

BUSINESS UPDATE - DECEMBER QUARTER

STRONG SALES MOMENTUM CONTINUES

KEY HIGHLIGHTS:

- Sales momentum continues - \$602k invoiced to retailers and distributors.
- Quarterly recognised revenue grows to \$437k (up 42% on last quarter).
- Quarterly cash receipts - \$465k (up 86% on last quarter).
- Consecutive strong quarter - number of units shipped to customers - 53,000.
- Company strengthens capital structure and cash position.

January 29, 2018. Melbourne, Australia.

Respiratory technology company Rhinomed Limited (ASX: RNO) can report another strong quarter of growth. During the quarter the company shipped and invoiced \$602k* (\$1.2m for the half year) worth of stock to retailers, consumers and distributors. This reflects the strength of the Company's growing global retail distribution base.

Financial Update

Unaudited revenue recognised totalled \$437k*, up 42% on the previous quarter with revenues from consignment stock expected to be recognised over the coming quarters. Cash receipts totalled \$465k*, an 86% increase on the previous quarter reflecting the impact of consignment stock flow through.

Calendar Year 2017- Recognised revenues



The net operating cash burn for the quarter was down 47% to (\$754k) versus (\$1.190 m) in the September 2017 quarter. This was in line with expectations and reflects the company's belief that investment in the growth of the Mute brand and the significant growth in the global store count will enable the business to reach CY18 company objectives. The closing cash balance at quarter end was \$3.08 million. The company has a \$2m working capital facility which was not utilized during the quarter. The company has no debt.

RHINOMED

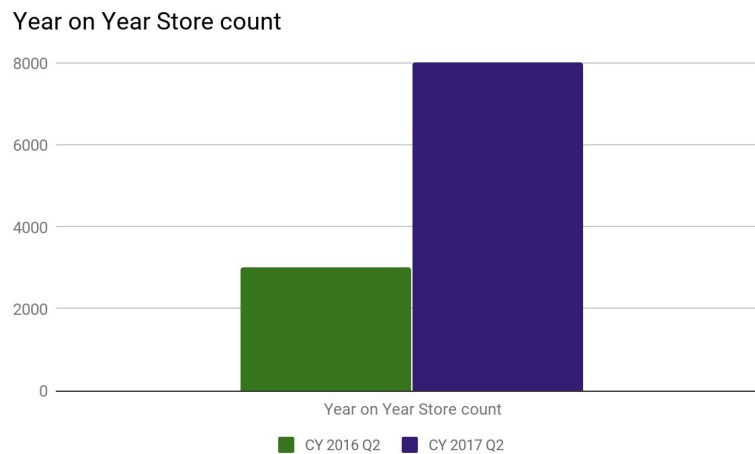
MAKE EVERY BREATH COUNT

Operational update

The company continues to see strong demand from customers and retailers and shipped approximately 53,000 units during the December 2017 quarter compared to 150,000 units shipped for the full 2017 Financial Year. This trend reflects the underlying strength of the approximately 8000 stores stocking Mute globally.

The Company announced the core ranging in Walgreens in July 2017 of Mute into 4,300 stores across the USA. The roll out was successfully completed mid way through the quarter. With Walgreens stores now stocking Mute, the Company is well positioned to leverage this network through its planned promotional programs over the next two quarters as it seeks to significantly grow sales in this market.

Rhinomed's global sales team is focused on expanding our retail footprint in key markets - the USA, the UK and Australia. Driving growth in store numbers ensures that all marketing efforts are able to generate a better ROI with more and more consumers able to find the Mute technology in their preferred pharmacy or online store.



Rhinomed expects marketing expenditure to increase over the next two quarters as investment in the Mute brand increases. Marketing efforts are focused on growing the brand awareness in the USA as we seek to build revenues and drive sell through from our growing store base. Marketing spend year-to-date remains in line with forecasts and comparatively very low for a high growth consumer health company. The underlying organic growth in the US market in particular is pleasing, with Mute's strong on shelf presence attracting new consumers to the sleep category.

Capital Management

During the quarter the company carried out a capital raise that saw our largest shareholder increase their stake to 19%. Both the CEO and Chairman confirmed their commitment to the Company through participation in the raise (subject to shareholder approval which will be sought at an EGM to be held on the February 22nd 2018.)

