

SEPTEMBER 2016

RHINOMED

CHANGING THE WAY THE WORLD BREATHES

INVESTOR NEWSLETTER



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MESSAGE FROM THE CEO

Over the past quarter we have focused on the mounting interest in 'sleep'. Considerable media interest, professional engagement and consumer appetite is growing – providing an increasing number of avenues for Rhinomed to be involved. We have actively built upon our distribution channels for Mute for sleep and snoring in the US, and obtained strong traction through our exposure to sleep and dental professionals at the APSS Sleep conference in Denver.

Importantly, we believe our brands and technology are well positioned to take advantage of these rapidly unfolding commercial opportunities. I am pleased to report on the expansion of sales and retailers supporting Mute and Turbine in this newsletter, as well as an update on our pipeline programs.

SALES

As outlined in our Quarterly Activity Report for FY16 Q4, our full year sales have increased 134% on the prior year, to \$1.01m. Our Q4 cash receipts of \$340k were 70% higher than the previous quarter and, while June sales set a new monthly record, they have been exceeded by July sales.

US DISTRIBUTION CONTINUES TO GROW

In addition to the launch of Mute into the iconic Walgreens and Duane Reade stores in the US, which we highlighted in our May newsletter, we are continuing discussions with a number of important retail chains.

Recently, we announced that Mute is being stocked in another Tier 1 pharmacy chain in the US - CVS Health. CVS have over 5000 stores across the USA. Initially being trialled in 100 retail stores in August, Rhinomed will receive detailed metrics to help us direct our marketing efforts.

With the appointment of McKesson Corporation as a wholesale distributor, we are now in a strong position to access physicians, which is a core element of our growth strategy. McKesson is the largest healthcare distribution company in the world, delivering one-third of all the medications used throughout the US daily.

These recent additions to our distribution footprint, bring our store count to over 2500 retailers, plus online platforms.

TURBINE UPDATE

It has been an exciting time for Turbine, with Chris Froome securing his third yellow jersey win in the Tour de France, as well as Turbine reaching the podium during the Rio Olympics.

We wish to congratulate Kristin Armstrong on her fantastic Olympic gold medal cycling win, Chris Froome in taking bronze and Shannon Rowbury, the US 1500m record holder, who came in 4th place in Rio. We are also thrilled to hear that Jared Ward wore our technology to record his best ever result - coming 6th in the marathon.

INPEAP RESULTS

Looking forward, we are poised to move into the development phase of our INPEAP (Intranasal Positive Expiratory Airway Pressure) device aimed at patients with mild/moderate obstructive sleep apnea. Pleasingly, our early stage results indicate that we are on the right track to developing a low-invasive, cost-effective, relevant and easy-to-use treatment. The in-home trial phase showed good comfort levels with our prototype device. This gives us confidence that tolerability of this device would be a strong selling point. Details follow in the pipeline update section.



VISIBILITY IN THE MARKET

To support our growing distributor network we have continued a targeted public relations and social media marketing campaign, which has enabled the product to receive high visibility around New York during the launch into the Duane Reade / Walgreens stores. We have also been pleased with the recent strong interest in Australia, following feature stories on Mute in two national TV programs in early July, promotion in the 'Neverending Snorey' segment on KIIS FM's national Drive show with Dave 'Hughesy' Hughes & Kate Langbroek, and an article in a pharmacy trade publication 'Postscript' and 'Sleep Review' magazine in the US.

At the end of July, I presented the Company to fund managers, analysts and private investors at the Bioshares Biotech Investment Summit in New Zealand. This conference is a strong opportunity to have quality conversations about the Company and its future direction with investors.

There are exciting times ahead as we continue to focus on our expansion in the US, whilst also working to bring our scent and sleep apnea technologies closer to market. It is shaping up to be a great start to the 2016/17 financial year. I look forward to your support as we cross each of these milestones.



