

STRONG FINISH TO THE FINANCIAL YEAR

- **Record full year FY16 sales of \$1.01m, 134% higher than prior year.**
- **Strong Q4 sales of \$298k, 57% higher than prior quarter.**
- **Q4 cash receipts of \$340k, 70% higher than previous quarter.**
- **June sales sets monthly record, July sales already exceed FY16 Q3 sales.**
- **Expanding distribution footprint to underpin continued sales growth.**
- **Store count is now over 2,400 globally.**

JULY 27, 2016. Melbourne, Australia.

Rhinomed (ASX: RNO), a leader in nasal respiratory technology, today announced total unaudited revenue for the FY16 financial year of \$1.01m, a 134% increase over the previous year.

Strong June sales of Rhinomed's over-the-counter snoring and sleep quality product, Mute, helped Rhinomed generate unaudited revenues of \$298k for FY16 Q4, a 57% increase over the previous quarter. FY16 Q4 sales growth was driven by increasing contributions from online sales globally, UK and Australian growth and from promising early results from North America.

These trends have continued into the new financial year. July sales have set a new record and are already greater than the total FY16 Q3 result.

Mute sales in the Australian market continue to build. Mute has now been on sale in Australia for just over 12 months. Mute has been available in the UK for six months and the US for a little over one month.

Distribution Footprint

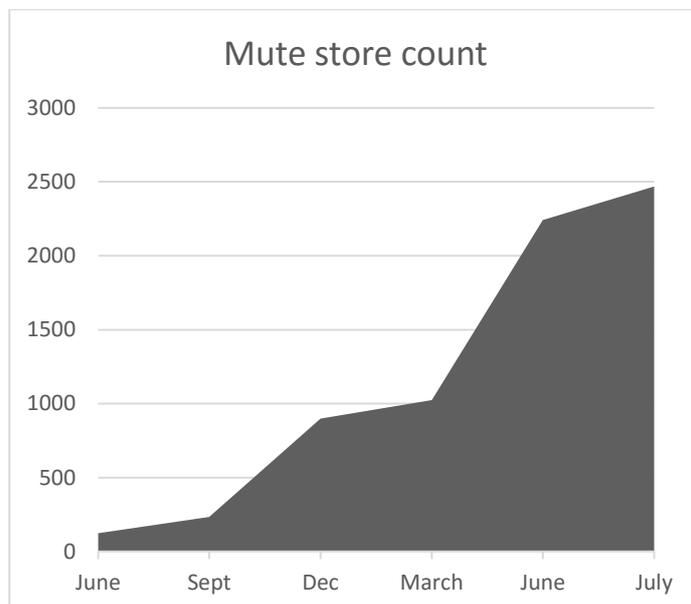
Over the course of the quarter the company expanded its Mute distribution footprint into the key North American market. The addition of the US-based Walgreens and Duane Reade stores to the distribution network more than doubled Mute's global retail footprint. Mute is now available in over 2,400 stores globally.

Over the quarter the company also grew its retail base for its Turbine product adding US sporting retailer Dick's Sporting Goods and independent bike retailer Performance Bike to the Turbine roster.

The company sent its first shipment of stock to its Canadian distributor - McArthur Medical. This inventory will be drawn down as McArthur rolls out Mute to both its retail and clinical customer base.

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Wholesale and retail distribution signed during the financial year includes:

Territory	Partner	Wholesale/Retail	Stores	Commenced
Aust	Symbion/Sigma/Direct Pharmacies	Retail	600	2015-2016
UK	Boots UK (part of WBA)	Retail	600	Nov 2015
US	Amazon	Online Retail	-	Dec 2015
US	Duane Reade (part of WBA)	Retail	107	May 2016
US	Walgreens (part of WBA)	Retail	891	May 2016
US	Inbox Fitness	Online Retail	-	April 2016
US	Jet.com	Online Retail	-	May 2016
Canada	McArthur Medical - Lawton's Drug Stores	Distributor Retailer	24	June 2016
US	Europa Sports - Dick's Sporting Goods	Distributor Retailer	20	June 2016
US	Performance Bike	Retail	127	July 2016
US	Drugstore.com	Online Retail	-	Jul 2016
US	1800cpap.com	Online Retail	-	Jul 2016

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US	Cpapsupplyusa.com	Online Retail	-	Jul 2016
US	MVAP Medical Supplies	Distributor clinical	-	Jul 2016
US	Second Tier 1 Pharmacy Chain	Retail	100	Aug 2016

Operations

Increased cash receipts for the quarter of \$340k reflect stronger sales and the collection of the initial store-fill sales from Boots UK. While cash receipts exceeded unaudited revenue of \$298k for the quarter, working capital has increased significantly over the year.

A very substantial increase in inventory of more than \$400k reflects the need to hold more stock to service new markets and meet the specific packaging requirements of our major retailers. In addition, the trading terms of wholesale and retail customers saw an increase in debtors of \$300k.

Sales and marketing and employee costs have been high, reflecting initial investments in opening new markets in the US. These costs have included significant promotional campaigns to support the launch into both the UK and the US. This initial promotional spend ensured the product met early hurdle rates in these new markets. Expenditure is not anticipated to continue at these levels as the company focuses on leveraging growing awareness rates, increased in store presence, improving merchandising and leveraging strong PR opportunities and clinical channel interest.

The company has also recognised it needs to focus its sales and marketing efforts on realising the very significant potential of Mute in key markets and will curtail some Turbine marketing activities.

The company raised \$4.5m in cash in the June quarter and holds cash reserves of \$2.6m at the end of the year.

R&D

Rhinomed's INPEAP (Intra Nasal Positive Expiratory Air Pressure) technology is being developed as a low-cost frontline treatment for mild to moderate obstructive sleep apnea (OSA). In June, Rhinomed announced the results of its Phase 1 Pilot Sleep Apnea Clinical Trial. The trial (n=19) was conducted at the Monash Lung and Sleep Centre at Monash Health under Principal Investigator, Associate Professor Darren Mansfield and consisted of both an in-clinic study using polysomnography and a 14-day in-home tolerance trial.

Key findings were:

- Mean AHI (Apnea-Hypopnea Index) reduced from 19.2 per hour to 16.5 per hour.

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- 12 subjects showed efficacy to the primary end-point with 7 of the respondents showing an AHI reduction of >50% and 5 respondents showing an AHI reduction of 30-50%. Seven subjects did not respond to the treatment which appears to be due to mouth breathing, which also present difficulties for existing OSA treatments.

These results suggest the INPEAP technology may be effective in treating some patients with mild to moderate OSA. Grant funding will be sought to support further the development of INPEAP.

Future

The company expects continued strong sales performance in the September quarter as the company builds its retail pharmacy footprint in key initial markets: USA, Canada, the United Kingdom and Australia.

The strong interest in the company's progress opens up opportunities for strategic relationships to be developed that will assist the company to expand its footprint.

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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, cough/cold and allergy, 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 has recently completed its Phase I pilot study of its new INPEAP technology targeting mild to moderate sleep apnea. For more information, go to www.rhinomed.global.