

RHINOMED FY16 Q1 REPORT

- **Revenue increasing with new sales channels - \$321k for quarter**
- **Cash receipts of \$186k for the quarter in line with previous quarter**
- **Major distribution milestone - Mute on sale exclusively through Boots UK**
- **Turbine take up increases amongst elite athletes**
- **Appointment of new head of US operations**
- **Sleep Apnea clinical trial at Monash Health on track**

October 31, 2015. Melbourne, Australia.

Rhinomed (ASX:RNO) has had a strong first quarter of the financial year with positive traction across its consumer health and clinical businesses.

Key highlights of the quarter included growing demand for the Turbine and the Mute technology. Revenue for the quarter increased to \$321k, off the back of increasing demand for the Turbine following Chris Froome's historic win in the Tour de France and growing awareness and distribution of the Mute snoring technology in the Australian pharmacy market. Cash receipts of \$186k, which were broadly in line with previous quarter's receipts of \$192k, lag revenue as new trade channels open on normal trading terms.

The Company also announced during the quarter that Boots UK, a subsidiary of Walgreens Boots Alliance (WBA) will stock Mute exclusively in the UK. Mute is now being rolled out on shelves in Boots UK pharmacies and through Boots.com prior to a major consumer awareness campaign that will commence in November. Boots is one of the world's premier pharmacy chains and to have Mute on shelf is a major milestone for the Company as we seek to create a global franchise in the snoring and sleep market.

Positioned for growth

"The growing awareness of the Company's novel nasal technology is continuing to attract interest from distributors and customers alike. Our strong investment in ensuring we have a robust and extensive intellectual property position, premium breakthrough and disruptive brands and a secure and well resourced production, manufacturing and logistics system has ensured that the Company is well positioned to meet demand and growth expectations," said Rhinomed CEO, Michael Johnson.

To meet increasing interest from the US market, during the quarter the Company appointed Mr Shane Duncan Vice President Sales and Marketing Americas. Shane has had deep experience in the pharmaceutical and medical technology industries having spent time at GSK, Merck and more recently as Marketing and Business Development Director for sleep company Compumedics in the US. An Australian, but having resided in the US for over 5 years, Shane will lead the expansion of the Mute technology into the retail and medical specialist markets.

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Turbine

During the quarter Turbine saw positive increase in interest and revenue following Turbine brand ambassador Chris Froome's historic victory in the 2015 Tour de France.

"There is a growing global awareness of the benefits Turbine can offer athletes looking to improve their breathing. We would like to congratulate the athletes and teams who used Turbine to set new records. American middle distance track star Shannon Rowbury wore the Turbine in July to set a new American record for the 1500 meters (and broke Mary Decker's 31 year old record in doing so), Kiwi Linda Villumsen wore the Turbine to victory and became the 2015 UCI World Time Trial champion, and the extraordinary Canadian AeroVelo team set a new world record for human powered speed clocking an incredible 137.93km/hr. We invite all shareholders to visit the Turbine facebook page to view images and videos of these amazing athletes in action.

"This activity continues to support growing interest and trial in the Turbine technology and underpins its role in socialising the broader public with our technology platform," said Mr Johnson.

In September, Turbine exhibited at the 2015 Interbike expo in Las Vegas. Interbike is the world's premier cycling exhibition and provides an ideal opportunity to expose the brand and technology to retailers and distributors from around the world. The Company expects to make further announcements regarding distribution in the coming months.

Mute roll out

During the quarter the Company continued to grow its pharmacy distribution in Australia. Following the release of the technology in December last year and securing distribution through Australian wholesalers early this year, the Company carried out its first consumer campaign in Melbourne and Brisbane. The campaign 'Snoregust' sort to raise awareness of the role snoring plays in good sleep health. The campaign saw the Company partner with sleepwear company Mitch Dowd, a leading pharmacy group and also SleepGP – a growing network of GPs who are specifically focusing on sleep health. Pleasingly, the Company saw an increasing number of pharmacies begin stocking the Mute technology and this focus on extending the distribution reach in partnership with Australian wholesalers continues. These programs will continue to play a vital roll in raising awareness of the issues associated with snoring and we anticipate that 'Snoregust' will become an annual event that we will extend globally through our retail partners.

The major milestone of the quarter was the decision by Boots to begin stocking the Mute technology exclusively in the UK and through their website Boots.com. This is a major achievement for the Company. Boots is a part of the US based Walgreens Boots Alliance company – the world's largest pharmacy based consumer health company. The program for launching Mute into the UK market is well advanced and a consumer promotional campaign will begin in November.

Mr Johnson said, "While Boots is not well known in Australia, they are an iconic part of the British health system and the high street pharmacist of choice for generations of Britons. Their nationwide stores provide a pathway to the British snorer and we have already developed a productive working relationship with the Boots UK team."

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Obstructive Sleep Apnea

In June, the Company commenced its first clinical trial for its new INPEAP (Intranasal Positive Expiratory Air Pressure) technology. The INPEAP trial is being carried out at Monash Lung and Sleep Department, Monash Health under the leadership of Assoc. Prof. Darren Mansfield. This independent trial seeks to test whether the technology is an effective and well-tolerated treatment for patients suffering from moderate sleep apnea – which represents close to 70% of all Obstructive Sleep Apnea patients according to the Wisconsin Sleep Cohort Study.

Mr Johnson said “There is a growing level of interest in this technology from clinicians as a potential front line solution for many patients struggling to deal with existing therapies. For treatments such as CPAP, when adherence is defined as greater than 4 hours of nightly use, up to 83% of patients have been reported to be noncompliant to treatment.”¹

Additionally, the Company continues to receive strong interest from clinicians, ENT surgeons and sleep dentists who believe using the existing Mute technology to be used as an adjunct to oral devices or potentially CPAP patients suffering from nasal obstructions could improve the efficacy and compliance of these therapies. The Company will continue to investigate the utility of its technology with these specialists.

Capital raising

In September the Company raised \$2.5m at 3.2 cents to provide support for the growth of the business. This placement to sophisticated investor and institutional funds was corner-stoned by one of our largest shareholders. We thank our shareholders for their continued support of the Company.

Business Divestment

The Company divested the Vibrovein technology, part of a stable of assets acquired by previous management, for \$95k, of which \$82k was received during the period and the balance since the end of the period.

Business growth

Throughout the quarter the Company continued its investment in furthering its R&D program with a focus on the sleep apnea opportunity and continued to invest heavily in the branding and promotion of its technology. The agreement by Boots to begin stocking the Mute technology is testament to the success of this strategy. Further investment in extending the production capacity of the ChinaMed facility also took place as it became apparent that the demand from global distribution will increase over the coming financial year. The Company’s IP portfolio extends to over 56 patents in the nasal and respiratory area of which 13 are granted. In addition, we have secured a further 60 design patents.

“The Company continues to believe that investing in the creation of innovation that meets the clear unmet needs of patients, clinicians and customers and the creation of unique Australian developed technology will enable us to create a significant and powerful franchise in the global sleep market,” said Mr Johnson.

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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 commercialising applications of its technology portfolio in the Sport, Sleep, Wellbeing and Drug Delivery markets. For more information go to www.rhinomed.global

The Mute snoring and sleep technology can be purchased at selected pharmacies and at www.mutesnoring.com The Turbine sport and exercise breathing technology can be purchased at cycling and triathlon stores and at www.theturbine.com.

1. Terri E. Weaver and Ronald R. Grunstein "Adherence to Continuous Positive Airway Pressure Therapy", Proceedings of the American Thoracic Society, Vol. 5, No. 2 (2008), pp. 173-178.