

Consegna

Investor Newsletter

August 2013

A Message from the CEO

Dear Shareholders,

I am pleased to report that our company now has a compelling product underpinned with a breakthrough and disruptive brand ready for the world's elite and amateur athletes. Designed with input from serious athletes it is also a product that can be produced at an attractive margin.

We are on track to launch this product in Q4 in calendar year 2013. This important major milestone marks a significant value inflection point of the company.

In February of this year when we began the process of turning around Consegna, our top priority was delivering a product to market. Six months later we can confirm that we will do that. With our manufacturing partner now in place, we are fully funded to deliver revenues this year.

More details on the launch will be released as we get closer to the date. However, what I can tell you is that the program being developed by our chief marketer Jane Ballantyne should attract the attention of all serious athletes.

In short, we are about to transform from a tech company with potential, to a revenue producing business with a revolutionary new sports product – the **Turbine**.

With our sport program locked in, we are now actively engaged in scoping our sleep program. This program seeks to identify some clear unmet needs within the global Snoring and Sleep Apnea markets. We believe our technology can provide a range of highly attractive solutions. In addition the program will enable the company to extend and strengthen its IP portfolio and unlock significant opportunities in the mobile health space.

My sincere thanks for your support to date. While the progress is pleasing, it is only the beginning!

“With our sport program locked in, we are now actively engaged in scoping our sleep program”.

Over the last quarter we delivered on all key milestones:

- Successful completion of a \$382,000 fully underwritten options right issue;
- Successful completion of an investor roadshow held in Perth, Adelaide and Sydney;
- The appointment of Jane Ballantyne as Chief of Marketing;
- Completion of the company's first Athlete User Trial;
- Development and adoption of a brand for our lead technology for the Sport and Exercise market - the Turbine;
- Turbine 1.0 design complete and market ready;
- Development of our marketing strategy and launch program;
- Appointing a global manufacturing partner which will allow full scale production to meet demand for the Turbine product;
- Appointing specific resources to assist with the successful launch of the Turbine product including:
 - Melbourne based advertising agency, Australian agency of the year, **Whybin TBWA** to help craft and drive our brand for launch into the sport market later this year; and
 - **Citrus** as our digital and online agency who are developing our online and e-commerce experience.
- Continued development of our US & Australian sleep and snoring programs;
- Continued the scoping of our clinical programs including drug delivery and olfactory application; and
- Continuing to build on our business development activities in developing relationships with large pharma and corporates who have specific interest in our technology platform.

We remain focused on building Consegna into a highly valuable business with a clear focus on improving the efficiency of the human engine through our BreatheAssist technology platform.

I would like to acknowledge the support of shareholders throughout this process and the athlete panel for their input into the next generation Turbine.

Michael Johnson
CEO

IN THIS ISSUE

2

Building a Great Company

3

Elite Sport Panel Testing

4

Building Blocks to Success

5

Platform Development

6

Sleep Apnea & Drug Delivery

Building a Great Company

In February this year we set about turning this company into one of Australia's leading technology firms. To achieve this outcome we are systematically identifying risk and putting in place strategies that will mitigate these risks.

To build a great company you need to attract the very best people. When focusing on a launch into the sport market, we identified that we would need people who have outstanding expertise, wisdom and knowledge of this market.

We identified **Jane Ballantyne**, a former senior marketer with Nike, Marketing Director at Just Jeans Group and STA Travel, before a six year stint at the AFL as the Manager of Brand Marketing. Recently she worked with Football Federation Australia on the launch of the Western Sydney Wanderers. This has since turned out to be one of the most successful launches of a new franchise in Australian and global sporting history.

So having admired her skill as a marketer, the question was how to entice her to Conseгна.

Not surprisingly when we first posed the challenge to her, her reaction was luke-warm. After all, it seems like a risky move going from well-established brands to an emerging technology company. Put simply, if we were to get Jane on board, she would need to believe in the technology as much as we do.

