

QUARTERLY ACTIVITIES AND BUSINESS UPDATE

TOPLINE

- Q1 FY24 Revenues of \$2.23m up 43% on Q1 FY23.
- FY24 Q1 Cash receipts of \$2.00m.
- Strong momentum from the consumer health business driven by store expansion in major markets and growing sell through.
- Rhinoswab business unit progressing with key partners and awaiting regulatory approval for inclusion in Rapid Antigen Test kits for Covid, Flu and RSV in various geographies.

27 October 2023: Melbourne, Australia.

Rhinomed Limited (ASX:RNO OTCQB:RHNMF), (**Rhinomed** or **Company**) a leader in wearable nasal and respiratory technology is pleased to provide the business update for Q1 FY24.

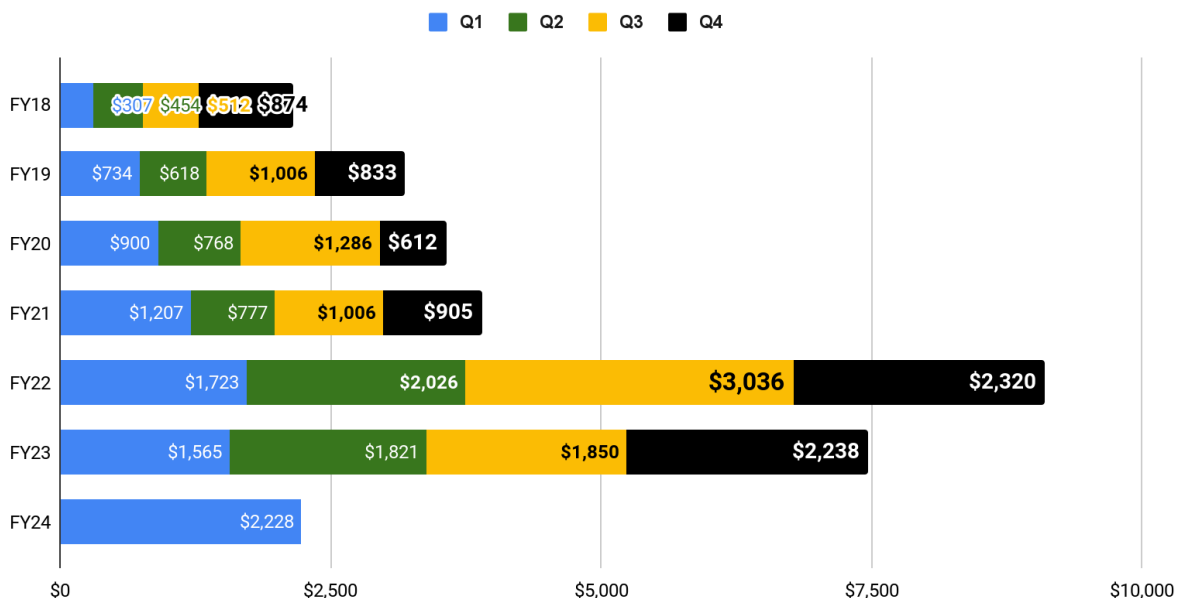
Financial snapshot

The company recorded revenue for Q1 FY24 of \$2.23m (unaudited). This represents an increase of 43% compared to the previous corresponding period (PCP) of Q1 FY23. All Q1 FY24 revenue was attributable to the consumer health business.

Revenues from the consumer health business continues to grow year on year in all three key geographies - the US up 37% on Q1 FY23, APAC up 82% on Q1 FY23 and EMEA was in line with Q1 FY23.

Cash receipts in Q1 FY24 were \$2.0m, an increase of 45% on Q1 FY23 of \$1.4m. Net cash used in operating activities was down 21% on Q4 FY23 (\$1.19m) and down 37% on Q1 FY23 (\$1.507m).

Quarterly Revenues (\$'000 AUD)



Consumer health business:

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- Our consumer health business continues to build momentum across our three key markets – the USA, UK and Australia:
 - The company shipped 124,118 units over the quarter, an increase of 26% from Q1 FY23.
 - The consumer health business recognised revenue of \$2.23m for Q1 FY24, representing an increase of 43% over Q1 FY23.
 - Gross margins for the consumer health business remain strong, circa 76%.
 - Our online business driven by our growing presence on Amazon in the US and now complemented by entry into Amazon UK and Australia continues to gain momentum. Amazon revenues were up 49% when compared to Q1 FY23.
 - Pleasingly, the business saw positive growth from our global retail network of pharmacy chains and grocery stores carrying our leading Mute snoring and sleep brand. The roll out of Mute chain wide in US based Walgreens is complete, as is the roll out of Mute across the Chemist Warehouse chain in Australia.
 - The company expects to see the impact of this growing retail footprint on revenues over the second half of FY24.
 - Additionally, the company continues to present and receive strong interest from additional chains within the pharmacy and grocery sector in Australia and the US. We will update investors on these discussions as they become material.
 - Mute continues to build strong brand awareness amongst global consumers and the company remains committed to creating a category leading solution in the global sleep and snoring markets.

