RHINOMED
MAKE EVERY BREATH COUNT

QUARTERLY ACTIVITIES AND BUSINESS UPDATE

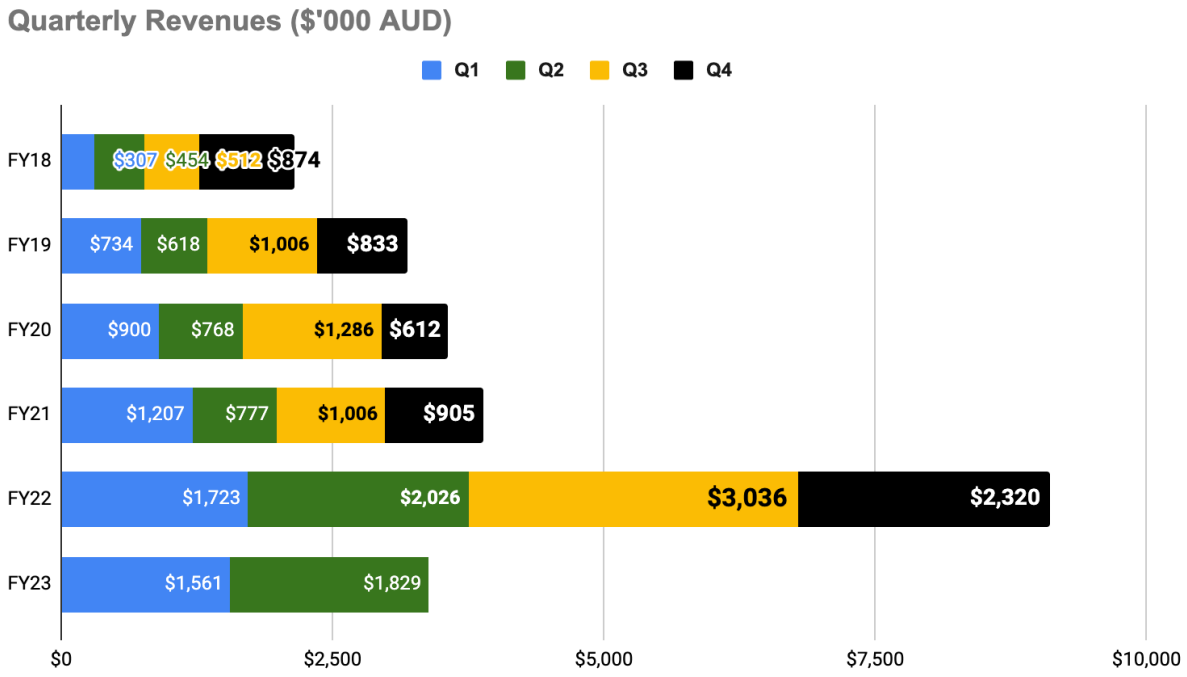
TOPLINE

- **1H FY23 unaudited recognised revenue of $3.4m.**
- **Consumer Health revenues grew to $1.83m, up 17% on Q1 FY23.**
- **Cash receipts up 88% to $2.6m.**
- **Strong momentum from Consumer health business.**
- **Slower than expected sales from Rhinoswab business, Canadian regulatory delay.**
- **BTNX confirms commencement of clinical trial of new Multiplex Covid, RSV, Flu A&B test featuring Rhinoswab adult and Rhinoswab Junior.**

30 January 2023: Melbourne, Australia.
Rhinomed Limited (ASX:RNO OTCQB:RHNMF), (**Rhinomed** or **Company**) a leader in wearable nasal and respiratory technology is pleased to provide the business update for Q2 FY23.

Financial snapshot
Group recognised revenue for Q2 FY23 grew to $1.829m (unaudited), an increase of 17% on Q1 FY23. The Group recognised revenue for H1 FY23 is $3.39m (unaudited), a decrease of 10% from H1 FY22 ($3.749m).

Pleasingly, the consumer health business increased 64% year on year from $1.115m in Q2 FY22 to $1.829m in Q2 FY23. This growing momentum included an increase of $272k or 18% on Q1 FY23. Cash receipts in Q2 FY23 were $2.6m, up 88% on Q1 FY23 of $1.4m. Net cash used in operating activities was down 11% to $1.34m.



