

CHANGING THE WAY THE WORLD BREATHES

RHINOMED
ANNUAL REPORT 2016

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LETTER FROM THE CHAIRMAN

RON DEWHURST
CHAIRMAN

I am pleased in my first year as Chairman of the Company to present the Rhinomed Limited 2016 Annual Report.

The year has seen strong milestones achieved for the Company – securing significant international distribution for our products in the UK, US and Canada.

We have launched our sleep breathing aid, Mute into the global market over the last financial year, and we are pleasingly now starting to see very encouraging sales traction. We continue to focus on building key relationships in core markets, especially amongst the large retail chains and professional groups.

The Company also completed its first Phase I pilot study in Obstructive Sleep Apnea, providing a clear pathway for its future development.

There has never been a better time to be involved in the sleep market. Considerable interest, new technologies and consumer appetite is growing - providing an increasing number of avenues for Rhinomed to be involved.

SECURING DRIVERS FOR GROWTH

In twelve months, Rhinomed has secured distribution for its Mute product in some of the key first tier international retail and pharmacy networks, including Walgreens, Duane Reade, Boots, McKessons and CVS Health. The Company has worked diligently to support the product's launch into the US market with a targeted marketing campaign.

While the expansion of our distribution footprint for Mute will continue to be a focus into the next financial year, we are also building our professional networks amongst sleep doctors and sleep dentists, which hold strong potential for the product. Importantly, this strategy opens channels of communication with key influencers prior to the launch of Rhinomed's INPEAP sleep apnea device.

It is with a sense of pride that we have witnessed a growing list of athletes use Turbine in competition this year, including Olympic gold medallist cyclist Kristin Armstrong, three-time Tour de France winner Chris Froome, and US middle-distance record holder Shannon Rowbury. There is no greater endorsement than having athletes of this calibre making an independent choice to wear the Turbine.

The interest surrounding Mute and Turbine at international conferences and trade events, such as the APSS Sleep 2016 conference in Denver and Interbike 2015 in Colorado, have continued to boost our efforts. In particular, we have engaged meaningfully with leading sleep doctors and dentists and are buoyed by their positive feedback about the results they are achieving with their patients, especially around nasal obstruction.

We were also pleased to receive our Medical Development Establishment License (MDEL) from Health Canada in December 2015, enabling us to enter this market with McArthur Medical as our distributor in the region.

BUILDING THE TECHNOLOGY PLATFORM

The Company has continued to strengthen and target its intellectual property portfolio, further supporting our diverse platform and pipeline of potential products.

We were pleased to see a positive indication from our Phase I pilot sleep apnea trial results that supports our plans to develop a low-cost, easy-to-use, well-tolerated, front-line therapy for Obstructive Sleep Apnea.

Thank you to our shareholders who have supported us throughout the year. The focus of recent news flow around distribution growth into the top health and pharmacy chains is testament to the strategy and dedication behind the scenes at Rhinomed.

The increase in sales figures towards the end of the financial year and the continuation of this trend in the subsequent quarter shows that we are on the right trajectory. I am confident that the Company is poised for its next phase of growth and that the increasing understanding of Rhinomed's current products and future market opportunities positions the Company well for a solid year of growth ahead.

Finally, I wish to thank our CEO Michael Johnson and all of our staff for their dedication to deliver on our strategic vision.



RON DEWHURST
CHAIRMAN

LETTER FROM THE CEO

MICHAEL JOHNSON
MANAGING DIRECTOR
& CEO

CHANGING THE WAY THE WORLD BREATHES

At the start of 2013 we clearly articulated the Company's strategy and objective – to 'change the way the world breathes' and in doing so, improve the way people exercise, sleep, maintain their health and take medication. By the end of FY16 we have made great strides in executing this strategy. Pleasingly, this has been reflected in a strong result for FY16 – delivering over \$1 million in revenues from operations for the first time.

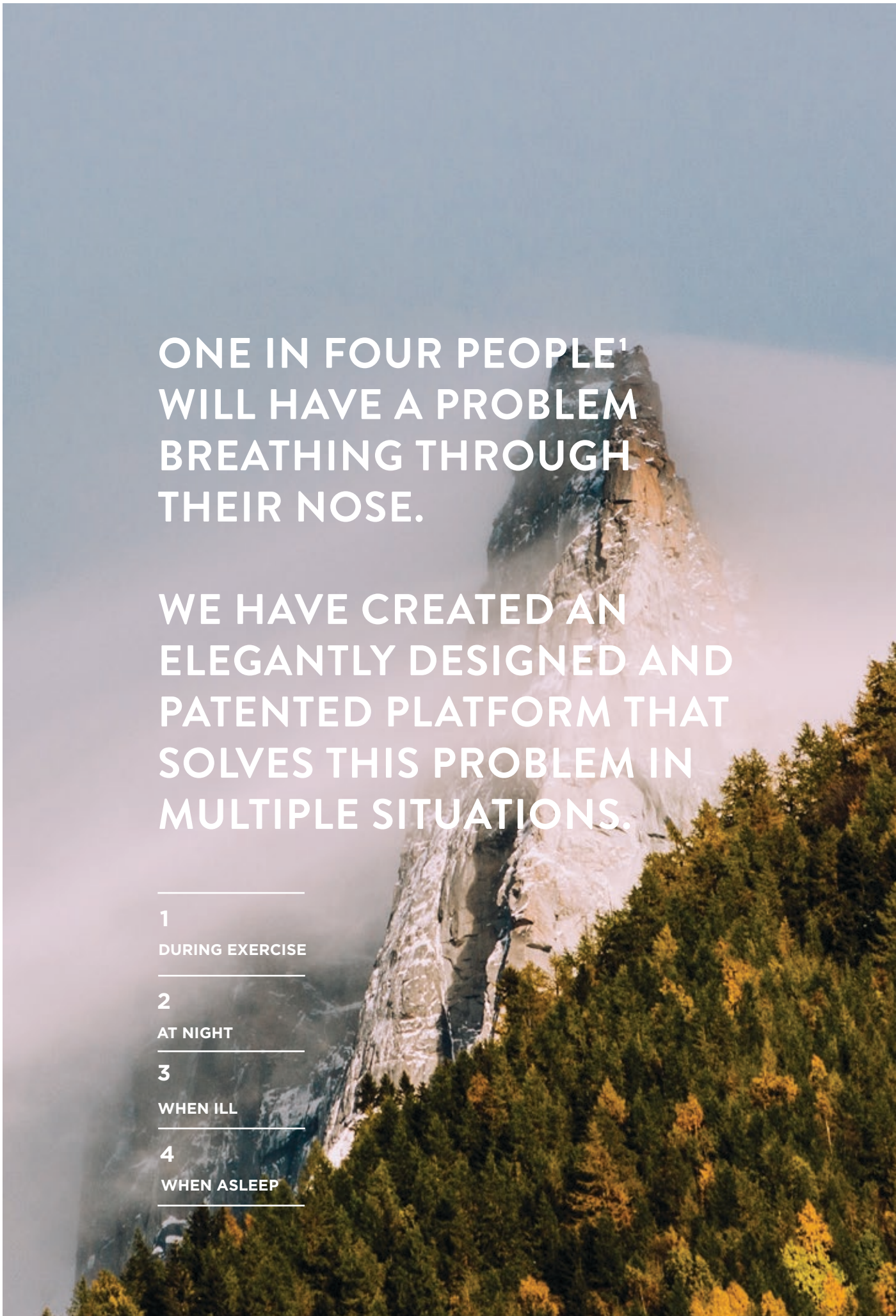
The 2015/16 financial year has been transformational for Rhinomed. Only 12 months ago, we had Mute stocked in 70 stores around Australia. By the end of the financial year not only have we expanded this to over 500 pharmacies in Australia, we have also delivered on our milestones of expanding into the United Kingdom through the iconic Boots pharmacy chain (600 stores) and expanding into the North American market. We welcome our Canadian distributor McArthur Medical and we're pleased to be able to expand our relationship with Walgreens Boots Alliance to include their US operation - Walgreens

and Duane Reade (1007 stores). By early July we were successfully ranged in over 2500 stores across three continents.

Through the creation of a novel and truly disruptive technology, married to strong branding and supported by a great global team, we have rapidly carved out a position as the entry point into the global sleep market. The importance of this cannot be over emphasised. The global sleep market is approaching an exciting tipping point.

THE SLEEP MARKET AWAKENS

Your Company has carefully analysed the global sleep market. This analysis has revealed a market that is reaching an inflection point. A combination of macro and micro economic issues, significant change in public perception and a lack of innovation that solves clear unmet clinical, patient and consumer needs has created an environment ready for a technology that can deliver cost-effective solutions to tens of millions of people.



ONE IN FOUR PEOPLE¹
WILL HAVE A PROBLEM
BREATHING THROUGH
THEIR NOSE.

WE HAVE CREATED AN
ELEGANTLY DESIGNED AND
PATENTED PLATFORM THAT
SOLVES THIS PROBLEM IN
MULTIPLE SITUATIONS.

1
DURING EXERCISE

2
AT NIGHT

3
WHEN ILL

4
WHEN ASLEEP

The sleep industry is subject to some significant change:

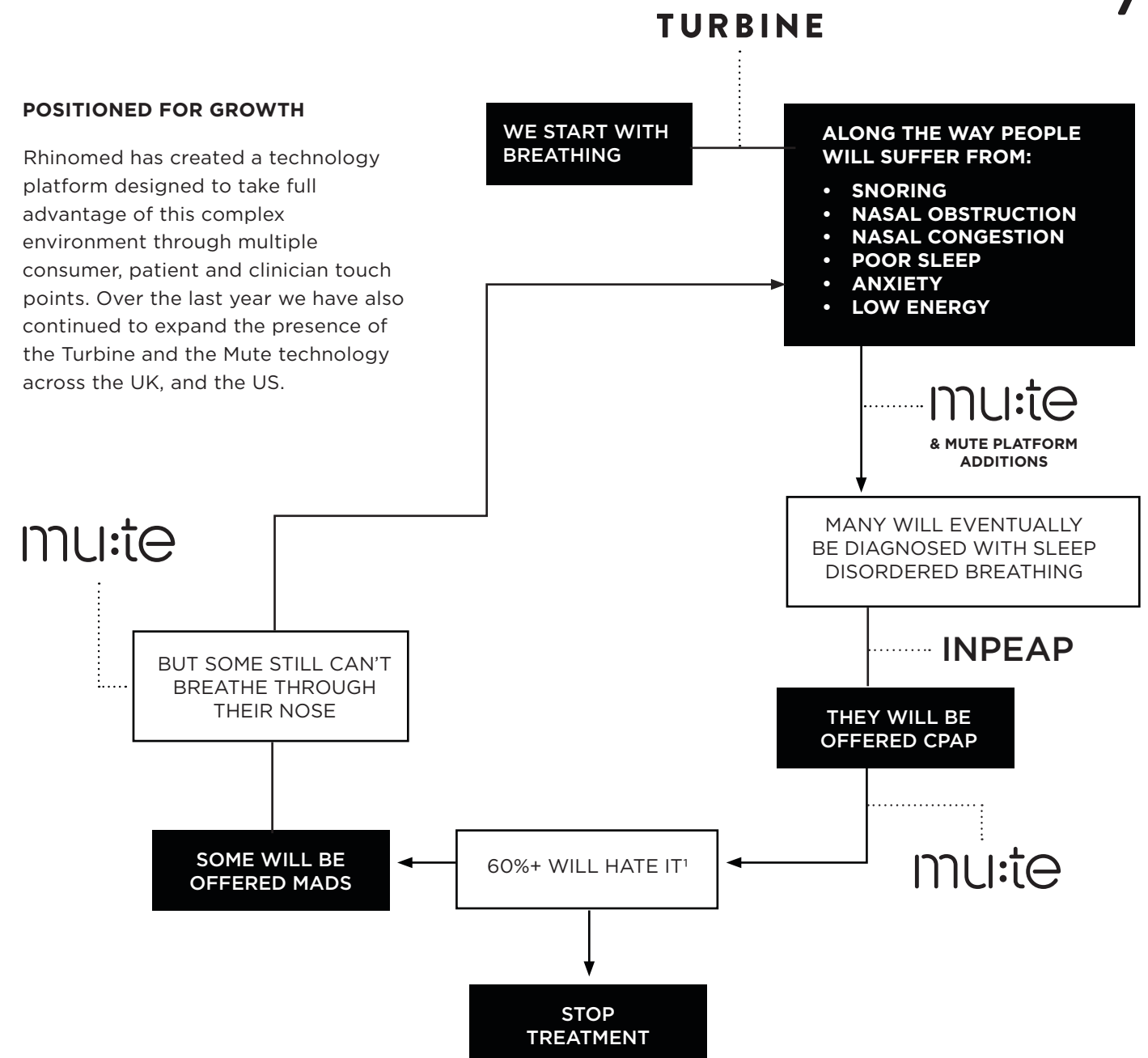
1. Compliance rates with existing devices such as the CPAP masks are extraordinarily low. Some reports cite compliance rates as low as 42%* and a mean average nightly adherence of only 3.3 hrs*. This clearly identifies a strong need for a low cost, efficacious and easily delivered solution.
2. The number of new entrants into the market is rapidly increasing. Over the last 18 months the range of wearable technology, digital health and app solutions tracking and measuring sleep has ballooned.
3. Diagnosis rates for Sleep Disrupted Breathing issues remain chronically low. At least 75% of cases of severe Sleep Disordered Breathing remain undiagnosed**. There is a clear need for earlier engagement with patients.
4. Clearly propelling the need for change is the increasing interest in, and awareness of, the role sleep plays in maintaining your health. As a consumer health topic, sleep has skyrocketed from a fringe issue to a major focus. This has been driven in part by emerging medical research linking poor sleep to a range of chronic diseases and the championing of sleep by high profile celebrities such as the Huffington Post's Arianna Huffington who has brilliantly articulated the link between poor sleep and significant economic cost and productivity losses.

*McEvoy DR et al. (2016) CPAP for Prevention of Cardiovascular Events in Obstructive Sleep Apnea. N Engl J Med 2016; 375:919-931

** Sleep Vol 31(8):2008. 1071-78.

POSITIONED FOR GROWTH

Rhinomed has created a technology platform designed to take full advantage of this complex environment through multiple consumer, patient and clinician touch points. Over the last year we have also continued to expand the presence of the Turbine and the Mute technology across the UK, and the US.



¹Weaver, TE and Gunstein RR. "Adherence to the Continuous Positive Airway Pressure Therapy". Proceedings of the American Thoracic Society, Vol 5, No. 2 (2008), PP. 173-178.

Global expansion has been made possible through the creation of powerful and uniquely branded technology. Customers, be they consumers, patients or clinicians, buy brands. Rhinomed has created truly valuable brands that an increasing number of customers, patients and clinicians trust because they know that Mute and Turbine deliver a unique and compelling experience.

Over the last year we have continued to invest in our core brands and technology and look at how we can introduce this experience to more and more people.



We will continue to build this trust with all our stakeholders over the coming years. Pleasingly, we have seen the early returns on this strategy through our ability to attract the very best partners - be they elite athletes like Chris Froome, or iconic retailers like Walgreens Boots Alliance (WBA). There is no question that the relationship we have built with WBA has been a major plus for the Company through their extraordinary presence in both the UK and the USA.

Over the last year a growing number of key retailers have recognised the significant opportunity for the sleep category both in the traditional bricks and mortar format and online. In the past year, we have launched our products into specialty retail (eg. Performance Bike), mainstream retail (eg. Dick's Sporting Goods), online (eg. Amazon, Drugstore.com, Jet.com), pharmacy and grocery chains (eg. Boots, Symbion, Sigma and Walgreens), as well as clinical channels (eg. sleep clinics, doctors and dentists). We will seek to grow this presence into additional retail formats over the coming 12 months.

To support this strategy we have ensured that our production and manufacturing capacity has increased in line with anticipated demand and our forecasted projections. We have refined our logistics processes through holding warehousing and shipping capabilities in Australia, Hong Kong, UK and the US to ensure timely and efficient processing of all orders. Our production capacity has risen to 3.9m units per annum.

STRONG ENDORSEMENT OF OUR CORE TECHNOLOGY

A big step in recent months has been the growing acceptance and uptake amongst professional channels and the increasing support from sleep doctors, sleep dentists and other sleep-related professionals. Our involvement in the largest sleep related meeting - AADSM and APSS Sleep 2016 in Denver was a particular turning point. Rhinomed received strong feedback regarding how clinicians are helping their patients to use Mute to improve their breathing in a number of circumstances. This invaluable feedback has provided us with strong insight into the

challenges Obstructive Sleep Apnea (OSA) patients face due to nasal obstructions. This will deliver significant opportunities for the Company over the coming years.

FUTURE PROGRAMS

Rhinomed's technology platform offers exciting potential to extend products into a diverse array of treatments and markets.

We were particularly pleased with the results of the first Obstructive Sleep Apnea clinical trial using our Intranasal Positive Expiratory Air Pressure (INPEAP) technology, which were announced in June. A year after it started, this Phase 1 Proof of Concept trial, carried out at Monash Health in Melbourne, demonstrated that Rhinomed has a technology that can reduce AHI (Apnea Hypopnea Index) scores in over 60% of the participants. While the device used in the trial was a 3D printed prototype, what gives us great confidence is that 75% of the participants tolerated the device. This is a truly revolutionary result in the OSA space given CPAP has low compliance rates.

Rhinomed will continue to develop this truly disruptive technology program over the next 12 months.

We are also examining the addition of a range of aromatics to the existing Mute and Turbine platforms. Initially this will focus on the introduction of a decongestant version. In due course we envisage the ability to add a number of new and exciting technologies to our existing platforms.

CORPORATE SUPPORT

We have been pleased with the increase in media awareness throughout the past year, with a number of features in daily newspapers, trade publications, as well as TV. We are continuing to pursue promotional opportunities that can support and aid sales uptake.

During the year we welcomed Shane Duncan as Vice President Global Sales and Marketing. Shane has been a fantastic addition to the team, especially in building our presence in the US and helping to secure a growing list of retailers who are stocking Mute and Turbine. To support this program we opened an office in Cincinnati, Ohio.

