

BUSINESS UPDATE - MARCH QUARTER CASH FLOW REPORT

QUARTER ON QUARTER GROWTH - SAME STORE SALES

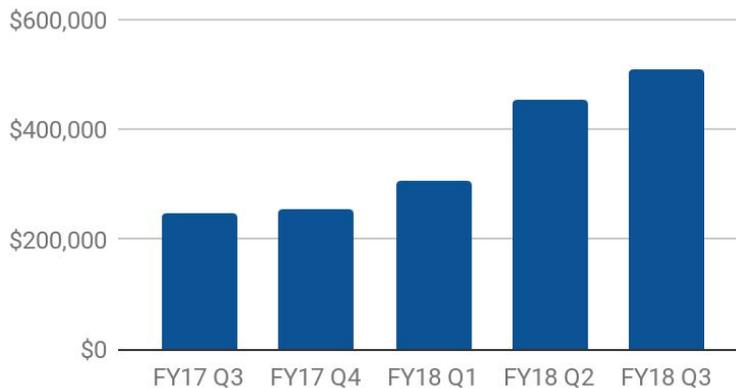
KEY HIGHLIGHTS:

- Quarterly recognised revenue - \$510k (up 17% on last quarter).
- Quarterly cash receipts - \$610k (up 31% on last quarter).
- Strong sell through from existing retail store base - 41,000 units shipped.
- Category review meetings with major US based pharmacy and retail chains complete - awaiting store growth outcomes for 2018/19.

April 19, 2018. Melbourne, Australia.

Nasal respiratory technology company Rhinomed Limited (**ASX: RNO**) is pleased to report another strong quarter of revenue growth. This extends a run of five consecutive quarters of growth and demonstrates that consumers are responding favorably to Mute's growing presence as reflected in strong 'same store' sales. FY18 Q3 recognised revenues of \$510k were up 17% from the previous quarter's \$437k.

2017/18 Rolling Qtrly Recognised Revenues



When comparing FY17 Q3 and FY18 Q3 the company can report 106% growth year on year - indicative of the growing traction generated from the company's US focused store growth strategy.

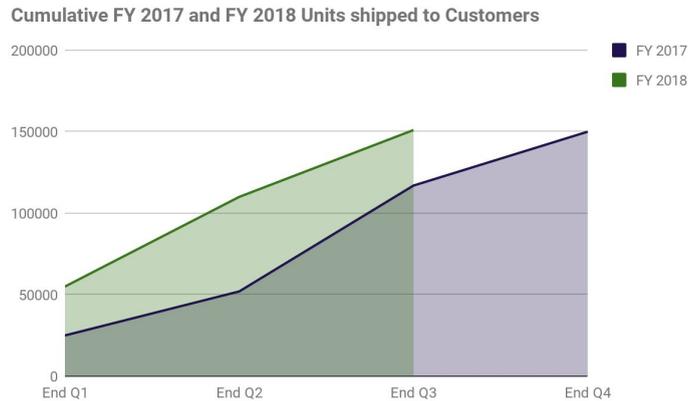
FY17/FY18 Q3 Recognised Revenues



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MAKE EVERY BREATH COUNT

During the quarter a further 41,000 units were shipped to customers, bringing the total number of units shipped for FY18 to close to 150,000 which is in line with the total units shipped during FY17 with one quarter of the financial year remaining.



Financial Update

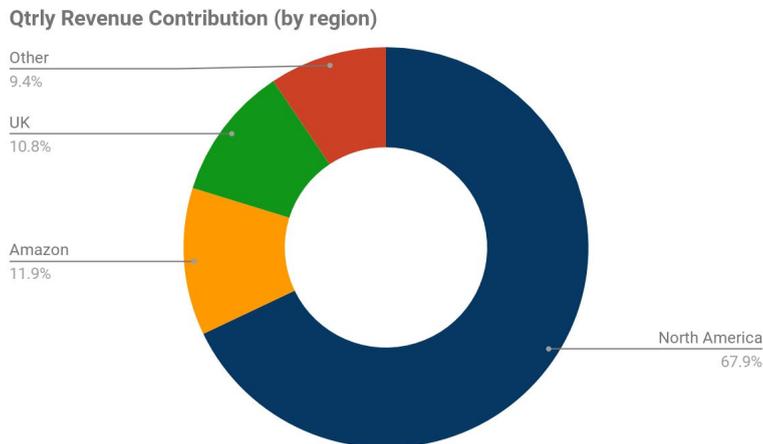
Unaudited recognised revenue totalled \$510k* up 17% for the quarter. Cash receipts totalled \$610k* up 31% for the quarter. Trade receivables closed down to \$746k* (last quarter \$852k) reflecting the growing velocity of same store sales, improving revenue recognition and decreasing levels of stock on consignment.

