RHINOMED
MAKE EVERY BREATH COUNT

QUARTERLY ACTIVITIES AND BUSINESS UPDATE

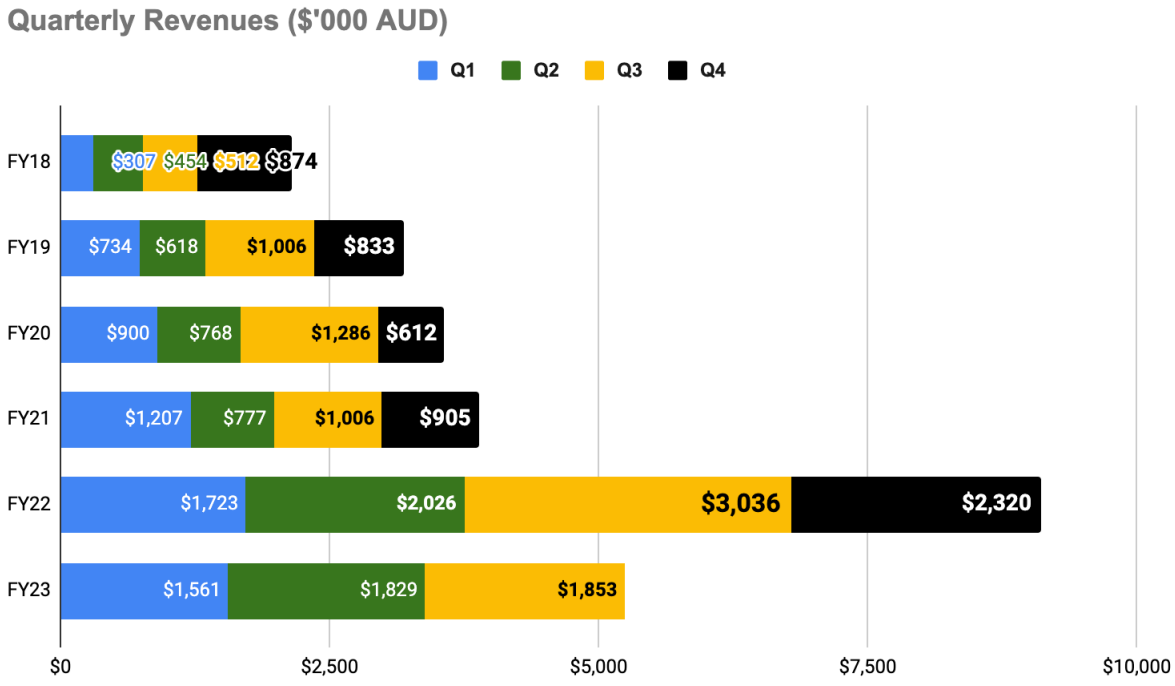
TOPLINE

- **Q3 FY23 unaudited recognised revenue of $1.85m.**
- **Consumer Health revenue of $1.853m, in line with Q2 FY23 of $1.83m.**
- **Cash receipts of $1.85m**
- **Continuing strong momentum from Consumer health business**
- **Rapid antigen test partners awaiting regulatory approvals.**

28 April 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 Q3 FY23.

Financial snapshot
Group recognised revenue for Q3 FY23 was $1.853m (unaudited), in line with Q2 FY23 of $1.83m. The entirety of revenue was attributable to the consumer health business for both Q2 and Q3 of FY23.

Revenues from the consumer health business continues to deliver year on year growth across all three key geographies - the US was up 17%, APAC up 56% and EMEA up 35%. Cash receipts in Q3 FY23 were $1.85m, down 29% on Q2 FY23 of $2.6m. Net cash used in operating activities was up 147% to $3.314m.



