

BUSINESS UPDATE - FY19 Q1 SEPTEMBER QUARTERLY REPORT

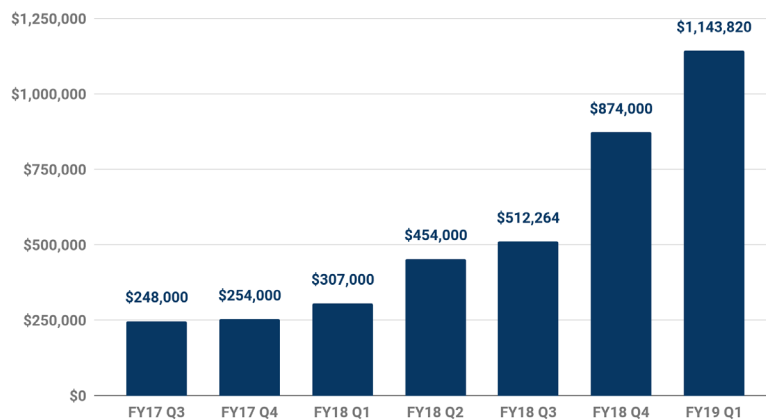
TOPLINE

- Quarterly Revenues continue to grow - up to \$1.14 million
- 7th consecutive quarter on quarter of Revenue growth
- New accounts to push US store count to 9000+, global store count to 11,000+
- Signs landmark nasal drug delivery licensing deal with US medical cannabis leader - Columbia Care

October 31st 2018. Melbourne, Australia.

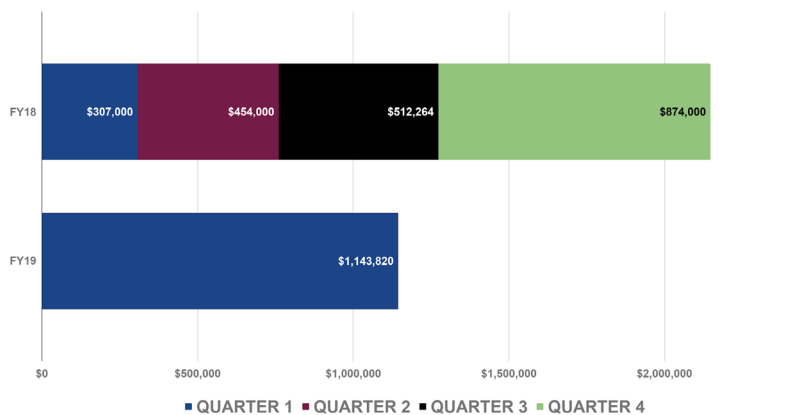
Rhinomed (ASX:RNO) a leader in nasal delivery technology, today announced its 7th consecutive quarter on quarter of revenue growth. Positive trading conditions saw unaudited recognised revenues increase 30% over FY18 Q4 to \$1.14m* for FY19 Q1.

Year on Year Quarterly Revenues



This strong growth represents a 273% increase over the same corresponding period in Q1 of FY18.

Year on Year Quarterly Revenue Growth



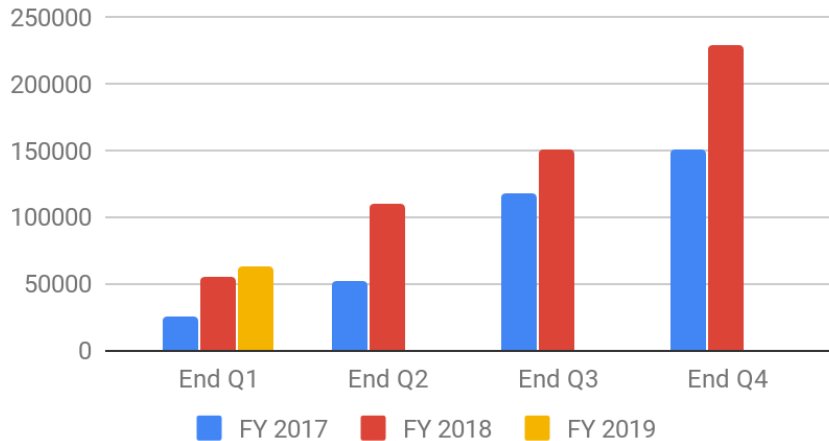
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During the quarter the company also successfully shipped stock to new retail partners CVS and Rite Aid who have now begun stocking Mute on the shelves of an additional 4500 stores (1500 CVS stores) and 3000 Rite Aid stores. Revenues from these new accounts, in line with Accounting standards, is not included in this Quarter's result. The unaudited revenue result for Q1 is particularly pleasing given we enter FY19 Q2 with double the US store count that we had at the beginning of FY19 Q1.