The net operating cash used for the quarter was \$1.1m driven by additional advertising to support the sell through from the newly added 4300 Walgreens stores. This reflects the company's belief that investment in the growth of the Mute brand and the potential for significant growth in the global store count will enable the business to reach CY18 company objectives.

The closing cash balance at quarter end was \$2.01 million. The company has a \$2m working capital facility which was not utilized during the quarter. The company has no debt.

Retail Store growth

Store numbers were stable (circa 8000) this quarter following the addition of 4300 Walgreens stores in the US in the previous quarter. This quarters results are reflective of sell through and repeat purchases on a 'same store' basis. The addition of the Walgreens stores to the business has had a significant impact in terms of US revenue contribution. The expectation is that this trend will continue in the foreseeable future.

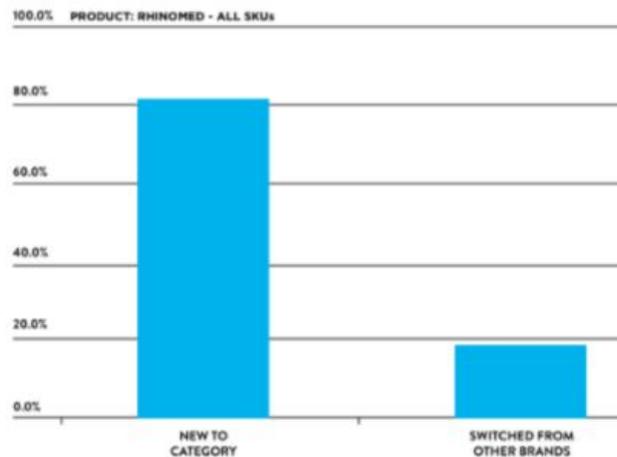


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We note that while we believe our store penetration in the US is now just below 4% there is significant opportunity to grow the business in terms of increasing the number of stores within our existing retail accounts as well as adding new retail accounts.

Pleasingly, we can report that Mute's strong on shelf presence is attracting new consumers to our retailers' sleep category. In a trial carried out by a large US pharmacy group, the equity being built in the Mute brand was clearly evident through the number of people who purchased Mute and who were visiting the sleep category for the first time versus those who switched from other brands.



This is a compelling proposition to buyers in the retail/pharmacy category seeking to grow the customer basket size. It is also reflective of the growing equity being built in the Mute brand.

Operational update

There were two critical milestones in this quarter:

1. US 'same store' sales growth

During the quarter Rhinomed had its Mute technology on the shelves of approximately 5500 stores across the USA. This follows the stocking of the 4300 Walgreens stores in October 2017. This quarters shipment of 41,000 units to customers is particularly pleasing as it is reflective of continual sell through on a 'same store' basis - indicative of not only new customers finding Mute for the first time (trial packs), but repeat purchase of the size packs (large, medium, small). By quarter end the company had shipped close to 150,000 units year to date, in line with the 150,000 units shipped during the entire 2017 financial year.

2. Category review meetings

This quarter of positive revenue growth and stable store count corresponded with the annual US category review period. Each year the sleep, cough, cold, flu and allergy 'Over The Counter' (OTC) categories are reviewed by the buyers in major retailers and pharmacy chains in the US. These reviews seek to add or delete products from the categories.

During the quarter Rhinomed met with many of the buyers at the major US based pharmacy and grocery chains and presented the business case for Mute's inclusion into their sleep aid or cough/cold/allergy category. The business case highlighted the Mute brand's compelling credentials and the positive sales results now being experienced by our existing retailers. During these meetings we were able to highlight Mute's recent success as a recipient of one of *Drug Store News 2018 Retail Excellence awards*.