Consumer health business:

- Our Consumer health business continues to gain strong momentum across our three key markets – the USA, UK and Australia:
    - The company shipped 103,061 units over the quarter.
    - The Consumer health business recorded revenue of $1.829m for Q2 FY23, an increase of $272k or 18% on Q1 FY23, a 64% increase when compared to the same quarter last financial year.
    - Gross margins for the Consumer Health business remain strong, circa 66%.
    - Our flagship anti-snoring product - Mute - continues to gain market share and build brand equity as awareness builds in key markets.
    - The online business, driven by Amazon US, remains a critically important channel and is now being supplemented by Amazon UK. The company expects to bring online Amazon Germany and Amazon Australia during the course of calendar year 2023.
    - We continue to see growth and store expansion in our major retail partners in the US and Australia. As disclosed previously, we are continuing to grow shelf presence in major retails accounts - Walgreens have indicated that they are planning to expand the presence of Mute into 8,000 stores in Q4 of FY23. The roll out of Mute in the Terry White pharmacy chain in Australia continues to experience robust growth.
    - The company recently attended and presented at the US ECRM trade show and we expect to be able to update investors over the coming quarters on further growth opportunities following these presentations to retailers in the Drug Store/Pharmacy and grocery channels.
    - Our consumer health strategy remains focused on positioning Mute as the preeminent anti snoring technology and respiration solution.

Upper Respiratory Disease Diagnostic Business

- The global upper respiratory disease diagnostic market continues to grow significantly.
- As discussed in the previous quarterly report, Government modeling which forecast Covid waves every 3-6 months has so far proven to be disturbingly accurate. On that basis we can expect a further wave toward the end of Q3 FY23.
- We also note that despite the surge in Covid across the globe, over the last quarter and into the calendar year 2023, Governments have slowed their testing response.
- At present governments in most countries have significant stock piles of rapid antigen tests. These high stock levels are slowing the acquisition of new Rapid antigen tests.
- The novel Rhinoswab range for both adults and children provides significant clinical and user experience advantages over the historical nasal swab that improve the testing process for Point of Care diagnostics and both PCR and Lateral flows testing platforms.
- Investors should note that the Rhinoswab range standardises the sample collection process and has been shown to detect a wide range of upper respiratory pathogens including, but not limited to, SARS-CoV-2.
- Nasal swabs remain the single most effective population wide sampling method for diagnosing upper respiratory disease and Rhinomed's solution continues to gather strongly supportive data that would indicate that it is not only preferred by users, but is also clinically equivalent to the far more invasive combined nose and throat swab.
- Over the course of 2023 the company will continue to execute this strategy and seek to position the Rhinoswab range as the emerging standard of care nasal swab for upper respiratory testing.

- **Appointment of new US based Distributors**
    - The company is pleased to report that it has appointed two new US based distributors for the Rhinoswab range:
        - **Thomas Scientific** operates as a classic distributor in North America and Internationally for Laboratory Supplies and Consumables, Equipment, Instruments and Furniture, Chemicals, and Laboratory Safety and Apparel.
        - **MDMaxx** provides innovative medical, surgical, and physical therapy equipment and supplies to Government agencies, hospitals, school health, nursing homes, clinics, physician offices, urgent care centers, dialysis centers, laboratories, surgical centers, physical therapy & rehab, occupational health, and other healthcare facilities in the USA and worldwide.

- **BTNX**
    - **Covid Rapid Antigen test program**
    - As disclosed previously, BTNX informed Rhinomed that it has been advised by Health Canada that further clinical data supporting the use of the Rhinoswab Junior with the BTNX test is required. As a result, approval for the BTNX Covid Rapid Response test featuring the Rhinoswab Junior will be delayed which in turn will defer the launch of the test in the Canadian market.
    - This delay will push back the completion of the shipment of the initial 1.5m Rhinoswabs which form part of the 22.5m swab supply deal. This development will result in a delay in Rhinomed's expected revenues from the Rhinoswab business in FY23.
    - This delay in receiving regulatory approval was not anticipated by either company.
    - Rhinomed will update investors on developments with Health Canada approvals and the commencement of supply under the BTNX Agreement. There is no change to the terms of the BTNX Agreement arising as a result of these delays.
    - Importantly, both BTNX and Rhinomed remain committed to bringing to market a series of tests that we believe will significantly improve testing rates and outcomes.