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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 124,045 units over the quarter, an increase of 20% on Q2 FY23.
    - The Consumer health business recognized revenue of $1.853m for Q3 FY23, in line with Q2 FY23, and a 23% increase when compared to the same YTD revenue in FY22.
    - Gross margins for the Consumer Health business remain strong, circa 73%.
    - The online business, driven by Amazon US, remains a critically important channel and is now being supplemented by Amazon UK, and during Q3, Amazon Australia. The company remains committed to bringing Amazon Germany online during the course of calendar year 2023.
    - With consumers slowly returning to traditional bricks and mortar retailers Rhinomed continues 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 retail accounts including the Drug store/Pharmacy and grocery channels - we are pleased to confirm that Ingles Supermarkets based in North Carolina and leading US drugstore chain Kinney Drugs have agreed to stock Mute in their chains.
    - Over the course of the quarter Rhinomed released its second annual Global Sleep and Snoring report. This comprehensive report surveyed over 6,000 participants across the US, the UK and Australia. The topline finding being that some 57% of the global population snore. These findings reinforce the significant market opportunity that Rhinomed is pursuing in the global consumer health market. We remain committed to growing our presence and brands in this exciting and growing market.
    - The company was particularly pleased to partner with leading online health company WebMD who co-sponsored this year's report. We look forward to closely working with partners such as WebMD to grow the sleep and snoring category within the consumer health setting.
    - The company believes that the Sleep and Snoring category remains a highly attractive opportunity. Rhinomed's flagship anti-snoring product - Mute - continues to gain market share and build brand equity and awareness amongst consumers in all its major markets.

Upper Respiratory Disease Diagnostic Business

- Overview
    - The global upper respiratory disease diagnostic market continues to grow significantly.
    - Over the course of the 2023 northern winter we saw the emergence of what was dubbed the 'Tripledemic'. A surge in cases of Covid, RSV and Influenza. This hit vulnerable patients groups (children and those in aged care) particularly hard in the USA and Canada.
    - The US Centre for Disease Control estimates that from 2010- 2020, influenza has resulted in between 9 million – 41 million illnesses, between 140,000 – 710,000 hospitalisations and between 12,000 – 52,000 deaths annually in the USA.
    - Rhinomed is of the belief that there will be a continued seasonal and annual surges of Covid, Flu and RSV (upper respiratory disease) for some time. The company continues to firmly believe that the need for less invasive, more accurate nasal swabs that standardise the collection process represents a major advancement in clinical standards and will radically reduce testing reluctance and improve patient outcomes.

- Additionally, the development of the world's first nasal swab for children represents an opportunity to create a new gold standard for sample collection for upper respiratory ideas within the pediatric population.

- Commercial
  - Investors will be fully aware that there has been significant change in Government(s) approach to responding to the pandemic. Despite modeling (from the Victorian Government) that would indicate we will be subject to waves of Covid every 3-6 months for years to come, Governments around the world have wound back much of the testing and treatment response and communication. This, along with the significant stockpiles of test kits currently on hand, has had a direct impact on Government orders for rapid antigen tests in particular. This has had an impact on the penetration rates of the SureScreen RAT with Rhinoswab Junior here in Australia.
  - Despite this, Rhinomed and its partners remain committed to bringing to market a range of rapid antigen tests to diagnose a number of upper respiratory diseases including Influenza A+B, Covid and RSV amongst others. Rhinomed is working closely with our partners to navigate the regulatory process to ensure that these valuable test kits get to market as soon as possible.
  - The company expects that the continued expiry of test kits in Government stockpiles will accelerate and that any potential future procurement of test kits would seek to ensure that testing reluctance - a key impediment to the use of existing test kits, especially amongst the pediatric and aged care populations - is not an issue. Test kits containing Rhinomed novel nasal swab range are well positioned to respond to these needs.
  - BTNX
    - 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 needed. As a result, approval for the BTNX Covid Rapid Response test featuring the Rhinoswab Junior has been delayed which in turn will delay 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 revenues from the Rhinoswab business in FY23.
    - Rhinomed is working closely with BTNX to resolve this issue and will update investors on developments with both the Canadian and US regulatory authorities in due course.
    - 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.
    - As previously announced, 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.
    - The company will update investors on the progress of this trial as data becomes available.
    - The data from this trial will be used to support registration of the new Multiplex tests in both the Canadian and US markets.

