

## QUARTERLY ACTIVITIES AND BUSINESS UPDATE

### TOPLINE

- Q2 FY24 Revenues of \$1.8m.
- FY24 H1 revenues increased to \$4.0m up 18% on FY23 as a result of strong momentum from the consumer health business.
- Q2 FY24 Cash receipts of \$1.96m.
- Operational cost reduction program continues with expected breakeven in FY24 H2.
- Rhinomed to release new Mute brand extension - Mute mouth tape - following successful presentations to major US pharmacy chains. Store count and purchase orders to be confirmed.
- Rhinoswab program continues to progress with new Rapid Antigen Test partners.
- Extraordinary General Meeting of shareholders approves delisting from ASX.

### 31 January 2024: Melbourne, Australia.

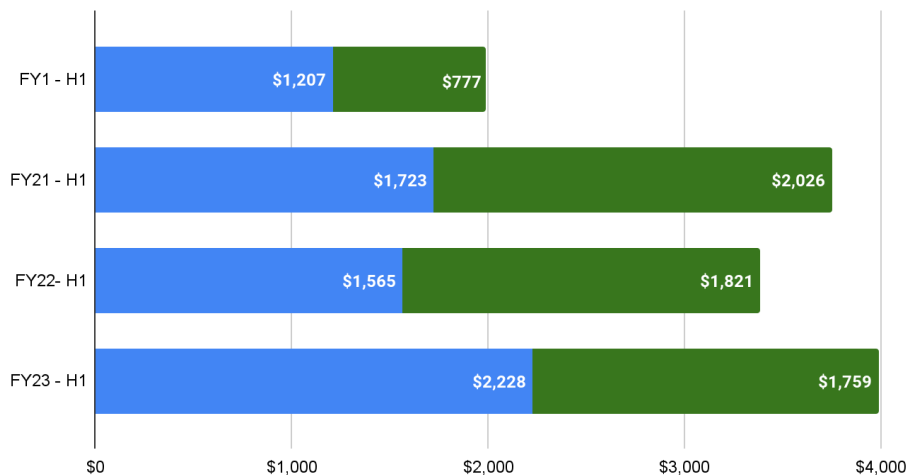
Rhinomed Limited (ASX:RNO OTCQB:RHNMF), (**Rhinomed** or **Company**) a leader in wearable nasal and respiratory technology is pleased to provide the business update for Q2 FY24.

### Financial snapshot

The company recorded revenue for Q2 FY24 of \$1.8m (unaudited). FY24 H1 revenues were up 18% on FY23 H1 to \$4.0m. Revenues from the consumer health business and the Mute brand continue to grow year on year across our key markets. The US market was up 10% on H1 FY23 and APAC increased by 39% on Q1 FY24.

Cash receipts in Q2 FY24 were \$1.96m, remaining consistent with Q1 FY24. As part of the operational review the company can report that the USA business unit reached positive EBIT for the first time.

### H1 Revenues (\$'000 AUD)



Net cash used in operating activities (\$2.66m) was impacted by two key issues: the need to increase stock levels as a result of increased demand from both the Australian and US markets and the build up of stock levels prior to the annual shut down in production due to Chinese New Year; one off payments and charges due to changes in the strategy outlined in the operational review released to the ASX on 24 October 2023. This included changes in both headcount and to marketing resources. As previously stated the company is on track to reach a breakeven position in the second half of FY24.

## Consumer health business:

- Our consumer health business lead by the Mute nasal dilator continues to build momentum across our three key markets – the USA, UK and Australia:
  - The company shipped 222,850 units in the first half of the fiscal year.
  - The consumer health business recognised revenue of \$1.8m for Q2 FY24 and \$4.0m in H1 FY24.
  - Gross margins for the consumer health business remain strong, circa 79%.
  - Our online business driven by our growing presence on Amazon in the US and now complemented by entry into Amazon UK and Australia continues to gain momentum. Online revenues were up 6% when compared to H1 FY23. The company expects to enter the European market via Amazon Germany over the course of 2024.
  - Over the course of the quarter and following the operational review the company has changed its marketing resources and subsequently expects to drive both revenue growth and improve ROI on marketing activities as a result of these changes.
  - The Australian business has continued to experience significant growth following the successful rollout in Chemist Warehouse and participation in the Chemist Warehouse Brand Showcase - a 3 day event in Melbourne in late 2023.
  - Over the course of the quarter the Australian business further expanded its distribution with the addition of two leading Australian based pharmacy networks - Wizard Pharmacy and Optimal Plus networks.
  - Mute is now available in over 3,777 pharmacies across Australia.
  - In the US the company can report that following its presentation to major buyers at the Total Store Expo in October it has successfully added a number of new pharmacy and grocery chains to the existing network and will be able to update investors as both store counts and new purchase orders are confirmed. As a result of the continued growth in the US market, the USA business unit has reached a positive EBIT status.
- Mute Mouth tape - Brand expansion
  - The Mute brand continues to build strong brand awareness and preference amongst global consumers as a leading solution in the global sleep and snoring market.
  - As a result, Rhinomed has been actively working with our leading US based pharmacy chains to assess the appetite for additional solutions in this exciting category.
  - The company is pleased to report that following a series of successful meetings with two leading US based pharmacies the company will release a new Mute branded mouth tape. Mouth tape is a solution to mouth breathing and complements the Mute nasal dilator. This opportunity has substantial potential particularly in the US market. The company is commencing production and expects to begin shipping product to these two major accounts in April of this year.
  - We will provide further details to investors as to the material impact of these deals once store count and purchase orders are confirmed.
  - The company remains committed to creating category leading solutions in the global sleep and snoring markets and this brand expansion will help cement Mute's place as not only a leading brand but as an innovator and solution provider to those afflicted with sleep and snoring issues.
  - Pleasingly, this opportunity confirms Rhinomed's strength in the consumer health market and our ability to respond to consumer demand, innovate and deliver solutions to our global retail network.

