

R H I N O M E D

Appendix 4E – Preliminary Final Report

(ASX Listing rule 4.3A)

Company Name:	Rhinomed Limited (the 'Group')
ABN:	12 107 903 159
Reporting Period:	Financial year ended 30 June 2015
Previous Reporting Period:	Financial year ended 30 June 2014

Results for Announcement to the Market

The results of Rhinomed Limited for the year ended 30 June 2015 are as follows:

Revenue from ordinary activities	Up	105%	to	\$432,460
Loss after tax attributable to members	Up	50%	to	(\$5,316,992)
Net loss for the period attributable to members	Up	50%	to	(\$5,316,992)

Brief explanation of figures reported above

Revenue for the period is comprised of sales revenue for the Turbine and Mute products.

The loss for the Group after income tax for the reporting period was \$5,316,992 (2014: \$3,534,577).

For further details relating to the current period's results, refer to the Review of Operations contained within the attached documents. No change to the Group's structure occurred during the year.

Dividends

No dividends have been paid or declared by the Group since the beginning of the current reporting period. No dividends were paid for the previous reporting period. The Company has no dividend reinvestment plan.

Net Tangible Assets

	30 June 2015	30 June 2014
Net Tangible Assets/(Liabilities)	\$1,564,982	\$1,703,651
Shares (No.)	539,438,635	395,379,445
Net Tangible Assets/(Liabilities) – (cents)	0.290	0.431

Status of Audit of Accounts

The accounts are currently in the process of being audited. An Annual Report for the year ended 30 June 2015 containing the Audit Report shall be provided in due course.

R H I N O M E D

ABN 12 107 903 159

Appendix 4E

Preliminary Final Report

For the Year Ended 30 June 2015

In Compliance with ASX Listing Rule 4.3A

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Review of Operations

The Directors of Rhinomed Limited ('Rhinomed', 'RNO', or 'the Company' and its controlled entities 'the Group') provide the following Report in relation to the Group for the year ended 30 June 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.

Operating and financial review

Results

The Group reported a loss of \$5.3m for the financial year, up from \$3.5m for the previous financial year as increasing investment in operational capability increased. Total sales revenue for the financial year was \$432k, an increase from \$211k in the previous year. Operating expenses have increased as the Company scales up operations and builds global markets for its first two products based on the patented nasal technology platform.

Operations

Turbine and Mute are uniquely customisable nasal stents that enhance nasal breathing and reduce congestion without placing pressure on the septum. They are designed to increase airflow and make breathing easier during exercise or sleep.

Mute uses soft, flexible materials to ensure it is light and flexible to sit inside the nose comfortably whatever the user's sleeping position and for extended periods of time.

For sport, comfort and retention during repetitive movement are vital. Turbine employs more robust materials and includes additional retention features on the paddles and curved arms to hold the device in place comfortably and reliably. Turbine also includes a fine tuning feature allowing the wearer to easily adjust the dilation of each nostril while the device is in place, such as increasing the dilation when undertaking intense exercise during hill climbs.

Turbine

Turbine, used by elite athletes to increase airflow and manage breathing efficiency, was launched into the global sport and exercise market in 2014. While the initial response to the product was exciting, it became clear that the potential for slippage in extreme conditions compromised the product's performance and the customer experience. The Company responded quickly and began design analysis and proto-typing in the second quarter of the current financial year. The new generation Turbine was released in the third quarter of the financial year. User feedback confirms that the new design offers a better fit and greater comfort, opening up further market segments.

The Turbine is now available in 19 countries worldwide. Turbine is worn by key opinion leaders in cycling and triathlon, including two time winner of the Tour de France, Chris Froome. Froome joined the Company in June 2015, as Turbine's Global Ambassador and went on to win the 2015 Tour de France in convincing style. His endorsement of the technology and the publicity generated has seen a considerable increase in interest and sales levels of Turbine since year end.

Review of Operations *(continued)*

Mute

Snoring is a significant health and lifestyle problem globally. While existing snoring products have not been well embraced by consumers, Mute provides a clear material opportunity to provide a well-tolerated solution for this significant unmet need. The Company recognises the potential of this global market and is progressing opportunities to launch Mute into key markets worldwide.

Following registration with key regulatory authorities (TGA, US FDA, European CE Mark), Mute was launched online in late-December 2014 and distribution into Australian pharmacies commenced in late March 2015.