Driving growth

During the March 2018 quarter, the Company commenced a radio campaign on the Sirius radio network throughout the US. This is being coupled with PR and marketing programs, involving a number of key opinion leaders.

In Australia and the UK, international breathing expert Patrick McKeown was interviewed about Mute across 21 radio networks, in The Australian Financial Review and on Channel 9's Today Show. In the US, Rhinomed had articles appear across TV, local and national print, including the widely read magazine Natural Solutions with world renowned US sleep dentist, Dr Michael Gelb, highlighting the use of Mute in his practice as a companion piece with oral appliance therapies.

RHINOMED

MAKE EVERY BREATH COUNT

The Company enters 2018 focused on supporting the now significant global retail store base and with the objective of reaching breakeven as soon as practical. Strong interest in the company's technology by US, UK and Australian retailers continues and the company will announce these deals when they are completed. The significant retail distribution base that has been built up over the last 12 months in particular, provides a very real opportunity from which to grow a major presence in the global consumer health sleep market.

Michael Johnson, CEO of Rhinomed commented: *"The last quarter of calendar year 2017 was a momentous one for Rhinomed where we achieved one of our major milestones - the successful roll out of Mute onto the shelves of 4300 Walgreens stores. We are thrilled that we can now bring Mute to the millions of Americans who suffer from some form of nasal obstruction and who want to breathe more and snore less."*

"We are continuing to build a strong global reputation at both a clinical and consumer level as the preferred non drug, low invasive solution for the one in four people who suffer from some form of nasal obstruction. Through our partnerships with both clinicians and pharmacies globally, we are actively working to deliver a disruptive suite of sleep and respiratory technologies that will solve one of the more compelling unmet clinical needs in health."

Media Enquiries

+61 (0) 3 8416 0900

About Rhinomed Limited (ASX: RNO)

Rhinomed Limited is a Melbourne based technology firm with a focus on nasal, respiratory and breathing management technologies. The company is seeking to monetise applications of its technology portfolio in the Sport, Sleep, Wellbeing and Drug Delivery markets. For more information go to www.rhinomed.global

**All financial figures contained in this Announcement are provided on an unaudited bases.*

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Rhinomed Limited

ABN

12 107 903 159

Quarter ended ("current quarter")

31 December 2017

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 (Unaudited sales for: Qtr \$437k; YTD 744k)	465	714
1.2 Payments for		
(a) research and development	(37)	(69)
(b) product manufacturing and operating costs	(53)	(168)
(c) advertising and marketing	(478)	(939)
(d) leased assets	-	-
(e) staff costs	(388)	(777)
(f) administration and corporate costs	(264)	(750)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	5
1.5 Interest and other costs of finance paid	(3)	(8)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST refunded)	0	47
1.9 Net cash from / (used in) operating activities	(755)	(1,945)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) 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.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	3,510	3,510
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(161)	(161)
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	3,349	3,349

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	475	1,666
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(755)	(1,945)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,349	3,349
4.5	Effect of movement in exchange rates on cash held	6	5
4.6	Cash and cash equivalents at end of quarter	3,075	3,075

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	3,075	475
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)	3,075	475

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
138
-

The amount at 6.1 includes payment of directors' fees and payments to a director-related entity, excluding reimbursement for administrative expenses and travel expenses.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
-	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	2,000	Nil
8.3 Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

On 30 January 2017, RNO entered into an unsecured working capital financing facility to the value of A\$2 million.

The facility is provided from an entity related to the company, Chairman Ron Dewhurst.

The facility can be drawn upon in multiples of A\$250,000 and interest is at commercial rates.

The facility is repayable by 31 July 2018.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(110)
9.3 Advertising and marketing	(500)
9.4 Leased assets	-
9.5 Staff costs	(550)
9.6 Administration and corporate costs	(250)
9.7 Other - Intellectual Property	(40)
9.8 Total estimated cash outflows	(1,450)

* The actual expenditure for the quarter may be different depending on the opportunities, level of activities, priorities and resources available.

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

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.



Sign here:

Date: 29 January 2018

Company Secretary

Print name: Phillip Hains

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.