

QUARTERLY ACTIVITIES AND BUSINESS UPDATE

TOPLINE

- FY23 Revenues of \$7.48m.
- FY23 Q4 revenues of \$2.238m.
- FY23 Q4 Cash receipts of \$2.50m.
- Continuing strong momentum from the consumer health business driven by strong sell through.
- Rhinoswab business unit progressing with key partners and awaiting regulatory approval for inclusion in Rapid Antigen Test kits for Covid, Flu and RSV in various geographies.

31 July 2023: Melbourne, Australia.

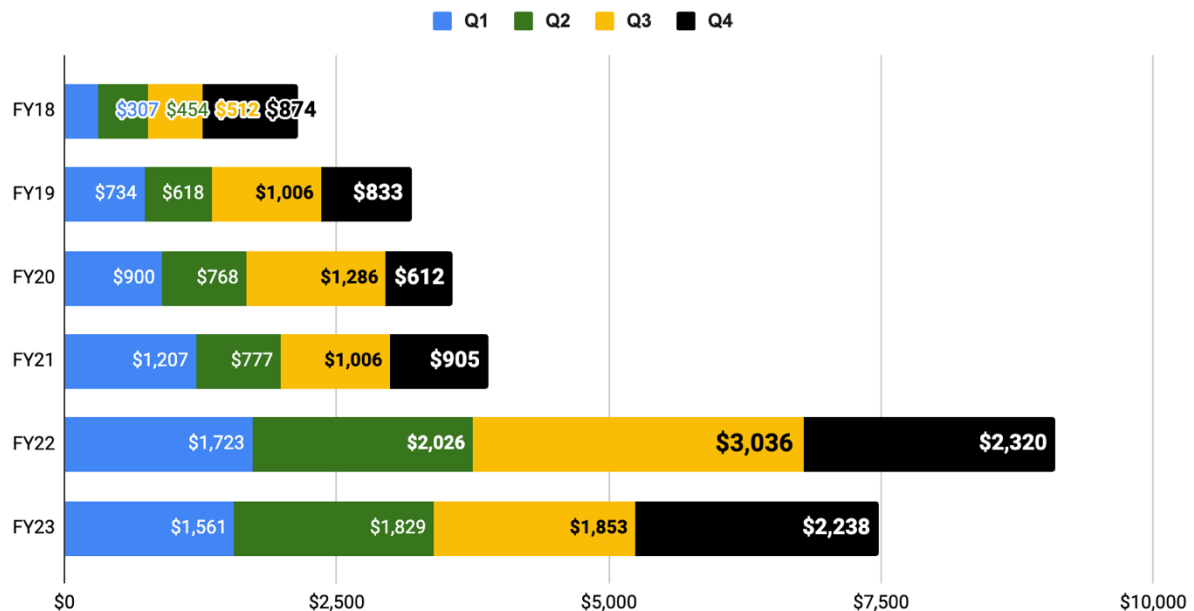
Rhinomed Limited (ASX:RNO OTCQB:RHNMF), (**Rhinomed** or **Company**) a leader in wearable nasal and respiratory technology is pleased to provide the business update for Q4 FY23.

Financial snapshot

Group recognised revenue unaudited FY23 revenues of \$7.48m. In addition, the company recorded revenue for Q4 FY23 of \$2.238m (unaudited). This represents an increase of 21% on Q3 FY23 of \$1.853m. The entirety of revenue was attributable to the consumer health business across FY23.

Revenues from the consumer health business continues to deliver year on year growth across all three key geographies - the USA was up 19% on FY22, APAC up 46% on FY22 and EMEA up 48% on FY22. Cash receipts in Q4 FY23 were \$2.5m, an increase of 36% on Q3 FY23 of \$1.846m. Net cash used in operating activities was down 63% to \$1.19m.

