in this Announcement are provided on an unaudited basis and are in $AUD*
#Nasopharyngeal Swabs for COVID-19 Test Kits Market by Types (Flocked Swabs, Cotton Swabs, Polyester Swabs, Other), Applications (Hospital, Clinic, Other) and Region - Global Forecast to 2026. 360 Research Reports

Appendix 4C

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

Name of entity	
Rhinomed Limited	
ABN	**Quarter ended ("current quarter")**
12 107 903 159	31 December 2020

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	648	1,289
1.2	Payments for		
	(a) research and development	(309)	(461)
	(b) product manufacturing and operating costs	(111)	(351)
	(c) advertising and marketing	(552)	(822)
	(d) leased assets	-	-
	(e) staff costs	(894)	(1,457)
	(f) administration and corporate costs	(457)	(797)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	8	21
1.5	Interest and other costs of finance paid	(5)	(9)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	174	325
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,498)**	**(2,262)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(3)	(9)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 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**	**(3)**	**(9)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	(22)
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**	**-**	**(22)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	7,037	7,838
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,498)	(2,262)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(9)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(22)
4.5	Effect of movement in exchange rates on cash held	(16)	(25)
4.6	**Cash and cash equivalents at end of period**	**5,520**	**5,520**

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	5,520	7,037
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)**	**5,520**	**7,037**

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	210
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Item 6.1: Directors fees and salaries, excluding GST where applicable.

Executive Board remuneration - $81k

Non-Executive Board remuneration - $70k

Related party transaction - $58k

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

7.5	**Unused financing facilities available at quarter end**	-

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.

8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,498)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	5,520
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	5,520
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	3.68

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: 29 January 2021

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.