## Rhinoswab Business:

- Australia
  - As previously disclosed Rhinomed terminated its exclusive supply agreement with SureScreen Australia.
  - The company has now identified a new partner who is seeking to launch a Covid/Influenza A & B Rapid Antigen Test kit in the Australian market which will include the Rhinoswab Junior.
  - This kit has been submitted to the TGA for approval and our partner is liaising with the TGA as this process progresses.
  - Upon approval by the TGA Rhinomed will commence selling the new kit into its existing retail network. The company is confident that with its Australian sales team it is well positioned to drive both sell in and sell through of what will be an exciting solution to the problems families face when seeking to test children for Covid 19, Influenza A and Influenza B.
  - Upon receipt of TGA approval the company will provide details as to the material impact of this opportunity on revenues going forward.
  - Investors will be fully aware that SARS-CoV-2 continues to be a major challenge for the Australian community and is expected to remain so for years to come. In-home testing of a wide range of upper respiratory diseases will be a key part of how consumers maintain their health and wellness and Rhinomed expects that the demand for easy to use and innovative solutions that improve the user experience will be highly attractive over the long term.
- North America
  - The company is continuing to work with a series of partners as they pursue regulatory approvals for Rapid Antigen Test kits containing the Rhinoswab range.
  - The company and its partners expect to receive approvals over the course of 2024.
  - The demand for Rapid Antigen Test kits and home testing solutions has rapidly evolved over the last 3 years. 56% of American consumers are interested in home testing and the company notes data from Industry research group Circana (IRI), that the Covid test category in the US pharmacy, grocery and mass retail chain remains robust. The consumer health retail market is now a key channel through which consumers will source these solutions.
  - The company is seeking to not only supply swabs to Rapid Antigen Test kit makers but to also work with our partners to distribute these kits into our existing retail network.
  - Rhinomed has a significant presence in these channels via its consumer health business. Over the first half of the fiscal year the company has been in dialogue with a number of its key retail partners and garnered strong interest in the novel Rapid Antigen Test kit containing the Rhinoswab Junior.
  - We expect to provide further updates on this program over the course of this quarter.

## Operational Update

As disclosed on 24 October 2023 (“Rhinomed operational review”) the company is currently working through the outcomes of the operational review. The company will continue to ‘right-size’ the business in line with its expected near term revenues and ensure that future expenditure is closely aligned with company growth.

- ASX Delisting
  - On 11 December 2023 (“Delisting Announcement”) the company announced its intention to seek shareholder approval to delist from the ASX. At the Extraordinary General Meeting held on January 16th this resolution was passed by the majority of shareholders. As a result the company will delist from the ASX on 16th of February 2024.

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- On 11 December 2023 the company also announced a Minimum holding buy-back program and a shareholder Share Purchase Plan offer. The buy back of unmarketable parcels will close on 31 January 2024. The Share Purchase Plan closed on 25 January 2024, raising \$42k.
- Operational review program
  - *Research and Development*: The company invested \$467k into the Rhinoswab and Mouth tape programs. The company does not anticipate any significant investment in R&D over the remainder of the FY24 year.
  - *Production costs*: Over the quarter the company invested \$618k in production of stock of our leading Mute product. This investment follows increased demand from the Australian and US markets and allows for slow down in global logistics due to the Chinese New Year and global supply chain congestion.
  - *Marketing and Promotion*: investment increased one off to \$1,732k representing the finalisation of the company's agreement with the US based marketing advisory firm. The Company has now reduced its marketing budget significantly following the operational review and the changes in resources as it seeks to improve ROI from its marketing efforts.
  - *Leased assets*: no change, remaining at \$61k (Q1 FY24 - \$61k).
  - *Staff Costs*: \$1,131k. This quarter saw the one off impact of costs related to the reduction in headcount. Also included at item 6.1 are the following amounts; Executive Board remuneration of \$94k and Non-Executive Board Remuneration of \$31k and the amount of \$55k for salaries and wages paid to another related party, on an arm's length basis. At the start of March 2023 the Non-Executive Directors agreed to take a 25% cut to their Directors Fees. The Non-Executive Directors have taken a further 25% decrease across Q2 FY24. The Chairman has ceased drawing a Director's Fee.
  - *Administrative expenses*: \$573k. Administrative expenses are forecast to reduce significantly following the approval to delist from the ASX.

