

RHINOMED REPORTS STRONG H1 YOY GROWTH

TOPLINE

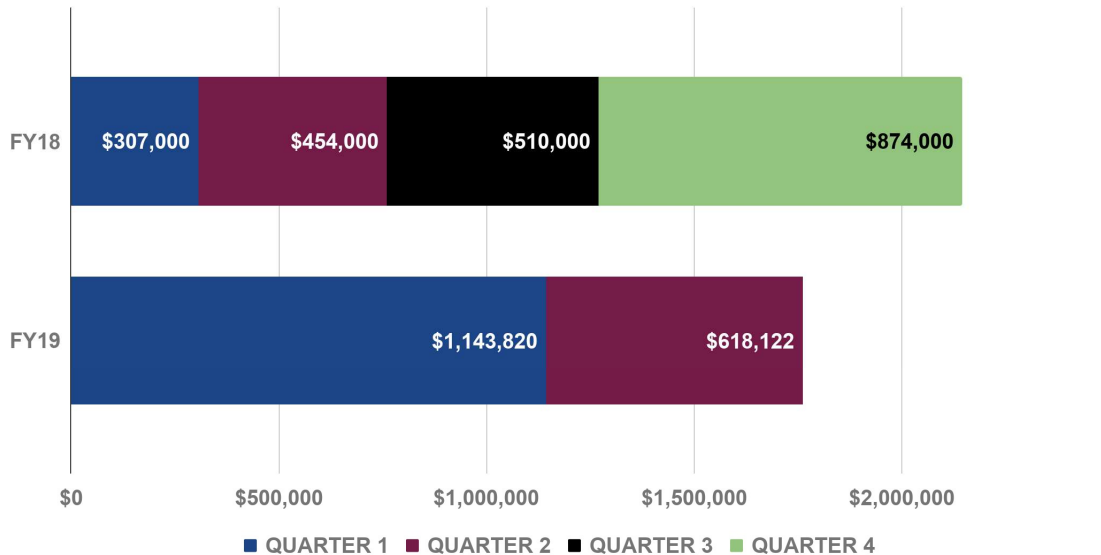
- Quarterly Revenues \$618k
- Year on year growth continues. Q2 Revenues jump 132% year on year
- Australian distribution brought back in house
- New nasal vapour delivery technology development complete
- Work commences on development program with US medical cannabis leader - Columbia Care

January 29th, 2019. Melbourne, Australia.

Rhinomed (ASX:RNO) a leader in nasal delivery technology is pleased to report continued year on year revenue growth with quarterly revenues in FY19 Q2 of \$618k.

Quarter 2 recognized revenues were up 132% Year on Year and the company has now reached 82% of its Total FY18 Revenue. Rhinomed remains confident that revenues will continue to grow as the new stores stocking Mute respond to the promotional and marketing activities now underway.

Year on Year Quarterly Revenue Growth



Operational Update

In line with the revenue growth, shipment of units continued to respond to demand across three continents. Over 50,000 units were shipped to customers with a value of \$618,000 in unaudited revenues being added during the quarter. Stocking of new stores is now complete and the company is waiting on news of further store expansion over the next quarter.

The company notes that the FY19 Q2 recognised revenue figures ran parallel to a reduction in marketing and promotional activities in the US during the quarter. The company reduced promotional spending during FY19 Q2 as both heightened media pricing and the noise from the US midterm elections followed by Thanksgiving

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and Christmas retail activity weakens the ROI from marketing and promotional activities during this period.