This rapidly became a litmus test for our company. Could we convince an experienced professional marketer who has worked with some of the world's most sophisticated marketing companies that our technology not only works, but also will be a stand out success?

The answer was a resounding yes.

How? We simply asked her to use it. The challenge was if you like it, if you believe it works, come and join us. If you don't think it does, then thanks for taking a look. Her response was categorical and overwhelmingly positive. The rest is history. We can think of no better endorsement for our company and our technology!

We are here because we know it works and we believe that we can build an extraordinary brand and business. We invite you to continue with us on the journey.

“We can think of no better endorsement for our company and technology.”



Nose Breathing versus Mouth Breathing

Quite simply...noses are designed for breathing and the mouth is designed for eating.

Research shows that **nasal breathing** and **mouth breathing** result in different physiological responses in the body.

Nasal breathing facilitates the parasympathetic nervous system which is responsible for calming the body such as slowing the heart rate and reducing muscle tension. Whereas mouth breathing encourages the sympathetic nervous system which does the opposite; it activates the fight or flight response.

When we breathe through our nose, we use the diaphragm and the larger, lower lobes of the lungs. These are comfortably filled allowing for more gas exchange (oxygen on inhale and carbon dioxide on exhale) and efficient respiration.

Another important point is the discovery that the nasal sinuses produce **nitric oxide**. Nitric Oxide is a vasodilator, meaning that it relaxes the muscles around a blood vessel allowing it to widen and therefore improves blood pressure. A research study compared the production of nitric oxide in nose breathing and mouth breathing.

The production of nitric oxide in the sinuses leads to 10-15% higher oxidation of the blood. This occurs because nitric oxide follows the air on the inhalation through the nose, the alveoli are expanded allowing a greater amount of blood to pass through the blood vessels to be oxidized. **Nitric oxide** has been shown to be important in the following cellular activities:

- help memory and behavior by transmitting information between nerve cells in the brain;
- assist the immune system at fighting off bacteria and defending against tumors;
- regulate blood pressure by dilating arteries;
- reduce inflammation;
- improve sleep quality;
- increase your recognition of sense (i.e. smell);
- increase endurance and strength; and
- assist in gastric motility.

There have been over 60,000 studies done on nitric oxide in the last 20 years and in 1998, The Nobel Prize for Medicine was given to three scientists that discovered the signaling role of nitric oxide. So nasal breathing leads to better health. For more information, we have provided links to articles on our Facebook page.

Turbine™ - Elite Sports Panel Testing

The Sports Panel

There are many technologies that you can invest in. There are many technologies that appear to be extraordinary. However, the true test of a great technology is its ability to solve a clear and well-defined problem. Not just a problem shared by one or two people, but a problem shared by a significant proportion of the population. More importantly, it should be a problem they are prepared to pay to get fixed.

We define this as market risk and we mitigate the risk by gathering evidence. So one of the first steps we put in place was designing and developing a user trial.

Our 'elite trainer' athlete user trial sought to understand whether a problem exists, whether the market was looking for a solution, whether our solution was compelling, and then when they used the prototype, did it meet their needs?

Pleasingly, the answers were resoundingly affirmative.

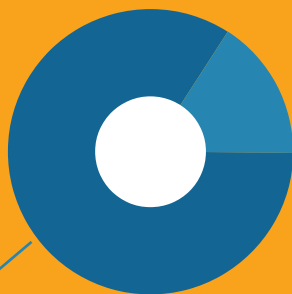
Our user trial has provided the company with a wealth of information that is informing the brand development, the new product design and the marketing of the product. It impacts every aspect of the business as we move from being a company that has technologies to a company that earns money from developing solutions to problems.

"I can breathe easily, and can already notice how much more air I can get in through my nose". Sport Panel Participant



86%

of the panel believed **Turbine** would deliver **more air** into their lungs.

