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SEPTEMBER QUARTERLY ACTIVITIES AND BUSINESS UPDATE

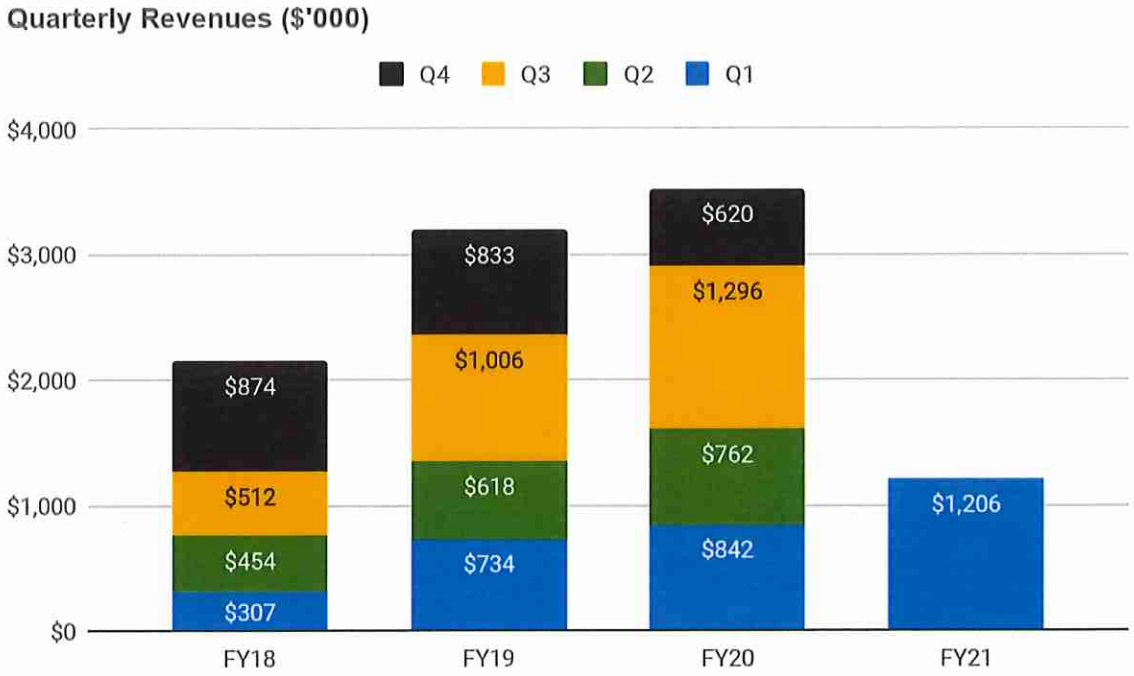
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TOPLINE

- **Revenues up 95% Quarter on Quarter to $1.2M**
- **Stocked shipped to customers up 123% Quarter on Quarter to 84,222**
- **Strong rebound in Australian and US markets following lockdowns**
- **Pronto Clear despatched to 6,300 CVS pharmacies in USA**
- **New nasal swab program building momentum**
- **Cash Balance of $7.0m at end of quarter**

21 October, 2020: Melbourne, Australia.
Rhinomed Limited (ASX:RNO OTCQB:RHNMF) a leader in nasal airway and respiratory technology can report a strong start to the new financial year. The FY21 Q1 result, a 95% increase from Q4 FY20 to $1.2 million, reflected a strong return to the pre-COVID-19 growth momentum.

The growth came in the form of strong sales of our leading Mute technology from both the US and Australian markets following a very slow sales period in FY20 Q4 as a result of the COVID-19 lockdowns and shutdowns in our major markets. The company shipped 84,222 units during the quarter which also featured the new Pronto Clear being shipped to 6,300 CVS pharmacy stores in the USA. CVS is one of Americas' leading pharmacy chains.



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The very positive momentum generated throughout the first three quarters of FY20 slowed significantly in FY20 Q4. Pleasingly, this impact was reversed in FY21 Q1 despite this quarter historically being a seasonally softer period due to the Northern Hemisphere summer.

The Australian market in particular experienced robust sales growth in response to strong on the ground sales and training programs. Additionally, marketing campaigns rolled out in all markets produced pleasing results. With sleep and breathing, and especially nasal breathing, growing in importance during the COVID-19 pandemic, the company continues to actively engage in communication and education programs with Ear, Nose and Throat specialists, Sleep Specialists and Sleep Dentists. These programs highlight the importance and positive impact of nasal breathing and sleep on both physical and mental health.

Pronto Sleep stocked on 6,300 shelves of leading US based pharmacy chain CVS

As announced previously, the company successfully secured the listing of its new Pronto Clear nasal decongestant product with a major US based pharmacy. We are pleased to announce that this pharmacy chain is one of the US's preeminent chains CVS. Pronto Clear is currently being stocked on the shelves of 6,300 of these stores right across the US. Pleasingly, we are already seeing repeat orders.