- Clinical
  - The company is pleased to report that the previously disclosed results from the St Vincent's Hospital Melbourne clinical trial have now been published in the Journal for Virological Methods. The study Evaluation of a Novel anterior Nasal swab for the detection of SARS-CoV-2 can be viewed online.

- Regulatory
    - As investors are aware the company has successfully registered the Rhinoswab as a Class 1 medical device in the US, Australia, the UK and Europe. We can report that the Rhinoswab has also now been successfully registered as a class 1 device in the Indian market.
    - The company will continue to seek registration in other jurisdictions in due course.
- 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 the quarter the company showcased the Rhinoswab technology as a guest of Austrade at Arab Health in Dubai in late January/early February 2023.
    - 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.
    - The company expects to provide ongoing updates on this pipeline of opportunity as these opportunities materialize.

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 58% to $395k (Q2 FY23 **–** $250k) for the continued investment in specialised design and equipment to produce the proprietary Rhinoswab range.
- *Production costs:* decreased 26% to $531k (Q2 FY23 **–** $714k) reflecting the heavier investment made in Q1 and Q2 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 17% to $1,725k (Q2 FY23 **–** $1,477k). The Company continued its marketing investment in our key markets, the US, the UK and Australia across Q3. This also covered "World Sleep Day" the global Sleep and Snoring report and supporting activities for this.
- *Leased assets:* increased 30% to $78k (Q2 FY23 - $60k).
- *Staff Costs*: increased 58% to $1,572k (Q2 FY23 **–** $998k). 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 $239k and Non-Executive Board Remuneration of $82k. Also included at item 6.1 is the amount of $61k for salaries and wages paid to another related party, on an arm's length basis. At the start of February, the Non-Executive Directors agreed to take a 25% cut to their Directors Fees until 30 June 2023, at the earliest. At that stage the Board will evaluate the company's position.
- *Administrative expenses*: increased 52% to $828k (Q2 FY23 **–** $546k). Part of these costs represent an investment in a new ERP system for the company. This will result in increased operational efficiencies over the near term.

Current revenue treatment status

At the end of Q3 FY23 the Company recorded $1.853m in recognised revenues and an additional $345k* 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
Q3 FY23	124,045	$1.853m	$345k *	$0.799m

* The amount of $345k represents goods delivered and invoiced to customers during Q3 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 status

The company established an unsecured working capital facility in November 2022, as advised in the Appendix 4C commentary released on the ASX on 31 October 2022. This facility is non-dilutive to shareholders of the company. This facility is within terms at present.

To provide working capital to the company, a non-dilutive facility was drawn down at the end of 2022. The unsecured working capital facility is provided by Whitney George, as released to the ASX on 21 December 2022.

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. As at the end of the quarter this facility has not been drawn on. It is the intention over the course of the coming quarter to draw down on Ron Dewhurst's $1.25m facility to provide short-term working capital into the company.

Future focus

The company has an average quarterly net cash outflow from operating activities of $2.1m across FY23. The company expects to have lower than the average $2.1m net cash outflow from operating activities in Q4 FY23. This will reflect reduction in research and development, product manufacturing and operating costs, advertising and marketing, and staff costs. Administrative costs are expected to remain consistent. The company is forecasting the net cash outflow from operations to decrease to $1.5m in Q4 FY23.

The consumer health business has grown 23% YTD in FY23 compared to YTD FY22, and we expect that to continue across the remainder of FY23. Revenues from the Rhinoswab program have experienced significant delays. While the regulatory approval process has proven to be more protracted than our partners initially expected, the company believes that these issues will be addressed in the near term and that revenues from the Rapid Antigen tests including the Rhinoswab will make meaningful contributions to group revenues over the course of the next 12 months. As a result, Rhinomed is of the belief that its net operating cash flows will move to breakeven early in FY24 and continue to positive cash inflows from operating activities across FY24.