Mute's launch into the market was supported by an independent in-home User Trial, as well as market research in the US, UK and Australia to firmly understand the market opportunity, target groups and needs. The five day in home user trial with 118 couples, conducted in November 2014, confirmed both the efficacy of Mute as well as confirming compelling benefits to snorers and their partners. 75% of snorers in the trial reported a reduction in their snoring when using Mute.

During June 2015, the Company attended the American Sleep Association conference in Seattle, attended by medical practitioners and sleep clinicians from the US and many other key international markets. The response from these important Key Opinion Leaders confirmed that Mute provides a compelling answer to a clear market need. Discussions regarding distribution are ongoing.

The Company has appointed representation to introduce Mute to sleep clinics, ENT surgeons and dentists in Australia and is exploring similar arrangements in the US. The potential role of Mute as a companion therapy to existing devices (CPAP and Mandibular splints) has been of strong interest to clinicians and we are investigating the potential of Mute to significantly alter compliance rates and uptake.

Corporate

The Company raised capital of \$5.04m before costs during the financial year to provide working capital to support the Company's product launch and expansion plans. The Company also received research and development tax rebates of \$570k.

With the development of the nasal technology portfolio, the Company has decided to focus its energies on exploiting the value of this key platform and has decided to divest the Vibroveil assets. The sale of Vibroveil will be concluded in the 2015 calendar year.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2015

	Note	Consolidated	
		30-Jun-15 \$ AUD	30-Jun-14 \$ AUD
Revenue from Continuing Operations		432,460	210,854
Other income	3	60,428	80,215
Expenses			
Raw materials and consumables used		(217,281)	(56,753)
Employee benefits expense		(1,173,109)	(120,624)
Depreciation and amortisation		(451,021)	(240,652)
Impairment of assets		(72,473)	(133,000)
Fair value adjustment of investment		(50,000)	225,000
Other expenses		(4,416,333)	(3,076,806)
Share based payments		-	(811,160)
Finance costs		-	(44)
Loss before income tax		(5,887,329)	(3,922,970)
Income tax benefit		570,337	388,393
Loss for the period		(5,316,992)	(3,534,577)
Total comprehensive loss after income tax for the year		(5,316,992)	(3,534,577)
Total comprehensive loss attributable to non-controlling interest		-	-
Total comprehensive loss attributable to owners of the parent entity		(5,316,992)	(3,534,577)
Basic and diluted earnings/(loss) per share (cents per share)	9	(1.12)	(1.00)

Consolidated Statement of Financial Position

As at 30 June 2015

		Consolidated	
		30-Jun-15	30-Jun-14
	Note	\$ AUD	\$ AUD
ASSETS			
Current Assets			
Cash and cash equivalents		1,368,621	1,451,833
Trade and other receivables		120,477	71,376
Inventories		110,028	12,634
Assets classified as held for sale	6	93,848	-
Other assets		70,569	219,470
Total Current Assets		1,763,543	1,755,313
Non-Current Assets			
Other financial assets		378,063	376,875
Property, plant and equipment		272,503	75,969
Intangible assets	5	4,402,497	4,857,974
Total Non-Current Assets		5,053,063	5,310,817
TOTAL ASSETS		6,816,606	7,066,130
LIABILITIES			
Current Liabilities			
Trade and other payables		814,795	497,316
Provisions		34,332	7,188
Total Current Liabilities		849,127	504,504
TOTAL LIABILITIES		849,127	504,504
NET ASSETS		5,967,479	6,561,625
EQUITY			
Issued capital	7	41,927,021	37,204,175
Reserves		3,624,910	5,699,284
Non-controlling interest reserve	8	(6,158,687)	(6,158,687)
Accumulated losses	8	(33,425,765)	(30,183,147)
TOTAL EQUITY		5,967,479	6,561,625

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2015

		Issued Capital	Option Reserve	Reserves NCI	Accumulated Losses	Non- Controlling Interests	Total
	Note	\$	\$	\$	\$	\$	\$
Balance as at 30 June 2013		33,732,078	4,750,874	(6,158,687)	(26,648,570)	-	5,675,695
Total comprehensive loss for the year		-	-	-	(3,534,577)	-	(3,534,577)
Transactions with Equity holders in their capacity as equity holders:							
Shares issued net of issue costs	7	3,472,097	-	-	-	-	3,472,097
Options issued		-	948,410	-	-	-	948,410
Balance as at 30 June 2014	7	37,204,175	5,699,284	(6,158,687)	(30,183,147)	-	6,561,625
Total comprehensive loss for the year		-	-	-	(5,316,992)	-	(5,316,992)
Transactions with Equity holders in their capacity as equity holders:							
Shares issued net of issue costs	7	4,722,846	-	-	-	-	4,722,846
Options expired	8		(2,074,374)	-	2,074,374	-	-
Options issued		-	-	-	-	-	-
Balance as at 30 June 2015	7	41,927,021	3,624,910	(6,158,687)	(33,425,765)	-	5,967,479