Rhinoswab Business:

- As previously disclosed, the company has reported that its Rapid Antigen Test kit partners are continuing to experience delays in receiving regulatory approval for the combined Rhinoswab with their rapid antigen test kits.
- The company and its partners expect to receive approvals over the course of 2024.
- Investors should note that home testing remains a significant commercial opportunity across all of our key markets - Australia, the USA and UK.
- The demand for Rapid Antigen Test kits and home testing solutions has rapidly evolved over the last 3 years. 56% of American consumers are interested in home testing and the company notes data from Industry research group Circana (IRI), that the Covid test category in the US pharmacy, grocery and mass retail chain remains robust with sales of \$3.4 billion over 52 weeks and \$125m in the 4 weeks to the end of April 2023[#]. The consumer health retail market is now a key channel through which consumers will source these solutions. Rhinomed has a significant presence in these channels via its consumer health business.
- The company is seeking to not only supply swabs to Rapid Antigen Test kit makers but to also work with our partners to distribute these kits into our existing retail network.
- Importantly, the company is seeking to partner with companies that have produced Rapid Antigen Tests for Covid, RSV and Flu A & B.
- As previously disclosed Rhinomed terminated its exclusive supply agreement with SureScreen Australia. We are progressing discussion with alternative test kit providers and will provide updates to investors once these discussions reach a material stage.

Operational Update

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As disclosed on 24 October 2023 (“Rhinomed operational review”) the company is currently executing the outcomes of an operational review. The company expects the cost reduction process to reduce normalised operational expenditure by 30% (\$4.8m) of FY23’s operational expenditure over the course of the next 12 months and ‘right-size’ the business in line with its expected near term revenues and ensure that future expenditure is closely aligned with company growth.

Over the course of FY24 Q1 the Company invested in the following areas:

- *Research and Development*: increased 42% to \$279k (Q4 FY23 – \$196k) reflecting the completion of the Rhinoswab development program.
- *Production costs*: decreased 44% to \$333k (Q4 FY23 – \$598k) reflecting the timing and investment made across FY23 in manufacturing Mute to allow for increased demand and allowing for delivery times globally due to the global pressures on logistics.
- *Marketing and Promotion*: decreased 51% to \$697k (Q4 FY23 – \$1,428k). The Company continued its marketing investment in our key markets, the US, the UK and Australia across Q1, whilst focussing on core marketing programs only.
- *Leased assets*: increased 30% to \$61k (Q4 FY23 - \$47k).
- *Staff Costs*: decreased 6% to \$1,008k (Q4 FY23 – \$1,072k). Included in staff costs at item 1.2 (e) of the Appendix 4C, and detailed at Item 6.1, are the amounts paid for Directors fees and salaries, excluding GST where applicable; Executive Board remuneration of \$94k and Non-Executive Board Remuneration of \$67k. Also included at item 6.1 is the amount of \$55k for salaries and wages paid to another related party, on an arm’s length basis. At the start of CY23 the Non-Executive Directors agreed to take a 25% cut to their Directors Fees. This reduction remains. The Board will in Q1 FY24 evaluate the company’s position.
- *Administrative expenses*: increased 65% to \$533k (Q4 FY23 – \$323k). Part of these costs represent an investment in a new ERP system for the company. This will result in increased operational efficiencies over the near term.

Current revenue treatment status

At the end of Q1 FY24 the Company recorded \$2.23m in recognised revenues for Q1 and an additional \$131k* as ‘unrecognised revenue’. This figure represents those goods that have been invoiced to customers and that will be recorded as recognised revenues in coming quarters.

	Stock Shipped	Recognised revenues	Unrecognised Revenues	A/C receivables
Q1 FY24	124,118	\$2.23m	\$131k *	\$1.009m

* The amount of \$131k represents goods delivered and invoiced to customers during Q1 FY24, but not brought to the Profit and Loss Statement as recognised revenue. This amount will be brought to the Profit and Loss Statement in coming periods.

Loan facility status

The company established an unsecured working capital facility in November 2022, as advised in the Appendix 4C commentary released on the ASX on 31 October 2022. This facility is non-dilutive to shareholders of the company. This facility is within terms at present.

To provide working capital to the company, a non-dilutive facility was drawn down at the end of 2022. The unsecured working capital facility is provided by Whitney George, as released to the ASX on 21 December 2022.