The Company continues to assess all strategic options that will enable investors to realise the value in the technology platform and is examining a range of opportunities. The board will provide an update on these opportunities in due course.

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 March 2023

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	1,846	5,817
1.2	Payments for		
	(a) research and development	(395)	(887)
	(b) product manufacturing and operating costs	(531)	(2,403)
	(c) advertising and marketing	(1,725)	(3,794)
	(d) leased assets	(78)	(197)
	(e) staff costs	(1,572)	(3,465)
	(f) administration and corporate costs	(828)	(1,792)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(31)	(79)
1.6	Income taxes paid	-	(1)
1.7	Government grants and tax incentives	-	640
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(3,314)**	**(6,161)**

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

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 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**	**-**	**(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	7	4,606
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**	**7**	**4,606**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	3,666	2,032
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,314)	(6,161)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(80)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	7	4,606
4.5	Effect of movement in exchange rates on cash held	(43)	(81)
4.6	**Cash and cash equivalents at end of period**	**316**	**316**

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	316	3,666
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)**	**316**	**3,666**

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	382
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 - $239k

Non-Executive Board remuneration - $82k

Related party transaction - $61k

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	891	737
7.2	Credit standby arrangements	2,500	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	**3,391**	737

7.5	**Unused financing facilities available at quarter end**	2,654

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.

It is intended the company will draw down on $1.25m of the $2.5m working capital facility as provided by Chairman Ron Dewhurst.

On 20 October 2022 Rhinomed Limited entered into a line of credit facility secured against eligible Accounts Receivable, as provided by a leading international lender. The facility is to a maximum of $2.8m.

The facility is repayable by 31 October 2023.

As at 31 March 2023 the company had drawn down $737k of an eligible amount of $891k, of the maximum available $2.8m.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(3,314)
8.2	Cash and cash equivalents at quarter end (item 4.6)	316
8.3	Unused finance facilities available at quarter end (item 7.5)	2,654
8.4	Total available funding (item 8.2 + item 8.3)	2,970

8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	0.90

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: The company has an average quarterly net cash outflow from operating activities of $2.1m across FY23.

The company expects to have lower than the average $2.1m net cash outflow from operating activities in Q4 FY23. This will be across research and development, product manufacturing and operating costs, advertising and marketing, and staff costs. Administrative costs are expected to remain consistent.

The company is forecasting the net cash outflow from operations to decrease to $1.5m in Q4 FY23.

The consumer health business has grown 23% YTD in FY23 compared to YTD FY22, and we expect that to continue across the remainder of FY23.

The company has secured supply agreements for the supply of a minimum of 22.5m swabs over the next 24 months, and expect that to commence imminently, subject to final regulatory approval.

The company is of the belief that its net operating cashflows will move to breakeven early in FY24 and continue to positive cash inflows from operating activities across FY24.

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: The company has received initial orders for $1.9m for Rhinoswabs. The delivery of this has been delayed due to regulatory approvals, but it is anticipated to be received in Q4 FY23. This, and subsequent orders as part of the 22.5m supply of swabs, will significantly increase Accounts Receivable. This Accounts Receivable balance will be eligible for immediate funding under the current finance facility as detailed at item 7.6.

The company believes initial access to this facility on an ongoing basis will provide surplus cashflows and will not require the company to raise any additional capital at this stage.

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: The company has available to it a working capital facility, as detailed in section 7.1 and 7.2, that provides short term funding options to the point that the revenues and associated cashflows with the initial supply of the swabs commence. The initial supply and subsequent ongoing orders, combined with the ongoing growth of the consumer health business, will ensure the company continues to operate and meet all obligations as and when they fall due.

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: 28 April 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.