MICHAEL JOHNSON
MANAGING DIRECTOR
& CEO
@rhinomedceo

MUTE UPDATE



DISTRIBUTION IN US AND CANADA

The initial uptake into **Walgreens** and **Duane Reade** has been driven by our prominent display units and cut-through branding. Our New York marketing campaign and strong display in stores is shown above.

The highly regarded **CVS Health** 'Test and Learn' program kicked off in August and will run for 6 months. Mute will initially be placed in 100 stores and then reviewed for broader distribution throughout the CVS network following the test program.

CVS Health services over 5 million customers daily. The specialised 'Test and Learn' program enables detailed metrics and marketing analysis of purchase habits and repeat purchase timeframes. The results will be shared with Rhinomed to help direct future marketing efforts.

This is a significant opportunity for us to not only enter another highly recognised and successful pharmacy chain but also learn more about our customer base and buying habits for Mute.

This quarter has also seen the inclusion of two additional pharmacy retailers in the US and Canada. Mute is now stocked in 24 of **Lawtons Drugs** stores in Canada's Montreal region which will be followed by a further roll-out into the 78-store network. Lawtons Drugs provides pharmacy, healthcare, beauty, convenience and giftware throughout Canada and is our entry point into the region, following the appointment of distributor, McArthur Medical, earlier this year.

In addition, Rhinomed has secured a distribution agreement with the oldest and largest healthcare company in the US, **McKesson Corporation**. McKesson supplies the fourth largest pharmacy network in the United States. **Bartell Drugs** in Seattle is the first group in the McKesson network to stock Mute.

Mute is also now available through additional online retail platforms, including **Drugstore.com**, **1800-CPAP.com** and **CPAP Supplies USA**. Rhinomed is also pleased to welcome **MVAP Medical Supplies** and **Slumberbump** as a stockist of Mute. **MVAP Medical Supplies** provides equipment and medical supplies to sleep physicians, clinics, technologists and sleep dentists. Dental and sleep clinics order their range of supplies directly from MVAP, making it simpler for professionals to offer Mute to patients who need to focus on nasal breathing or suffer nasal obstruction. Following the significant interest garnered at the recent APSS sleep conference held in Denver, the Company believes this has the potential to be an important channel in the North American market.

"The inability to breathe well through the nose is one predictor for failure of an oral sleep apnea device. That is the primary reason I am always looking for a noninvasive way to improve nasal breathing. However, if the technique is uncomfortable, failure is certain, which is why I was thrilled to discover MUTE. I wear it nightly, and regularly encourage my patients to do the same."