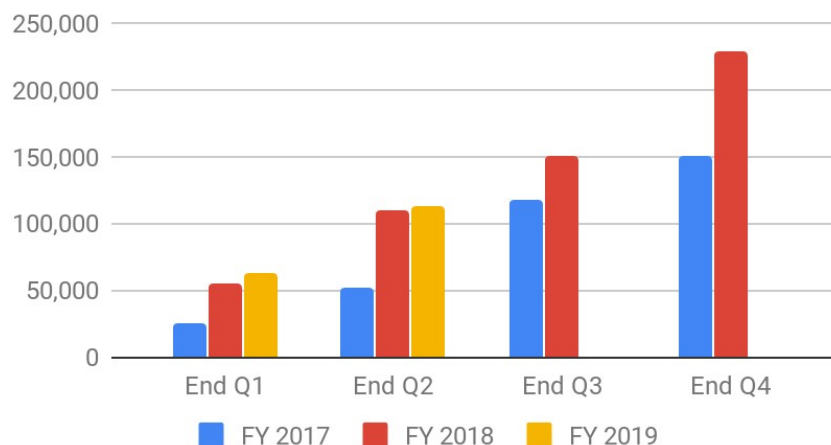
Receipts from customers has been modest (\$457k/YTD \$979k) as an increased number of sales have been completed through larger retail channel partners on trading terms. Please see the note on the Revenue Recognition below.

Net Cash used in Operating Activities was \$1.3m which included payments for:

- Research and development: This has remained constant \$141k (YTD - \$259k) which covers the company's new technology development program.
- Production costs: \$234k (YTD - \$674k) reflects the prudent use and management of stock globally.
- Marketing and Promotion: \$497k (YTD - \$732k) of which \$158k was prepayment for marketing activities that are now underway in FY19 Q3.
- Staff Costs: \$470k (YTD- \$856k) covering changes to the team across the Australian and US operations.
- Administrative expenses: \$427k (YTD - \$725k) includes renewal of insurances which is an increasing burden for listed entities.

Cash flow from financing activities included the successful placement in December 2018 totalling almost \$5m. Costs associated with this raising were approximately 4%. At the end of the quarter the company had a closing cash balance of \$3.8m and Account receivables balance of \$1.8m which positions the company well for future activities.

Cumulative Stock Shipped by Qtr end



As communicated during the quarter the company brought Australian distribution back in house. This decision is already delivering positive outcomes with several major chains recommitting to core ranging Mute technology. The Australian based sales team are well placed to expand the presence of Mute in Australia and we expect to see Australia begin making a positive impact on revenues during this current quarter.

A note on the treatment of Revenues

We frequently receive questions from investors regarding the treatment of revenues. Investors should note that new Accounting Standards dictate the way all companies recognize revenues. The new accounting standard *AASB 15 Revenue from Contracts with Customers* affects the financial statements of Rhinomed from 1 July 2018, replacing the previous standard *AASB 118 Revenue*.

In line with *AASB 15*, Rhinomed recognises revenue when it satisfies the performance obligations that are outlined in our individual customer contracts. These performance obligations can vary between contracts, which can have the result of potential variations in the timing of revenue recognition for each contract. The transition from *AASB 118* to *AASB 15* has had no impact on Rhinomed in terms of revenue recognition.

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The performance obligations of many of Rhinomed's customer contracts are satisfied when inventories are either dispatched from Rhinomed's warehouses or received by the customer. With respect to our larger customers, however, these contracts may grant the customer the right to return goods at any time prior to the customer on selling to the retail consumer. Certain promotional costs, replacing damaged inventories, freight costs for returned inventories may also be worn by us. Under these agreements, the performance obligation is considered to have been satisfied when the customer sells each item of stock. In this respect, stock held by the customer under these arrangements is akin to stock held on consignment.

Our practice under these arrangements with larger customers is to invoice the customer when the goods are dispatched rather than when the performance obligation is satisfied. This may result in the cash proceeds being received prior to the performance obligation being satisfied and consequently, prior to the corresponding revenue being recognised. Given that these customers have not returned any goods to date, it is our view that there is a high level of assurance that inventories held by these customers will result in future revenue.

At 31 December 2018, we hold \$546k as 'unrecognised revenue', classified as a liability in the statement of financial position. This balance represents those goods that have been shipped by us to the customer, and are held by the customer on their shelves until the performance obligation is met - when the goods are acquired by our customer's retail consumers. At that point of the retail sale, the unearned revenue is then recognised as revenue. As a result of the way Rhinomed treats revenues, investors should note that recognised revenues can be a lag indicator with respect to the progress achieved by the business.