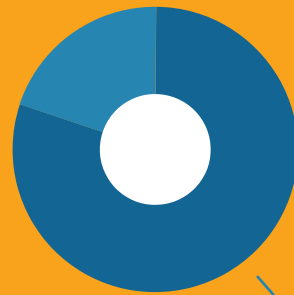


The Results

86% of the panel reported that they believe that Turbine would *deliver more air into their lungs* and 83% believe that the device will *allow them to be able to breathe more easily during exercise*.

With this in mind, 94% of the panel went on to report that they believed that *people training at an elite level would benefit from the technology* and 91% believed it would *benefit elite athletes*.

"It feels as though I am able to get more air in". Sport Panel Participant



80%

of the panel would expect to **buy Turbine online**.

In terms of product take up, our target market believes that Turbine could deliver on several critical benefits; a means to get more air into the lungs when training and be highly beneficial for others who train at an elite level. It confirmed that aerobic training activities like cycling, rowing and running along with altitude sports, where a lack of oxygen affects performance, would be sports most likely to benefit.

The Summary

After trialling the prototype during three training sessions:

- Two-thirds of the panel reported that they felt they **got more air into their lungs**;
- 60% of the panel felt **less fatigued** during training;
- Close to half felt their **breathing returned to normal** more quickly than usual; and
- 80% would expect to **buy the device online**.

The results also provided the company with specific feedback for areas of improvement including sizing and comfort.

"I felt as though I could breath easier and I was excited to use it during training".

Sport Panel Participant

Building Blocks to a Successful Product

New Design

Consegna had developed an early prototype of the sport product in 2012. The elite athlete trial in May provided the opportunity to test how well this initial prototype met the users needs. The trial enabled us to refine our hypothesis and create a very specific brief for our design firm, Sydney based, **Tiller Medical**.

The result is a highly refined product with specific design features that build on what the existing prototype does well and responds to the feedback from our users. We can report to you that the Turbine 1.0 design is now being tooled and readied for mass production.

The user trial also identified several new opportunities for innovation. This input will fuel our product development program and result in more solutions to improve the way athletes breathe during exercise.

DID YOU KNOW IN AMERICA:

51 million people
run or jog regularly

31 million people
participate in yoga or pilates

47 million people
ride a bike regularly

Source: SFIA 2013

Manufacturing

A great product is one thing. The ability to make it profitable and an attractive investment proposition is critical. In April we began the process of reviewing all the existing prototypes and engaging with manufacturers to assess how we can bring the product to market at a price that delivers significant upside for you the shareholder.

This process was exhaustive and we spoke with a wide range of manufacturers both here in Australia, the US and Asia. The end result was a competitive round where we sought to identify a manufacturing partner who could meet our financial targets without compromising on quality.

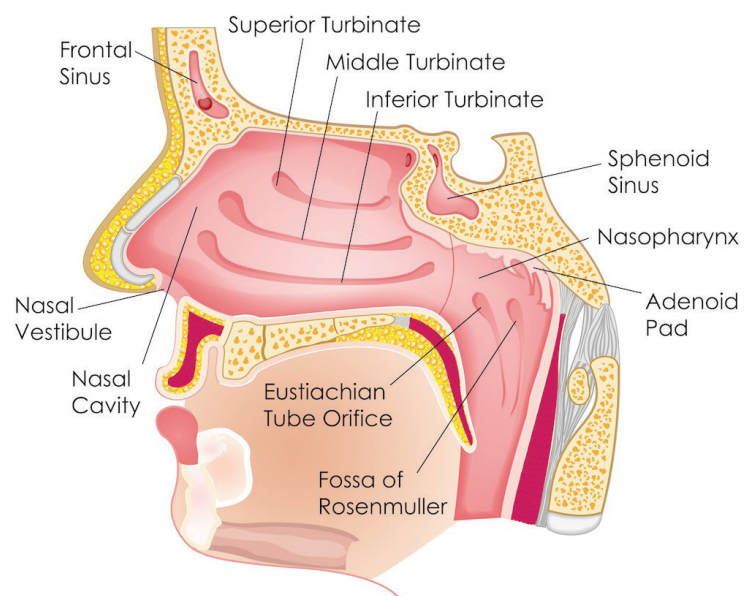
Pleasingly, **ChinaMed Products**, a company that had previously worked with Consegna, were able to deliver a cost effective solution. The process to assess potential manufacturers has now produced a very positive outcome. The result is a partnership with a company that has a strong track record of success, has worked with some of the most demanding clients in the world and whose uncompromising approach to quality control should assure all shareholders and licensees that we have significantly de-risked the manufacturing and supply of the product.