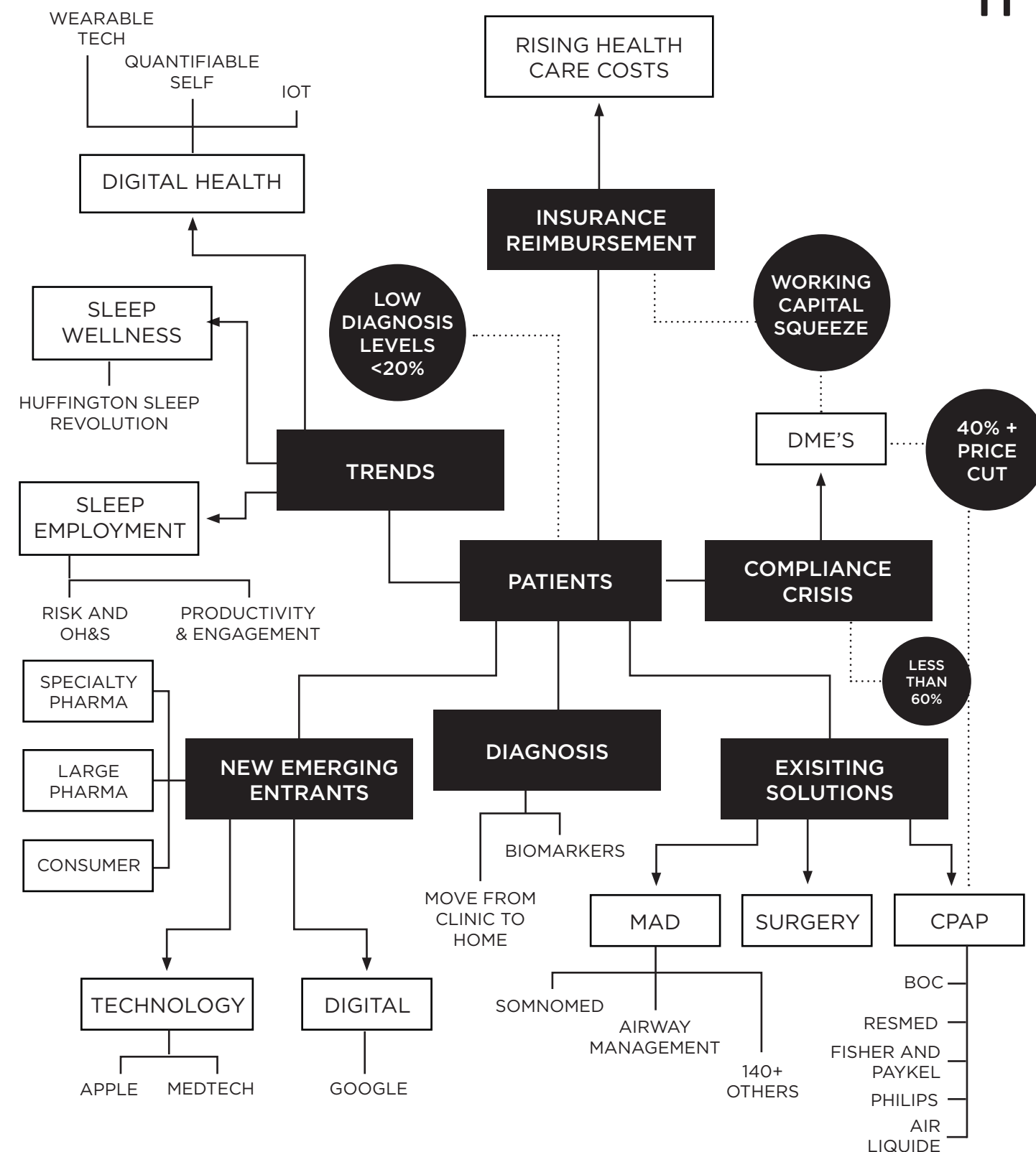
I wish to welcome our new shareholders and to thank all shareholders for their support and continued interest in the Company. We were pleased to complete a \$4.4 million raise through a private placement and Share Purchase Plan in May 2016. We trust that shareholders will see the increase in our sales and expanding footprint as signs of the major opportunity before us.

Thank you to both Chairman Ron Dewhurst and fellow Directors, Brent Scrimshaw and Dr Eric Knight, for their strong support over the past 12 months. I would also like to thank the very dedicated team we have built at Rhinomed that believes and supports the vision that Rhinomed can change the way the world breathes.



MICHAEL JOHNSON
CEO

THE GLOBAL SLEEP MARKET IS AWAKENING



OPERATIONAL REVIEW





OVERVIEW

Turbine is a nasal stent designed to help you overcome breathing difficulties that may be caused by an obstruction, a deviation or a narrowing of the nasal airways when you are exercising or doing aerobic activity. Turbine opens up your nasal airway and allows you to enjoy the benefits of unobstructed breathing.

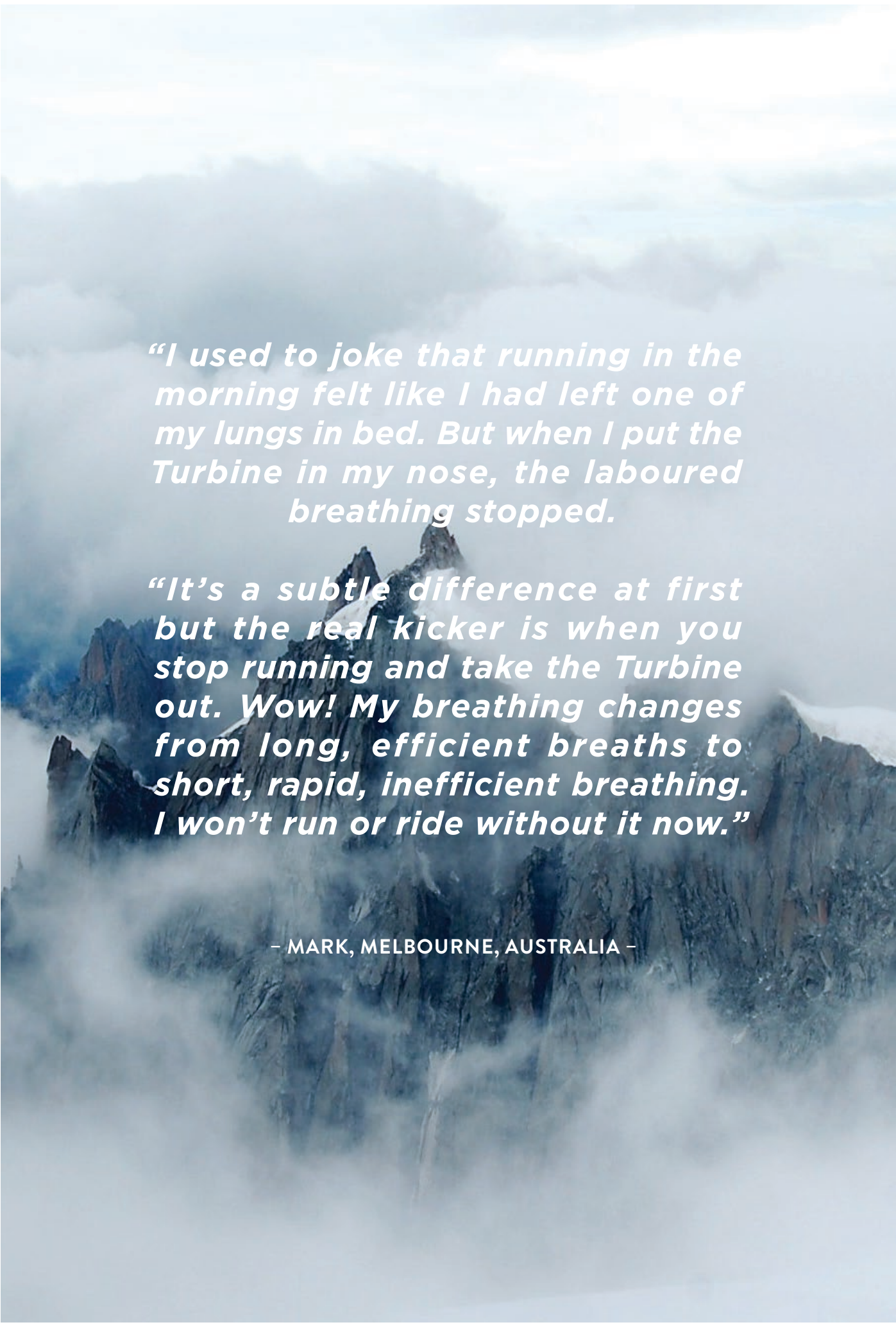
DISTRIBUTION AND ADOPTION

Turbine was released to the sports and exercise market in 2014. Worldwide distribution is being driven out of the US and this year has seen leading sporting goods stores added to help strengthen sales. Dick's Sporting Goods, Performance Inc, Inbox Fitness, Jet.com and Europa Sports Products have all been included as distributors throughout the year, which sets Turbine in good stead to enhance sales further.

The adoption of Turbine by some of the world's elite athletes including 2013, 2015 and 2016 Tour de France winning cyclist, Chris Froome, has increased visibility and interest in the product. Turbine is now sought after and used by athletes across a range of sports including track running and triathlon, mountain biking and motocross, crossfit training and track cycling, in addition to a wide range of recreational sports.

Our growing list of elite athletes using the Turbine, now includes:

- Kristin Armstrong (2016 Olympic gold medal cyclist)
- Chris Froome (2013, 2015, 2016 Tour de France winner, 2016 Olympics Bronze medal in cycling)
- Todd Wells (Leadville 100 2016 champion and three USA Cycling Cyclocross National Championships)
- Shannon Rowbury (US 1500m record holder, 4th place 2016 Olympics)
- Mike King (US Bicycling and BMX Hall of Fame Inductee)
- Rachel Morris (2016 Paralympic gold medal rower)



“I used to joke that running in the morning felt like I had left one of my lungs in bed. But when I put the Turbine in my nose, the laboured breathing stopped.

“It’s a subtle difference at first but the real kicker is when you stop running and take the Turbine out. Wow! My breathing changes from long, efficient breaths to short, rapid, inefficient breathing. I won’t run or ride without it now.”

– MARK, MELBOURNE, AUSTRALIA –

PROMOTIONAL SUPPORT

The Company has exhibited at a number of international sporting events, such as Interbike 2015, the Philadelphia Marathon, Flying Pig Marathon in Ohio, the Tour of California and the Sea Otter Classic. Ambassador Chris Froome also wore the Turbine in the Jayco Herald Sun Tour in January 2016, which he won as the first event of his Tour season.

One of our key promotional campaigns this year centered around Chris Froome’s quest to win his third yellow jersey in the Tour de France. The campaign titled ‘y3llow’ focused around a joint video production with Chris Froome and associated social media and PR about his journey.

Turbine’s social campaigns now have a core following of over 38,000 people.

NEXT STEPS

While we build our distribution footprint for Turbine across the US, we will also continue to support the ongoing education around the use and benefits of utilising a breathing technology product in sport.

***“@theturbinecom
@bicyclingmag thanks, that
Turbine sure does make the
air a little thicker at 12,000ft”***

(@yotwells) Todd Wells, Leadville 100
2016 Champion

MUTE™

OVERVIEW

Mute is a nasal stent designed to hold open and dilate the nasal airways and reduce the effect of nasal obstruction and improve nasal breathing. This is a key factor in improving sleep and reducing snoring.

According to recent world data:

- 1 in 4 people will have a problem breathing through their nose (Jenson M; Malm L. Allergy. 1997; 52 (SUPP/40): 3-6.)
- 45% of British adults snore (YOUGOV 2015)
- 50-70 million Americans have a sleep or wakefulness disorder (Institute of Medicine. Sleep Disorders and Sleep Deprivation: An Unmet Public Health Problem. Washington, DC: The National Academies Press; 2006)

The global sleeping aids market was valued at \$58 billion in 2014, and it is expected to grow at a CAGR of 5.7% during the period 2016 - 2022. (P&S Market Research, 2015). Rhinomed understands from its extensive market research that many people will at some point suffer from snoring, nasal obstruction, nasal congestion, poor

sleep, anxiety and low energy. Many of these people will eventually be diagnosed with sleep disordered breathing and seek treatment options. Even with treatment, many still can't breathe properly through their nose.

Rhinomed's understanding of the sleep journey has informed its distribution strategy - to establish networks across specialty and mainstream retail, online, pharmacy, grocery and professional channels.

With unique, consumer-focused branding and a strong in-store presence, Mute is gaining traction as an actively sought consumer product in an increasingly sophisticated market for snoring and sleep products.

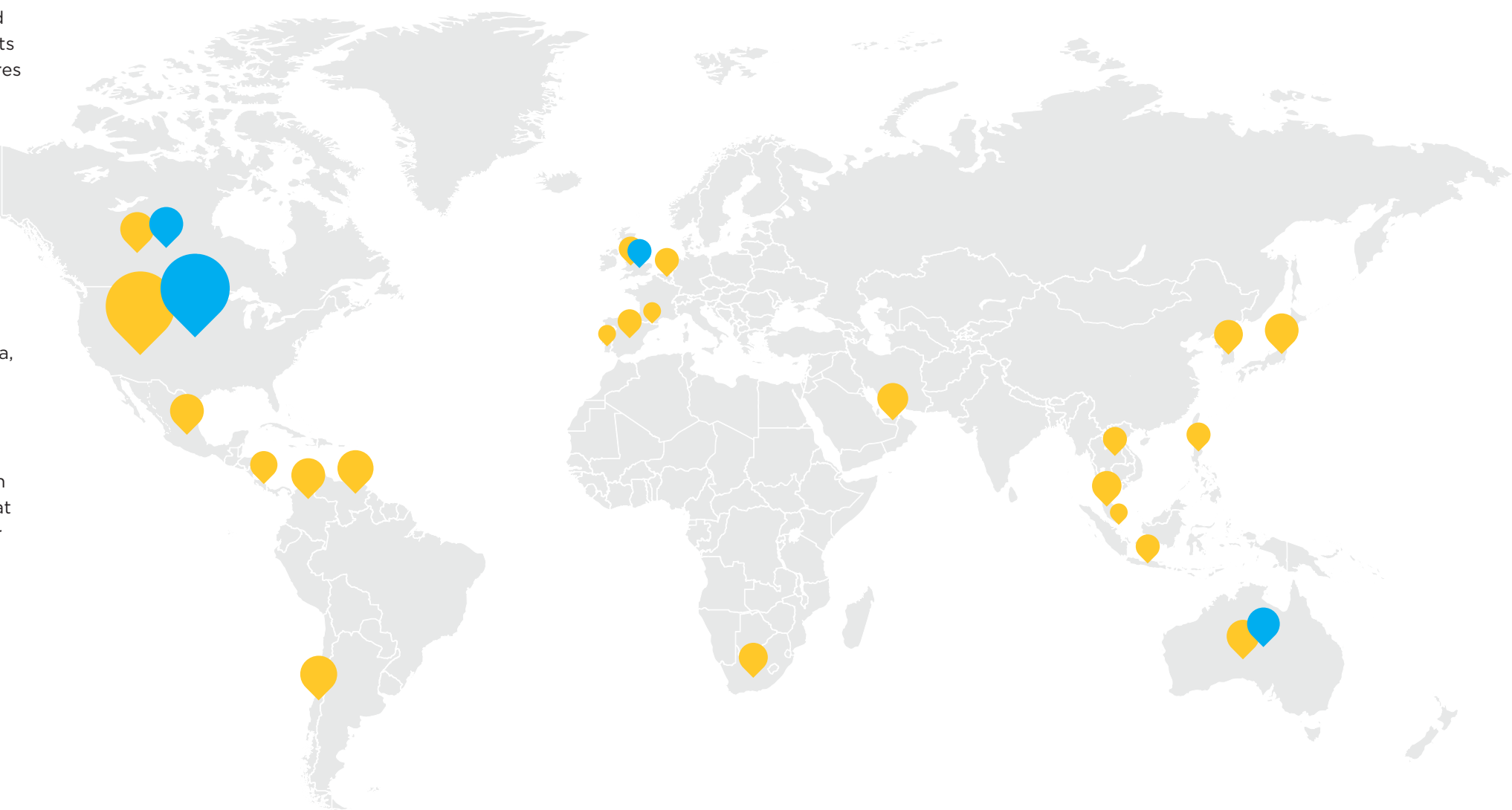


DISTRIBUTION AND ADOPTION

In 2015 and 2016, Rhinomed secured significant tier I distribution contracts with the iconic Boots pharmacy stores in the UK, and Walgreens, Duane Reade, McKesson and CVS Health in the US as part of a global strategy of building its sales network via reputable and trusted partnerships.

We have been delighted to include Drugstore.com, 1800CPAP.com, CPAP Supply USA, Jet.com, Inbox Fitness and Amazon to our online platforms; as well as Symbion, Sigma, and McArthur Medical amongst our pharmacy channels.

The Company is finding that there are multiple touch-points for Mute in the market. Mute is firmly targeted at helping people to breathe - whether that be someone seeking assistance for snoring at the pharmacy, or someone who suffers from nasal obstruction or anxiety at being in a dental chair.



● MUTE
● TURBINE



“I have a deviated septum that prevents me from being able to breathe out of one nostril. I have struggled for years trying to find the right product to help me to breathe at night. I have tried nasal strips that do provide relief but end up irritating my skin...I have bought expensive shaped pillows to help me sleep on my side...but once I roll over or move...I was back to not being able to breathe again. I was told by an ENT my choices were surgery, with limited results...

Finding the Mu:te device has been amazing. I am able to fall asleep faster and stay asleep longer because I no longer am struggling to breathe through constricted passages, or worse, out of my mouth.”

– MARIE CARMON, OREGON, USA –

PROMOTIONAL SUPPORT

A number of drivers are starting to scale up retail doors for Mute. The premium in-store experience and presence in pharmacies is helping sell-through of the product as we firmly position Mute as the entry point to a global sleep category.

The Company has invested heavily in its PR and marketing programs in the past financial year to support the launch of Mute in the UK and US markets. Strong social media campaigns have been supported by on-ground advertising, such as Mute ‘overtaking’ public transport spaces, such as Oxford Street station in London (for the Boots launch) and Bryant Park station in New York (for the Duane Reade store launch).

Our tone of voice is cutting through in a very crowded market, with marketing taglines focusing on messages such as “Divorce Lawyers Hate It” and “Be Good in Bed”. Our marketing programs have also

embraced market research to yield insights into the impact of snoring on relationships and holidays, which are then tying back to social media and PR campaigns.

Captured “Snoring Stories” have received a strong response online, as has our ability to “mute” the UK’s loudest snorer, Ms Jenny Chapman, who has been recorded and interviewed on numerous television channels, including ITV in the UK and Channel 7 in Australia.

NEXT STEPS

Rhinomed will continue to focus its expansion of Mute into the clinical setting, as well as further roll-out its pharmacy distribution across the US.

PIPELINE PROGRAMS

OBSTRUCTIVE SLEEP APNEA
PROGRAM

Sleep health is one of the fastest growing medical practice areas in western countries. Obstructive Sleep Apnea occurs when the airway at the back of the throat is repeatedly blocked, partly or completely, during sleep. Approximately 70% of all OSA patients suffer from mild to moderate OSA¹.

Tailoring the technology platform further to provide an accessible, effective, intranasal solution specifically for OSA has been a logical progression for Rhinomed. The Intranasal Positive Expiratory Air Pressure (**INPEAP**) technology is designed for patients who suffer from mild/moderate OSA.

Current remedies tend to be expensive and highly invasive oral or machine-based treatments and ongoing compliance among patients is low (reportedly as low as 42%²). Rhinomed recognises the significant opportunity and applicability of its intranasal technology to address this need and is well advanced in providing an easy to use, cost effective product solution for OSA.

Rhinomed recently reported on its Phase I pilot trial for its INPEAP prototype technology conducted at

the Monash Lung and Sleep Centre, Monash Health, Melbourne. Unlike CPAP that uses mechanical means to increase air pressure to stop the throat collapsing during sleep, INPEAP employs EPAP, expiratory positive airway pressure, using the person's own out breath to create sufficient pressure to hold open the upper airway. This is a more natural, less invasive approach, which has potential to address the low adoption and compliance rates associated with existing treatments.

