

CONTINUED GROWTH DURING FY17

KEY HIGHLIGHTS:

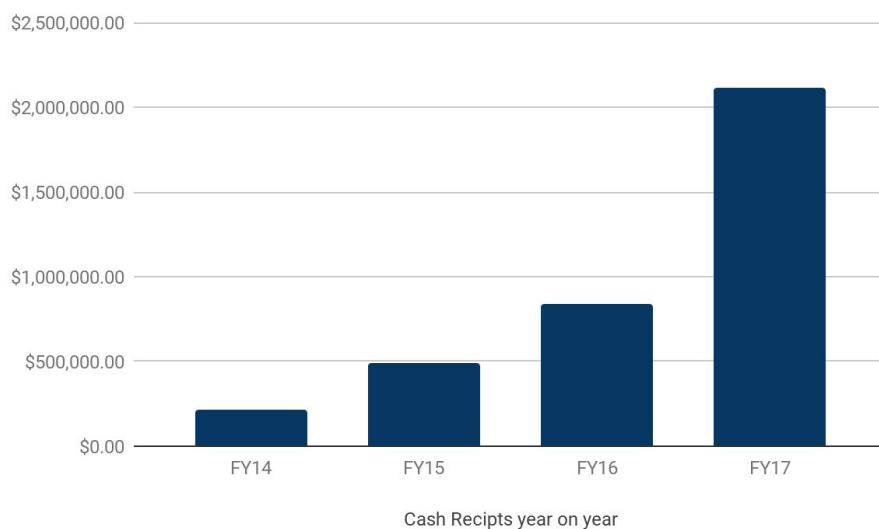
- Record full year cash receipts from customers - \$2.02m - up 140%
- Record operating income - \$1.7m up 70%
- Q4 Cash receipts - \$300k with revenue growth from recent distribution announcements yet to be realised
- Units shipped to customers - up 25% in Q4 to almost 150,000 for the full year.
- Major distribution expansion in USA and Australia

July 31 2017. Melbourne, Australia.

Rhinomed (ASX:RNO) a leader in nasal respiratory technology, today announced record total unaudited Receipts for the FY17 financial year of AUD\$2.02 million, up 140% from \$842k in FY16. The recognised unaudited operational revenue of \$1.7m was driven from the increase in store count and the sell through that has occurred over the financial year. During FY17 almost 150,000 units were shipped to customers.

The unaudited FY17 Net Cash used in Operating Activities was \$3.0m, down from \$6.15m in FY16 - a 52% decrease. The company is pleased to report positive year on year growth since the introduction of the current strategy at the beginning of 2013.

Year on Year Growth



Over the course of the year the company employed a deliberate strategy of expanding its global retail distribution footprint. At the beginning of July 2016, the Mute and Turbine technology were available through

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approximately 2400 stores. By financial year end the store count increased to over 7,000. The vast majority of these stores were added during FY17 Q4 and have yet to fully impact revenues.

FY17 Q4 Performance

Receipts from customers of \$300k and unaudited Sales of \$254k were recorded for the Quarter. While this was below expectations, the impact of several major deals on Revenues have yet to be fully recognised. These include the effect of both sell-in and sell-through as a result of the significant growth in the Australian store count and the more recent significant jump in store numbers in the USA.

Sales (\$,000) and Cash in (\$,000)



Pleasingly, the company continues to experience strong consumer interest in the Mute and Turbine technology with sell through increasing in July as a result of promotional activities that took place late in the quarter.

Revenue and receipts from customers are still subject to the significant lag between when the company announces store expansion and product appearing on shelf. The company expects revenue recognition to normalise over the course of this financial year and remains confident that a breakeven position will be reached during FY18.

The cash burn for the quarter was in line with expectations and included one off effects of some of the patent family moving to national examination status in major markets and additional expenditure in marketing as the company began its support of the increased store presence in Australia. The closing cash balance was \$1.7m.

Store Growth

At the beginning of FY17 the company set several key distribution milestones, with a focus on Australia and the USA. This has delivered strong results:

- In August 2016, McKesson Corporation became a wholesaler in the USA.
- In October 2016 the company appointed Vittoria Industries to distribute Turbine in the North American market.
- In December 2016 BOC, a part of the Global Linde group, was appointed Australian distributor of Mute and Turbine.
- In March 2017 AmerisourceBergen became a wholesaler to the US market

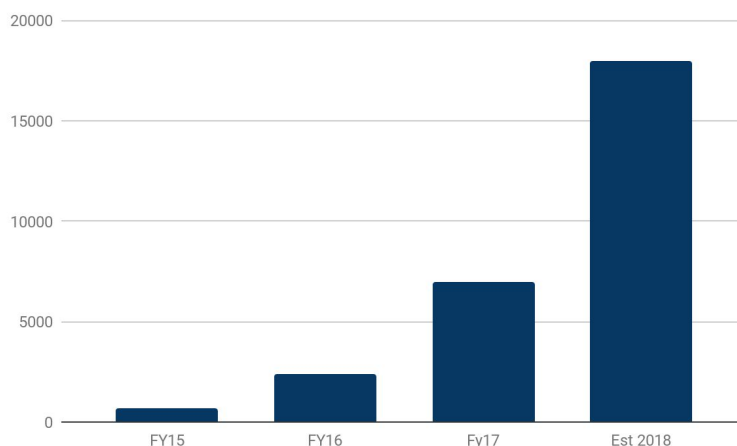
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- In March 2017 Symbion moved to core range Mute in its Pharmacy Choice pharmacies and opened Mute up to its entire network.
- In April 2017 GNC began a trial within 811 of its corporate stores of Mute
- In May 2017 Sigma core ranged Mute in its Amcal and Guardian pharmacies and opened it up to its 4000 strong network.

