

Quarterly Activity Report – FY16 Q2

KEY HIGHLIGHTS:

- **Successful roll out of Mute into 600 Boots Stores in UK in November - Boots is the iconic British High Street pharmacist with over 2,500 stores across the United Kingdom**
- **Strong new customer growth providing positive outlook**
- **Company has now shipped 85,500 units to its UK distribution center**
- **Mute now being retailed in approximately 330 Australian pharmacies with potential to grow into over 1,000 pharmacies**
- **Revenue - \$254k for quarter, cash inflows for the quarter were \$556k**
- **Appointed Ron Dewhurst as Chairman**
- **Successful exhibition at Australian Sleep Down Under conference with positive response to Mute technology from sleep profession**
- **Seasonal slowness due to Northern Hemisphere winter in Turbine brand**
- **Sleep Apnea trial to be completed early 2016**

Sales and Marketing

During the quarter:

- Successful roll out throughout November and December of the Mute technology into 600 Boots stores in the United Kingdom. The roll out was accompanied with a six-week campaign that saw Mute featured on aisle end displays and in the sleep section of 600 Boots stores. A significant investment in a promotional and advertising campaign in the Greater London area included social media, PR, radio advertising, out of home media and in store promotion.
- While early days and from a zero base, there is evidence of growing awareness of the Mute brand in the UK. Strong social media following and engagement is demonstrated by over 816,000 people viewing a Mute video of snoring on the London Underground on social media.
- The company continues to receive repurchase orders from Boots to support stock sell through. Stock shipped to the company's UK distribution center now amounts to 85,500 units. Current sales averages are meeting retailer expectations and channel norms but at a higher value price point than the majority of standard sleep category lines, delivering new category revenue growth.
- Mute also added to www.boots.com ecommerce platform during the quarter.

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- Although early market performance is positive, a national roll out is a lengthy process and building a strong sales and distribution network in the UK, Europe and US remains the number 1 priority of the company globally.
- The company identified and began working on several distribution opportunities in the US, Canada and Asia during the quarter. Further updates on distribution are expected in FY16 Q3.
- The company noted a seasonal decline in Turbine sales, at both a retail and wholesale level, in the lead up to the Northern winter.

R&D

During the quarter:

- R&D investment continued with the development of the decongestant version of the platform. The design program is nearing completion and the production requirements are being scoped. The company continues to believe that the introduction of decongestant into the Mute and Turbine platform promises to be a significant opportunity across its growing distribution channels.
- Rhinomed successfully exhibited at the Australian Sleep Down Under conference in Melbourne in October. The conference allowed Rhinomed to show case the existing Mute technology and the INPEAP (Intranasal Positive Expiratory Air Pressure) technology (which is currently undergoing a trial at Monash Health) to the Australian sleep industry.
- The Mute technology received strong support from clinicians and the sleep sector. There is growing awareness in the sector of the need to deal with nasal obstruction and patency when dealing with sleep apnea patients.
- Following the strong suggestion and support from a number of clinicians the company will begin scoping out the potential for investigation into the use of the Mute technology as an adjunct/companion therapy to Mandibular Advancement Devices (MAD) and CPAP masks. The hypothesis put to the company is that the resolution of nasal obstruction and patency issues has the potential to improve compliance for patients struggling to use the MAD and CPAP therapies.
- The company also received a very positive response from conference delegates to its INPEAP clinical trial program.

Operations

- Production at the ChinaMed Shenzhen plant continues to operate efficiently and the company continues to investigate opportunities to introduce supply chain efficiencies and scope the opportunity for further automation of the production process.
- Further investment in the online ecommerce platforms continued. The company believes online sales can make a significant contribution to revenues and will expand its relationship with Amazon over Q3 FY16.

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Corporate

- As at 31 December the company held cash reserves of \$1.083million

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About Rhinomed Limited (ASX:RNO)

Rhinomed Limited is a Melbourne, Australia based technology firm with a focus on nasal, respiratory and breathing management technologies. The company is developing and commercialising applications of its technology portfolio in the Sport, Sleep, Wellbeing and drug delivery markets. The company has two products in market (the Turbine for Sports and Exercise and Mute for Snoring and better Sleep) and is currently conducting a clinical trial of its new INPEAP technology targeting mild to moderate sleep apnea. For more information, go to www.Rhinomed.global

About Mute™.

Mute™ is a patented nasal respiratory technology that has been found to reduce the volume and frequency of snoring in 75% of users in (n=118 couples). Mute is easy to use, drug free and fits discreetly inside the nose. Mute is made from ultra soft polymers and works by stenting the nose and reducing nasal resistance. Mute encourages nasal breathing and reduces the need to open the mouth during sleep, factors critical to a reduction in snoring and better sleep quality. For more information and to purchase Mute visit www.mutesnoring.com or visit your local pharmacy in the UK, Australia and the USA.

About the Turbine™

Turbine™ is a revolutionary respiratory technology designed specifically for the sport market. Turbine delivers an average increase of 38% more airflow through the nasal passages and has been designed for both professional and amateur athletes participating in sports and fitness activities ranging from triathlon, cycling, running and non-impact sports to elite training environments, such as altitude training. You can purchase a Turbine by visiting www.theturbine.com