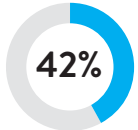
INPEAP will target mild to moderate OSA patients. It is being designed to sit comfortably inside the nose and, using a specialised valve, it will allow a normal breath in but create light resistance to the out breath to keep the airway more open and unobstructed.

On 10 June 2016, we announced our Phase I pilot study results outlining that 19 moderate-severity OSA subjects completed a polysomnography in-clinic study and a 14-day in-home tolerance trial. The trial indicated that moderate-severity OSA may be attenuated through EPAP, with seven patients meeting the primary end point responding positively with a 50% or

more reduction in their AHI (Apnea-Hypopnea Index) levels using the Rhinomed INPEAP device, five subjects were partial responders, obtaining an AHI reduction of 30-50% and seven did not see an improvement or had a deterioration in their AHI scores. Out of the non-responders five were found to be mouth-breathing, which made it difficult to reach the pressures required to assess the INPEAP device.

The study supported the ongoing assessment of this technology, indicating that moderate-severity Obstructive Sleep Apnea may be attenuated through EPAP (Expiratory Positive Air Pressure). The results support the Company's belief that a well-tolerated and low-cost intranasal device could provide a viable and effective treatment for some people with moderate OSA.

Rhinomed is also investigating the viability of a related product aimed at a combined therapy approach (adjunct to CPAP mask or Mandibular Splint) for severe sleep apnea sufferers. Next steps are to undertake a Phase IIb clinical trial with INPEAP, whilst also refining manufacturing materials selection and production requirements for this product.



OF PEOPLE WITH OSA
ADHERE TO CPAP*



6 OUT OF 10 DROP
OFF THERAPY

IN TRIAL*, ONLY 6.7% TRIED CPAP¹

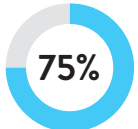


MEAN USE OF CPAP 3.3HRS²
US REIMBURSEMENT
REQUIRES > 4HRS/NIGHT

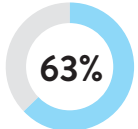
Nasal obstruction is a major contributor to poor compliance

INPEAP

Creates light resistance to maintain open airway



OF USERS TOLERATED
THE DEVICE³



OF USERS WERE
RESPONDERS³

*McEvoy RD, Antic NA et al. (2016) CPAP for Prevention of Cardiovascular Events In Obstructive Sleep Apnea. The New England Journal of Medicine. Aug 28, 2016 | DDI: 10.1056/NEJ/oa1606599

¹ n= 1341

² n= 1346

³Rhinomed Phase I Pilot Sleep Apnea Clinical Trial, June 10, 2016. (n=19). (7 > 50% reduction AHI, 5 - AHI reduction 30-50%, 7 non-responders), (14-day in-home trial - 75% tolerated the device. 4 were unable to complete the 14 day use).

¹Winsconsin Sleep Cohort, (2002) American Journal of Respiratory and Critical Care Medicine, Vol 165, pp 1217-1239.

²McEvoy DR et al. (2016) CPAP for Prevention of Cardiovascular Events in Obstructive Sleep Apnea. N Engl J Med 2016; 375:919-931.

COUGH, COLD AND ALLERGY

Over the counter decongestant products currently account for more than 20% of total expenditure in the US\$42.8 billion ‘natural supplement’ market (Statista.com). These products include cold/allergy/sinus tablets and liquids, cough lozenges, chest rubs, cough syrups, humidifiers and nasal products such as inhalers.

Rhinomed recognises an opportunity to leverage its technology platform to enter this lucrative market segment with an easy-to-use intranasal decongestant device.

Currently in development phase, the Company is investigating the use of a vapour-infused product that would be worn at night or while resting to ease nasal congestion. The combination of Rhinomed technology (nasal stenting) with the mild cooling effects of the vapour has the potential to soothe the lining of the nose, ease breathing and relieve coughing.

Further applications in the use of vapours, scents and aromatics to assist with such things as appetite suppression and anxiety are also being considered.

NASAL DRUG DELIVERY

Partnerships between Rhinomed and biotech / pharma organisations interested in the alternative drug delivery potential of the Company’s patented nasal technology are currently being explored.

Administering medication to patients transdermally or transmucosally is already an option for patients with particular conditions or where there is low tolerance for traditional modes of drug delivery. Until now, intranasal delivery has relied on nasal sprays. The Rhinomed platform provides a more stable platform (with the potential to administer in situ for up to eight hours) and the possibility of accommodating a broader range of medication formulations for a range of medical conditions.

The drug delivery program has not been a focal point for Rhinomed while concentrating on broadening distribution for its current over-the-counter products. The Company welcomes new partnership enquiries regarding the drug delivery program from interested biotech, pharma and research institutions.

IN MARKET

2014	2015/16	2015/16
		
TURBINE SPORT AND EXERCISE	MUTE OTC SNORING	MUTE NASAL OBSTRUCTION

IN DEVELOPMENT

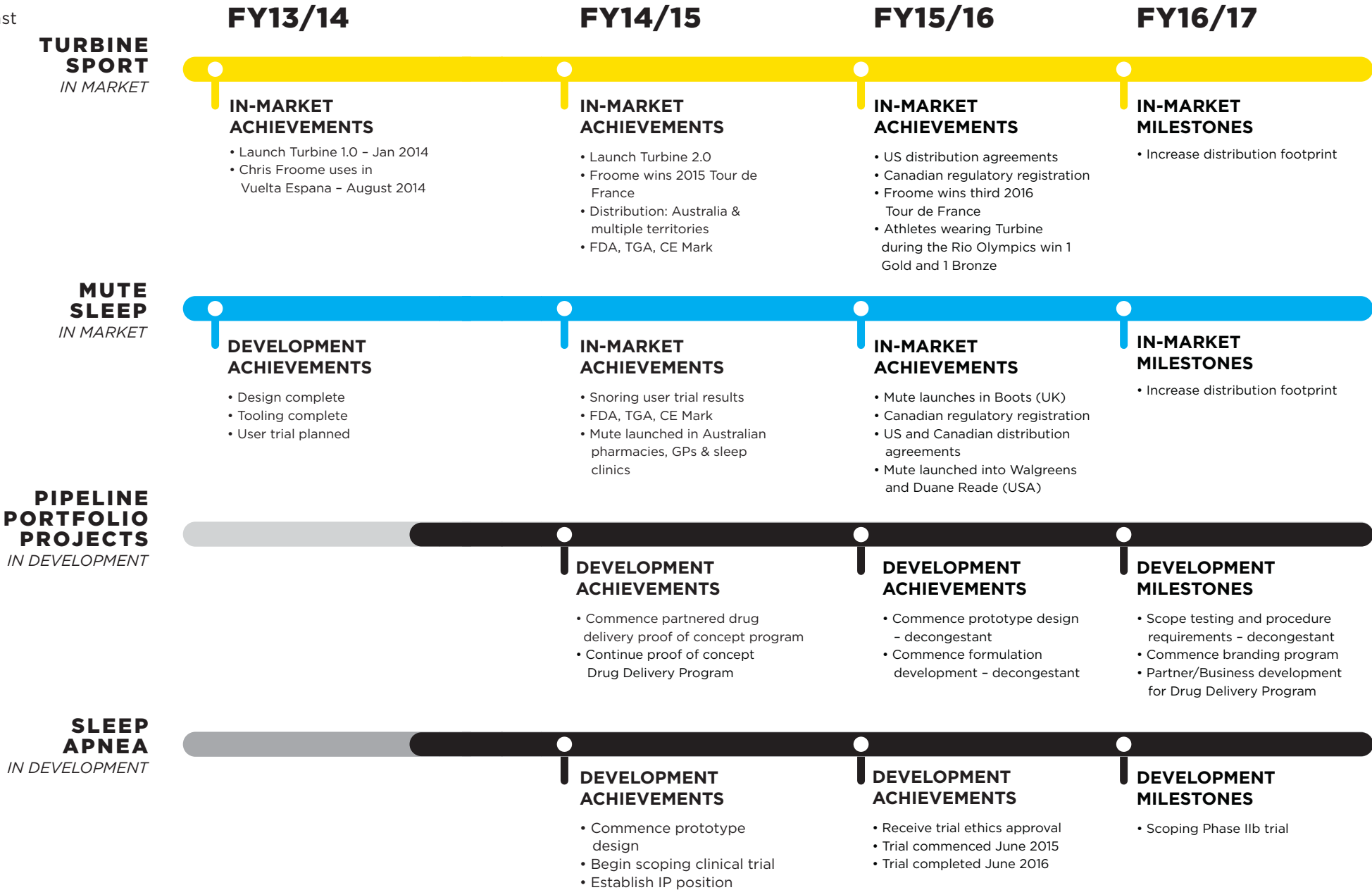
INPEAP MILD TO MODERATE OSA PHASE 1 COMPLETE	DECONGESTION PROJECT CLEAR	HAYFEVER/ALLERGIC RHINITIS FILTRATION
SLEEP QUALITY AND ANXIETY	NASAL DRUG DELIVERY	

PROGRAM STATUS

ACHIEVEMENTS & MILESTONES

The Company has achieved a number of significant milestones over the past 12 months, most notably the launch of Mute into US Tier 1 pharmacies and completion of our Phase 1 pilot trial for sleep apnea.

Our current progress against milestones is illustrated here.



REGULATORY STRATEGY

We were pleased during the financial year to complete our regulatory registration in Canada, receiving our Medical Development Establishment License (MDEL) from Health Canada. During the year, we have continued to cement our Quality Management System (QMS) at all levels across the organisation. In addition, we have tightened our internal communication policies and procedures and sought regulatory legal review and advice as required.

INTELLECTUAL PROPERTY

Rhinomed continues to file applications to protect new intellectual property, of which a considerable amount has been developed over the past 12 months. Existing and new intellectual property has been diligently prosecuted in all relevant jurisdictions, with numerous cases successfully proceeding to Grant status.

Highlighted developments in the intellectual property portfolio include:

- A new Patent application filed in order to protect key aspects of the INPEAP device.
- New Design applications filed to protect the INPEAP devices with numerous cases successfully registered for protection.
- Numerous trademark applications granted in major jurisdictions for TURBINE, MUTE, and INPEAP.

PATENTS

A NASAL CAVITY DILATOR

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
International	WO2004/026391	Completed
Australia	2003227108	Granted
	2007202425	Granted
	2011200652	Granted
United States of America	7,105,008	Granted
	7,727,252	Granted
	7,740,643	Granted
	14/506,425	Pending
New Zealand	539496	Granted
Japan	4582518B	Granted
China	1729029B	Granted
Mexico	MXPA05003044	Granted
Europe	1549379	Granted
Austria	E637138	Validated
Belgium	1549379	Validated
Czech Republic	1549379	Validated
Denmark	1549379	Validated
Finland	1549379	Validated
France	1549379	Validated
Germany	603 45 163.2	Validated
Greece	1549379	Validated
Hungary	1549379	Validated
Ireland	1549379	Validated
Italy	1549379	Validated
Portugal	1549379	Validated
Spain	2450925	Validated
Sweden	1549379	Validated
Switzerland	1549379	Validated
The Netherlands	1549379	Validated
United Kingdom	1549379	Validated

PATENTS

A DEVICE FOR IMPROVING AIR FLOW THROUGH A NASAL CAVITY DURING
PHYSICAL ACTIVITY SUCH AS SPORTING PURSUITS (‘BELT’)

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
International	PCT/AU2012/000898	Completed
Australia	2012386483	Registered
New Zealand	623029	Registered
Europe	12881710.3	Pending
China	201280074886.3	Pending
United States of America	14/417421	Pending
Hong Kong	15105871.6	Pending

IMPROVEMENTS RELATING TO NASAL
DILATION DEVICES (‘BOLT’)

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
International	PCT/AU2013/000043	Completed
Australia	2013204827	Registered
New Zealand	625373	Accepted
Europe	13822563.6	Pending
China	201380039290.4	Pending
United States of America	14/417,451	Pending

NASAL DILATOR DEVICES (‘MUTE’)

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
International(PCT)	PCT/AU2015/050032	Pending
New Zealand	629495	Filed
Taiwan	104119734	Filed

NASAL DILATOR DEVICES (‘TURBINE’)

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
International(PCT)	PCT/AU2015/050032	Pending
Taiwan	104119734	Filed

NASAL DILATORS (‘INPEAP1’)

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
International(PCT)	PCT/AU2015/050314	Pending

NASAL DILATORS (‘INPEAP CLINICAL’)

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
Australia	2015903056	Draft

DESIGNS

BELT

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	350709	Registered
Brazil	BR302013003518.2	Accepted
India	255356	Registered
Japan	D2013-016585	Registered
Mexico	MX/f/2013/002100	Accepted
European Union	002277434	Registered
Argentina	85.804	Registered
China	201330341154.3	Registered
New Zealand	417812	Registered
United States	29/461217	Registered
Canada	152145	Registered

TURBINE I

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	352915	Registered
Canada	154473	Registered
China	201430013176.1	Registered
European Union	1002376400	Registered
Japan	2013-030505	Registered
United States of America	29/479,493	In Prosecution

DESIGNS

TURBINE II

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	352986 (16408/2013)	Registered
European Union	002444562	Registered
India	2261822	Registered
China	201430089717.9	Registered
Japan	2013-030505	Registered
United States of America	29/493,060	Accepted
South Africa	F2014/00909	Pending
Japan	2014-012345	Registered
Korea	30-2014-0027588	Registered
Russia	2014502234	Registered
New Zealand	418886	Registered

DILATOR - FILTER

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	356549	Certified
European Union	002601088-0001	Registered
United States of America	29/512,496	Registered
Japan	2014-028705	Registered
China	201430539148.3	Registered
Canada	160233	Registered
Russia	2014505033	Registered
India	268145	Registered

DILATOR - WITH RATCHET

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	356550	Certified
European Union	002601088-0002	Registered
United States of America	29/512,482	Registered
Japan	2014-028703	Registered
China	201430539174.6	Registered
Canada	160231	Registered
Russia	2014505035	Registered
India	268146	Registered

DILATOR - WITHOUT RATCHET

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	356551	Certified
European Union	002601088-0003	Registered
United States of America	29/512,492	Registered
Japan	2014-28704	Registered
China	201430539868.X	Registered
Canada	160232	Registered
Russia	2014505034	Registered
India	268144	Registered

DESIGNS

TURBINE 3.0

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	201510495	Registered
Canada	162563	Registered
China	201530173446.X	Registered
European Union	00271324-0001	Registered
India	272761	Registered
Japan	D2015-013540	Registered
Russia	2015501656	Registered
United States of America	29/531,291	Pending

INPEAP/CPAP DESIGN

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	201512973	Pending
Canada	162563	Pending
China	201530448184.3	Registered
Europe	002870683	Registered
India	277845	Pending
Japan	2015-27358	Pending
Russia	2015504306	Pending
United States of America	29/547, 579	Pending

INPEAP - NO ARM DESIGN

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
Australia	201517103	Registered
Europe	003237924	Pending
Japan	D206-013473	Pending
United States of America	29/569,108	Pending

TRADEMARKS

BO₂LT

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
Australia	1517641	Registered

BREATHEASSIST

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
United States of America	1111756	Registered
Australia BREATHE ASSIST; BREATHEASSIST; Breathe Assist; BreatheAssist	958713	Registered

INPEAP

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
Australia	1703812	Registered
United States of America	1259432	Protected

MAKE EVERY BREATH COUNT

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
Australia	TBA	Filed, Not Examined

DESIGNS

MUTE

COUNTRY / JURISDICTION	CASE NO.	STATUS
Argentina	201512973	Pending
Australia	162563	Pending
Brazil	201530448184.3	Registered
Canada	002870683	Registered
Chile	277845	Pending
Colombia	2015-27358	Pending
Europe (OHIM)	2015504306	Pending
Hong Kong	29/547, 579	Pending
India	1258450	Filed, Not Examined
Indonesia	D002015013080	Filed, Not Examined
Japan	1258450	Registered
Malaysia	2015054734	Registered
Mexico	1258450	Filed, Not Examined
New Zealand	1258450	Protected
Norway	1258450	Protected
China	1258450	Filed, Not Examined
Korea	1258450	Under Examination
Singapore	1258450	Under Examination
South Africa	2015/08334	Accepted
Switzerland	1258450	Filed, Not Examined
Taiwan	104016538	Registered
Thailand	979649	Filed, Not Examined
United States of America	1258450	Protected

RHINOMED

COUNTRY / JURISDICTION	CASE NO.	STATUS
Australia	1579247	Registered
Europe	1207112	Protected
United States of America	1207112	Protected

SLEEP ASSIST

COUNTRY / JURISDICTION	CASE NO.	STATUS
Australia	1043158	Registered

TURBINE

COUNTRY / JURISDICTION	CASE NO.	STATUS
Argentina	3369154	Registered
Australia	1568756	Registered
Brazil	908.545.436	Accepted
Canada	1647839	Registered
Chile	1130266	Under Examination
Colombia	1191436	Filed, Not Examined
Europe (OHIM)	1191436	Protected
Hong Kong	303173896	Registered
India	1191436	Under examination
Indonesia	D00 2014 050422	Filed, Not Examined
Japan	1191436	Protected
Malaysia	2014065924	Filed, Not Examined
Mexico	1191436	Filed, Not Examined
New Zealand	1024018	Registered
Norway	1191436	Protected
China	1191436	Protected
Korea	1191436	Protected
Singapore	1191436	Protected
South Africa	2014/28750	Protected
Switzerland	1191436	Protected
Taiwan	103062558	Registered
Thailand	964150	Under Examination
United States of America	1258450	Protected

CORPORATE DIRECTORY

DIRECTORS

MR MARTIN ROGERS
Independent Non-Executive Chairman
(resigned on 1 December 2015)

MR RON DEWHURST
Independent Non-Executive Chairman
(appointed on 1 December 2015)

DR ERIC KNIGHT
Independent Non-Executive Director

MR BRENT SCRIMSHAW
Independent Non-Executive Director

COMPANY SECRETARIES

MR PHILLIP HAINS

MR JUSTYN STEDWELL

AUSTRALIAN COMPANY
NUMBER (ACN)

107 903 159

Rhinomed Limited is a Public
Company Limited by shares and is
domiciled in Australia.

PRINCIPAL PLACE OF BUSINESS

Level 1, 4-10 Amsterdam St
Richmond, Victoria, 3121
Australia
Telephone: +61 (0) 3 8416 0009
Fax: +61 (0) 3 9822 7735

REGISTERED OFFICE

Suite 1, 1233 High Street
Armadale, Victoria, 3143
Australia
Telephone: +61 (0) 3 9824 5254
Fax: +61 (0) 3 9822 7735

SHARE REGISTRY

Automic Registry Services
PO Box 223
West Perth, WA, 6953
Australia
Telephone: +61 (0) 8 9321 2337
Email: info@automic.com.au

BANKERS

National Australia Bank (NAB)
330 Collins Street,
Melbourne, Victoria, 3000
Australia

AUDITORS

HLB Mann Judd
Level 9, 575 Bourke Street
Melbourne, Victoria, 3000
Australia

SECURITIES QUOTED

Australian Securities Exchange

- Ordinary Fully Paid Shares (Code: RNO)
- Listed Options over Ordinary Fully Paid Shares (Code: RNOOA) exercisable at \$0.06 per option on or before 30 April 2017

WEBSITE

www.rhinomed.global

DIRECTORS' REPORT



DIRECTORS' REPORT

The Directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'consolidated entity' or 'group') consisting of Rhinomed Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended and as at 30 June 2016.