Consolidated Statement of Cashflows

For the Year Ended 30 June 2015

		Consolidated	
	Note	30-Jun-15 \$ AUD	30-Jun-14 \$ AUD
<u>Cash flows from operating activities</u>			
Receipts from customers		458,278	210,854
Payments to suppliers and employees		(5,550,444)	(3,392,782)
Interest received		54,858	31,174
Interest and other costs of finance paid		(5,718)	(1,708)
Receipt of R&D tax refund		570,337	898,178
Other grant received		-	47,093
Other		-	701
Net cash flows used in operating activities		(4,472,689)	(2,206,490)
<u>Cash flows related to investing activities</u>			
Payment for purchases of plant and equipment		(333,369)	(76,858)
Proceeds from sale of equity investments		-	408,415
Purchase of intellectual property		-	(172,081)
Other		-	(51,956)
Net cash flows used in investing activities		(333,369)	107,520
<u>Cash flows related to financing activities</u>			
Proceeds from issues of equity securities		5,042,072	3,520,000
Capital raising costs		(319,226)	(239,939)
Repayment of borrowings		-	(52,407)
Net cash flows from financing activities		4,722,846	3,227,654
Net increase/(decrease) in cash and cash equivalents		(83,212)	1,128,684
Cash and cash equivalents at the beginning of the year		1,451,833	323,149
Cash and cash equivalents at the end of the year		1,368,621	1,451,833

Notes to the consolidated financial statements

Note 1 – Statement of Significant Accounting Policies

Corporate Information

This Preliminary Financial Report covers the entity of Rhinomed Limited and its controlled entities. The Group's principal activities are research, development and commercialisation of consumer and medical devices with a focus on nasal respiratory and breathing management.

The Group's Preliminary Financial Report does not include all the notes of the type normally included in an Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial report.

This Preliminary Financial Report has been prepared in accordance with the recognition and measurement requirements, but not all disclosure requirements, of Australian Accounting Standards and Interpretations and the Corporations Act 2001. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards.

The Preliminary Final Report has been prepared on an accruals basis and is based on historical costs, except for the revaluation of certain non-current assets and financial instruments. Cost is based on fair values of the consideration given in exchange for assets.

The preliminary financial report is presented in Australian dollars.

Basis of preparation

The Preliminary Final report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments to fair value. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

New, revised or amending Accounting Standards and Interpretations adopted

The following amending Standards have been adopted from 1 July 2014. Adoption of these Standards did not have any effect on the financial position or performance of the Group:

Ref	Title	Summary
AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	The consolidated entity has applied AASB 2012-3 from 1 July 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement.
AASB 2013-3	Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets	The consolidated entity has applied AASB 2013-3 from 1 July 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.

Notes to the consolidated financial statements

Ref	Title	Summary
AASB 2014-1	Amendments to Australian Accounting Standards (Parts A to C)	The consolidated entity has applied Parts A to C of AASB 2014-1 from 1 July 2014. These amendments affect the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker; AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination.

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 2014.

Note 2 - Dividends

The Company has resolved not to declare any dividends for the financial year ended 30 June 2015.

Note 3 - Revenue

	Consolidated	
	30-Jun-15 \$ AUD	30-Jun-14 \$ AUD
Revenue		
Sales	432,460	210,854
Other Income		
Interest received	54,852	31,174
Other	5,576	49,041
Total Other Income	60,428	80,215
Total Revenue & Other Income	492,888	291,069

Notes to the consolidated financial statements

(continued)

Note 4. Segment Information

The Group continues to operate in one segment, being research, development and commercialisation of consumer and medical devices. The segment details are therefore fully reflected in the body of the preliminary financial report.