Operational Update

During the quarter the company continued to assess the consumer sentiment and response to the COVID-19 in its global markets. This resulted in prudent investment in key areas and tight control across the company's cost base:

- *Research and Developmen*t: decreased 27% to $152k (FY20 Q4 - $210k) which covers the company's new technology development program.
- *Production costs:* decreased 44% to $240k (FY20 Q4 - $428k) reflects the impact of the production runs to respond to new orders and FY21 Q2 demand forecasts for both Mute and the Pronto range.
- *Marketing and Promotion:* decreased 8% to $270k (FY20 Q4 - $293k). The company recommenced its marketing spend during Q1 albeit at a conservative level.
- *Staff Costs*: decreased 11% to $563k (FY20 Q4 - $633k) covering changes to the team across the Australian and US operations. 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 $81k and Non-Executive Board Remuneration of $70k. Also included at item 6.1 is the amount of $27k for consulting fees paid to Smart Street Consulting, a related party of Michael Johnson.
- *Administrative expenses*: increased 5% to $340k (FY20 Q4 - $322k)

Over the quarter cash receipts from customers fell to $641k reflecting the pandemic affected FY20 Q4 result. The company continued to access Government support where applicable. Investors should note that due to the strong growth experienced during the September quarter the company has informed the Australian Tax Office that it will no longer be eligible for JobKeeper support going forward.

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Current revenue treatment status

At the end of FY21 Q1 the company recorded $1.2m in recognized revenues and an additional $914k as 'unrecognised revenue'. This figure represents those goods that have been shipped and invoiced to customers and that will be recorded as recognised revenues in coming quarters.

	Stock Shipped	Recognised revenues	Unrecognised Revenues	A/C receivables
FY21 Q1	84,222	$1.2m	$914k	$1.7m

Strong Balance sheet and cash position

In the face of significant global uncertainty the company took steps during the previous quarter to strengthen its balance sheet and cash position. The company continues to execute a prudent capital conservation strategy to support its operational momentum. The closing quarterly cash balance was $7.0 million. In addition we note that the vast majority of our Account Receivables balance of $1.7 million is held in $USD with our premium pharmacy accounts.

New nasal swab program, A technology led response to the COVID-19 pandemic

During the quarter the company announced a new technology research and development program.

Rhinomed is developing a novel nasal swab that radically changes the way samples are collected for COVID-19, the flu and other upper respiratory diseases.

The company's research and development program has built upon the evidence that points to the nose as being the site of first infection. Additionally, the need for an easy to use, high yielding nasal swab that could capture a significantly larger sample than existing swabs has the potential to play a vitally important role, especially if used in the first 5 days after infection. Existing research points to people being at their most infectious during this period when they are also likely to be asymptomatic.

We have now established that this new technology can capture a superior sample size and can deliver a greater yield than other nasal swabs on the market. The Rhinomed nasal swab has the potential to optimise both existing pathology processes and emerging point of care pathology testing technologies. Importantly, as it builds off our experience as a leading developer of nasal devices, it is much more comfortable than the existing nasal and nasopharyngeal 'brain stab' swabs.

Having successfully established a global IP position in regard to this technology and future adaptations, we are rapidly progressing across a number of fronts to validate the efficacy of the swab. The company will update investors on the outcomes of these studies as they are completed.

Clinicians, health systems and Governments are continuing to assess different strategies to effectively contain existing COVID-19 virus outbreaks and, importantly, prevent future outbreaks. It would appear that mass, high frequency testing is a reasonable and sound response. The ability to

easily, quickly and economically collect samples, test these samples and communicate the results is key to identifying COVID-19 positive patients and ensuring that they isolate and are, importantly, treated. Equally important, this process also ensures that those who test negative can carry on as normal.

The Rhinomed nasal swab illustrates how innovation can respond simultaneously to both the health crisis and social and economic needs. The high yielding and easy to use Rhinomed nasal swab enables mass, high frequency sample collection to occur. The vital first step in the COVID-19 testing process.

US Medical Cannabis Opportunity

As noted previously the company is in dialogue with its US medical cannabis partner, Columbia Care, regarding the commercialisation of a range of cannabis based products which utilises the company's patented nasal delivery platform. We continue to believe that the global cannabis market represents a significant opportunity and upside for investors over the longer term.

The Company is continuing to assess opportunities in other markets where medical cannabis has been legalised.

Future focus

The key focus remains reaching a sustainable operational cash flow position. Additionally, the company continues to assess all strategic options that will enable investors to realise the value in the technology platform.

Company	Investor and Media Relations
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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*

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Appendix 4C

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

Name of entity

Rhinomed Limited

ABN	Quarter ended ("current quarter")
12 107 903 159	31 September 2020

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	641	641
1.2	Payments for		
	(a) research and development	(152)	(152)
	(b) product manufacturing and operating costs	(240)	(240)
	(c) advertising and marketing	(270)	(270)
	(d) leased assets	-	-
	(e) staff costs	(563)	(563)
	(f) administration and corporate costs	(340)	(340)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	13	13
1.5	Interest and other costs of finance paid	(4)	(4)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	151	151
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(764)**	**(764)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(6)	(6)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
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**	**(6)**	**(6)**

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	(22)	(22)
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**	**(22)**	**(22)**

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,838	7,838
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(764)	(764)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6)	(6)

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(22)	(22)
4.5	Effect of movement in exchange rates on cash held	(9)	(9)
4.6	**Cash and cash equivalents at end of period**	**7,037**	**7,037**

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	7,037	7,838
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)**	**7,037**	**7,838**

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	178
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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

Item 6.1: Directors fees and salaries, excluding GST where applicable.

Executive Board remuneration - $81k

Non-Executive Board remuneration - $70k

Amount shown at Item 6.1 includes an amount of $27k for consulting fees paid to Smart Street Solutions, a related party of Michael Johnson.

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7.	Financing facilities *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-

7.6 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.

8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(764)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	7,037
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	7,037
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	9.21

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

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:

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:

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:

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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: 21 October 2020

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.

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