DIRECTORS

The following persons were Directors of Rhinomed Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Mr Michael Johnson
- Mr Eric Knight
- Mr Martin Rogers (resigned on 1 December 2015)
- Mr Ron Dewhurst (appointed on 1 December 2015)
- Mr Brent Scrimshaw

Mr Martin Rogers was a Director from the beginning of the financial year until his resignation on 1 December 2015.

PRINCIPAL ACTIVITIES

The Group's principal activities in the course of the financial year were research, development and commercialisation of consumer and medical devices. There were no significant changes in the nature of the Group's principal activities during the financial year.

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid or proposed during the year. (2015: Nil).

OPERATING AND
FINANCIAL REVIEW

RESULTS

Total sales revenue for the financial year was \$1.01m, an increase of 134% from \$432k in the previous year. This reflects the significant progress made in opening up sales in the UK and North American markets. The Group reported a loss of \$6.0m for the financial year, up from \$5.3m for the previous financial year as investment in operational capability increased. Operating expenses have increased as the Company scales up operations and builds global markets for the first two products based on its patented nasal technology platform.

Over the course of FY16 the Company set several specific milestones:

- Launch Mute into the Australian market
- Open distribution of Mute in the United Kingdom
- Establishment of a US office
- Open distribution of Mute into the North American market
- Complete the Phase 1 Trial of the INPEAP technology
- Expand awareness of the Turbine technology through strategic relationships
- Strengthen the Company's board and management to reflect the increasingly global nature of the Company's activities.

Pleasingly, the Company has made significant progress and achieved all of the specified milestones.

KEY PRODUCTS

Turbine and Mute are uniquely customisable nasal stents that enhance nasal breathing and reduce congestion without placing pressure on the septum.

Mute is designed to increase airflow, reduce snoring and improve sleep quality. Mute is light and flexible and can be worn comfortably during sleep. An independent in-home User Trial, as well as market research in the US, UK and Australia has assisted to develop an understanding of the scope of the global market opportunity and the key target groups.

Turbine is designed to make breathing easier during exercise. Because retention is vital, Turbine employs more robust materials and retention features on the paddles and curved arms to hold the device in place. Turbine can also be adjusted while in place to allow adjustment during intense exercise.

DISTRIBUTION

Mute and Turbine are registered with regulatory authorities in key markets (TGA, US FDA, European CE Mark, Canada Health). They are over-the-counter products and are sold online and through pharmacies, sleep clinics and sports stores.

The Company launched Turbine in 2014. Mute was launched initially online in December 2014, then into the Australian retail market in late March 2015. The distribution footprint has continued to expand with launches into key markets during the financial year.

The Company is focussing its sales and marketing efforts on North America, on the United Kingdom and the home market of Australia. In recognition of the potential of the North American market, the Company has appointed two sales staff and opened an office in Cincinnati, Ohio.

GEOGRAPHY	TYPE OF DISTRIBUTION	STORES*	DATE
Australia	Distributor, Direct Retail, Online Retailers, Sleep Clinics	600	Mar 2015
United Kingdom	Direct Retail (Boots UK)	600	Nov 2015
United States	Distributors (McKesson, Europa), Direct Retail (Duane Reade, Walgreens, Dick's Sporting Goods, Performance Bike), Online retailers	1,245	May 2015
Canada	Distributor (McArthur Medical)	24	Jun 2016
		2,469	

*Stores numbers are estimated as at August 2016.

OPERATIONS

Sales for the June quarter were \$298k. With the US and Canadian launches occurring so late in the financial year, their impact on sales was relatively minor. The impact of these markets will be felt in the first half of FY17.

Sales and marketing costs for the financial year have been high reflecting the cost of promotional campaigns to support the launch of Mute in both the UK and the US. This initial expenditure has been important in ensuring the Company meets early hurdle rates in these markets but is not expected to continue at these levels. The Company plans to leverage growing awareness and endorsement amongst sleep professionals and to focus on store presence, merchandising and PR opportunities.

Mute has featured in a number of Australian media stories during the year: A Current Affair, Channel 7 Weekend Sunrise, Channel 7 News and the Herald Sun. In the UK, Sir Steve Redgrave and Mrs Jenny Chapman (the UK's loudest snorer) helped launch Mute in numerous radio interviews broadcast all over the United Kingdom and Mute has featured on a couple of occasions in the Daily Mail. Sales respond strongly to PR activity reinforcing our belief that snorers will enthusiastically embrace new solutions.

Turbine is worn by key opinion leaders, including three time winner of the Tour de France Chris Froome, US Olympian Shannon Rowbury, 2015 UCI World Time Trial champion Linda Villumsen and the AeroVelo team. Their use and endorsement of the technology in sport plays an important role in highlighting the importance of breathing and reinforcing the credibility of Rhinomed's technology platform.

The Company is focusing its sales and marketing efforts on realising the potential of Mute in key markets and will curtail some Turbine marketing expenditure.

Working capital requirements have been high. Inventories increased to \$545k from \$110k as higher stock holdings with specific packaging requirements were required to service different geographies. Trade debtors increased to \$510k from \$120k reflecting both increased sales overall and the impact of trading terms of major retail and distribution customers. Employee costs have also increased as a result of opening the US office. The Company will continue to monitor corporate and overhead costs to ensure the timely investment in appropriate levels of expenditure.

CORPORATE

The Company raised capital of \$7.2m before costs during the financial year to provide working capital to support expansion plans.

The Company received research and development tax rebates of \$437k compared with \$570k in the previous financial year. This decrease reflects the Company's increasing focus on expanding the distribution footprint for its lead products.

The Company sold its investment in listed Imugene shares and disposed of its Marxman Vibrovein technology along with all associated intellectual property during the financial year.

R&D

The Company's INPEAP (Intranasal Positive Expiratory Air Pressure) technology is being developed as a low-cost frontline treatment for mild to moderate obstructive sleep apnea (OSA).

OSA is a highly prevalent condition with low diagnosis levels and low compliance rates for existing treatments. In June 2016, the Company announced the results of its Phase I Pilot Sleep Apnea Clinical Trial. The trial (n=19) was conducted at the Monash Lung and Sleep Centre at Monash Health under Principal Investigator, Associate Professor

Darren Mansfield and consisted of both an in-clinic study using polysomnography and a 14-day in-home trial.

Key findings were:

- Mean AHI (Apnea-Hypopnea Index) reduced from 19.2 to 16.5 per hour.
- 2 subjects showed efficacy to the primary end-point with 7 of the respondents showing an AHI reduction of >50% and 5 respondents showing an AHI reduction of 30-50%. Seven subjects did not respond to the treatment, which appears to be due to mouth breathing. Mouth breathing also presents difficulties for existing OSA treatments.

The results suggest the INPEAP technology may be effective in treating some patients with mild to moderate OSA. Grant funding will be sought to support the development of INPEAP.

The Company has built and will continue to invest in an end to end platform of solutions to nasal and respiratory problems. The sleep industry, in particular, is a significant and growing market with large unmet clinical needs. We continue to believe that the investment in R&D will deliver both near term and long term returns for shareholders.

FINANCIAL POSITION

The Group held cash reserves of \$2.6m at 30 June 2016, a increase of \$1.24m from the previous period end. The Group's net assets were \$7.115m compared with \$5.967m for the previous year. The net carrying value of the Group's intangible assets of \$4.0m compared with \$4.4m for the previous year.

**BUSINESS STRATEGY AND
FUTURE PROSPECTS**

The Company expects continued strong performance in the new financial year as it extends the reach of Mute into retail pharmacies and sleep clinics in key initial markets: USA, Canada, the United Kingdom and Australia. The Company has recognised the need to focus sales and marketing activities in order to leverage these opportunities and will curtail some Turbine marketing activities.

There is strong interest in the Company's technologies and their role in opening conversations and developing relationships with consumers about sleep quality. This interest opens opportunities for strategic relationships which will assist the Company expand its footprint.

**SIGNIFICANT CHANGES IN
STATE OF AFFAIRS**

Other than that has been disclosed, there were no significant changes in the state of affairs of the Group during the current period.

MATERIAL BUSINESS RISKS

The Company is subject to normal business risks, including but not limited to interest rate movements, labour conditions, government policies, securities market conditions, exchange rate fluctuations, and a range of other factors which are outside the control of the Board and Management.

More specific material risks of the biotechnology sector and the Company include, but are not limited to:

- Scientific, technical & clinical – product development requires a high level of scientific rigour, for which the outcomes cannot be known beforehand. Activities are experimental in nature so the risk of failure or delay is material. Key development activities, including clinical trials and product manufacture, are undertaken by specialist contract organisations; and there are risks in managing the quality and timelines of these activities.

- Regulatory – products and their testing, may not be approved by, or be delayed by regulatory bodies whose approvals are necessary before products can be sold in market.
- Financial – the Group currently, and since inception, does not receive sufficient income to cover operating expenses. There is no certainty that additional capital funding may not be required in the future, and no assurance can be given that such funding will be available, if required.
- Intellectual Property (IP) – commercial success requires the ability to develop, obtain and maintain commercially valuable patents, trade secrets and confidential information. Gaining and maintaining the IP across multiple countries; and preventing the infringement of [the Group's exclusive rights involves management of complex legal, scientific and factual issues. The Company must also operate without infringing upon the IP of others.
- Commercialisation – the Group relies, and intends to rely, upon corporate partners to market, and in some cases finalise development of its products,

on its behalf. There are risks in establishing and maintaining these relationships, and with the manner in which partners execute on these collaborative agreements.

- Product acceptance & competitiveness – a developed product may not be considered by key opinion leaders or the end customer to be an effective alternative to products already on market, or new superior future products may be preferred.
- Product liability – a claim or product recall would significantly impact the Company. Insurance, at an acceptable cost, may not be available or be adequate to cover liability claims if a marketed product is found to be unsafe.
- Key personnel – the Group's success and achievements against timelines depend on key members of its highly qualified, specialised and experienced management and scientific teams. The ability to retain and attract such personnel is important.

In accordance with good business practice the Group's management actively and routinely employs a variety of risk management strategies. These are broadly described in the Corporate Governance Statement.

INFORMATION ON DIRECTORS

The names of Directors in office at any time during or since the end of the year are:

MR MICHAEL JOHNSON	EXECUTIVE DIRECTOR
EXPERIENCE AND EXPERTISE	Mr Johnson is also a director of Melbourne based Cogentum, one of Australia's leading market oriented strategic advisory firms based in Melbourne, Australia. Over the last 20 years Mr Johnson has worked in and for a wide spectrum of companies from ASX300 through to start-up companies in Life Sciences, Cleantech, Financial Services, Energy and Utilities, Manufacturing, Marketing and Communication, Automotive, and Consumer packaged goods. His most recent work has focused on helping companies envision and create new growth and innovation, manage and grow technology platforms and achieve sustainable growth through business model innovation. Mr Johnson has been a Principal at two leading global consulting firms where he advised on innovation and competing in heavily regulated industries. Before that he held roles within some of the world's most successful marketing and communication firms. Where he launched a number of high profile new products and brands. Mr Johnson has received a Master's degree in Entrepreneurship and Innovation from Swinburne University and a Bachelor's degree with distinction in business from Monash University.
Date of appointment	1 February 2013
Committees	Member of the Remuneration and the Audit Committee.
Other listed company directorships in the past 3 years	-
Interest in shares	1,611,014 ordinary fully paid shares
Interest in options	40,273,056 options

MR MARTIN ROGERS	NON-EXECUTIVE CHAIRMAN
EXPERIENCE AND EXPERTISE	Mr Rogers is a successful startup investor and company director. Mr Rogers has Chemical Engineering and Science degrees and has a depth of experience in incubating companies and publicly listed organisations. Mr Rogers has experience in all aspects of financial, strategic and operational management and has helped raise over \$100m cash equity. Mr Rogers has been both an investor and senior executive in a private funded advisory business in the science and biotechnology sectors, where he was instrumental in significantly increasing the value of those investments. Mr Rogers also holds a number of not-for-profit roles.
Date of appointment	3 September 2012
Date of resignation	1 December 2015
Other listed company directorships in the past 3 years	OncoSil Medical Limited (ASX: OCL) Cellmid Limited (ASX: CDY) - resigned 30 June 2015 Prima Biomed Limited (ASX: PRR) - resigned 2013 Actinogen Limited (ASX: ACW)
Committees	Member of the Remuneration and the Audit Committee.
Interest in shares	3,428,573 ordinary fully paid shares
Interest in options	34,700,000 options

MR RON DEWHURST	NON-EXECUTIVE CHAIRMAN
EXPERIENCE AND EXPERTISE	Mr Dewhurst has spent 40 years in the Investment Banking and Asset Management Industries, covering Australia, Asia, Europe and America. In 1992 he joined J P Morgan where he ran the Asian and European equities divisions in Hong Kong and London before being appointed Head of Americas for J P Morgan Asset Management. In 2004 he was CEO of IOOF Holdings Ltd and from 2008 until 2013 he was Senior Executive Vice President and Head of Global Investment Managers for Legg Mason Inc based in the U.S.A. Previously, Mr Dewhurst worked within Melbourne-based broking firm McCaughan Dyson going on to become CEO of what became ANZ McCaughan Ltd.
Date of appointment	1 December 2015
Other listed company directorships in the past 3 years	Diversa Ltd (ASX: DVA)
Committees	Member of the Remuneration and the Audit Committee.
Interest in shares	71,000,000 ordinary fully paid shares
Interest in options	10,000,000 options

DR ERIC KNIGHT	NON-EXECUTIVE DIRECTOR
EXPERIENCE AND EXPERTISE	Dr Knight brings a depth of experience in corporate strategy and management, having previously worked for the Boston Consulting Group. He specialises in strategy implementation and corporate innovation in the healthcare, digital media, and financial services sectors. Dr Knight draws upon his expertise to support the organization's internationalization and commercialization strategy. Dr Knight is a Graduate of the Australian Institute of Company Directors, and is based at the University of Sydney Business School, where he leads strategy and entrepreneurship teaching in the MBA.
Date of appointment	12 February 2014
Other listed company directorships in the past 3 years	-
Committees	Chair of the Audit Committee Member of the Remuneration Committee
Interest in shares	761,572 ordinary fully paid shares
Interest in options	10,000,000 options

MR BRENT SCRIMSHAW	NON-EXECUTIVE DIRECTOR
EXPERIENCE AND EXPERTISE	Mr Scrimshaw brings a unique understanding of the requirements of building disruptive brands and businesses worldwide. During a 19-year career with Nike Inc. where he became Vice President and Chief Executive of Western Europe and a member of the global corporate leadership team, he was responsible of many of Nike's major growth and brand strategies. He is also a non-executive director of Fox Head Inc, one of the world's leading Motocross and Action Sports brands in California, USA.
Date of appointment	12 February 2014
Other listed company directorships in the past 3 years	Catapult Sports Ltd (ASX: CAT)
Committees	Chair of the Remuneration Committee Member of the Audit Committee
Interest in shares	759,177 ordinary fully paid shares
Interest in options	10,000,000 options

INFORMATION ON KEY
MANAGEMENT PERSONNEL

The names of Key Management Personnel in office at any time during or since the end of the year are:

JUSTINE HEATH	CHIEF FINANCIAL OFFICER & CHIEF OPERATING OFFICER
EXPERIENCE AND EXPERTISE	Ms Heath is a Fellow of the Institute of Chartered Accountants, Australia and has more than two decades experience in senior finance and operational roles. Ms Heath brings considerable executive experience in healthcare and technology development companies and a strong commercial background. She started her career at PWC before working at Santos and then in senior finance roles at healthcare major Faulding and as COO/CFO at ASX listed Hexima before its privatisation. More recently Ms Heath was CFO at hearing aid company Blamey Saunders.
Date of appointment	6 February 2015
Interest in shares	Nil
Interest in options	5,000,000 options

MR SHANE DUNCAN	VICE PRESIDENT GLOBAL SALES AND MARKETING
EXPERIENCE AND EXPERTISE	Mr Duncan has over 20 years International experience across pharmaceutical marketing, sales and medical communications. Mr Duncan was formerly the Founder and Managing Director of Lifeblood which is an Australian based medical education and healthcare advertising agency.
Date of appointment	23 August 2015
Interest in shares	300,000 ordinary fully paid shares
Interest in options	5,000,000 options

MR PHILLIP HAINS	JOINT COMPANY SECRETARY
EXPERIENCE AND EXPERTISE	Mr Hains is a Chartered Accountant operating a specialist public practice, 'The CFO Solution'. The CFO Solution focuses on providing back office support, financial reporting and compliance systems for listed public companies. A specialist in the public company environment, Mr Hains has served the needs of a number of company boards and their related committees. He has over 20 years' experience in providing businesses with accounting, administration, compliance and general management services. He holds a Master of Business Administration from RMIT and a Public Practice Certificate from the Institute of Chartered Accountants.
Date of appointment	24 December 2012
Interest in shares	9,087,628 ordinary fully paid shares
Interest in options	11,852,000 options

MR JUSTYN STEDWELL	JOINT COMPANY SECRETARY
EXPERIENCE AND EXPERTISE	Mr Stedwell is a professional Company Secretary with over 8 years' experience as a Company Secretary in ASX listed companies within various industries including IT & Telecommunications, Biotechnology, and Mining. He has completed a Bachelor of Business & Commerce (Management & Economics) at Monash University, a Graduate Diploma of Accounting at Deakin University, a Graduate Diploma in Applied Corporate Governance with Chartered Secretaries Australia and Graduate Certificate of Applied Finance with Kaplan Professional.
Date of appointment	22 June 2011
Interest in shares	Nil
Interest in options	Nil

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ('the Board') and of each board committee held during the year ended 30 June 2016, and the number of meetings attended by each Director were:

	FULL BOARD		AUDIT COMMITTEE		REMUNERATION COMMITTEE	
	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD
MICHAEL JOHNSON	7	7	4	4	-	-
ERIC KNIGHT	7	7	4	4	-	-
MARTIN ROGERS	4	4	1	1	-	-
RON DEWHURST	4	4	3	3	-	-
BRENT SCRIMSHAW	7	7	4	4	-	-

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

REMUNERATION REPORT (AUDITED)

The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service agreements
- D. Share-based compensation
- E. Relationship between remuneration policy and group performance
- F. Key management personnel disclosures

**A.
PRINCIPLES USED TO
DETERMINE THE NATURE AND
AMOUNT OF REMUNERATION**

PRINCIPLES OF COMPENSATION

The Board's policies for determining the amount and nature of compensation of key management personnel of the Group are as follows:

The compensation structure for key management personnel is based on a number of factors, including length of service, specific experience of the individual, the individual's performance and contribution to the Group and the overall performance of the Group.