FY18 year has started strongly with the Hamacher Resource Group, who supply a planogram to 10,000 independent USA pharmacies core ranging Mute. This was followed shortly after by Walgreens expanding the number of stores stocking Mute to 4300 following the annual review and the completion of a trial that began in May 2016.

Following recent announcements, the company's technology should have an on shelf presence at the end of 2017 in approximately 13,000 stores with a pipeline of an additional 4000 stores. The company will focus its efforts over the next 12 months on expanding this on shelf presence in these stores and driving sell through.



Operations

Mute continues to be the key focus of the company's operations and contributed 90% of revenues for FY17. The strong interest from retailers, especially in the US market, has started to deliver outcomes with a significant increase in store numbers now locked in. Sales and marketing investment is increasing in line with revenues and staff numbers grew to a total of 14 inclusive of consultants.

The company raised \$2.1m in cash in March 2017 and secured a working capital facility of \$2.0m in January of 2017, which was not been drawn upon during the financial year.

R&D

As a result of the company's focus on commercialisation, R&D expenditure was significantly down for the year. In cash terms this has been \$209k YTD and \$116k for the June Quarter.

Interest in the company's technologies from the sleep medicine community continues to grow at a rapid rate. Rhinomed exhibited at both the American Sleep Medicine conference and the American Dental Sleep Medicine conference in June and both strongly illustrated the growing recognition of the importance of the nose and nasal airflow and its positive impact on both efficacy and compliance with a range of other sleep therapies, including CPAP and oral devices. Rhinomed continues to build a reputation and be recognised as an innovator and global leader in improving nasal airflow, breathing and sleep.

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Future

The key focus of the company over the 2018 financial year is to reach cash flow breakeven as soon as practical. The growth in store numbers, in particular over the last six months, provides the company with a strong base from which it can build a steady and strong growth in customer numbers.

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.

Media Enquiries

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Follow us on **Twitter** @rhinomedceo and @theturbinecom

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

About the Turbine™

Turbine™ is a revolutionary respiratory technology designed specifically for the sport market. Turbine delivers an average increase of 38% more airflow through the nasal passages and has been designed for both professional and amateur athletes participating in sports and fitness activities ranging from triathlon, cycling, running and non-impact sports to elite training environments, such as altitude training. You can purchase a Turbine by visiting www.theturbine.com

About the Mute™

Mute™ is a unique nasal respiratory technology that has been found reduce the volume and frequency of snoring in 75% of users. Mute is easy to use, drug free and fits discreetly inside the nose. Designed to give snoring the silent treatment and made from ultra-soft polymers, Mute gently expands each nasal airway to increase the volume of air in each breath. By doing so, Mute encourages nasal breathing and reduces the need to open the mouth during sleep, factors critical to a reduction in snoring and better sleep. For more information or to purchase online, visit www.mutesnoring.com

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")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers (Unaudited Sales for the Qtr \$254k; YTD 1,718k)	300	2,024
1.2 Payments for		
(a) research and development	(116)	(209)
(b) product manufacturing and operating costs	(351)	(1,142)
(c) advertising and marketing	(251)	(1,238)
(d) leased assets	-	-
(e) staff costs	(333)	(1,476)
(f) administration and corporate costs	(484)	(1,370)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	35
1.5 Interest and other costs of finance paid	(5)	(14)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	111	391
1.8 Other (provide details if material)	-	(1)
1.9 Net cash from / (used in) operating activities	(1,123)	(3,000)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(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 – Receipt from Term Deposit	52	52
2.6 Net cash from / (used in) investing activities	52	52
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	2,198
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	(173)	(181)
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	(173)	2,017
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	2,911	2,621
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,123)	(3,000)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	52	52
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(173)	2,017
4.5 Effect of movement in exchange rates on cash held	-	(23)
4.6 Cash and cash equivalents at end of quarter	1,667	1,667

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	1,667	2,911
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)	1,667	2,911

6. Payments to directors of the entity and their associates

Current quarter \$A'000

- | | |
|--|-----|
| 6.1 Aggregate amount of payments to these parties included in item 1.2 | 142 |
| 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 | |

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 (established 30 January 2017)	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 has entered into an unsecured working capital financing facility to the value of AUD\$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 \$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	-
9.2 Product manufacturing and operating costs	207
9.3 Advertising and marketing	387
9.4 Leased assets	-
9.5 Staff costs	522
9.6 Administration and corporate costs	221
9.7 Other – Intellectual Property	57
9.8 Total estimated cash outflows	1,394

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:31 July 2017.. ..

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.