<https://www.drugstorenews.com/otc/dsn-retail-excellence-awards-otc/>

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Ensuring Mute has a presence on the shelves of major US pharmacy chains is a key element to ensuring that all marketing efforts have the potential to generate a stronger ROI as more and more consumers are able to find the Mute technology in their preferred pharmacy.

As highlighted in the half yearly report, the company expects to learn the outcomes of these category reviews over the next 12 weeks.

Capital Management and Investor Relations

The company was pleased to welcome two new substantial shareholders (greater than 5% holding) during the quarter. We greatly appreciate the support of all our long-term shareholders.

During March 2018 the company exhibited and presented at two major investor shows. The Roth Investment conference in Orange County, California and the Master Investor Show in London, England. Both shows are an important step in spreading the Rhinomed story and ensuring investors are aware of our unique technology platform and the progress delivered over the last number of years.

During the quarter Rhinomed was recognised by the UK based Financial Times as Asia Pacific's 67th fastest growing company in the *FT 1000: High Growth Companies Asia Pacific*. You can see the entire list at ft.com/special-reports/ft-1000/asia-pacific/2018/.

Michael Johnson, CEO of Rhinomed commented: *"This first quarter of calendar year 2018 saw our store count remain fairly stable and as a result we are able to clearly see the positive trend in repeat purchase and same store sales. Our task over the next quarter is to increase our store count and continue to ensure that the one in four people who suffer from some form of nasal obstruction are able to access our life changing technology."*

We firmly believe that we have a unique and compelling technology platform and as awareness and use of our Mute technology grows, the opportunities for this platform will become apparent. We continue to progress some of these opportunities and will update investors on the progress of these programs as they are finalised."

Business development

The global sleep market is undergoing significant step change. The interest by consumers, patients, clinicians retailers and insurers (payers) in the role of sleep, and its impact on health and wellness is growing rapidly.

The role Rhinomed's platform technology plays in this exciting market and its potential in congestion, sleep apnea and drug delivery are increasingly being recognised by a range of companies. Rhinomed continues to investigate a range of potential relationships as part of its development program and will update shareholders on these relationships crystallize.

Q4 Target Milestones

- Following the category review meetings held during Q3, the company is seeking to grow both its existing retail accounts and open up several major new retail accounts in the US. The company is awaiting final confirmation of the results of these category reviews and the changes in store count.
- The company is continuing its strategy of increasing awareness, adoption and recommendation of the Mute technology by sleep dentists and sleep clinicians as a non-drug solution for nasal obstruction in sleep apnea patients. The company will be attending the American Sleep Dental show in Baltimore in June to facilitate this outcome.

Media Enquiries

+61 (0) 3 8416 0900

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.*

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")

31 March 2018

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 <i>(Unaudited sales: Qtr \$510k; YTD \$1,254k)</i>	610	1,324
1.2 Payments for		
(a) research and development	(179)	(248)
(b) product manufacturing and operating costs	(59)	(227)
(c) advertising and marketing	(860)	(1,799)
(d) leased assets	-	-
(e) staff costs	(411)	(1,188)
(f) administration and corporate costs	(349)	(1,099)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	11
1.5 Interest and other costs of finance paid	(3)	(11)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	115	115
1.8 Other (GST refunded)	0	47
1.9 Net cash from / (used in) operating activities	(1,130)	(3,075)

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	95	3,605
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	(13)	(174)
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	82	3,431

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	3,075	1,666
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,130)	(3,075)
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)	82	3,431
4.5	Effect of movement in exchange rates on cash held	(12)	(7)
4.6	Cash and cash equivalents at end of quarter	2,015	2,015

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	2,015	3,075
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)	2,015	3,075

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

Current quarter \$A'000
222
-

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.

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 <i>Add notes as necessary for an understanding of the position</i>	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 is repayable by 31 July 2018.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(50)
9.2 Product manufacturing and operating costs	(102)
9.3 Advertising and marketing	(500)
9.4 Leased assets	-
9.5 Staff costs	(550)
9.6 Administration and corporate costs	(281)
9.7 Other - Intellectual Property	(50)
9.8 Total estimated cash outflows	(1,533)

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

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: 19 April 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.