

RHINOMED RECORDS POSITIVE YEAR ON YEAR RESULT

TOPLINE

- Revenues up 10% year on year to \$3.5m
- Q4 Recognised revenue \$620k
- Growth in global store count, 20,000+ store milestone achieved
- Q4 Cash receipts of \$1.3m with cash burn down (65%) to \$565k
- Cash Balance of \$7.8m at end of quarter

22 July, 2020: Melbourne, Australia.

Rhinomed Limited (ASX:RNO OTCQB:RHNMF) a leader in nasal airway and respiratory technology can report its FY 20 Q4 results and preliminary unaudited full year results. After a record FY20 Q3 result the company was on track to reach its full year planned targets. Confirmation during the quarter that an additional 7,000+ US based stores would begin stocking Rhinomed technology further supported this positive momentum.

Quarterly Revenues



The COVID-19 pandemic and the subsequent lockdowns in Australia, the UK and the US has created challenging conditions for our retail partners and altered consumer behaviour. While the company can report a positive 10% year-on-year unaudited revenue growth to \$3.5 million, the Q4 recognised revenue result dropped 52% to \$620k.

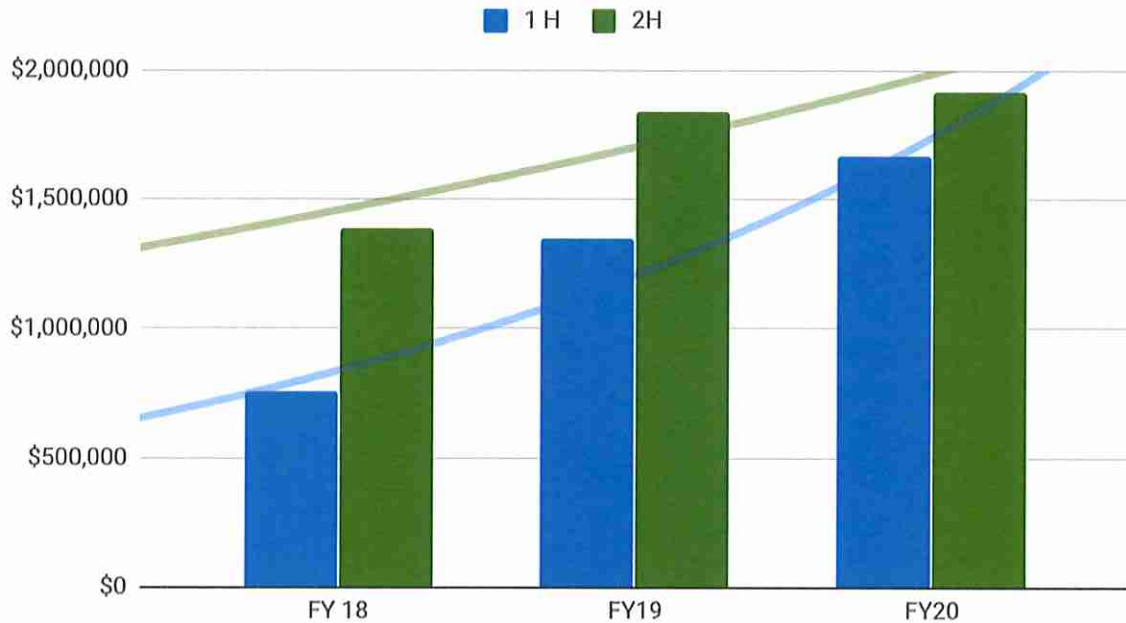
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MAKE EVERY BREATH COUNT

The very positive momentum generated throughout the first three quarters of FY20 and which was expected to accelerate in Q4 was impacted as 'stay at home orders' took effect across our major markets.

REVENUE YEAR ON YEAR 1H V 2H PERFORMANCE



Many Pharmacies saw foot traffic drop by over 30% in the US[#] as consumers minimised the number of shopping trips. The US experience was mirrored by pharmacies both in the UK and Australia. In addition, Amazon's policy of prioritising delivery of essential service products over OTC products in the US market, resulted in a lag between orders and deliveries. Subsequently, units shipped to customers dropped 60% from 94,648 in FY20 Q3 to 37,911 at the end of Q4.

Global distribution network continues to grow

At the beginning of the quarter the company had stock on the shelves of approximately 13,000 stores, globally. During the quarter the company announced that several major retailers confirmed Rhinomed products would be added to their shelves. This included Pronto Sleep being added to the sleep category in 1,900+ CVS stores; Pronto Sleep and Pronto Clear being added to the OTC category in 180+ Meijer stores (a major midwest retailer); confirmation that Pronto Clear would be added to the cough, cold and flu category in 6,300+ stores of a major US based pharmacy chain in the first half of FY21.

The company had set a milestone of reaching a presence in 20,000+ stores by the end of calendar year 2020. We are pleased to report that this milestone has been secured.

With breathing, and especially nasal breathing, growing in importance during the COVID-19 pandemic, the company continues to actively engage in communication and education programs with Ear, Nose and Throat specialists, Sleep Specialists and Sleep Dentists. These programs highlight the importance and positive impact of nasal breathing and sleep on both physical and mental health.