The compensation structure of individual key management personnel is embodied in individual service contracts that include incentives designed to reward key management personnel for results achieved and to retain their services, as well as to create goals congruence between directors, executives and shareholders.

The Board's policy for determining remuneration is based on the following:

- I. The policy is developed by and approved by the board;
- II. All Key Management Personnel ("KMP") receive a base remuneration;
- III. Performance incentives are generally only paid once predetermined key performance indicators (KPI's) have been met; and
- IV. Incentives paid in the form of options are designed to align the interests of the Directors and company with those of shareholders.

All remuneration paid to KMP is valued at the cost to the Group and expensed. KMP are also entitled and encouraged to participate in the employee share and option arrangements to align directors' interest with shareholders.

FIXED REMUNERATION

Fixed compensation consisted of a base salary (calculated on a total cost basis, including any fringe benefits tax related to employee benefits) as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Remuneration Committee through a process that considers individual and Group's achievement.

**PERFORMANCE LINKED
REMUNERATION**

Performance linked compensation includes short term incentives (STI), in the form of cash bonuses paid only upon the achievement of predetermined KPIs.

Long term incentives (LTI) provided are options over ordinary shares in the Company.

Performance remuneration is designed to align the targets of the business units with the targets of those executives in charge of meeting those targets. Incentive based payments may be granted to executives based on specific annual targets and KPI being achieved. KPI's include financial and/or operational

performance targets. In addition, equity payments in the form of share options may be issued to KMP to further align their interests with the performance of the Group.

**SHORT TERM INCENTIVE
BONUS (STI)**

No STI bonuses were granted to KMP during the financial year ended 30 June 2016.

LONG TERM INCENTIVES (LTI)

Options granted to KMP during the financial year ended 30 June 2016 are shown in item D of this remuneration report. They vested on granting.

**RELATIONSHIP BETWEEN THE
REMUNERATION POLICY AND THE
GROUP'S PERFORMANCE**

The remuneration of executives consists of an unrisks element (base pay) and cash bonuses based on performance in relation to key strategic, non-financial measures linked to drivers of performance in future reporting periods. As such, remuneration is not linked to the financial performance of the Group in the current or previous reporting periods.

B.
DETAILS OF REMUNERATION

AMOUNTS OF REMUNERATION

SHORT TERM INCENTIVE

The key management personnel of the consolidated entity consisted of the following directors of Rhinomed Limited:

- Michael Johnson – Executive Director
- Martin Rogers – Non-Executive Chairman (resigned on 1 December 2015)
- Ron Dewhurst – Non-Executive Chairman (appointed on 1 December 2015)
- Brent Scrimshaw – Non-Executive Director
- Eric Knight – Non-Executive Director

And the following persons:

- Justine Heath - Chief Financial Officer & Chief Operating Officer
- Shane Duncan – Vice President Global Sales and Marketing (appointed on 23 August 2015)

Details of the remuneration of the key management personnel of the consolidated entity are set out in the following tables.

	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENTS	TOTAL	VALUE OF REMUNERATION NOT RELATED TO PERFORMANCE
2016	CASH SALARY AND FEES \$	BONUS \$	NON-MONETARY \$	SUPER-ANNUATION \$	LONG SERVICE LEAVE \$	EQUITY-SETTLED \$	\$	
NON-EXECUTIVE DIRECTORS:								
MARTIN ROGERS	35,000	-	-	-	-	-	35,000	100%
RON DEWHURST	44,749	-	-	4,251	-	96,780	145,780	100%
BRENT SCRIMSHAW	54,795	-	-	5,205	-	-	60,000	100%
ERIC KNIGHT	54,795	-	-	5,205	-	-	60,000	100%
EXECUTIVE DIRECTORS:								
MICHAEL JOHNSON	230,692	-	-	19,308	-	-	250,000	100%
OTHER KEY MANAGEMENT PERSONNEL:								
JUSTINE HEATH	200,913	-	-	19,087	-	48,390	268,390	82%
SHANE DUNCAN	229,295	-	-	-	-	48,390	277,685	83%
	850,239	-	-	53,056	-	145,170	1,096,855	
2015								
NON-EXECUTIVE DIRECTORS:								
MARTIN ROGERS	84,000	-	-	15,000	-	-	99,000	100%
BRENT SCRIMSHAW	69,795	-	-	5,205	-	-	75,000	100%
ERIC KNIGHT	69,795	-	-	5,205	-	-	75,000	100%
EXECUTIVE DIRECTORS:								
MICHAEL JOHNSON	246,217	-	-	18,783	-	-	265,000	100%
OTHER KEY MANAGEMENT PERSONNEL:								
JUSTINE HEATH	99,060	-	-	9,257	-	-	108,317	100%
PHILLIP HAINS	77,981	-	-	-	-	-	77,981	100%
	646,848	-	-	53,450	-	-	700,298	

C.
SERVICE AGREEMENTS

EXECUTIVES

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Michael Johnson
Title: Executive Director appointed 1 February 2013
Term of Agreement: Standard rolling agreement (no fixed term)

Details: The employment conditions of Michael Johnson are formalised in an employment contract. This contract includes a termination period of three months. As a KMP, Mr Johnson is entitled to participate in the Group's employee share option plans.

Name: Justine Heath
Title: Chief Financial Officer and Chief Operating Officer appointed 6 February 2014
Term of Agreement: Standard rolling agreement (no fixed term)

Details: The employment conditions of Justine Heath were formalised in a contract of employment at the time of appointment. This contract includes a termination period of nine months. As a KMP, Ms Heath is entitled to participate in the Group's employee share option plans.

Name: Shane Duncan
Title: Vice President Global Sales and Marketing appointed 23 August 2015
Term of Agreement: Standard rolling agreement (no fixed term)

Details: The employment conditions of Shane Duncan were formalised in a contract of employment at the time of appointment. This contract does not include an additional termination period other than what is required by law. As a KMP, Mr Duncan is entitled to participate in the Group's employee share option plans.

NON-EXECUTIVE DIRECTORS

Non-executive Directors
In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations is separate and distinct.

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive directors' fees and payments are reviewed annually by the Board of Directors. The Board of Directors considers advice from external sources as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Each director receives a fee for being a director of the Company.

The Chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration.

Directors' fees cover all main board activities and committee memberships.

All non-executive directors have an agreement for services with the Company that is ongoing. There is no termination clause within the agreement and no entitlement to a termination payment.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

D.
SHARE-BASED COMPENSATION

ISSUE OF SHARES

There has been no share based payments for the period ended 30 June 2016.

OPTIONS

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

NAME	NUMBER OF OPTIONS GRANTED DURING THE YEAR		NUMBER OF OPTIONS VESTED DURING THE YEAR	
	2016	2015	2016	2015
PHILLIP HAINS	-	-	-	-
MICHAEL JOHNSON	-	-	-	-
ERIC KNIGHT	-	-	-	-
MARTIN ROGERS	-	-	-	-
RON DEWHURST	10,000,000	-	10,000,000	-
BRENT SCRIMSHAW	-	-	-	-
JUSTINE HEATH	5,000,000	-	5,000,000	-
SHANE DUNCAN	5,000,000	-	5,000,000	-
	20,000,000	-	20,000,000	-

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

GRANT DATE	VESTING DATE AND EXERCISABLE DATE	EXPIRY DATE	EXERCISE PRICE	FAIR VALUE PER OPTION AT GRANT DATE
11/04/2016	-	11/04/2019	\$0.0650	\$0.0060
20/05/2016	-	30/04/2019	\$0.0674	\$0.0058

Options granted carry no dividend or voting rights and the value of the grant was determined in accordance with applicable Australian Accounting Standards.

There have been no alterations to the terms or conditions of any grants since grant date. All options granted entitle the holder to one ordinary share for each option exercised.

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

NAME	VALUE OF OPTIONS GRANTED DURING THE YEAR *	VALUE OF OPTIONS EXERCISED DURING THE YEAR	VALUE OF OPTIONS LAPSED DURING THE YEAR	REMUNERATION CONSISTING OF OPTIONS FOR THE YEAR
	\$	\$	\$	
PHILLIP HAINS	-	-	-	-
MICHAEL JOHNSON	-	-	-	-
ERIC KNIGHT	-	-	-	-
MARTIN ROGERS	-	-	-	-
RON DEWHURST	58,000	-	-	40%
BRENT SCRIMSHAW	-	-	-	-
JUSTINE HEATH	30,000	-	-	11%
SHANE DUNCAN	30,000	-	-	11%
	118,000	-	-	

*Options values at grant date are determined using the Black-Scholes method.

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**E.
RELATIONSHIP BETWEEN THE
REMUNERATION POLICY AND
GROUP PERFORMANCE**

As detailed under heading A, remuneration of executives consists of an unrisks element (base pay) and cash bonuses based on performance in relation to key strategic, non-financial measures linked to drivers of performance in future reporting periods. As such, remuneration is not

linked to the financial performance of the Group in the current or previous reporting periods.

The tables below set out summary information about the Group's earnings and movement in shareholder wealth for the five years to 30 June 2016:

	30 JUNE 2016	30 JUNE 2015	30 JUNE 2014	30 JUNE 2013	30 JUNE 2012
	\$	\$	\$	\$	\$
REVENUE	1,097,315	492,888	291,069	300,500	5,515,748
NET LOSS BEFORE TAX	(6,435,986)	(5,887,329)	(3,922,702)	(20,226,248)	(1,308,494)
NET LOSS AFTER TAX	(5,998,529)	(5,316,992)	(3,534,577)	(19,559,713)	(1,308,494)

No dividends have been paid for the five years to 30 June 2016.

	30 JUNE 2016	30 JUNE 2015	30 JUNE 2014	30 JUNE 2013	30 JUNE 2012
	\$	\$	\$	\$	\$
SHARE PRICE AT START OF THE YEAR	\$0.030	\$0.023	\$0.030	\$0.400	\$0.550
SHARE PRICE AT END OF YEAR	\$0.019	\$0.030	\$0.023	\$0.030	\$0.400
BASIC AND DILUTED GAIN/(LOSS) PER SHARE (CENTS)	(0.943)	(1.12)	(1.00)	(8.20)	(0.98)

**F.
KEY MANAGEMENT
PERSONNEL DISCLOSURES**

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SHAREHOLDING

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	BALANCE AT THE START OF THE YEAR	BALANCE AT DATE OF APPOINTMENT	RECEIVED AS PART OF REMUNERATION	ADDITIONS	DISPOSALS/ OTHER	BALANCE AT DATE OF RESIGNATION	BALANCE AT THE END OF THE YEAR
2016							
ORDINARY SHARES							
MICHAEL JOHNSON	1,611,014	-	-	-	-	-	1,611,014
MARTIN ROGERS*	3,428,573	-	-	-	-	3,428,573	-
RON DEWHURST**	-	50,000,000	-	21,000,000	-	-	71,000,000
BRENT SCRIMSHAW	759,177	-	-	-	-	-	759,177
ERIC KNIGHT	761,572	-	-	-	-	-	761,572
JUSTINE HEATH	-	-	-	-	-	-	-
SHANE DUNCAN	-	300,000	-	-	-	-	300,000
	6,560,336	50,300,000	-	21,000,000	-	3,428,573	74,431,763
2015							
ORDINARY SHARES							
MICHAEL JOHNSON	1,182,442	-	-	428,572	-	-	1,611,014
MARTIN ROGERS	3,000,001	-	-	428,572	-	-	3,428,573
BRENT SCRIMSHAW	330,605	-	-	428,572	-	-	759,177
ERIC KNIGHT	333,000	-	-	428,572	-	-	761,572
PHILLIP HAINS***	9,234,142	-	-	-	(146,514)	-	9,087,628
JUSTINE HEATH	-	-	-	-	-	-	-
	14,080,190	-	-	1,714,288	(146,514)	-	15,647,694

*Martin Rogers resigned as Non Executive Chairman on 1st December 2015

** Ron Dewhurst appointed as Non Executive Chairman on 1st December 2015

***Phillip Hains resigned as Chief Financial Officer on 6th February 2015

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2016

OPTION HOLDING

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The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	BALANCE AT THE START OF THE YEAR	BALANCE AT DATE OF APPOINTMENT	GRANTED AND VESTED	ACQUIRED ON MARKET	EXERCISED	EXPIRED/ FORFEITED	BALANCE AT DATE OF RESIGNATION	BALANCE AT THE END OF THE YEAR*
2016								
OPTIONS OVER ORDINARY SHARES								
MICHAEL JOHNSON	40,273,056	-	-	-	-	-	-	40,273,056
MARTIN ROGERS**	34,700,000	-	-	-	-	-	34,700,000	-
RON DEWHURST***	-	-	10,000,000	-	-	-	-	10,000,000
BRENT SCRIMSHAW	10,000,000	-	-	-	-	-	-	10,000,000
ERIC KNIGHT	10,000,000	-	-	-	-	-	-	10,000,000
JUSTINE HEATH	-	-	5,000,000	-	-	-	-	5,000,000
SHANE DUNCAN	-	-	5,000,000	-	-	-	-	5,000,000
	94,973,056	-	20,000,000	-	-	-	34,700,000	80,273,056
2015								
OPTIONS OVER ORDINARY SHARES								
MICHAEL JOHNSON	41,273,056	-	-	-	-	(1,000,000)	-	40,273,056
MARTIN ROGERS	35,300,000	-	-	-	-	(600,000)	-	34,700,000
BRENT SCRIMSHAW	10,000,000	-	-	-	-	-	-	10,000,000
ERIC KNIGHT	10,000,000	-	-	-	-	-	-	10,000,000
PHILLIP HAINS****	11,350,000	-	-	502,000	-	-	-	11,852,000
JUSTINE HEATH	-	-	-	-	-	-	-	-
	107,923,056	-	-	502,000	-	(1,600,000)		106,825,056

*all options fully vested and exercisable at the end of the year
**Martin Rogers resigned as Non Executive Chairman on 1st December 2015
*** Ron Dewhurst appointed as Non Executive Chairman on 1st December 2015
****Phillip Hains resigned as Chief Financial Officer on 6th February 2015

RELATED PARTY TRANSACTIONS

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Disclosures relating to key management personnel are set out in note 18 and the remuneration report in the Directors' report.

	NOTE	CONSOLIDATED	
		30-JUN-16 \$AUD	30-JUN-15 \$AUD
TRANSACTIONS WITH RELATED PARTIES			
The following transactions occurred with the following related parties:			
PAYMENT FOR GOODS AND SERVICES:			
Smart Street	(i)	50,572	-

(i) Consulting fees paid to Smart Street, Director related entity to Mr Michael Johnston.

RECEIVABLE FROM AND PAYABLE
TO RELATED PARTIES

Balance outstanding at the end of the current year to Smart Street is \$5,968. There are no other outstanding balances at the reporting date in relation to transactions with related parties.

This concludes the remuneration report, which has been audited.

SHARES UNDER OPTION

Unissued ordinary shares of Rhinomed Limited under option as at the date of this report are as follows:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER UNDER OPTION
27/05/2013	30/04/2017	\$0.060	95,400,000
18/11/2013	30/04/2017	\$0.060	15,250,000
11/04/2014	30/04/2017	\$0.060	2,500,000
11/04/2014	30/04/2017	\$0.065	40,000,000
23/09/2015	30/04/2017	\$0.060	90,000,000
23/12/2015	30/04/2019	\$0.065	769,230
11/04/2016	11/04/2019	\$0.065	18,000,000
20/05/2016	30/04/2019	\$0.067	10,000,000
			271,919,230

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate. There have been no unissued shares or interest under option of any controlled entity within the Group during or since the end of the reporting period.

INDEMNITY AND INSURANCE
OF OFFICERS

The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

INDEMNITY AND INSURANCE OF
AUDITOR

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE
COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the

Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

ENVIRONMENTAL ISSUES

The Group's operations are not affected by environmental regulations in Australia.

EVENTS AFTER THE
REPORTING DATE

No matters or circumstances has arisen since 30 June 2016 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 19 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

There are no officers of the Company who are former audit partners of HLB Mann Judd.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

AUDITOR

HLB Mann Judd continues in office in accordance with section 327 of the Corporations Act 2001.

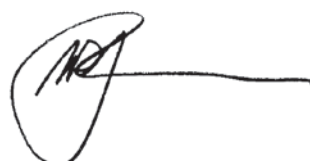
This report, incorporating the audited remuneration report, is made in accordance with a resolution of directors, pursuant to section 298(2) (a) of the Corporations Act 2001.

CORPORATE GOVERNANCE

Rhinomed Limited ('the Company') and the Board of Directors are committed to achieving the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entities together are referred to as the Group in this statement.

A description of the Group's main corporate governance practices is set out on the Company's website www.rhinomed.global. All these practices, unless otherwise stated, were in place for the entire year and comply with the ASX Corporate Governance Principles and Recommendations.

On behalf of the Directors



Michael Johnson
Director

Melbourne
26 September 2016

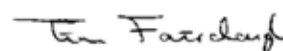


AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Rhinomed Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Rhinomed Limited and to the entities it controlled during the year.



Tim Fairclough
Partner

Melbourne
26 September 2016

HLB Mann Judd (VIC Partnership)

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Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (VIC Partnership) is a member of  International. A world-wide network of independent accounting firms and business advisers.