## Current revenue treatment status

At the end of Q2 FY24 the Company recorded \$1.76m in recognised revenues and an additional \$193k\* 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. In addition, the company currently has Accounts Receivable of \$0.795m and received an R&D payment in January 2024 of \$440k.

	Stock Shipped	Recognised revenues	Unrecognised Revenues	A/C receivables
Q2 FY24	98,732	\$1.76m	\$193k *	\$0.795m

\* The amount of \$193k represents goods delivered and invoiced to customers during Q2 FY24, 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

As previously advised, the company established an unsecured working capital facility. This facility is non-dilutive to shareholders of the company. This facility is within terms at present.

The unsecured line of credit facility, as previously advised, has a 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

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McBain. The facility is on commercial terms. As at the end of the quarter, \$1.25m of this facility has been drawn on from Mr Dewhurst's component. As at the end of the quarter, \$0.85m of this facility has been drawn on from Professor McBain's component.

## **Future focus**

Following the delisting from the ASX the company will introduce a new communication program to ensure investors are fully aware of the company's progress.

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

## **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**

12 107 903 159

**Quarter ended ("current quarter")**

31 December 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,958	3,952
1.2 Payments for		
(a) research and development	(467)	(746)
(b) product manufacturing and operating costs	(618)	(951)
(c) advertising and marketing	(1,732)	(2,429)
(d) leased assets	(61)	(122)
(e) staff costs	(1,131)	(2,139)
(f) administration and corporate costs	(573)	(1,106)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(31)	(60)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,655)</b>	<b>(3,601)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3. Cash flows from financing activities</b>		
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	81	4,289
3.6 Repayment of borrowings	(441)	(527)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(360)</b>	<b>3,762</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	3,441	226
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,655)	(3,601)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
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)	(360)	3,762
4.5	Effect of movement in exchange rates on cash held	(12)	27
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>414</b>	<b>414</b>

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	414	3,441
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>414</b>	<b>3,441</b>

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	180
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 - \$94k

Non-Executive Board remuneration - \$31k

Related party transaction - \$55k

NB. Non-Executive Directors have taken a 50% reduction in fees. The Chairman has taken a 100% reduction in fees. This will be reviewed at a future date in FY24.



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

7.	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	7,063	7,044
7.2	Credit standby arrangements	2,500	2,100
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	<b>9,563</b>	<b>9,144</b>
7.5	<b>Unused financing facilities available at quarter end</b>		<b>419</b>
7.6	<p>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.</p> <p>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.</p> <p>The company drew \$1.25m of the \$2.5m working capital facility as provided by Chairman Ron Dewhurst during Q4 FY23. As at the end of Q2 FY24, \$0.85m of this facility has been drawn on for John McBain's component.</p> <p>The \$1.25m as provided by an entity related to Non-Executive Director John McBain has been rolled through to 1 October 2024 on the same commercial terms and conditions.</p> <p>The Group entered into a further unsecured loan facility to finance working capital on 25 September 2023. The total available amount under the loan is US\$1,970,000 and is repayable no later than 1 October 2024 or as agreed by both parties. The facility was fully drawn on 27 September 2023. The unsecured working capital facility is provided by Whitney George</p> <p>On 20 October 2022 Rhinomed Limited entered 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.</p> <p>The facility is repayable by 31 October 2024.</p> <p>As at 31 December 2023 the company had drawn down the eligible amount of \$860k, of the maximum \$2.8m.</p>		

8.	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,655)
8.2	Cash and cash equivalents at quarter end (item 4.6)	414
8.3	Unused finance facilities available at quarter end (item 7.5)	419
8.4	<b>Total available funding (item 8.2 + item 8.3)</b>	<b>833</b>

8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	0.31
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*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: In early January 2024 the company received a R&D tax rebate payment of \$440k from the ATO further improving its cash position post balance date. Following an operational review that commenced in October 2024 the company incurred once off payments that increased expenditure over the Q2 FY24 period. The impact of this review and the impending delisting from the ASX will significantly reduce its operational cash outflows over the course of H2 FY24.

In addition, the company's increasing revenues from existing and its new mouth tape product line will further boost its cashflows over the course of 2H FY24.

The impending release of its new Rapid Antigen Test products in the Australian and US markets is also expected to make a significant contribution to cashflows over the course of 2H FY24.

The company remains confident that it will reach a cashflow breakeven position during 2H 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 is presently exploring various funding sources and will advise shareholders in due course.

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 is of the opinion that it will continue operations, and that it will 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: 31 January 2024

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.

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

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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.