Note 5. Intangible Assets

	Consolidated	
	30-Jun-15 \$ AUD	30-Jun-14 \$ AUD
Goodwill		
At cost	4,951,996	4,951,995
Less impairment	(3,386,992)	(3,386,991)
Net carrying value	1,565,004	1,565,004
Development Costs		
At cost	646,352	646,352
Less impairment	(213,576)	(213,576)
Less amortisation	(62,917)	(21,698)
Less assets held for sale	(43,849)	-
Net carrying value	326,010	411,078
Intellectual Property		
At cost	9,566,217	9,566,217
Less impairment	(6,492,957)	(6,492,957)
Less amortisation	(511,777)	(191,368)
Less asset held for sale	(50,000)	-
Net carrying value	2,511,483	2,881,892
Total Intangible Assets	4,402,497	4,857,974

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 2013	1,565,004	260,694	3,073,260	4,898,958
Additions – internal development	-	172,082	-	172,082
Amortisation charge	-	(21,698)	(191,368)	(213,066)
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

Notes to the consolidated financial statements

(continued)

Note 6. Assets and Liabilities Classified as held for sale

	Consolidated	
	30-Jun-15	30-Jun-14
	\$ AUD	\$ AUD
<i>Assets held for sale</i>		
Other Intellectual Property	50,000	-
Development Costs	43,848	-
	93,848	-

The Group is currently in negotiations to sell its Marxman Device technology along with all associated intellectual property.

Note 7. Equity – Issued Capital

	Consolidated		Consolidated	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
	Shares	Shares	\$ AUD	\$ AUD
Ordinary Shares - fully paid	539,438,635	395,379,445	\$41,927,021	\$37,204,175
<i>Movement in ordinary shares on issue</i>				
At 1 July	395,379,445	293,752,461	37,204,175	33,732,078
09/07/2013 Lind Partners Convertible Security @ \$0.014	-	12,500,000	-	175,000
29/08/2013 Private placement at \$0.04	-	25,000,000	-	918,750
18/11/2013 Issue for Services @ 0.063	-	1,269,842	-	80,000
26/02/2014 Private Placement at \$0.042	-	60,000,000	-	2,520,000
11/04/2014 Issued for Services @ \$0.026	-	2,857,142	-	74,286
Less Costs of Capital Raising year ended 30 June 2014	-	-	-	(295,939)
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)	-
	539,438,635	395,379,445	\$41,927,021	\$37,204,175

Notes to the consolidated financial statements

(continued)

Note 8. Equity – Reserves

	Consolidated	
	30-Jun-15 \$ AUD	30-Jun-14 \$ AUD
Option Reserve	3,624,910	5,699,284
Non-Controlling Interest Reserve	(6,158,687)	(6,158,687)
	(2,533,777)	(459,403)

	Option Reserve \$ AUD	NCI Reserve \$ AUD	Total \$ AUD
Balance at 30 June 2013	4,750,874	(6,158,687)	(1,407,813)
Share based payments	811,160	-	811,160
Options issued/(expired)	137,250	-	137,580
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	(158,687)	(2,533,777)

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.

Movement in options were as follows:

	No.	Consolidated		2014 Weighted Average Price \$
		2015 Weighted average Price \$	No.	
Balance at 1 July	276,206,150	0.077	222,960,150	0.083
Options issued	-	-	57,750,000	0.063
Options exercised	-	-	-	-
Options lapsed / expired	(31,056,150)	0.203	(4,504,000)	0.175
Balance at 30 June	245,150,000	0.061	276,206,150	0.077

Notes to the consolidated financial statements

(continued)

Note 9. Loss per Share

	Consolidated	
	30-Jun-15	30-Jun-14
	\$ AUD	\$ AUD
Reconciliation of earnings to profit/(loss):		
Loss	(5,316,952)	(3,534,577)
Loss attributable to non-controlling interest	-	-
	(5,316,952)	(3,534,577)
<i>Loss attributable to parent entity:</i>	(5,316,952)	(3,534,577)
Basic earnings/(loss) per share (cents)	(1.12)	(1.00)
Weighted average number of ordinary shares outstanding during the year used to calculate basic and diluted EPS.	474,813,706	348,774,483

Note 10. Audit

These accounts are currently in the process of being audited. An Annual Report for the year ended 30 June 2015 containing the Audit Report shall be provided in due course.

Note 11. Events Subsequent to Reporting Date

On the 21st August 2015 the company announced that it had secured an exclusive distribution agreement with UK pharmacy group Boots UK, to distribute the Mute product into the United Kingdom.

Corporate Directory

AUSTRALIAN COMPANY NUMBER (ACN)
107 903 159

DIRECTORS

Mr Martin Rogers
Dr Eric Knight
Mr Brent Scrimshaw

MANAGING DIRECTOR

Mr Michael Johnson

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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

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

Independent Non-Executive Chairman
Independent Non-Executive Director
Independent Non-Executive Director

COMPANY SECRETARIES

Mr Phillip Hains
Mr Justyn Stedwell

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