FULL YEAR FINANCIAL ACCOUNTS

FOR THE YEAR
ENDED

30 JUNE 2016

CONSOLIDATED STATEMENT OF
PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

FOR THE YEAR
ENDED 30 JUNE
2016

CONSOLIDATED			
	NOTE	30-JUN-16 \$AUD	30-JUN-15 \$AUD
REVENUE FROM CONTINUING OPERATIONS		1,012,433	432,460
Other income	2	84,882	60,428
EXPENSES			
Raw materials and consumables used		(312,375)	(217,281)
Employee benefits expense		(1,855,783)	(1,173,109)
Depreciation and amortisation	3	(527,315)	(451,021)
Impairment of assets	3	(1,622)	(72,473)
Fair value adjustment of investment		(25,000)	(50,000)
Administration		(1,412,979)	(1,579,889)
Marketing		(2,372,521)	(1,238,111)
Research and Development		(234,269)	(906,616)
Other expenses		(791,437)	(691,717)
Finance costs	3	-	-
LOSS BEFORE INCOME TAX		(6,435,986)	(5,887,329)
Income tax benefit	4	437,457	570,337
LOSS AFTER INCOME TAX FROM CONTINUING OPERATIONS		(5,998,529)	(5,316,992)
OTHER COMPREHENSIVE INCOME			
Foreign currency translation		(24,024)	-
TOTAL COMPREHENSIVE LOSS AFTER INCOME TAX FOR THE PERIOD		(6,022,553)	(5,316,992)
Total comprehensive loss attributable to non-controlling interest		-	-
Total comprehensive loss attributable to owners of the parent entity		(6,022,553)	(5,316,992)
Basic and diluted earnings/(loss) per share (cents per share)	27	(0.94)	(1.12)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF
FINANCIAL POSITION

AS AT 30 JUNE 2016

CONSOLIDATED			
	NOTE	30-JUN-16 \$AUD	30-JUN-15 \$AUD
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	2,612,757	1,368,621
Trade and other receivables	6	510,645	120,477
Inventories	7	546,337	110,028
Assets classified as held for sale	29	-	93,848
Other assets	8	149,235	70,569
TOTAL CURRENT ASSETS		3,818,974	1,763,543
NON-CURRENT ASSETS			
Other financial assets	9	103,775	378,063
Property, plant and equipment	10	127,811	272,503
Intangible assets	11	4,039,879	4,402,497
TOTAL NON-CURRENT ASSETS		4,271,465	5,053,063
TOTAL ASSETS		8,090,439	6,816,606
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	895,818	814,795
Provisions	13	79,251	34,332
TOTAL CURRENT LIABILITIES		975,069	849,127
TOTAL LIABILITIES		975,069	849,127
NET ASSETS		7,115,370	5,967,479
EQUITY			
Issued capital	14	48,919,157	41,927,021
Reserves	15	3,605,594	3,624,910
Non-controlling interest reserve	15	(6,158,687)	(6,158,687)
Accumulated losses	16	(39,250,694)	(33,425,765)
TOTAL EQUITY		7,115,370	5,967,479

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY

FOR THE YEAR
ENDED 30 JUNE
2016

	NOTE	ISSUED CAPITAL \$	OPTION RESERVE \$	RESERVES NCI \$	FX RESERVE \$	ACCUMULATED LOSSES \$	TOTAL \$
BALANCE AS AT 30 JUNE 2014		37,204,175	5,699,284	(6,158,687)	-	(30,183,147)	6,561,625
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	16	-	-	-	-	(5,316,992)	(5,316,992)
TRANSACTIONS WITH EQUITY HOLDERS IN THEIR CAPACITY AS EQUITY HOLDERS:							
Shares issued net of issue costs	14	4,722,846	-	-	-	-	4,722,846
Options expired	15	-	(2,074,374)	-	-	2,074,374	-
Options issued	15	-	-	-	-	-	-
BALANCE AS AT 30 JUNE 2015		41,927,021	3,624,910	(6,158,687)	-	(33,425,765)	5,967,479
Loss for the period	16	-	-	-	-	(5,998,529)	(5,998,529)
Other comprehensive expense	15	-	-	-	(24,024)	-	(24,023)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		-	-	-	(24,024)	(5,998,529)	(6,022,553)
TRANSACTIONS WITH EQUITY HOLDERS IN THEIR CAPACITY AS EQUITY HOLDERS:							
Shares issued net of issue costs	14	6,992,136	-	-	-	-	6,992,136
Options expired	15	-	(173,600)	-	-	173,600	-
Options issued	15	-	178,308	-	-	-	178,308
BALANCE AS AT 30 JUNE 2016		48,919,157	3,629,618	(6,158,687)	(24,024)	(39,250,694)	7,115,370

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT
OF CASHFLOWS

FOR THE YEAR
ENDED 30 JUNE
2016

CONSOLIDATED			
	NOTE	30-JUN-16 \$AUD	30-JUN-15 \$AUD
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		845,323	458,278
Payments to suppliers and employees		(7,416,624)	(5,550,444)
Interest received		23,605	54,858
Interest and other costs of finance paid		(14,776)	(5,718)
Receipt of R&D tax refund	4	437,457	570,337
NET CASH FLOWS USED IN OPERATING ACTIVITIES	26	(6,125,015)	(4,472,689)
CASH FLOWS RELATED TO INVESTING ACTIVITIES			
Payment for purchases of plant and equipment	10	(20,004)	(333,369)
Proceeds from sale of equity investments	9	310,125	-
Proceeds from the sale of intellectual property	29	104,500	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		394,621	(333,369)
CASH FLOWS RELATED TO FINANCING ACTIVITIES			
Proceeds from issues of equity securities	14	7,232,589	5,042,072
Capital raising costs	14	(240,453)	(319,226)
NET CASH FLOWS FROM FINANCING ACTIVITIES		6,992,136	4,722,846
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		1,261,742	(83,212)
Cash and cash equivalents at the beginning of the year		1,368,621	1,451,833
Effects of exchange rate changes on cash and cash equivalents		(17,606)	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	2,612,757	1,368,621

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



NOTE 1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CORPORATE INFORMATION

The financial report of Rhinomed Limited and its subsidiaries (the “Consolidated Entity” or “Group”) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on the 26th day of September 2016. The financial report is for the Group consisting of Rhinomed Limited and its subsidiaries.

Rhinomed Limited is a listed public company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The principal activity of the Group is the research, development and commercialisation of consumer and medical devices.

BASIS OF PREPARATION

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards, required for a for-profit entity.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities. The financial report is presented in Australian dollars, which is the Group’s functional and presentation currency. All values are rounded to the nearest dollar unless otherwise stated.

Management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

NOTE 1: GOING CONCERN

At 30 June 2016, the Group’s cash and cash equivalents amounted to \$2,612,757 (2015: 1,368,621) and for the year ended 30 June 2016, the Group experienced a loss of \$5,998,529 (2015: \$5,316,992) and a net cash inflow of \$1,261,742 (2015: net cash outflow of \$83,212).

Based on current budget assumptions the Group has sufficient funds to meet current commitments towards commercialising the BreatheAssist asset in the sporting and health market.

There are significant risks associated with product development and regulatory approvals required by biotechnology companies, as such it is difficult to predict the exact timing and quantum of income from the commercialisation of products and technology and there are inherent uncertainties involved in raising funds from investors within forecasted timelines.

As a result of these matters, there is material uncertainty that may cast significant doubt as to whether the Group will be able to continue as a going concern and realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Notwithstanding the material uncertainty pertaining to the ability of the Group to continue to access additional capital, the financial statements have been prepared on a going concern basis. Accordingly the financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts, or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

NEW, REVISED OR AMENDING
ACCOUNTING STANDARDS AND
INTERPRETATIONS ADOPTED

The following amending Standards have been adopted from 1 July 2015. Adoption of these Standards did not have any effect on the financial position or performance of the Group:

REF	TITLE	SUMMARY
AASB 2015-4	Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent	AASB 2015-4 amends AASB 128 Investments in Associates and Joint Ventures to ensure that its reporting requirements on Australian groups with a foreign parent align with those currently available in AASB 10 Consolidated Financial Statements for such groups. AASB 128 will now only require the ultimate Australian entity to apply the equity method in accounting for interests in associates and joint ventures, if either the entity or the group is a reporting entity, or both the entity and group are reporting entities. AASB 2015-4 is applicable to annual reporting periods beginning on or after 1 July 2015. The adoption of this amendment has not had a material impact on the Company.

Other than the amended accounting standards listed above, all other accounting standards adopted by the Group are consistent with the most recent Annual Report for the year ended 30 June 2016.

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and therefore have not been adopted by the Group for the annual reporting period ended 30 June 2016:

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON FINANCIAL REPORT	APPLICATION DATE
AASB 15	Revenue from Contracts with Customers	AASB 15 – replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations – establishes a new revenue recognition model – changes the basis for deciding whether revenue is to be recognised over time or at a point in time – provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing) – expands and improves disclosures about revenue	1 January 2018	Although the Directors anticipate that the adoption of AASB 15 will have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.	1 July 2018

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON FINANCIAL REPORT	APPLICATION DATE
AASB 9	Financial Instruments	AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are: A. Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows. B. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. C. Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments. D. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. E. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: - the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI) - the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9: - classification and measurement of financial liabilities; and - derecognition requirements for financial assets and liabilities AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting. 1 January 2018	1 January 2018	The Group is still determining if there will be any potential impact.	1 July 2018

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON FINANCIAL REPORT	APPLICATION DATE
AASB 16	Leases	AASB 16 - replaces AASB 117 Leases and some lease-related Interpretations - requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases - provides new guidance on the application of the definition of lease and on sale and lease back accounting - largely retains the existing lessor accounting requirements in AASB 117 - requires new and different disclosures about leases	1 January 2019	Although the Directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.	1 July 2019
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	The amendments to AASB 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in AASB 3 Business Combinations, should: - Apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except principles that conflict with the guidance of AASB 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e. the existing interest is not re-measured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and - Provide disclosures for business combinations as required by AASB 3 and other Australian Accounting Standards.	1 January 2016	No Impact	1 July 2016

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON FINANCIAL REPORT	APPLICATION DATE
AASB 2014-4	Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisatio	The amendments to AASB 116 prohibit the use of a revenue based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment. The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e. a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances: - The intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or - When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.	1 January 2016	No impact	1 July 2016
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	The amendments introduce the equity method of accounting as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.	1 January 2016	No impact	1 July 2016

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON FINANCIAL REPORT	APPLICATION DATE
	Standards – Disclosure Initiative: Amendments to AASB 101	Disclosure Initiative project. The amendments: - clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information - clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated - add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position - clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order - remove potentially unhelpful guidance in AASB 101 for identifying a significant accounting policy			
AASB 2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.	1 January 2017	No impact	1 July 2017
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	AASB 2016-2 amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	No impact	1 July 2017

ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Rhinomed Ltd as at 30 June 2016 and the results of all subsidiaries for the year then ended.

Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 24.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits/losses arising within the consolidated entity are eliminated in full. Investments in subsidiaries are accounted for at cost in the individual financial statements of Rhinomed Limited.

REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised when control of the right to receive the interest payment is obtained and measured using the effective interest rate method.

GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that the grant will be received and all grant conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is expected to compensate.

BORROWING COSTS

Borrowing costs are expensed as incurred unless they relate to the construction of qualifying assets in which case they are capitalised.

LEASES

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

CASH AND CASH EQUIVALENTS

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cashflows, cash and cash equivalents consist of cash and cash equivalents as defined above.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. A separate account records the impairment.

An allowance for impairment is made when there is objective evidence that the Group will not be able to collect the debts. The criteria used to determine that there is objective evidence that an impairment loss has occurred include whether the Financial Asset is past due and whether there is any other information regarding increased credit risk associated with the Financial Asset. Bad debts which are known to be uncollectible are written off when identified.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered

INVENTORIES

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a weighted average cost basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

FOREIGN CURRENCY TRANSLATION

The functional currency of the Group is based on the primary economic environment in which the Group operates. The functional currency of the Group is Australia dollars. Transactions in foreign currencies are converted to local currency at the rate of exchange at the date of the transaction.

Amounts payable to and by the Group outstanding at reporting date and denominated in foreign currencies have been converted to local currency using rates prevailing at the end of the financial year.

Exchange differences arising on the translation of monetary items are recognised in profit or loss. Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative

amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

INCOME TAX

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

TAX CONSOLIDATION

Rhinomed Limited and all its wholly-owned Australian controlled entities are part of a tax consolidated group under Australian taxation law. Rhinomed Limited is the head entity in the tax-consolidated group.

Rhinomed Limited and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Rhinomed Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

Cash flows arising from operating activities are included in the Consolidated Statement of Cashflows on a gross basis (i.e. including GST) and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority. The net amount of GST recoverable from or payable to, the taxation authority is included as part of the receivables or payables in the Consolidated Statement of Financial Position.

PLANT AND EQUIPMENT

Plant and equipment is measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

DEPRECIATION

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the consolidated entity commencing from the time the asset is held ready for use. The depreciation rates used are: office equipment – 10%-33%; production plant – 50%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

FINANCIAL ASSETS

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

HELD-TO-MATURITY INVESTMENTS

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective

interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

IMPAIRMENT

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. A financial asset or group of financial assets is deemed to be impaired if and only if, there is objective evidence

of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

BUSINESS COMBINATION

Business combinations occur where an acquirer obtains control over one or more businesses. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to profit or loss.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

CHANGES IN OWNERSHIP INTERESTS

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amount of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and the consideration paid or received is recognised in a separate reserve within the equity attributable to owners of Rhinomed Limited.

GOODWILL

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i). the consideration transferred;
- (ii). any non-controlling interest; and
- (iii).the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value uplifts in the value of pre-existing equity holdings are taken to profit or loss. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

**INTANGIBLE ASSETS OTHER THAN
GOODWILL**

Intangible assets are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in an accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

(i) **INTELLECTUAL PROPERTY**
Intellectual property acquired as part of a business combination is recognised separately from goodwill. Intellectual property is carried at cost, which is its fair value at the date of acquisition less accumulated amortisation and impairment losses. Intellectual property is amortised over its useful life commencing from the completion of development. The Company will carry its Intellectual property at cost whilst it is under development and it is subject to annual impairment testing.

(ii) **PATENTS AND TRADEMARKS**
Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful lives.

(iii) **RESEARCH AND DEVELOPMENT**
Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

The carrying values of non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

**IMPAIRMENT OF NON-FINANCIAL
ASSETS**

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or

groups of assets (cash-generating units). Non-financial assets that suffer an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

An impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

TRADE AND OTHER PAYABLES

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

EMPLOYEE BENEFITS

SHORT TERM EMPLOYEE BENEFITS

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, and salaries. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages and salaries are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the Consolidated Statement of Financial Position.

RETIREMENT BENEFIT OBLIGATIONS

All employees of the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable.

The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

SHARE-BASED PAYMENT
TRANSACTIONS

The Group provides benefits to employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees are provided with long-term incentives through the Group's Employee Option Plan.

The cost of these transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial option pricing model, further details of which are given in note 28. The cost of these transactions is recognised, together with a corresponding increase in equity, over the period in which the options vest.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting dates reflects:

- (i) the extent to which the vesting period has expired, and;
- (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. No expense is recognised for awards that do not ultimately vest and an adjustment to the expense is made for awards that will no longer vest. This opinion is formed based on the best available information at balance date.

The Group's obligations for short-term employee benefits such as wages and salaries are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the Consolidated Statement of Financial Position.

BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has

been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

ISSUED CAPITAL

Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction (net of tax) of the share proceeds received.

DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

EARNINGS PER SHARE

Basic earnings per share is calculated as net loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net loss attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

PARENT INFORMATION

The financial information for the parent entity, Rhinomed Limited, disclosed in note 23 has been prepared on the same basis as these consolidated statements.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Rhinomed Limited. For the current and previous reporting periods, the Group operated in one segment, being the identification, acquisition and commercialisation of late stage therapeutic delivery technologies.

**ASSETS (OR DISPOSAL GROUPS)
HELD FOR SALE AND DISCONTINUED
OPERATIONS**

Assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the asset (or disposal group) is recognised at the date of derecognition.

Assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Assets classified as held for sale and the assets of the disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co - ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of comprehensive income.

**CRITICAL ACCOUNTING ESTIMATES
AND JUDGEMENTS**

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

(i) IMPAIRMENT OF INTANGIBLE ASSETS
In the absence of readily available market prices, the recoverable amount of assets are determined using estimations of the present value of future cash flows using asset-specific discount rates. For patents, licenses and other rights, these estimates are based on various assumptions concerning for example future sales profiles and royalty income, market penetration, milestone achievement dates and production profiles. Refer to note 11 for further details.

(ii) IMPAIRMENT OF RECEIVABLES
The decision whether or not to provide for the impairment of a receivable requires a degree of estimation and judgement. The level of provision is assessed by taking into account the ageing of receivables and specific knowledge of the individual debtor's financial position.

(iii) SHARE-BASED PAYMENTS
The value attributed to share options and remuneration shares issued is an estimate calculated using an appropriate mathematical formula based on an option pricing model. The choice of models and the resultant option value require assumptions to be made in relation to the likelihood and timing of the conversion of the options to shares and the value and volatility of the price of the underlying shares. Refer to note 28 for more details.

NOTE 2.
REVENUE

CONSOLIDATED		
	30-JUN-16 \$AUD	30-JUN-15 \$AUD
REVENUE		
Sales	1,012,433	432,460
OTHER INCOME		
Interest received	23,605	54,852
Gain on sale of equity investment	60,125	-
Other	1,152	5,576
TOTAL OTHER INCOME	84,882	60,428
TOTAL REVENUE & OTHER INCOME	1,097,315	492,888

NOTE 3.
EXPENSES

CONSOLIDATED		
	30-JUN-16 \$AUD	30-JUN-15 \$AUD
PROFIT/(LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS INCLUDES THE FOLLOWING SPECIFIC EXPENSES:		
COST OF SALES		
Cost of sales	312,375	217,281
DEPRECIATION & AMORTISATION		
Plant and equipment	164,697	89,393
Intangible asset	362,618	361,628
	527,315	451,021
IMPAIRMENT		
Receivable	-	-
Assets	-	30,846
Inventory	1,622	41,627
	1,622	72,473
FINANCE COSTS		
Finance costs expensed	-	-
NET FOREIGN EXCHANGE LOSS		
Net foreign exchange (gain)/loss	67,508	19,934
SUPERANNUATION EXPENSE		
Defined contribution superannuation expense	45,569	55,942
RESEARCH & DEVELOPMENT COSTS		
Research & Development Costs	234,269	906,616

NOTE 4.

INCOME TAX BENEFIT

CONSOLIDATED		
	30-JUN-16 \$AUD	30-JUN-15 \$AUD
The prima facie tax on loss from ordinary activities before the loss is reconciled to the income tax as follows:		
Loss before income tax	(6,435,986)	(5,887,329)
Income tax benefit calculated at 30% (2015:30%)	(1,930,796)	(1,766,199)
TAX EFFECT OF AMOUNTS WHICH ARE NOT DEDUCTABLE IN CALCULATING INCOME TAX:		
- impairment and amortisation expenses	116,286	123,488
- share-based payments expenses	-	-
- other expenses not deductible	4,150	2,462
- legal fees and penalties	15,673	27,960
Other deductible items	(72,136)	(95,768)
Deferred tax assets relating to tax losses not recognised	2,304,280	2,278,394
INCOME TAX RECONCILIATION IN PROFIT OR LOSS	(437,457)	570,337
UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES		
Deferred tax assets and liabilities are attributable to the following:		
- Tax losses	17,291,604	14,987,324
- Inventory	(132,162)	(33,008)
- Prepayments	(76,510)	(21,170)
- Accruals	23,494	79,943
- Unearned income	66,894	32,438
- Employee provisions	23,775	12,456
NET DEFERRED TAX ASSETS NOT RECOGNISED	17,197,095	15,057,983

NOTE 5.

CURRENT ASSETS - CASH AND CASH EQUIVALENTS

CONSOLIDATED		
	30-JUN-16 \$AUD	30-JUN-15 \$AUD
Cash at bank	2,612,757	1,368,621
	2,612,757	1,368,621

Refer to note 17 for the effective interest rate.

NOTE 6.

CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

CONSOLIDATED		
	30-JUN-16 \$AUD	30-JUN-15 \$AUD
Trade receivables	502,683	120,477
Other receivables	140,962	133,000
Less: Provision for impairment of receivables	(133,000)	(133,000)
	510,645	120,477

IMPAIRMENT OF RECEIVABLES

The consolidated entity has recognised a loss of \$Nil (2015: \$Nil) in profit or loss in respect of impairment of receivables for the year ended 30 June 2016.

