

BUSINESS UPDATE - DECEMBER QUARTER CASHFLOW RECORD FIRST HALF FY17 REVENUES, QUARTER ON QUARTER MOMENTUM

KEY HIGHLIGHTS:

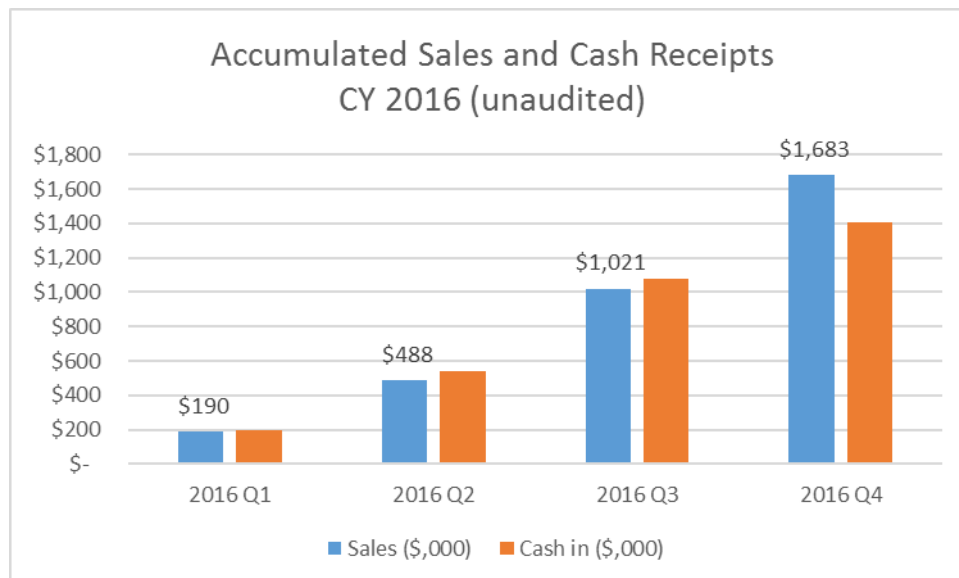
- Record Operating Results for 1H17 - Revenues reach \$1.18million.
- Strong quarterly revenue growth - \$662k
- Growing pipeline of US based Retail distribution opportunities
- US Distribution deal with Vittoria Industries for Turbine strengthens retail footprint
- Australian and New Zealand Distribution deal with The Linde Group (BOC limited) grows Australian retail and clinical footprint

January 31, 2017. Melbourne, Australia.

Respiratory technology company Rhinomed Limited (ASX: RNO) is pleased to report a record unaudited half yearly result of \$1.195 million. This follows another strong quarter of operational revenue of \$662k.

Sales receipts (\$325k) were lower than the previous quarter due to timing issues, and as a result Account Receivables increased over the quarter to close at \$858k with 51% of this expected to be collected in the first 45 days of this quarter.

The chart below shows accumulated Sales and Cash Receipts for the calendar year 2016.



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Growing Distribution footprint

The Company has continued to deliver on its strategy of building a strong global distribution and retail footprint that will enable more and more customers to access its Mute and Turbine technologies.

Australia /NZ

In Australia the company was pleased to announce a major Supply Agreement with global industrial and healthcare conglomerate The Linde Group that will see its Australian subsidiary, BOC Limited, distribute both Mute and Turbine in Australia and New Zealand.

BOC will take on sales, distribution and logistics providing significant scale in these markets. The agreement provides Mute with on the ground support from a sales team who will focus on the sale and distribution of sleep products and services to pharmacy, homecare, hospital and GP's. Mute complements BOC's current sleep equipment offering that includes CPAP masks and supplies and in-home sleep studies, by providing an affordable, easy-to-use product for assisting with night-time nasal congestion and snoring. The Linde Group is a major leader in the global sleep industry supplying CPAP and sleep equipment to patients in Europe, Australia and the USA. The company expects to see the synergies and impact of this agreement take effect throughout Calendar year 2017.

USA

In the US, the Company entered two distribution agreements with global cycling company Vittoria Industries to build Turbine and Mute across multiple channels. The international sports distributor will add significant breadth and depth to Rhinomed's US retail distribution footprint via its current 4000+ US based store accounts.