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Rhinomed entered into a further unsecured loan facility to finance working capital on 25 September 2023. The total available amount under the loan is US\$1,970,000 and is repayable no later than 1 October 2024 or as agreed by both parties. The facility was fully drawn on 27 September 2023. The Group entered into a further unsecured loan facility to finance working capital on 25 September 2023. The total available amount under the loan is US\$1,970,000 and is repayable no later than 1 October 2024 or as agreed by both parties. The facility was fully drawn on 27 September 2023. The unsecured working capital facility is provided by Whitney George

In July 2021 Rhinomed entered into an unsecured line of credit facility to the value of \$2.5m. This was provided equally from entities related to the Company by way of our Chairman, Ron Dewhurst and Non-Executive Director John McBain. The facility is on commercial terms. As at the end of the quarter, \$1.25m of this facility has been drawn on for Ron Dewhurst's component. As at the end of the quarter, \$0.85m of this facility has been drawn on for John McBain's component.

Future focus

The operational review identified a number of options for the company to consider as it seeks to reduce operational expenditure, drive growth and enable investors to realise the value in the technology platform and retail distribution network and supply chain. The Board will provide an update on these opportunities in due course.

This report has been authorised for release to the market by the Board.

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About Rhinomed Limited (ASX: RNO, OTCQB:RHNMF)

Rhinomed Limited is a Melbourne, Australia based ASX listed nasal and airway technology company that has developed an innovative nasal technology platform that can improve air flow and provide both drug delivery and diagnostic capabilities.

**All financial figures contained in this Announcement are provided on an unaudited basis and are in \$AUD*

www.iriworldwide.com/IRI/media/Library/Circana-NPP-2022-Report-PDF.pdf

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Rhinomed Limited

ABN

12 107 903 159

Quarter ended ("current quarter")

30 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,994	1,994
1.2 Payments for		
(a) research and development	(279)	(279)
(b) product manufacturing and operating costs	(333)	(333)
(c) advertising and marketing	(697)	(697)
(d) leased assets	(61)	(61)
(e) staff costs	(1,008)	(1,008)
(f) administration and corporate costs	(533)	(533)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(29)	(29)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(946)	(946)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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 equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	4,208	4,208
3.6	Repayment of borrowings	(86)	(86)
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	4,122	4,122
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	226	226
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(946)	(946)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,122	4,122
4.5	Effect of movement in exchange rates on cash held	39	39
4.6	Cash and cash equivalents at end of period	3,441	3,441

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	3,441	226
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)	3,441	226

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	216
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p>Item 6.1: Directors fees and salaries, excluding GST where applicable. Executive Board remuneration - \$94k Non-Executive Board remuneration - \$67k Related party transaction - \$55k NB. Non-Executive Directors have taken a 25% reduction in fees. This will be reviewed at a future date in FY24.</p>		

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<p><i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i></p> <p><i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i></p>		
7.1	10,171	10,171
7.2	1,250	850
7.3	-	-
7.4 Total financing facilities	11,421	11,021
7.5 Unused financing facilities available at quarter end		400
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p>	
	<p>On 29 July 2021 Rhinomed Limited entered into an unsecured working capital facility to the value of \$2,500,000 AUD, provided equally from an entity related to the Company, Chairman Ron Dewhurst and an entity related to the Company, Non-Executive Director John McBain.</p> <p>The company drew \$1.25m of the \$2.5m working capital facility as provided by Chairman Ron Dewhurst during Q4 FY23. As at the end of Q1 FY24, \$0.85m of this facility has been drawn on for John McBain's component.</p> <p>The \$1.25m as provided by an entity related to Non-Executive Director John McBain has been rolled through to 1 October 2024 on the same commercial terms and conditions.</p> <p>The Group entered into a further unsecured loan facility to finance working capital on 25 September 2023. The total available amount under the loan is US\$1,970,000 and is repayable no later than 1 October 2024 or as agreed by both parties. The facility was fully drawn on 27 September 2023. The unsecured working capital facility is provided by Whitney George</p> <p>On 20 October 2022 Rhinomed Limited entered a line of credit facility secured against eligible Accounts Receivable, as provided by a leading international lender. The facility is to a maximum of \$2.8m.</p> <p>The facility is repayable by 31 October 2023.</p> <p>As at 30 September 2023 the company had drawn down the eligible amount of \$860k, of the maximum available \$2.8m.</p>	

8. Estimated cash available for future operating activities	\$A'000
8.1	(946)
8.2	3,441
8.3	400
8.4	3,841
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.06
<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p>	

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A.

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Date: 27 October 2023

Authorised by: By the Board of Rhinomed Limited.
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg *Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.