MOVEMENTS IN THE PROVISION FOR IMPAIRMENT OF RECEIVABLES ARE AS FOLLOWS:

Opening balance	(133,000)	(133,000)
Additional provisions recognised	-	-
Receivables written off during the year as uncollectable	-	-
CLOSING BALANCE	(133,000)	(133,000)

PAST DUE BUT NOT IMPAIRED

Customers with balances past due but without provision for impairment of receivables amount to \$nil as at 30 June 2016 (\$nil as at 30 June 2015).

NOTE 7.

CURRENT ASSETS - INVENTORIES

	CONSOLIDATED	
	30-JUN-16 \$AUD	30-JUN-15 \$AUD
Finished goods	451,922	88,035
Raw materials	18,997	21,993
Inventory on consignment	75,418	-
	546,337	110,028

NOTE 8.

CURRENT ASSETS - OTHER ASSETS

	CONSOLIDATED	
	30-JUN-16 \$AUD	30-JUN-15 \$AUD
Prepayments	149,235	70,569
	149,235	70,569

NOTE 9.

OTHER FINANCIAL ASSETS

	CONSOLIDATED	
	30-JUN-16 \$AUD	30-JUN-15 \$AUD
Investments at fair value through profit or loss (a)	-	275,000
Term Deposit (b)	103,775	103,063
	103,775	378,063

(a). Represents shares held in Imugene Limited (IMU) with change in fair value recognised in profit or loss. The company has formed the view that it does not have significant influence over IMU and therefore has accounted for its interest in accordance with AASB 139.

All investments have been assessed as Level 1 fair value hierarchy as they represent shares in a publicly listed company with fair values measured using quoted prices in an active market.

The Imugene shares have subsequently been sold for a price in excess of their carrying value during the year ended 30 June 2016.

(b). Represents term deposits held in relation to a rental property lease and credit card facilities.

NOTE 10.

NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED	
	30-JUN-16 \$AUD	30-JUN-15 \$AUD
Plant and equipment - at cost	377,053	357,048
Less: Accumulated depreciation	(249,242)	(84,545)
	127,811	272,503

RECONCILIATIONS

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	PLANT AND EQUIPMENT \$AUD
BALANCE AT 30 JUNE 2014	75,969
Additions	333,369
Disposals	(47,442)
Depreciation expense	(89,393)
BALANCE AT 30 JUNE 2015	272,503
Additions	20,005
Disposals	-
Depreciation expense	(164,697)
BALANCE AT 30 JUNE 2016	127,811

NOTE 11.

NON-CURRENT ASSETS - INTANGIBLES

CONSOLIDATED			
	NOTES	30-JUN-16 \$AUD	30-JUN-15 \$AUD
GOODWILL			
At cost		4,951,996	4,951,996
Less impairment		(3,386,992)	(3,386,992)
NET CARRYING VALUE		1,565,004	1,565,004
DEVELOPMENT COSTS			
At cost		602,503	646,352
Less impairment		(213,576)	(213,576)
Less amortisation		(104,248)	(62,917)
Less assets held for sale	29	-	(43,849)
NET CARRYING VALUE		284,679	326,010
INTELLECTUAL PROPERTY			
At cost		9,516,217	9,566,217
Less impairment		(6,492,957)	(6,492,957)
Less amortisation		(833,064)	(511,777)
Less assets held for sale	29	-	(50,000)
NET CARRYING VALUE		2,190,196	2,511,483
TOTAL INTANGIBLE ASSETS		4,039,879	4,402,497

RECONCILIATIONS

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	GOODWILL	DEVELOPMENT COSTS	INTELLECTUAL PROPERTY	TOTAL
	\$	\$	\$	\$
BALANCE AT 30 JUNE 2014	1,565,004	411,078	2,881,892	4,857,974
Additions – internal development	-	-	-	-
Amortisation charge	-	(41,219)	(320,409)	(361,628)
Assets held for sale	-	(43,849)	(50,000)	(93,849)
BALANCE AT 30 JUNE 2015	1,565,004	326,010	2,511,483	4,402,497
Additions – internal development				
Amortisation charge	-	(41,331)	(321,287)	(362,618)
Assets held for sale	-	-	-	-
BALANCE AT 30 JUNE 2016	1,565,004	284,679	2,190,196	4,039,879

IMPAIRMENT OF INTANGIBLES

The Directors conducted an impairment review of the Group’s intangible assets as at 30 June 2016 and concluded that an impairment charge was not necessary. The Directors have assessed that IP and development costs have an indefinite life until they are commercialised. They, together with goodwill have been subject to an impairment test whereby the recoverable amount was compared to their written down value. Recoverable amount has been determined by the Board by preparing a value in use calculation using cashflow projections over a 5 year period with a terminal value calculated on a perpetual growth basis, a fair value calculation using cashflow projections over a 10 year period applying a terminal value on EBIT multiple basis, and taking the higher of the two in line with Australian Accounting Standards. The cashflows were discounted using a pre-tax discount rate of 20% (2015: 20%)

at the beginning of the projection period. The budget reflected the Board’s best estimate of the product’s expected market share and the Group’s revenue stream from selling into the consumer health markets. Gross profit was determined taking into account expected cost structures as well as estimated inflation rates over the period. (A reasonably possible change in the discount rate would not lead to an impairment of the intangible assets.)

AMORTISATION

As the Group has commenced commercialisation of the BreatheAssist technology, an amortisation charge is recognised for development costs and intellectual property over the asset’s useful life. An amortisation charge is recognised for \$362,618 (2015: 361,628) and was recorded for the period.

NOTE 12.

CURRENT LIABILITIES -
TRADE AND OTHER PAYABLES

CONSOLIDATED		
	30-JUN-16 \$AUD	30-JUN-15 \$AUD
UNSECURED:		
Trade payables	404,862	439,978
Other payables	490,956	374,817
	895,818	814,795

NOTE 13.

CURRENT LIABILITIES - PROVISIONS

CONSOLIDATED		
	30-JUN-16 \$AUD	30-JUN-15 \$AUD
Employee benefits	79,251	34,332
	79,251	34,332

PROVISION FOR EMPLOYEE
BENEFITS

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed in Note 1.

NOTE 14.

EQUITY - ISSUED CAPITAL

	CONSOLIDATED		CONSOLIDATED	
	30-JUN-16 SHARES	30-JUN-15 SHARES	30-JUN-16 \$AUD	30-JUN-15 \$AUD
ORDINARY SHARES - FULLY PAID	814,234,007	539,438,635	48,919,157	41,927,021
Movement in ordinary shares on issue:				
At 1 July	539,438,635	395,379,445	41,927,021	395,379,445
04/09/2014 Private placement at \$0.035	-	84,059,146	-	2,942,070
08/09/2014 Private placement at \$0.035	-	14,285,714	-	500,000
05/11/2014 Share Purchase Plan at \$0.035	-	45,714,330	-	1,600,002
Less Costs of Capital Raising Year ended 30 June 2015	-	-	-	(319,226)
23/09/2015 Private placement at \$0.032	64,062,500	-	2,050,000	-
25/09/2015 Private placement at \$0.032	10,937,500	-	350,000	-
23/12/2015 Private placement at \$0.032	4,687,500	-	150,000	-
11/03/2016 Private placement at \$0.024	139,583,340	-	3,350,000	-
20/05/2016 Private placement at \$0.024	55,524,532	-	1,332,589	-
Less Costs of Capital Raising Year ended 30 June 2016	-	-	(240,453)	-
	814,234,007	539,438,635	48,919,157	41,927,021

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is conducted otherwise each shareholder has one vote on a show of hands.

NOTE 15.

EQUITY - RESERVES

	CONSOLIDATED			
	30-JUN-16 \$AUD	30-JUN-15 \$AUD		
Option Reserve	3,629,618	3,624,910		
Non-Controlling Interest Reserve	(6,158,687)	(6,158,687)		
FX Reserve	(24,024)	-		
	(2,553,093)	(2,533,777)		

	OPTION RESERVE	NCI RESERVE	FX RESERVE	TOTAL
	\$AUD	\$AUD	\$AUD	\$AUD
BALANCE AT 30 JUNE 2014	5,699,284	(6,158,687)	-	(459,403)
Share based payments	-	-	-	-
Options issued/(expired)	(2,074,374)	-	-	(2,074,374)
BALANCE AT 30 JUNE 2015	3,624,910	(6,158,687)	-	(2,533,777)

Share based payments	-	-	-	-
Options issued/(expired)	4,708	-	-	4,708
FX Movements	-	-	(24,024)	(24,023)
BALANCE AT 30 JUNE 2016	3,629,618	(6,158,687)	(24,024)	(2,553,093)

The Option Reserve is used to record the expense associated with the valuation of options. The NCI Reserve is used to record adjustments arising from transactions with non-controlling

interests. The FX Reserve is used to record exchange differences arising on transaction of a foreign controlled subsidiary.

MOVEMENTS IN OPTIONS
WERE AS FOLLOWS:

CONSOLIDATED				
2016			2015	
	NO.	WEIGHTED AVERAGE PRICE \$	NO.	WEIGHTED AVERAGE PRICE \$
BALANCE AT 1 JULY	245,150,000	0.061	276,206,150	0.077
Options issued	28,769,230	0.066	-	-
Options exercised	-	-	-	-
Options lapsed / expired	(2,000,000)	0.118	(31,056,150)	0.203
BALANCE AT 30 JUNE	271,919,230	0.061	245,150,000	0.061

NOTE 16.

EQUITY – ACCUMULATED LOSSES

CONSOLIDATED		
	30-JUN-16 \$AUD	30-JUN-15 \$AUD
Accumulated losses at the beginning of the financial year	(33,425,765)	(30,183,147)
Loss after income tax expense for the year	(5,998,529)	(5,316,992)
Transfer from option reserve	173,600	2,074,374
ACCUMULATED LOSSES AT THE END OF THE FINANCIAL YEAR	(39,250,694)	(33,425,765)



NOTE 17.

FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

A. FINANCIAL INSTRUMENTS

The Group's financial instruments are detailed below:

	CONSOLIDATED	
	30-JUN-16 \$AUD	30-JUN-15 \$AUD
Cash and cash equivalents	2,612,757	1,368,621
Trade and other receivables	510,645	120,477
Other financial assets	103,775	378,063
Trade and other payables	(895,818)	(814,795)

The Group did not have any derivative instruments at 30 June 2016 and 30 June 2015.

B. RISK MANAGEMENT POLICY

The Board is responsible for overseeing the establishment and implementation of the risk management system, and reviews and assesses the effectiveness of the Company's implementation of that system on a regular basis.

The Board and Senior Management identify the general areas of risk and their impact on the activities of the Group, with Management performing a regular review of:

- the major risks that occur within the business;
- the degree of risk involved;

- the current approach to managing the risk; and
- if appropriate, determine:
 - any inadequacies of the current approach; and
 - possible new approaches that more efficiently and effectively address the risk.

Management reports risks identified to the Board through the monthly Operations Report.

The Group seeks to ensure that its exposure to undue risk which is likely to impact its financial performance, continued growth and survival is minimised in a cost effective manner.

C. SIGNIFICANT ACCOUNTING POLICY

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

The carrying amounts of cash and cash equivalents, trade and other receivables, other financial assets, trade and other payables and other financial liabilities represents their fair values determined in accordance with the accounting policies disclosed in note 1.

Interest revenue on cash and cash equivalents and foreign exchange movements on trade and other receivables and trade and other payables are disclosed in notes 2 and 3.

D. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may issue new shares or reduce its capital, subject to the provisions of the Group's constitution. The capital structure of the Group consists of equity attributed to equity holders of the Group, comprising contributed equity, reserves and accumulated losses disclosed in notes 14, 15 and 16. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the Board by the Group's Management the Board monitors the need to raise additional equity from the equity markets.

E. FINANCIAL RISK MANAGEMENT

The main risks the Group is exposed to through its operations are interest rate risk, price risk, foreign exchange risk, credit risk and liquidity risk.

INTEREST RATE RISK

The Group is exposed to interest rate risks via the cash and cash equivalents that it holds. Interest rate risk is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates.

The objective of managing interest rate risk is to minimise the Group's exposure to fluctuations in interest rate that might impact its interest revenue and cash flow. The Group is exposed to security price risk which is the risk that a change in the value of the equity will impact on the Group's net results or net assets position on investments. Equity investments are held for

strategic rather than trading purposes. The Group does not actively trade these investments.

FOREIGN EXCHANGE RISK

The Group is exposed to foreign currency risk mainly through its foreign currency cash balances, receivables and payables denominated in foreign currencies, and financial instruments held by overseas operations. The Group's exposures are mainly against the US dollar (USD) and Euro Dollar (EUR), and are managed through continuous monitoring of movements in exchange rates, and by settling foreign currency purchases with proceeds from foreign currency income. Based on past and current assessment of economic outlook, it is deemed unnecessary for the Group to enter into any hedging arrangements to manage the risk. The Group's sensitivity to foreign currency movements is set out below.

THE GROUP HOLDS THE FOLLOWING AMOUNTS IN CURRENCIES OTHER THAN ITS FUNCTIONAL CURRENCY (AMOUNTS PRESENTED IN AUD):

2016	USD	EUR	TOTAL
Cash and cash equivalents	1,134	70,171	71,305
Other financial assets	571	45,385	45,956
Other financial liabilities	(3,747)	-	(3,747)
NET FINANCIAL ASSETS / (LIABILITIES)	(2,042)	115,556	113,514

CREDIT RISK

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss for the Group. The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. Risk is also managed by investing surplus funds in financial institutions that maintain a high credit rating.

The maximum exposure to credit risk by class of financial assets at the end of the reporting period, including the value of any collateral or other security held is equivalent to the carrying value and classification of those financial assets (net of any provision) as presented in the Consolidated Statement of Financial Position.

LIQUIDITY RISK

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk as follows:

- preparation of cashflow analyses related to its operating, investing and financing activities;
- monitoring undrawn credit facility;
- obtaining funding from a variety of sources;
- managing credit risk related to financial assets; and
- investing surplus funds with reputable financial institutions.

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The Group’s exposure to interest rate risk and the weighted average interest rates on the Group’s financial assets and financial liabilities is as follows:

2016	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	FLOATING INTEREST RATE	NON INTEREST BEARING	FIXED INTEREST BEARING	TOTAL
	%	\$AUD	\$AUD	\$AUD	\$AUD
FINANCIAL ASSETS:					
Cash and cash equivalents	1.85	2,612,757	-	-	2,612,757
Other financial assets		-	-	103,775	103,775
Trade and other receivables		-	510,645	-	510,645
TOTAL FINANCIAL ASSETS		2,612,757	510,645	103,775	3,227,177
FINANCIAL LIABILITIES:					
Trade and other payables		-	895,818	-	895,818
Interest bearing liabilities		-	-	-	-
TOTAL FINANCIAL LIABILITIES		-	895,818	-	895,818
NET FINANCIAL ASSETS/ (LIABILITIES)		2,612,757	(385,173)	103,775	2,331,359
2015					
FINANCIAL ASSETS:					
Cash and cash equivalents	1.72	1,368,621	-	-	1,368,621
Other financial assets		-	275,000	103,063	378,063
Trade and other receivables		-	120,477	-	120,477
TOTAL FINANCIAL ASSETS		1,368,621	395,477	103,063	1,867,161
FINANCIAL LIABILITIES:					
Trade and other payables		-	814,795	-	814,795
Interest bearing liabilities		-	-	-	-
TOTAL FINANCIAL LIABILITIES		-	814,795	-	814,795
NET FINANCIAL ASSETS/ (LIABILITIES)		1,368,621	(419,318)	103,063	1,052,363

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MATURITY PROFILE

2016	CARRYING AMOUNT		CONTRACTUAL CASH FLOW		WITHIN 1 YEAR		1-5 YEARS		TOTAL	
	2016 \$AUD	2015 \$AUD	2016 \$AUD	2015 \$AUD	2016 \$AUD	2015 \$AUD	2016 \$AUD	2015 \$AUD	2016 \$AUD	2015 \$AUD
FINANCIAL ASSETS:										
Cash and cash equivalents	2,612,757	1,368,621	2,612,757	1,368,621	2,612,757	1,368,621	-	-	2,612,757	1,368,621
Other financial assets	103,775	378,063	103,775	378,063	-	275,000	103,775	103,063	103,775	378,063
Trade and other receivables	510,645	120,477	510,645	120,477	510,645	120,477	-	-	510,645	120,477
TOTAL FINANCIAL ASSETS	3,227,177	1,867,161	3,227,177	1,867,161	3,123,402	1,764,098	103,775	103,063	3,227,177	1,867,161
FINANCIAL LIABILITIES:										
Trade and other payables	-	-	-	-	-	-	-	-	-	-
Interest bearing liabilities	895,818	814,795	895,818	814,795	895,818	814,795	-	-	895,818	814,795
TOTAL FINANCIAL LIABILITIES	895,818	814,795	895,818	814,795	895,818	814,795	-	-	895,818	814,795

NET FAIR VALUES

The Directors consider that the carrying amount of financial assets and liabilities recorded in the financial statements approximate their fair value.

FINANCIAL INSTRUMENTS
MEASURED AT FAIR VALUE

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

In 2016 and 2015, none of the Group's assets and liabilities except for the other financial assets had their fair value determined using the fair value hierarchy. The other financial assets are classified as level 1 instruments. No transfers between the levels of the fair value hierarchy occurred during the current or previous years.

SENSITIVITY ANALYSIS

The following table illustrates sensitivities to the Group's exposures to change in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

INTEREST RATE RISK						OTHER PRICE RISK			
2016		-1% NET RESULT	-1% EQUITY	1% NET RESULT	1% EQUITY	-5% NET RESULT	-5% EQUITY	-5% NET RESULT	5% EQUITY
Cash	2,612,757	(26,128)	(26,128)	26,128	26,128	-	-	-	-
Other financial assets	103,775	-	-	-	-	(5,189)	(5,189)	5,189	5,189
TOTAL INCREASE / (DECREASE)		(26,128)	(26,128)	26,128	26,128	(5,189)	(5,189)	5,189	5,189

AUD/USD						AUD/EUR			
2016		-5% NET RESULT	-5% EQUITY	5% NET RESULT	5% EQUITY	-5% NET RESULT	-5% EQUITY	-5% NET RESULT	5% EQUITY
Net financial assets / (liabilities)		(107)	(107)	107	107	(6,082)	(6,082)	6,082	6,082
TOTAL INCREASE / (DECREASE)		(107)	(107)	107	107	(6,082)	(6,082)	6,082	6,082

INTEREST RATE RISK						OTHER PRICE RISK			
2015		-1% NET RESULT	-1% EQUITY	1% NET RESULT	1% EQUITY	-5% NET RESULT	-5% EQUITY	-5% NET RESULT	5% EQUITY
Cash	1,368,621	(13,686)	(13,686)	13,686	13,686	-	-	-	-
Other financial assets	378,063	-	-	-	-	(18,903)	(18,903)	18,903	18,903
TOTAL INCREASE / (DECREASE)		(13,686)	(13,686)	13,686	13,686	(18,903)	(18,903)	18,903	18,903

NOTE 18.