Brand & Marketing

We are intent on building disruptive and category-breaking brands in every market we enter. The company appointed **Whybin TBWA** and **Citrus** to work with our team to start this significant task, the first step to review the existing sport product. Aply lead by Jane Ballantyne, the team has developed a truly disruptive brand, the **Turbine**.

Turbine has its origins in physiology.

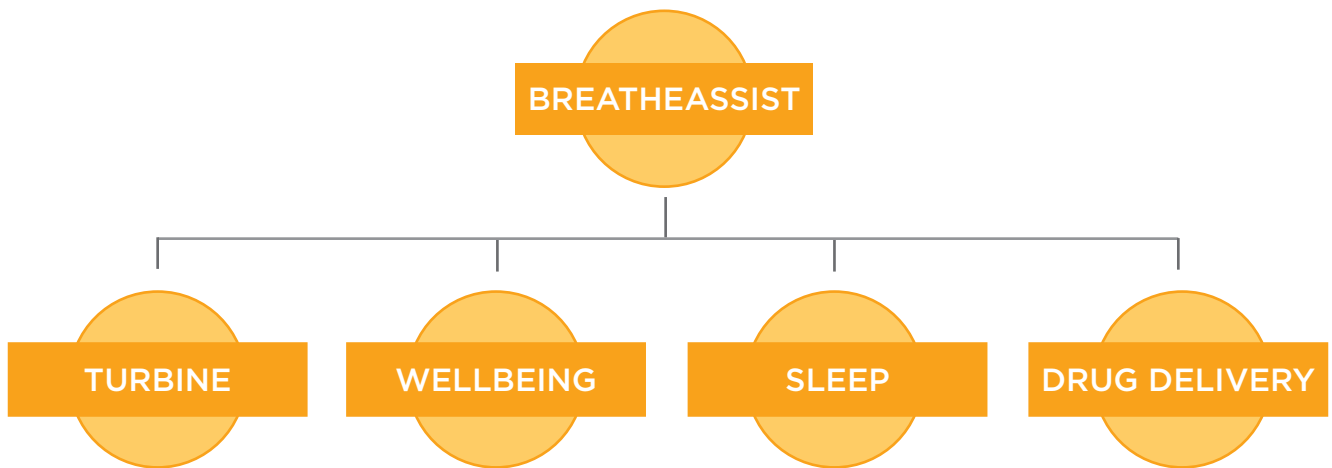
The turbinates are structures within the nose that assist with breathing. They are a series of narrow channels or passages that enable the air to pass over a much larger membrane surface area.



Put simply, it's an amazing climate control system that ensures that the air that reaches your lungs through your nose is optimised to the right humidity level and temperature. This function allows oxygen to pass into your blood stream more efficiently. It's what the nose is designed to do and makes our BreatheAssist technology platform so exciting and the Turbine such a compelling brand.

“Turbine has its origins in physiology.

The turbinates are structures within the nose that assist with breathing”.



A Portfolio of Products

Our first product, the Turbine, is locked in and ready for launch. In parallel we are also actively engaged in developing our expanded product portfolio.

Wellbeing

Breathing through the nose is well documented as a critical part of maintaining good health. There is a plethora of articles, many of which you can view on our Facebook page, that describe the real benefits of focusing on breathing through the nose. These include lower anxiety, better sleep, better heart health and greater concentration.