Kent Smith DDS D-ABDSM,
www.sleepdallas.com

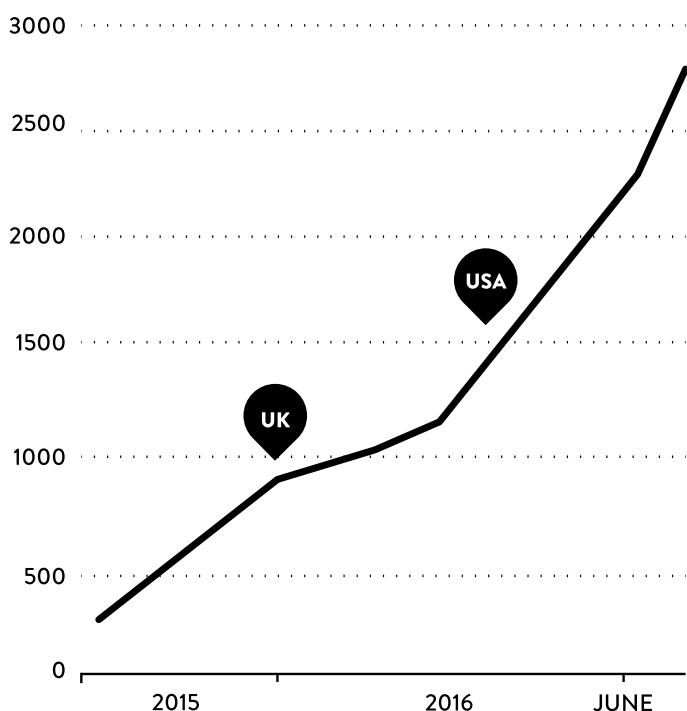
MUTE UPDATE



AUSTRALIA AND NEW ZEALAND

In Australia and New Zealand, the Company is delighted to have extended its reach into pharmacy stores with a number of banner groups joining the network include Star Pharmacy, UFS pharmacies and Good Price pharmacies. To find a Mute stockist near you, simply visit www.mutesnoring.com/store-locator/

STORE NUMBERS (GLOBAL)



FEATURING MUTE ON NATIONAL TV

In early July, the Company had two feature stories on national TV. The first aired on Channel 7 National News and outlined our INPEAP trial results, as well as discussing Mute and the impact of snoring. Following this story, Channel 7 Weekend Sunrise ran an interview with the UK's loudest snorer, Ms Jenny Chapman, which focused on her history of snoring and her success with Mute.

The audience reach of these two programs combined is over 1.4 million viewers, augmented by online views.

We received significant instant uptake on our website and online shop. Since the show aired we have had strong re-ordering from existing pharmacies to keep up with enquiries, as well as new pharmacies joining our network. At the end of August, we have 637 Australian pharmacies currently stocking Mute.

The stories can be viewed via these links:

7 News - <http://goo.gl/r0HI2M>

Weekend Sunrise - <http://tinyurl.com/jn83ynu>

IMPORTANT: Mute nasal device is not for the treatment of sleep apnea. If you think that your snoring may be a symptom of sleep apnea, you should consult your doctor or a sleep specialist.

TURBINE UPDATE



WHAT IS IT ABOUT THREE?

Turbine congratulates Chris Froome on his amazing third Tour de France win and Kristin Armstrong's third Gold medal at the Olympics, both wearing Turbine during their amazing achievements.

We were supporting Chris in his journey with our #y3llow campaign. To relive the highlights of the Tour, visit our facebook page at <https://www.facebook.com/TheTurbine> and the y3llow campaign at: www.y3llow.cc. Froome mentions the hard work and dedication needed to win a race of this nature. Some 198 riders in 22 teams set out to complete 21 stages and 3,535 kilometres on the 2nd July. Along the way they visited four countries and climbed a total vertical height of 2,408 metres. At the finish line, 175 riders remained, which is a record.

"We are immensely proud of Chris' win in the Tour and then backing it up with a Bronze in Rio. The end result may have been predictable to some, but the way he got the yellow jersey by attacking downhill, showed he still has a few tricks up his sleeve. You also have to commend Team Sky teamwork throughout the tour. Not only to get Chris straight back on the bike

when he crashed, but the way they controlled the race and continued to apply pressure and put time on the other riders in each stage. It was inspiring to watch an individual perform so well as part of a team. We are delighted that Turbine has helped support Chris in this journey and that he is part of team Turbine," commented Michael Johnson, CEO of Rhinomed.

It was also exciting to see US 1500m record holder Shannon Rowbury wearing Turbine at the Olympics, as she secured her spot in the final of the 1500m and coming an admirable 4th place. Another athlete to support Rhinomed technology was Jared Ward, the US marathon runner who came 6th with a personal best time of two hours, 11 minutes and 30 seconds.

Back in the US, Todd Wells won one of the most gruelling mountain bike rides, the Leadville 100, at an altitude of over 10,000m. Todd said "Wearing Turbine certainly made the air a little thicker."

Turbine is currently in a 20-store trial with Dick's Sporting Goods in the US and 115 Performance Bikes stores. We are continuing our discussions with a range of additional sporting retailers and opening store options via our distributor Europa Sports Products.