KEY MANAGEMENT PERSONNEL DISCLOSURES

DETAILS OF KEY MANAGEMENT PERSONAL

DIRECTORS

Michael Johnson

Executive Director

Martin Rogers

Non-Executive Chairman (Resigned on 1 December 2015)

Ron Dewhurst

Non-Executive Chairman (Appointed on 1 December 2015)

Brent Scrimshaw

Non-Executive Director

Eric Knight

Non-Executive Director

EXECUTIVE

Justine Heath

Chief Financial Officer and Chief Operating Officer

Shane Duncan

Vice President Sales and Marketing (Appointed on 23 August 2015)

COMPENSATION

The aggregate compensation made to Directors and other members of key management personnel of the consolidated entity is set out below:

CONSOLIDATED		
	30-JUN-16 \$AUD	30-JUN-15 \$AUD
Short-term employee benefits	850,239	646,848
Post-employment benefits	53,056	53,450
Long-term benefits	-	-
Share-based payments	145,170	-
	1,048,465	700,298

NOTE 19.

REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by HLB Mann Judd and its network firms, the auditor of the Company.

CONSOLIDATED		
	30-JUN-16 \$AUD	30-JUN-15 \$AUD
AUDIT SERVICES - HLB MANN JUDD Audit or review of the financial statements	41,000	39,750
OTHER SERVICES - HLB MANN JUDD Preparation of tax returns	12,611	12,095
	53,611	51,845

NOTE 20.

COMMITMENTS

CONSOLIDATED		
	30-JUN-16 \$AUD	30-JUN-15 \$AUD
OPERATING LEASE COMMITMENTS		
Non-cancellable operating leases contracted for at balance date but not recognised as liabilities are as follows:		
Within one year	67,825	78,046
After one year but not more than five years	-	67,825
More than five years	-	-
	67,825	145,871
The property lease is a non-cancellable lease with a 3 year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by 4 % per annum. The current lease expires on the 30 April 2017. An option exists to renew the lease at the end of the 3 year term for an additional term of 3 years.		
OTHER EXPENDITURE COMMITMENTS		
Commitments contracted for at balance date but not recognised as liabilities are as follows:		
Within one year	2,759	-
After one year but not more than five years	3,678	-
More than five years	-	-
	6,437	-

NOTE 21.

CONTINGENT ASSETS/ LIABILITIES

There are no known significant liabilities or contingent assets as at the date of this report, other than those disclosed in this financial report.

NOTE 22.

RELATED PARTY TRANSACTIONS

PARENT ENTITY

Rhinomed Limited is the parent entity.

SUBSIDIARIES

Interests in subsidiaries are set out in note 24.

KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in note 18 and the remuneration report in the Directors' report.

CONSOLIDATED		
NOTE	30-JUN-16 \$AUD	30-JUN-15 \$AUD
TRANSACTIONS WITH RELATED PARTIES		
The following transactions occurred with the following related parties:		
PAYMENT FOR GOODS AND SERVICES:		
Smart Street (i)	50,572	-

(i) Consulting fees paid to Smart Street, Director related entity to Mr Michael Johnston.

RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES

Balance outstanding at the end of the current year to Smart Street is \$5,968. There are no other outstanding balances at the reporting date in relation to transactions with related parties.

LOANS TO/FROM RELATED PARTIES

There were no loans to or from related parties at the current and previous reporting date.

TERMS AND CONDITIONS

All transactions were made on normal commercial terms and conditions and at market rates.

NOTE 23.
PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

	PARENT	
	30-JUN-16 \$AUD	30-JUN-15 \$AUD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Income / (Loss) after income tax	(2,062,151)	(1,628,284)
TOTAL COMPREHENSIVE INCOME / (LOSS)	(2,062,151)	(1,628,284)
STATEMENT OF FINANCIAL POSITION		
Total current assets	13,785,032	8,439,053
Total assets	34,152,060	29,084,892
Total current liabilities	316,865	357,995
Total liabilities	316,865	357,995
EQUITY		
Issued capital	48,919,157	41,927,021
RESERVES		
Share based payments	3,803,218	5,699,284
Accumulated Losses	(18,887,178)	(18,899,408)
TOTAL EQUITY	33,835,197	28,726,897

GUARANTEES ENTERED INTO BY THE PARENT ENTITY IN RELATION TO THE DEBTS OF ITS SUBSIDIARIES

The parent entity has not entered into any guarantees in the current or prior financial year in relation to debts of its subsidiaries.

CONTINGENT LIABILITIES

Refer to note 21 for details.

CONTRACT COMMITMENTS

Refer to note 20 for details.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

NOTE 24.
SUBSIDIARIES

The consolidated financial statements include the financial statements of the Company and the following subsidiaries:

		EQUITY HOLDING	
	COUNTRY OF INCORPORATION	2016 %	2015 %
Helicon (Asia) Pty Ltd	Australia	100	100
Helicon (China) Pty Ltd	Australia	100	100
Helicon (Korea) Pty Ltd	Australia	100	100
Helicon International Limited	Australia	100	100
Leading Edge Instruments Pty Ltd (LEI)	Australia	100	100
Breathing Space Health Pty Ltd	Australia	100	100
Subsidiaries of LEI:			
• Vibrovein Pty Ltd	Australia	100	100
• ASAP Breatheassist Pty Ltd	Australia	100	100
Rhinomed UK Limited*	United Kingdom	100	100
Breatheassist Limited	United Kingdom	100	100
Rhinomed Inc. (i)	United States	100	-

* formally known as Consegna Management Services Limited

All shares held in subsidiaries represent ordinary shares and the voting rights are equal to the ownership percentage.

There are no significant restrictions over the Group's ability to access or use assets and settle liabilities of the Group.

(i) Rhinomed Inc. is a newly formed entity set up to commercialise operations in the United States.

NOTE 25.
EVENTS AFTER THE REPORTING PERIOD

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Group's

operations, the results of those operations, or the Group's state of affairs in future years.

NOTE 26.
RECONCILIATION OF NET LOSS AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

CONSOLIDATED		
	30-JUN-16 \$AUD	30-JUN-15 \$AUD
LOSS AFTER INCOME TAX EXPENSE FOR THE YEAR	(5,998,529)	(5,316,992)
ADJUSTMENTS FOR:		
Depreciation and amortisation	527,315	451,021
Impairment of assets	-	30,846
(Gain)/Loss on disposal of assets	(61,277)	3,561
Share-based payments	-	-
Settlement of payables via shares	-	-
Fair value adjustment of investments	25,000	50,000
Foreign exchange adjustments	-	13,034
Other	178,307	-
CHANGE IN OPERATING ASSETS AND LIABILITIES:		
(Increase)/decrease in trade and other receivables	(338,393)	(49,900)
(Increase)/decrease in other current assets	(584,128)	320
(Decrease)/increase in accounts payable	81,397	318,277
(Decrease)/increase in other liabilities	45,293	27,144
NET CASH FROM OPERATING ACTIVITIES	(6,125,015)	(4,472,689)

NON-CASH FINANCING ACTIVITIES

During the current and prior year, there were no non-cash financing activities.

NOTE 27.
EARNINGS PER SHARE

CONSOLIDATED		
	30-JUN-16 \$AUD	30-JUN-15 \$AUD
RECONCILIATION OF EARNINGS TO PROFIT/(LOSS):		
LOSS	(5,998,529)	(5,316,992)
Loss attributable to non-controlling interest	-	-
	(5,998,529)	(5,316,992)
LOSS ATTRIBUTABLE TO PARENT ENTITY:	(5,998,529)	(5,316,992)
Basic earnings/(loss) per share (cents)	(0.94)	(1.12)
Weighted average number of ordinary shares outstanding during the year used to calculate basic and diluted EPS.	636,389,109	474,813,706

NOTE 28.
SHARE-BASED PAYMENTS

Set out below are summaries of options granted under the employee share option plan which was established to provide ongoing

incentive to reward employees and consultants for their contribution to the Group's performance:

2016							
GRANT DATE	EXPIRY DATE	EXERCISE PRICE \$	BALANCE AT THE START OF THE YEAR \$	GRANTED \$	EXERCISED \$	EXPIRED / FORFEITED / OTHER \$	BALANCE AT THE END OF THE YEAR \$
13/07/12	31/07/15	0.120	2,000,000	-	-	(2,000,000)	-
03/04/13	30/07/17	0.060	90,000,000	-	-	-	90,000,000
11/04/13	30/04/17	0.065	40,000,000	-	-	-	40,000,000
23/12/15	30/04/19	0.065	-	769,230	-	-	769,230
11/04/16	11/04/19	0.065	-	18,000,000	-	-	18,000,000
			132,000,000	18,769,230	-	(2,000,000)	148,769,230
WEIGHTED AVERAGE EXERCISE PRICE:			\$0.062	\$0.065	\$0.00	\$0.120	\$0.062

2015							
29/11/11	07/12/14	0.25	4,000,000	-	-	(4,000,000)	-
29/11/11	07/12/14	0.50	4,000,000	-	-	(4,000,000)	-
23/12/11	31/12/14	0.225	6,000,000	-	-	(6,000,000)	-
13/07/12	31/07/15	0.12	2,000,000	-	-	-	2,000,000
20/07/12	28/02/15	0.15	4,000,000	-	-	(4,000,000)	-
03/04/13	30/04/17	0.06	90,000,000	-	-	-	90,000,000
03/04/13	11/05/15	0.20	796,150	-	-	(796,150)	-
11/04/14	30/04/17	0.065	40,000,000	-	-	-	40,000,000
			150,796,150	-	-	(18,796,150)	132,000,000
WEIGHTED AVERAGE EXERCISE PRICE:			\$0.088	\$0.00	\$0.00	\$0.271	\$0.062

Set out below are the options issued under the employee share option plan that are exercisable at the end of the financial year:

GRANT DATE	EXPIRY DATE	2016 NUMBER	2015 NUMBER
13/07/12	31/07/15	-	2,000,000
03/04/13	30/04/17	90,000,000	90,000,000
11/04/14	30/04/17	40,000,000	40,000,000
23/12/15	30/04/19	769,230	-
11/04/16	11/04/19	18,000,000	-
TOTAL EXERCISABLE		148,769,230	132,000,000

The weighted average remaining contractual life of options outstanding at year end is 2.34 years (2015: 1.93 years).

Refer to Note 18 for details of options issued during the year to Key Management Personnel as share based payments.

NOTE 29.

ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

CONSOLIDATED		
	30-JUN-16 \$AUD	30-JUN-15 \$AUD
ASSETS HELD FOR SALE		
Other Intellectual Property	-	50,000
Development Costs	-	43,848
	-	93,848

The Group had been in negotiations to sell its Marxman Device technology along with all associated intellectual property. Accordingly the asset had been transferred to Assets and

Liabilites held for sale. The assets were subsequently sold during the 2016 financial year for AUD\$95,000 (plus GST).

NOTE 30.

SEGMENT REPORTING

The Group has operated in one segment, being the identification, acquisition and commercialisation of late stage therapeutic delivery technologies. The segment details are therefore fully reflected in the body of the financial report.

NOTE 31.

FAIR VALUE

The Group measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- financial assets at fair value through profit or loss

A. FAIR VALUE HIERARCHY

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

- Level 1. Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2. Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3. Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

VALUATION TECHNIQUES

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

RECURRING FAIR VALUE MEASUREMENTS:

FINANCIAL ASSETS	LEVEL 1		LEVEL 2		LEVEL 3	
	2016	2015	2016	2015	2016	2015
Financial assets at fair value through profit or loss	-	275,000	-	-	-	-

DIRECTOR'S DECLARATION



DIRECTORS' DECLARATION

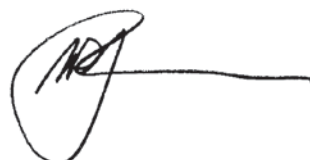
In the Directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 Statement of Compliance of the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, based on the factors outlined in Note 1 Going Concern of the financial statements.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors,



MICHAEL JOHNSON
DIRECTOR

26 September 2016
Melbourne



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RHINOMED LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Rhinomed Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the Group. The Group comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the consolidated financial report complies with International Financial Reporting Standards.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the

HLB Mann Judd (VIC Partnership)

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Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

OPINION

In our opinion:

- (a) the financial report of Rhinomed Limited is in accordance with the Corporations Act 2001, including
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



EMPHASIS OF MATTER

Without modifying our opinion, we draw attention to the going concern note included in Note 1 of the financial report, which indicates that the Group incurred a loss of \$5.999 million (2015: loss of \$5.317 million) had a net cash inflow of \$1.262 million during the year (2015: outflow of \$83,212). Those conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 31 to 39 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

OPINION

In our opinion, the Remuneration Report of Rhinomed Limited for the year ended 30 June 2016 complies with section 300A of the Corporations Act 2001.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Melbourne
26 September 2015

Tim Fairclough

Tim Fairclough
Partner

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 25th August 2016.

NUMBER OF HOLDERS OF
EQUITY SECURITIES

ORDINARY SHARES

814,234,009 fully paid ordinary shares are held by 1,951 individual holders. All ordinary shares carry one vote per share.

OPTIONS

203,150,000 (ASX:RNOOA) listed options execisable at \$0.06 per option on or before 30 April 2017 are held by 245 individual holders.

769,230 (RNOOPT2) unlisted options execisable at \$0.065 per option on or before 30 April 2019 are held by 1 individual holders. 10,000,000 (RNOOPT3) unlisted options execisable at \$0.0674 per option on or before 30 April 2019 are held

by 1 individual holders. 40,000,000 (RNOOPESC) unlisted options execisable at \$0.065 per option on or before 30 April 2017 are held by 4 individual holders.

Options do not carry a right to vote. voting rights will be attached to the unissued shares when the options have been exercised.

DISTRIBUTION OF ORDINARY
FULLY PAID SHARES

ORDINARY SHARES		
HOLDING RANGES	NO. OF HOLDERS	TOTAL UNITS
1 - 1000	65	9,106
1001 - 5000	153	430,352
5001 - 10,000	91	786,723
10,001 - 100,000	846	41,129,353
100,001 and above	796	771,878,475
TOTALS	1,951	814,234,009
Unmarketable parcels	59	3,246

TWENTY LARGEST ORDINARY FULLY
PAID SHAREHOLDERS

	HOLDER NAME	NUMBER	%
1	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	48,816,205	6.00%
2	KROY WEN PTY LTD	38,000,000	4.67%
3	KROY WEN PTY LTD <DEWHURST SUPER FUND A/C>	33,000,000	4.05%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	26,852,762	3.30%
5	ABINGDON NOMINEES PTY LTD	20,875,000	2.56%
6	FIFTY SECOND CELEBRATION PTY LTD	15,312,500	1.88%
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	14,466,670	1.78%
8	KENSINGTON CAPITAL MANAGEMENT PTY LTD	14,125,000	1.73%
9	THIRTY-FIFTH CELEBRATION PTY LTD	12,650,000	1.55%
10	MR YI LU	8,500,000	1.04%
11	ARGUS NOMINEES PTY LTD	8,333,335	1.02%
11	JASFORCE PTY LTD	8,333,335	1.02%
12	FORDHOLM CONSULTANTS PTY LTD	8,000,000	0.98%
13	CITICORP NOMINEES PTY LIMITED	6,750,000	0.83%
14	MHBIAT PTY LTD	6,700,000	0.82%
15	AJG PTY LTD	6,632,645	0.81%
16	SHARED OFFICE SERVICES PTY LTD	5,862,500	0.72%
17	ELITE4FITNESS PTY LTD	5,597,923	0.69%
18	MS GWENETH JOY MCINTYRE & MS GLENICE KAY GRONOW	5,584,487	0.69%
19	CASTLE BAILEY PTY LTD	5,576,388	0.68%
20	STRUCTURE INVESTMENTS PTY LTD	5,180,286	0.64%

TOTAL OF TOP 20 SHAREHOLDERS	305,149,036	37.48%
TOTAL BALANCE OF REMAINING SHAREHOLDERS	509,084,973	62.52%
TOTAL ISSUED CAPITAL	814,234,009	100.00%

OPTIONHOLDERS (RNOOA)		NUMBER	%
1	MR MICHAEL JOHNSON	30,000,000	14.77%
2	STRUCTURE INVESTMENTS PTY LTD	24,250,000	11.94%
3	MR PHILLIP ALLEN HAINS	10,000,000	4.92%
4	MR PHILLIP KEITH BIGGS & DR KATIE LOUISE SPEARRITT	8,086,797	3.98%
5	MR JASON PETERSON & MRS LISA PETERSON	7,000,000	3.45%
6	FIRST INVESTMENT PARTNERS PTY LTD	5,926,480	2.92%
7	MR PETER LANCELOT GEBHARDT & MRS CARLENE JOY GEBHARDT	5,241,755	2.58%
8	ANTHONY BAILLIEU	5,000,000	2.46%
8	DOVEHOUSE LTD	5,000,000	2.46%
9	HIRSUTE PTY LTD	4,857,500	2.39%
10	A D WILSON & ASSOCIATES PTY LTD	4,315,989	2.12%
11	BRAZILLIANT PTY LTD	4,000,000	1.97%
11	PROFESSIONAL PAYMENT SERVICES PTY LTD	4,000,000	1.97%
11	MR GREGORY WILLIAM MITCHELL	4,000,000	1.97%
12	GORDON FAMILY SUPERANNUATION PTY LTD	3,024,519	1.49%
13	SUPER MSJ PTY LTD	3,000,000	1.48%
14	KYLE VALLEY PTY LTD	2,800,000	1.38%
15	KENSINGTON CAPITAL MANAGEMENT PTY LTD	2,500,000	1.23%
16	MR JOHN PAUL O'CONNOR	2,405,000	1.18%
17	MR JOHN CHARLES HOLMES CLARK & MRS REBECCA KATRINA CLARK	2,000,000	0.98%
18	SA CHAFF PTY LTD	1,868,393	0.92%
19	KOOYONG SUPERANNUATION PTY LTD	1,850,000	0.91%
20	MR ROBERT PATRICK DEERING	1,800,000	0.89%
TOTAL OF TOP 20 SHAREHOLDERS		142,926,433	70.36%
TOTAL BALANCE OF REMAINING SHAREHOLDERS		60,223,567	29.64%
TOTAL ISSUED CAPITAL		203,150,000	100.00%

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders the Company is aware of from the register, or who have notified the Compnay in accordance with Section 671B of the Corporations Act are:

SUBSTANTIAL SHAREHOLDERS	NUMBER OF SHARES
W.Whitney George	43,566,205
Kroy Wen Pty Ltd	71,000,000
TOTAL NUMBER OF SHARES HELD BY SUBSTANTIAL SHAREHOLDERS	114,566,205

FORWARD LOOKING STATEMENT

Any forward looking statements in this document have been prepared on the basis of a number of assumptions which may prove incorrect and the current intentions, plans, expectations and beliefs about future events are subject to risks, uncertainties and other factors, many of which are outside Rhinomed Limited’s control. Important factors that could cause actual results to differ materially from any assumptions or expectations expressed or implied in this annual report include known and unknown risks. As actual results may differ materially to any assumptions made in this annual report, you are urged to view any forward looking statements contained in this annual report with caution. This annual report should not be relied on as a recommendation or forecast by Rhinomed Limited, and should not be construed as either an offer to sell or a solicitation of an offer to buy or sell shares in any jurisdiction.

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