    - **New RSV, Covid, Flu A & B multiplex test**
    - BTNX has informed Rhinomed that it is including the Rhinoswab adult and Rhinoswab Junior in a clinical trial of a new Multiplex rapid antigen test for SARS-CoV-2, Flu A and B and RSV.
    - BTNX has commenced the clinical trial in the USA in order to gather data supporting the efficacy of this test.
    - The data from this trial will be used to support registration of the new Multiplex tests in both the Canadian and US markets. It is expected that the trial will be complete in March with regulatory submissions following shortly thereafter.
    - Upon receipt of regulatory approvals by Health Canada and the US FDA, the companies will work closely to support the launch of this new test that responds to the growing need to identify and respond to the significant number of cases of Covid, RSV and Flu.
    - BTNX's new multiplex test for Covid, Flu A & B and RSV combined with Rhinoswab and Rhinoswab Junior has the potential for a substantially longer product lifespan and combines greater utility with a superior user experience for children, families and clinicians.

SureScreen Australia

- The Company completed a supply deal with SureScreen Australia, the Australian distributor for one of the UK and Europe's premier lateral flow diagnostic companies SureScreen Diagnostics UK in the first half of FY23 . This is a two year, 10 million Rhinoswab supply deal.
- At present, governments in most countries have significant stock piles of rapid antigen tests. As recently reported in Australia, these high stock levels are slowing the acquisition of new Rapid antigen tests and this in turn has had an impact on the penetration of the SureScreen RAT with Rhinoswab Junior.
- These stock levels are expected to decrease over the course of 2023 as stockpiles are run down and/or existing rapid antigen test stock reaches the end of their two year shelf life.
- SureScreenAustralia and Rhinomed remain firmly committed to working closely with both Federal and State Governments in order to test school aged children quickly, easily and accurately.
- The Rhinoswab Junior + SureScreen test offers a compelling proposition to Government and clinicians and can enhance public health testing outcomes via its unique testing profile.
- 88% of children prefer the Rhinoswab Junior when compared to the standard nasal swab while also delivering the clinical equivalence to a combined nose and throat swab.

- **Pipeline**
  - Rhinomed is executing a business development plan focusing on a number of key segments within the upper respiratory disease testing market. The company is in active dialogue with a number of Point of care diagnostic, lateral flow/rapid antigen test and molecular diagnostics companies across multiple geographies.
  - During Q1 FY23 the Company exhibited at the Medica conference in Dusseldorf, Germany. The Company received an extremely strong response and interest in the Rhinoswab range. Rhinomed remains focused on unlocking these opportunities over the course of FY23.
  - The company has been invited by Austrade to exhibit at Arab Health in Dubai which takes place January 30- February 2nd 2023.

Production capacity

Rhinomed has continued to closely monitor and manage our production capability across Q2 FY23. This is to ensure we meet our forward demand for its consumer health and diagnostics technology. Rhinomed is continuing to identify additional manufacturing capacity to meet global demand. This will see the Company diversify our production sources, allowing us to meet demand as well as mitigating risks associated with supply chains and logistics.

Operational Update

The Company remains focused on delivering on its strategy of optimising its wearable technology platform across both the growing sleep and respiratory consumer health markets and strategic entry in the high value diagnostics market. Over the course of the quarter the Company continued investment in the following areas:

- *Research and Developmen*t: increased an immaterial 4% to $250k (Q1 FY23 – $242k) reflecting the more advanced stages of the Company's new technology development, and continued investment in specialised equipment to produce the proprietary Rhinoswab range.
- *Production costs:* decreased 38% to $714k (Q1 FY23 – $1,158k) reflecting the heavier investment made in Q1 FY23 in manufacturing both Mute and Rhinoswab and to allow for increased delivery times globally due to the global pressures on logistics.
- *Marketing and Promotion:* increased 149% to $1,477k (Q1 FY23 – $592k). The Company continued its marketing investment in our key markets, the US, the UK and Australia across Q2.