PIPELINE UPDATE



INPEAP - MONASH SLEEP TRIAL FOR OSA SUFFERERS

Obstructive sleep apnea (OSA) is one of the most common sleep disorders, affecting about 25% of adult males and 10% of adult females¹. Sleep apnea is a disorder where breathing stops during sleep. An apnea is defined as a complete cessation of breathing that lasts 10 seconds or greater.

Unlike CPAP that uses mechanical means to increase air pressure to stop the throat collapsing during sleep, INPEAP employs EPAP, expiratory positive airway pressure, using the person's own out breath to create enough pressure to hold open the upper airway, a more natural, less invasive approach.

INPEAP will target mild to moderate OSA patients. It is being designed to sit comfortably in the nose and, using a specialised valve, it will allow a normal breath in but create light resistance to the out breath to keep the airway more open and unobstructed.

On 10 June 2016, we announced our Phase I pilot study results to the ASX, outlining that 19 moderate-severity OSA subjects completed a polysomnography in-clinic study and a 14-day in-home tolerance trial.

The trial indicated that moderate-severity OSA may be attenuated through EPAP, with seven patients meeting the primary end point responding positively with a 50% or more reduction in their AHI* (Apnea-Hypopnea

Index) levels using the Rhinomed INPEAP device, five subjects were partial responders, obtaining an AHI reduction of 30-50% and seven did not see an improvement or had a deterioration in their AHI scores. Out of the non-responders five were found to be mouth-breathing, which made it difficult to reach the pressures required to assess the INPEAP device.

Principal Investigator, Associate Professor Darren Mansfield commented: "These preliminary results show this device assists some patients with moderate obstructive sleep apnea with mouth breathing being a limitation for others. Better identification of solutions for mouth breathing will enhance the effectiveness of this treatment. In addition, evaluation of efficacy in more severe subsets of OSA will be of interest."

Results were presented by one of the Principal Investigators, Dr James Robertson, in an abstract and poster at the American Academy of Sleep Medicine conference held in Denver in June.

The Company is currently reviewing materials and product design refinements, as well as discussing the next trial stage for INPEAP.

¹Mansfield, D et al. 'Sleep loss and Sleep Disorders', MJA 199 (8), 21 October 2013.

PIPELINE UPDATE



NEW RESEARCH ON NASAL CONGESTION SUPPORTS DILATORS

The number of adverse reactions reported when taking nasal spray medication to treat congestion is growing. A recent study published in JAMA Facial and Plastic Surgery¹, analysed the use of over-the-counter nasal strips and dilators in relieving chronic nasal stuffiness, as an alternative to nasal sprays and surgery. Co-author of the report Christopher Badger, from the University of California Irvine School of Medicine highlights that consumers should try the use of nasal devices prior to accepting surgery.

Nasal congestion and obstruction can be due to structural abnormalities, allergies and viruses. According to Dr Julia S. Kimbell, University of North Carolina, who was interviewed by Reuters Health

in relation to the report, nasal dilator technology is rapidly advancing and may hold significant potential to manage nasal obstruction².

This is in line with anecdotal evidence Rhinomed is receiving on the use of our technologies. As an example, US runner Shannon Rowbury broke her nose when she was young and has had difficulty breathing through her nose, which is why she tried Turbine. Recently, we have received emails from customers who have their personal success in improving their nasal breathing through the use of Mute. Given this anecdotal feedback, Rhinomed is currently looking at opportunities to trial Mute for nasal obstruction.

¹Kiyohara. N, Badger. C, et.al. (2016) JAMA Facial Plast. Surg. 2016, June 30, doi:10. 1001/jamafacial. 2016. 0291

²openFDA Adverse Events, February 2016.

FORWARD LOOKING STATEMENT

Any forward looking statements in this document have been prepared on the basis of a number of assumptions which may prove incorrect and the current intentions, plans, expectations and beliefs about future events are subject to risks, uncertainties and other factors, many of which are outside Rhinomed Limited's control. Important factors that could cause actual results to differ materially from any assumptions or expectations expressed or implied in this newsletter include known and unknown risks.

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