Cumulative Stock Shipped by Qtr end



During the course of the Quarter a further 62,000 units were shipped to customers with a value of an additional \$897,000 in unaudited invoiced sales being added. Accounts receivable now stand at \$1.5 million.

Net Cash used in Operating Activities was \$918k. Cash receipts of \$522k lag revenues in line with trading terms. The company ended the quarter with \$348k in cash and has yet to draw down on the existing \$2m working capital facility.

Landmark Nasal Drug Delivery partnership with Columbia Care

The company completed a landmark nasal drug delivery licensing deal with US based Columbia Care at the end of September.

This deal will see Rhinomed's nasal platform used by Columbia Care to deliver nasal medical cannabis formulations. The agreement covers a portfolio of potential products across both consumer health and clinical settings that would initially be sold through Columbia Care's US based dispensary network. The US is the largest and one of the fastest growing cannabis markets in the world.

Under the terms of the agreement Rhinomed will optimise its platform for delivery of cannabinoid formulations and supply the customised product to Columbia Care. Columbia Care will manufacture and place specific pharmaceutical formulations onto the platform in its facilities in the U.S. Rhinomed will retain all intellectual property rights to its drug delivery platform.

The agreed revenue model will see Rhinomed receive cost plus a double-digit royalty fee on a per product basis. In addition, Rhinomed will also receive a further double-digit share of net profits that varies based on the retail channel - with a greater share for product sold through its retail channels.

Rhinomed notes that while it is too early to assess whether the impact of this deal will affect its 2019 revenues the company has been steadily working to unlock shareholder value by strategically opening up new industry verticals such as drug delivery, following the widespread and successful distribution and adoption of its Mute nasal stent product.

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Business development

Interest in the company's technologies from the sleep medicine community continues to grow at a rapid rate. This strongly illustrates the growing recognition of the importance of the nose and nasal resistance and airflow and its impact on both efficacy and compliance with a range of other sleep therapies, including CPAP and oral devices.

Future

The key focus of the company remains reaching a sustainable cash flow position. The growth in store numbers provides the company with a strong base from which it can build a steady and strong growth in customer numbers.

Rhinomed continues to build a reputation and be recognised as an innovator and global leader in improving nasal drug delivery, airflow, breathing and sleep. The strong interest in the company's progress continues to open up opportunities for strategic relationships that will further assist the company to expand its footprint.

| Company | Investor and Media Relations |
|---|--|
| Michael Johnson, CEO & Director +61 (0) 3 8416 0900 mjohnson@rhinomed.global Follow us on Twitter @rhinomedceo | Warrick Lace NWR Communications +61(0) 404 656 408 warrick@nwrcommunications.com.au |

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*

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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")

30 September 2018

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers <i>(Unaudited revenue: Qtr \$1,144k; YTD \$1,144k)</i> | 522 | 522 |
| 1.2 Payments for | | |
| (a) research and development | (118) | (118) |
| (b) product manufacturing and operating costs | (440) | (440) |
| (c) advertising and marketing | (235) | (235) |
| (d) leased assets | - | - |
| (e) staff costs | (386) | (386) |
| (f) administration and corporate costs | (298) | (298) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 1 | 1 |
| 1.5 Interest and other costs of finance paid | (4) | (4) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | 40 | 40 |
| 1.8 Other (GST refunded) | - | - |
| 1.9 Net cash from / (used in) operating activities | (918) | (918) |

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| | | | |
|------------|---|---|---|
| 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 | - | - |
| 3.2 | 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 | - | - |
| 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 | - | - |

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| | | | |
|------------|--|--------------|--------------|
| 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 | 1,263 | 1,263 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (918) | (918) |
| 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) | - | - |
| 4.5 | Effect of movement in exchange rates on cash held | 3 | 3 |
| 4.6 | Cash and cash equivalents at end of quarter | 348 | 348 |

| | | | |
|------------|---|------------------------------------|-------------------------------------|
| 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 | 348 | 1,263 |
| 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) | 348 | 1,263 |

| | | |
|-----------|--|------------------------------------|
| 6. | Payments to directors of the entity and their associates | Current quarter \$A'000 |
| 6.1 | Aggregate amount of payments to these parties included in item 1.2 | 176 |
| 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 | |

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.

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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

Add notes as necessary for an understanding of the position

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 has been rolled over and is repayable by 31 July 2019.

9. Estimated cash outflows for next quarter

\$A'000

9.1 Research and development

(50)

9.2 Product manufacturing and operating costs

(200)

9.3 Advertising and marketing

(300)

9.4 Leased assets

-

9.5 Staff costs

(400)

9.6 Administration and corporate costs

(200)

9.7 Other - Intellectual Property

-

9.8 Total estimated cash outflows

(1,150)

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

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| 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: 31 October 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.

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