- *Leased assets:* remained constant at $60k (Q1 FY23 - $59k).
- *Staff Costs*: increased 12% to $998k (Q1 FY23 – $895k). Included in staff costs at item 1.2 (e) of the Appendix 4C, and detailed at Item 6.1, are the amounts paid for Directors fees and salaries, excluding GST where applicable; Executive Board remuneration of $81k and Non-Executive Board Remuneration of $95k. Also included at item 6.1 is the amount of $44k for salaries and wages paid to another related party, on an arm's length basis.
- *Administrative expenses*: increased 31% to $546k (Q1 FY23 – $418k).

Current revenue treatment status

At the end of Q2 FY23 the Company recorded $1.829m in recognised revenues and an additional $226k* as 'unrecognised revenue'. This figure represents those goods that have been invoiced to customers and that will be recorded as recognised revenues in coming quarters.

	Stock Shipped	Recognised revenues	Unrecognised Revenues	A/C receivables
Q2 FY23	103,061	$1.829m	$226k *	$0.717m

* The amount of $226k represents goods delivered and invoiced to customers during Q2 FY23, but not brought to the Profit and Loss Statement as recognised revenue. This amount will be brought to the Profit and Loss Statement in coming periods.

Loan facility established

- The company expects to see a material growth in Account Receivables over the course of FY23, in line with expected revenue growth.
- As announced to the ASX on 21 December 2022, Rhinomed has implemented a new unsecured working capital facility through our largest shareholder, Whitney George, to the value of $3.7m AUD. The establishment of this facility will provide the Company with a non-dilutive funding mechanism to enable it to continue to drive growth and meet forecast demand across FY23 and into FY24.

In July 2021 Rhinomed entered into an unsecured line of credit facility to the value of $2.5m. This was provided equally from entities related to the Company by way of our Chairman, Ron Dewhurst and Non-Executive Director John McBain. The facility is on commercial terms and is repayable by 31 July 2023. This facility has not been drawn on.

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.

This report has been authorised for release to the market by the Board.

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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*

Appendix 4C

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

Name of entity	
Rhinomed Limited	
ABN	**Quarter ended ("current quarter")**
12 107 903 159	31 December 2022

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	2,593	3,971
1.2	Payments for		
	(a) research and development	(250)	(492)
	(b) product manufacturing and operating costs	(714)	(1,872)
	(c) advertising and marketing	(1,477)	(2,069)
	(d) leased assets	(60)	(119)
	(e) staff costs	(998)	(1,893)
	(f) administration and corporate costs	(546)	(964)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(45)	(48)
1.6	Income taxes paid	(1)	(1)
1.7	Government grants and tax incentives	158	640
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,340)**	**(2,847)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(20)	(80)
	(d) investments	-	-
	(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
	(f) other non-current assets	-	-
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**	**(20)**	**(80)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5	Proceeds from borrowings	4,599	4,599
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**	**4,599**	**4,599**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	461	2,032
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,340)	(2,847)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(20)	(80)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,599	4,599
4.5	Effect of movement in exchange rates on cash held	(34)	(38)
4.6	**Cash and cash equivalents at end of period**	**3,666**	**3,666**

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	3,666	461
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)**	**3,666**	**461**

6.	**Payments to related parties of the entity and their associates**	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	220
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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 - $95k

Related party transaction - $44k

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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	2,500	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	**2,500**	-

7.5	**Unused financing facilities available at quarter end**	2,500

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 29 July 2021 Rhinomed Limited entered into an unsecured working capital facility to the value of $2,500,000 AUD, provided equally from an entity related to the Company, Chairman Ron Dewhurst and an entity related to the Company, Non Executive Director John McBain.

The facility is repayable by 31 July 2023.

This facility will be retired no later than 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)	(1,340)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,666
8.3	Unused finance facilities available at quarter end (item 7.5)	2,500
8.4	Total available funding (item 8.2 + item 8.3)	6,166

8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	4.60

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

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

8.6.1 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: N\A

8.6.2 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: N\A

8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Answer: N\A	
Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.	

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: 30 January 2023

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.