Importantly, Vittoria will also help introduce Mute to the impulse buy retail market through specific targeting of high footfall retail locations like Airport convenience stores, cruise ships, hotel chains, and health clubs.

In the US the company has also continued to strengthen its in-market presence through agreements with 4 independent sales representatives on a commission only basis. This move is part of the company's strategy to target opportunities (that exist outside of the major chains), in the 23,000 independent pharmacies in the US. It is anticipated that this field force will increase over the coming quarters.

The company continues to focus on expanding its retail distribution footprint and has developed a strong pipeline of opportunities going forward with major pharmacy and grocery groups in both Australia and the USA. Store count at the end of the quarter exceeded 3000 stores globally with strong gross margins being maintained throughout this sell in process. The Company has also successfully added a further 70 stores under the Discount Drug Mart chain in Ohio, USA since the quarter close and will continue to pursue a significant pipeline of grocery and pharmacy retail opportunities in the USA.

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Growing brand awareness

The company can report growing Brand awareness in the USA following an ongoing PR program that is leveraging the strong support Mute is receiving from US based dental and sleep clinicians, customers and sleep experts. Further updates are available on the company's social media pages and websites. All of this activity is seeking to drive brand awareness and from this deliver a strong and sustainable increase in US based sales.

Business development and corporate relationships

As has previously been communicated to Shareholders, the global sleep market is undergoing significant growth and change as interest in the sector at a consumer and clinical level increases. This growth is stimulated by medical research linking a number of chronic disease states to poor sleep quantity and quality; as well as an increasing number of people reporting poor sleep, and heightened media interest.

The role Rhinomed's platform technology plays in this exciting market and its potential across a range of applications is increasingly recognised not only by clinicians, but also by large pharmaceutical, medical device and consumer health companies. Rhinomed continues to investigate a range of potential relationships and will update shareholders in line with its disclosure policy as needed.

Capital management Initiative

The Company is continuing to experience further growth in revenue whilst operating costs have been kept in line with budget for the level of activity.

To assist this phase of growth the Company has now put in place a \$2 million working capital facility that can be drawn on if needed. This facility or loan which is based on standard commercial terms - has been provided by Chairman Mr Ron Dewhurst through Kroy Wen Pty Ltd and will allow the company to meet any short term needs should they arise.

As part of Rhinomed's growth and capital management strategy the company plans to hold a shareholders meeting to address several key issues that are important for this stage in the company's growth cycle and to reposition the company's share register. These initiatives continue the company's strategy to position itself to take full advantage of key strategic initiatives that have been nurtured over the past 18 months. Further details will be available in a Notice of Meeting to be sent to shareholders.

Media Enquiries

Michael Johnson, CEO & Director

+61 (03) 8416 0900

mjohnson@rhinomed.global

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

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

+Rule 4.7B

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 December 2016

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 (Unaudited Sales for the Qtr. \$662k; YTD \$1,188k)	325	864
1.2 Payments for		
(a) research and development	(38)	(83)
(b) product manufacturing and operating costs	(235)	(591)
(c) advertising and marketing	(341)	(634)
(d) leased assets	-	-
(e) staff costs	(399)	(771)
(f) administration and corporate costs	(280)	(608)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	20	27
1.5 Interest and other costs of finance paid	(3)	(6)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	(1)
1.9 Net cash from / (used in) operating activities	(951)	(1,803)
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	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
(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		-	-
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		-	-
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. Net increase / (decrease) in cash and cash equivalents for the period			
4.1 Cash and cash equivalents at beginning of quarter/year to date		1,757	2,621
4.2 Net cash from / (used in) operating activities (item 1.9 above)		(951)	(1,803)
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)		-	-
4.5 Effect of movement in exchange rates on cash held		(7)	(19)
4.6 Cash and cash equivalents at end of quarter		799	799

5. Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	799	251
5.2 Call deposits	-	1,506
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)	799	1,757

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	141
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	

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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.		

As announced on 30 January 2017, RNO has entered into a 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 is unsecured and can be drawn upon in multiples of \$250,000.

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	20
9.2	Product manufacturing and operating costs	146
9.3	Advertising and marketing	289
9.4	Leased assets	-
9.5	Staff costs	510
9.6	Administration and corporate costs	141
9.7	Other (provide details if material)	36
9.8	Total estimated cash outflows	1,142

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 January 2017..

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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.