Current revenue treatment status

	Stock Shipped	Recognised revenues	Unrecognised Revenues	A/c receivables
FY19 YTD Total	112,682	\$1.8 m	\$0.546m	\$1.8m

New technology launch in FY19

The company has completed development and will shortly begin tooling and production of its new technology suite - a new range of Dual Action products comprising improved dilated nasal breathing plus delivery of proprietary formulations. This technology builds off the existing platform and introduces a new range of products targeting high value markets.

Two new product lines are being developed initially - one variant targeting the US\$6.8bn global nasal cold and decongestant market, the other targeting sleep onset issues in the \$0.79bn global sleep aid market. While initially these products target opportunities in the Over-The-Counter (OTC) consumer health markets, there is potential for delivery of other prescription based medicines in the future. As foreshadowed at the 2018 AGM, this new range of technology is being presented to our US based pharmacy retailers at a trade show in early February in Chicago in the USA. The objective of this is to gain interest and pre-orders for the new technology range.

The company anticipates that following this, it will hold a major investor showcase in the first half of 2019 at which time it will update investors on further details, progress and prospective launch dates.

Medical cannabis - Rhinocan© program

As previously announced the company completed a landmark nasal drug delivery licensing deal with US based Columbia Care at the end of September.

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This deal will see Rhinomed's nasal platform used by Columbia Care to deliver nasal medical cannabis formulations. During the quarter Rhinomed engaged the CSIRO to review the existing delivery landscape and this review is now complete. In parallel the company has commenced work on designs that will optimise the delivery of cannabinoid formulations through the nose.

Rhinomed notes that while it is too early to assess whether the impact of this deal will affect its revenues the company has been steadily working to unlock shareholder value by strategically opening up new industry verticals such as drug delivery, following the widespread and successful distribution and adoption of its Mute nasal stent product.

Business development

Interest in the company's technologies from the global Over the Counter (OTC), consumer health and sleep medicine community continues to grow at a rapid rate. This strongly illustrates the growing recognition of the importance of the nose and nasal resistance and airflow and its impact on both efficacy and compliance with a range of other sleep therapies, including CPAP and oral devices.

Future focus

The key focus of the company remains reaching a sustainable cash flow position. The growth in store numbers provides the company with a strong base from which it can build a steady and strong growth in customer numbers.

Rhinomed continues to build a reputation and be recognised as an innovator and global leader in improving nasal drug delivery, airflow, breathing and sleep. The strong interest in the company's progress continues to open up opportunities for strategic relationships that will further assist the company to expand its footprint.

Company	Investor and Media Relations
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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

Name of entity

Rhinomed Limited

ABN

12 107 903 159

Quarter ended ("current quarter")

31 December 2018

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 <i>(Unaudited revenue: Qtr \$618k; YTD \$1,762k)</i>	457	979
1.2 Payments for		
(a) research and development	(141)	(259)
(b) product manufacturing and operating costs	(234)	(674)
(c) advertising and marketing	(497)	(732)
(d) leased assets	-	-
(e) staff costs	(470)	(856)
(f) administration and corporate costs	(427)	(725)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	7
1.5 Interest and other costs of finance paid	(4)	(8)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	40
1.8 Other (GST refunded)	-	-
1.9 Net cash from / (used in) operating activities	(1,310)	(2,228)

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	4,985	4,985
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	(205)	(205)
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	4,780	4,780

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	348	1,263
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,310)	(2,228)
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)	4,780	4,780
4.5	Effect of movement in exchange rates on cash held	(1)	2
4.6	Cash and cash equivalents at end of quarter	3,817	3,817

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	3,817	348
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)	3,817	348

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**

163

-

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 has been rolled over and is repayable by 31 July 2019.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(100)
9.2 Product manufacturing and operating costs	(225)
9.3 Advertising and marketing	(265)
9.4 Leased assets	-
9.5 Staff costs	(425)
9.6 Administration and corporate costs	(275)
9.7 Other - Intellectual Property	-
9.8 Total estimated cash outflows	(1,290)

* 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: 29 January 2019

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.