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Operational Update

With the potential impact of the pandemic on the business unknown at the beginning of the quarter, the company took immediate steps to introduce a capital conservation program. This resulted in prudent investment in two areas and reductions across the company's cost base:

- *Research and Development*: up 75% to \$210 (Q3 - \$120k) which covers the company's new technology development program.
- *Production costs*: up 77% to \$428k (Q3 - \$242k) reflects the impact of the production runs to respond to new orders and FY21 Q1 demand forecasts for both Mute and the Pronto range.
- *Marketing and Promotion*: Down 65% to \$293k (Q3 - \$847k). The company reduced its marketing spend during Q4 as lockdowns reduced foot traffic and consumer sentiment became more uncertain.
- *Staff Costs*: Down to \$633k (Q3 - \$759k) covering changes to the team across the Australian and US operations.
- *Administrative expenses*: Down 31% to \$322k (Q3 - \$470k)

Over the quarter cash receipts from customers remained relatively stable (\$742k) and when coupled with the receipt of the R&D tax rebate (\$336k) and other government support saw the company record \$1.3 million in total cash receipts during the period. As a result, net cash used in operations reduced 65% to \$565k for the quarter.

Current revenue treatment status

At the end of FY20 Q4 the company recorded \$968k as 'unrecognised revenue', which represents those goods that have been shipped and invoiced to customers and that will be recorded as recognised revenues in coming quarters.

	Stock Shipped	Recognised revenues	Unrecognised Revenues	A/c receivables
FY20 Q4	37,911	\$620k	\$968k	\$1.158m

Strong Balance sheet and cash position

In the face of significant global uncertainty the company took steps during the quarter to strengthen its balance sheet and cash position. The fully underwritten renounceable rights issue received strong support from existing shareholders with \$6.5 million raised. At the end of the quarter the company had a closing cash balance of \$7.8 million and Account Receivables balance of \$1.158 million (the vast majority in \$USD).

The company has a \$2 million working capital facility in place provided by the Chairman, Mr Ron Dewhurst. This facility is due to expire on July 31 2020. As a result of the strengthening balance sheet and the company's positive momentum, the company will retire this facility on the expiry date.

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US Medical Cannabis Opportunity

The company is in dialogue with its US medical cannabis partner, Columbia Care, to commence production of the new product - which utilises the company's patented nasal delivery platform.

Further updates on production status and likely market entry dates will be provided during FY21 Q1. We continue to believe that the global cannabis market represents a significant opportunity and upside for investors over the longer term.

The Company is continuing to assess opportunities in other markets where medical cannabis has been legalised.

Future focus

The key focus remains reaching a sustainable operational cash flow position. Additionally, the company continues to assess all strategic options that will enable investors to realise the value in the technology platform.

Company	Investor and Media Relations
Michael Johnson, CEO & Director +61 (0) 3 8416 0900 mjohnson@rhinomed.global Follow us on Twitter @rhinomedceo	Rudi Michelson Monsoon Communications +61(0) 411 402 737 rudim@monsoon.com.au

About Rhinomed Limited (ASX: RNO, OTCQB:RHNMF)

Rhinomed Limited is a Melbourne, Australia based ASX listed nasal and airway technology company that has developed an innovative nasal technology platform that can improve air flow and provide both drug delivery and diagnostic capabilities.

**All financial figures contained in this Announcement are provided on an unaudited basis and are in \$AUD*

Kantar via Infinity Worlds Report June 2020

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Appendix 4C

Quarterly cash flow report for entities
subject to Listing Rule 4.7B

Name of entity

Rhinomed Limited

ABN

12 107 903 159

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	742	3,137
1.2 Payments for		
(a) research and development	(210)	(633)
(b) product manufacturing and operating costs	(428)	(1,149)
(c) advertising and marketing	(293)	(3,017)
(d) leased assets	-	-
(e) staff costs	(633)	(2,829)
(f) administration and corporate costs	(322)	(1,767)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	15
1.5 Interest and other costs of finance paid	(5)	(24)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	581	621
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(565)	(5,646)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(66)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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	-	(66)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,514	12,514
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(151)	(467)
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	6,363	12,047

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,022	1,456
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(565)	(5,646)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(66)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,363	12,047
4.5	Effect of movement in exchange rates on cash held	18	47
4.6	Cash and cash equivalents at end of period	7,838	7,838

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	7,838	2,022
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)	7,838	2,022

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
184

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Item 6.1: Directors fees and salaries, excluding GST where applicable.

Executive Board remuneration - \$81k

Non-Executive Board remuneration - \$70k

Amount shown at Item 6.1 includes an amount of \$33k for consulting fees paid to Smart Street Solutions, a related party of Michael Johnson.

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Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	-	-
7.2	-	-
7.3	-	-
7.4	-	-

7.5 **Unused financing facilities available at quarter end**

-

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

On 30 January 2017 Rhinomed Limited entered into an unsecured working capital facility to the value of \$2,000,000 AUD, provided from an entity related to the Company, Chairman Ron Dewhurst.

The facility has been rolled over and is repayable by 31 July 2020.

This facility will be retired on the expiry date.

8. Estimated cash available for future operating activities**\$A'000**

8.1 Net cash from / (used in) operating activities (Item 1.9)

(565)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

7,838

8.3 Unused finance facilities available at quarter end (Item 7.5)

-

8.4 Total available funding (Item 8.2 + Item 8.3)

7,838

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

13.9

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

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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.

Date: 22 July 2020

Authorised by: By the Board of Rhinomed Limited.
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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