We are developing a product range that will specifically target problems that can be addressed through a nasal breathing solution. This includes a product designed for the passive exercise market – Yoga, Pilates, meditation, etc. All these activities involve a focus on the importance of breathing through the nose. Our dilation technology will enhance this considerably and assist participants to optimise their desired outcomes from these activities.

“It certainly makes breathing through my nose feel a lot easier and clearer”.

Sport Panel Participant

Sleep

The opportunity in the sleep market is significant. The sleep spectrum is very broad and ranges from occasional snoring all the way through to fully diagnosed Sleep Apnea.

Our focus is on leveraging the work we are doing in sport to enable us to launch a product into the snoring market. Our target is the US market and specifically men over 40. This target market, no surprise, is one of our key target markets for the Sport business. Socialising the product in the sport market allows us establish a brand and a presence that will be exponentially more acceptable to the huge snoring market.

According to market data – approximately half the men aged 40+ in the US snore. So we see a significant opportunity to play a part in providing a viable and attractive solution.

Our program to unlock this potential is well defined. We validate the need, design our final solution, validate that the solution answers the need and then build a compelling brand to deliver the product.

We have opened up conversations with partners who have expressed strong interest to distribute the product both here and in the US. This strong interest is further validation of the potential value of the portfolio and why we are intent on fast tracking this opportunity.



“Our focus is on leveraging the work we are doing in sport to enable us to launch a product into the snoring market”.

Sleep Apnea & Drug Delivery

Sleep Apnea

The sleep apnea market is a significant global opportunity. Our analysis clearly indicates that while there are well established companies in the market, such as Resmed, Somnomed and Philips Respironics, we believe our strategy to develop high profile consumer brands anchored to our BreatheAssist technology platform provides us with a unique opportunity.

It is too early to provide you with a thorough description of our plans, due to commercial sensitivities. However we are confident we have a significant opportunity that, when executed, will release significant value for all shareholders. We look forward to being able to provide you with a more detailed update later this year.

Drug Delivery

Nasal drug delivery is another significant opportunity for the company. For those not necessarily familiar with the concept of nasal drug delivery, you can find more information on our Facebook and website.

In summary, the company is interested in assessing the application of its nasal technology as a platform for the delivery of both prescription and over the counter drugs.

Drug delivery is an increasingly important area for the pharma industry. While new drug development becomes more expensive and complex, increasingly the focus switches to improving the efficiency and efficacy of the way a drug is delivered.

The nose is a unique, highly attractive and underutilised vehicle for drug delivery. Nasal delivery is an obvious choice when treating diseases of the nose or sinuses such as allergic and non-allergic rhinitis and sinusitis. It is also highly attractive for needle free vaccination as the rapid absorption of drugs through the nasal mucosa allows rapid uptake of the drug into the blood stream.

Additionally, delivering drugs through the nose can address issues such as poor bio-availability, slow metabolism, slow absorption, drug degradation and adverse events in the gastrointestinal tract, while also avoiding the first-pass metabolism in the liver.

We have begun the process of scoping out the opportunities for drug delivery with our platform technology and will update investors with progress in the coming months.

In Summary

Consegna is rapidly transforming into a company of substance. A company with real products that deliver compelling solutions to high value problems. This focus on creating value for customers, patients and to existing and potential partners will also deliver value to you, our shareholder. The company that existed at the start of 2013 is vastly different to the one that exists today. This transformation is set to continue as we drive our strategy of creating long term sustainable value and return for all shareholders.

Stay tuned.

“The nose is a unique, highly attractive and underutilised vehicle for drug delivery.

The rapid absorption of drugs through the nasal mucosa allows rapid uptake of the drug into the blood stream”.

Board:

Mr Martin Rogers	Chairman
Mr Michael Johnson	Executive Director
Lord Simon Reading	Non-executive Director

Consegna Quick Facts:

Stock Code	ASX - CGP
Issued Capital	306,252,461
Market Capitalisation	\$ 10.41 million (as at 08/08/2013)

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Forward looking statement

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