Quarterly Revenues (\$'000 AUD)



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Consumer health business:

- Our Consumer health business continues to gain strong momentum across our three key markets – the USA, UK and Australia:
 - The company shipped 119,567 units over the quarter.
 - The consumer health business recognised revenue of \$2.238m for Q4 FY23, representing an increase of 21% over Q3 FY23.
 - Gross margins for the consumer health business remain strong, circa 76%.
 - Our online business driven by our growing presence on Amazon in the USA and now complemented by entry into Amazon UK and Australia bodes well for FY24.
 - Pleasingly, the business saw positive growth from our global retail network of pharmacy chains and grocery stores carrying our leading Mute snoring and sleep brand. Two key highlights over the course of the year were the addition of the Terry White chain in Australia, further store additions in the Walgreens chain in the USA, and the addition of the Ingles grocery chain in the USA.
 - The company is particularly pleased to advise investors that post June 30, Rhinomed welcomed the Chemist Warehouse chain to our global retail network. We expect to see Mute available in Chemist Warehouse stores throughout Australia over the coming month. This will add significant coverage and growth over the course of FY24.
 - Over the course of the quarter the company completed a key new packaging program for the Mute brand that will see new Mute packaging being rolled out through our global retail network over the course of the new financial year. This new packaging retains the key elements of our branding in a fully recyclable packaging. The new sized pack will also enable the Mute brand to access a wider number of stores in the USA grocery channel.
 - The company continues to build a growing presence in the global consumer health sleep market and is actively seeking to expand its offering and will update investors in due course.

Upper Respiratory Disease Diagnostic Business

- Overview
 - SARS-CoV-2 is continuing to evolve from pandemic status to a significant endemic disease. With waves of Covid expected globally for some time the company has been actively expanding its relationships with lateral flow/Rapid Antigen Test kit companies across multiple geographies.
 - Importantly, the company is seeking to partner with companies that have multiplex Rapid Antigen Tests which include Covid, RSV and Flu A & B.
 - The company remains firmly committed to its strategy of creating, with its partners, a range of lateral flow test kits for children which will feature the Rhinoswab Junior.
 - Over the course of the quarter our Indian partner NEODx were successful in registering their Covid kit for children in India. We look forward to working closely with NEODx as they seek to enter the Indian market over the course of FY24.
 - In Europe the business is finalising an agreement with a partner who plans to release a Covid, Flu A & B and RSV test for children in FY24. The company will provide further details upon completion of this agreement.
 - In Australia we are evaluating our existing relationship with SureScreen Australia. While this relationship has not delivered the results the company and its investors hoped for, we continue to believe that an opportunity exists for a lateral flow test for children targeting a range of upper respiratory diseases. Investors will be updated on the evaluation of this relationship in due course.

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- In North America, we can report that our relationship with BTNX continues to grow. Rhinomed and BTNX are currently working together to expand the relationship to include the USA. This will see the companies work together to bring to market the USA's first Covid test kit for children. Rhinomed will be working closely to coordinate the introduction of this test to the USA via its deep and extensive relationships with its existing retail network including leading drug stores and grocery chains.
- The Company notes that in recent data from Industry research group Circana, the Covid test category in the USA pharmacy, grocery and mass retail chain remains robust with sales of \$3.4 billion over 52 weeks and \$125m in the 4 weeks to the end of April 2023. With an expected increase in case numbers expected later in calendar year 2023 as the Northern Hemisphere enters its Autumn and Winter season, both BTNX and Rhinomed are actively working to get this innovative and highly differentiated product to market as soon as possible.
- Rhinomed is working closely with our partners to navigate the regulatory process across all geographies to ensure that these valuable test kits get to market as soon as possible.
- We will continue to update investors on progress over the coming quarter.

Operational Update

The Company remains focused on delivering on its strategy of optimising its wearable technology platform across both the growing sleep and respiratory consumer health markets and strategic entry in the high value diagnostics market. Over the course of the quarter the Company continued investment in the following areas:

- *Research and Development*: decreased 50% to \$196k (Q3 FY23 – \$395k) for the continued investment in specialised design and equipment to produce the proprietary Rhinoswab range.
- *Production costs*: increased 13% to \$598k (Q3 FY23 – \$531k) reflecting the heavier investment made across FY23 in manufacturing Mute to allow for increased demand and allowing for increased delivery times globally due to the global pressures on logistics.
- *Marketing and Promotion*: decreased 17% to \$1,428k (Q3 FY23 – \$1,725k). The Company continued its marketing investment in our key markets, the USA, the UK and Australia across Q4.
- *Leased assets*: decreased 40% to \$47k (Q3 FY23 - \$78k).
- *Staff Costs*: decreased 32% to \$1,072k (Q3 FY23 – \$1,572k). 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 \$94k and Non-Executive Board Remuneration of \$67k. Also included at item 6.1 is the amount of \$55k for salaries and wages paid to another related party, on an arm's length basis. At the start of February, the Non-Executive Directors agreed to take a 25% cut to their Directors Fees until 30 June 2023, at the earliest. The Board will in Q1 FY24 evaluate the company's position.
- *Administrative expenses*: decreased 58% to \$323k (Q3 FY23 – \$773k). Part of these costs represent an investment in a new ERP system for the company. This will result in increased operational efficiencies over the near term.

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Current revenue treatment status

At the end of FY23 the Company recorded \$2.238m in recognised revenues and an additional \$197k* as 'unrecognised revenue'. This figure represents those goods that have been invoiced to customers and that will be recorded as recognised revenues in coming quarters.

	Stock Shipped	Recognised revenues	Unrecognised Revenues	A/C receivables
Q4 FY23	119,567	\$2.238m	\$197k *	\$0.613m

* The amount of \$197k represents goods delivered and invoiced to customers during Q4 FY23, but not brought to the Profit and Loss Statement as recognised revenue. This amount will be brought to the Profit and Loss Statement in coming periods.

Loan facility status

The company established an unsecured working capital facility in November 2022, as advised in the Appendix 4C commentary released on the ASX on 31 October 2022. This facility is non-dilutive to shareholders of the company. This facility is within terms at present.

To provide working capital to the company, a non-dilutive facility was drawn down at the end of 2022. The unsecured working capital facility is provided by Whitney George, as released to the ASX on 21 December 2022.

In July 2021 Rhinomed entered into an unsecured line of credit facility to the value of \$2.5m. This was provided equally from entities related to the Company by way of our Chairman, Ron Dewhurst and Non-Executive Director John McBain. The facility is on commercial terms.

As at the end of the quarter this facility of \$1.25m has been drawn on for Ron Dewhurst's component. The \$1.25m attributable to John McBain has been rolled on the same terms and conditions through until 31 December 2023.

Future focus

The company had an average quarterly net cash outflow from operating activities of \$1.8m across FY23. The company expects to maintain the average \$1.8m net cash outflow from operating activities in FY24. This will reflect reduction in research and development, advertising and marketing, and staff costs. Administrative costs and product manufacturing and operating costs are expected to remain consistent. The company had previously advised that we expect the net cash outflow from operations to be approximately \$1.5m in Q4 FY23 and it was \$1.2m.

The consumer health business has grown 24% in FY23 compared to FY22, and we expect that to continue into FY24. Revenues from the Rhinoswab program have experienced significant delays. While the regulatory approval process has proven to be more protracted than our partners initially expected, the company believes that these issues will be addressed in the near term and that revenues from the Rapid Antigen Tests including the Rhinoswab will make meaningful contributions to group revenues and resultant cashflows over the course of the next 12 months. As a result, Rhinomed is of the belief that its net operating cash flows will move to breakeven early in FY24 and continue to positive cash inflows from operating activities across FY24.

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The Company continues to assess all strategic options that will enable investors to realise the value in the technology platform and is examining a range of opportunities. The board will provide an update on these opportunities in due course.

This report has been authorised for release to the market by the Board.

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

Rhinomed Limited is a Melbourne, Australia based ASX listed nasal and airway technology company that has developed an innovative nasal technology platform that can improve air flow and provide both drug delivery and diagnostic capabilities.

**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")

30 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,500	8,317
1.2 Payments for		
(a) research and development	(196)	(1,083)
(b) product manufacturing and operating costs	(598)	(3,001)
(c) advertising and marketing	(1,428)	(5,222)
(d) leased assets	(47)	(244)
(e) staff costs	(1,072)	(4,537)
(f) administration and corporate costs	(323)	(1,975)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(28)	(107)
1.6 Income taxes paid	-	(1)
1.7 Government grants and tax incentives	-	640
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,190)	(7,211)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(14)	(94)
(d) investments	-	-
(e) intellectual property	-	-

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 (12 months) \$A'000
(f) other non-current assets	-	-
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	(14)	(94)
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	-	-
3.5 Proceeds from borrowings	1,285	5,904
3.6 Repayment of borrowings	(176)	(330)
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	1,109	5,574
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	316	2,032
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,190)	(7,211)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(14)	(94)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,109	5,574
4.5	Effect of movement in exchange rates on cash held	5	(75)
4.6	Cash and cash equivalents at end of period	226	226

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	226	316
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)	226	316

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	216
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 - \$94k

Non-Executive Board remuneration - \$67k

Related party transaction - \$55k

NB. Non-Executive Directors have taken a 25% reduction in fees. This will be reviewed during Q1 FY24.

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	5,790	5,790
7.2	Credit standby arrangements	1,250	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	7,040	5,790
7.5	Unused financing facilities available at quarter end		1,250
7.6	<p>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.</p> <p>On 29 July 2021 Rhinomed Limited entered into an unsecured working capital facility to the value of \$2,500,000 AUD, provided equally from an entity related to the Company, Chairman Ron Dewhurst and an entity related to the Company, Non-Executive Director John McBain.</p> <p>The company drew down on \$1.25m of the \$2.5m working capital facility as provided by Chairman Ron Dewhurst during Q4 FY23.</p> <p>The remaining \$1.25m as provided by an entity related to Non-Executive Director John McBain has been rolled through to 31 December 2023 on the same commercial terms and conditions.</p> <p>This facility will be retired no later than the expiry date.</p> <p>On 20 October 2022 Rhinomed Limited entered a line of credit facility secured against eligible Accounts Receivable, as provided by a leading international lender. The facility is to a maximum of \$2.8m.</p> <p>The facility is repayable by 31 October 2023.</p> <p>As at 30 June 2023 the company had drawn down the eligible amount of \$595k, of the maximum available \$2.8m.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,190)
8.2	Cash and cash equivalents at quarter end (item 4.6)	226
8.3	Unused finance facilities available at quarter end (item 7.5)	1,250
8.4	Total available funding (item 8.2 + item 8.3)	1,476
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.24
	<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p>	

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

8.6.1 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: The company has reduced its average quarterly net cash outflow from operating activities to \$1.8m across FY23.

The company has actively decreased outflow from operating activities in Q4 FY23. This was across research and development, advertising and marketing, and staff costs, and administrative costs.

The company had previously forecast the net cash outflow from operations to decrease to \$1.5m in Q4 FY23 and achieved that, with net cash used in operating activities being \$1.19m.

The consumer health business grew 28% in FY23 compared to FY22, and we expect that to continue across FY24.

The company has secured supply agreements for the supply of a minimum of 22.5m swabs over the next 24 months, and expect that to commence imminently, subject to final regulatory approval.

The company is of the belief that its net operating cashflows will move to breakeven early in FY24 and continue to positive cash inflows from operating activities across FY24.

8.6.2 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: The company has received initial orders for \$1.9m for Rhinoswabs. The delivery of this has been delayed due to regulatory approvals, but it is anticipated to be received in Q1 FY24. This was initially expected in Q4 FY23 but has been delayed due to the unforeseen regulatory approval delays. This, and subsequent orders as part of the 22.5m supply of swabs, will significantly increase Accounts Receivable. This Accounts Receivable balance will be eligible for immediate funding under the current finance facility as detailed at item 7.6.

The company believes initial access to this facility on an ongoing basis will provide surplus cashflows and will not require the company to raise any additional capital at this stage.

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

Answer: The company has available to it a working capital facility, as detailed in section 7.1 and 7.2, that provides short term funding options to the point that the revenues and associated cashflows with the initial supply of the swabs commence. The initial supply and subsequent ongoing orders, combined with the ongoing growth of the consumer health business, will ensure the company continues to operate and meet all obligations as and when they fall due.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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: 31 July 2023

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.