CHANGING THE WAY THE WORLD BREATHES

RHINOMED
ANNUAL REPORT 2017

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WHO ARE WE?

Rhinomed (ASX:RNO) is a respiratory and nasal medical device technology firm with an extensive intellectual property portfolio that focuses on the role and function of the nose and breathing in sport, sleep, chronic disease and overall wellbeing.

Two products have been brought to market - Turbine and Mute, aimed at helping people to breathe better, sleep better and to enjoy a better quality of life.

We continue to develop and assess opportunities for our nasal technology platform in the sleep apnea, nasal drug delivery and wellness areas.

LETTER FROM THE CHAIRMAN

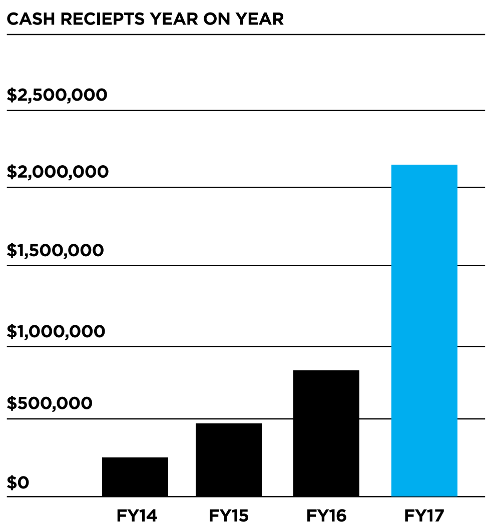
RON DEWHURST
CHAIRMAN

It is my pleasure to present the Rhinomed Limited 2017 Annual Report, reflecting the positive year on year growth since the introduction of the Company's current strategy in 2013.

Rhinomed's key milestones for the financial year centered around increasing vital distribution channels, especially within the US and Australian markets. We entered the year with a clear intent and extended our retail network considerably – being stocked in nearly 3,000 stores and holding access to over 7,000 outlets at year end. These distribution agreements were secured with some of the most iconic pharmacy and retail operations in the world, including Walgreens, Vittoria Industries, GNC Inc, McKesson Corporation, Sigma and Symbion. Into this growing base of stores the Company shipped close to 150,000 product units throughout the financial year.

Rhinomed has worked hard to achieve year on year growth, with receipts up 139% to AUD$2.02 million since FY16. The increase in operational revenue has been driven by the increase in store count and the sell through that is occurring as a result of increased marketing and promotional focus in these key market areas.

YEAR ON YEAR GROWTH



EXPANDING DISTRIBUTION THE KEY

Our steady progress throughout the year was largely due to the strategic focus on expanding our global distribution footprint.

In Australia, the company announced in December 2016 that BOC Ltd, part of the global The Linde Group, was appointed as Australian distributor for both Mute and Turbine.

Since then the Company has been moving our existing pharmacy relationships over to BOC. This has allowed a more strategic focus on account management and marketing to grow the Australian business. As a result, we were able to extend our relationships with the two main pharmacy wholesalers Sigma and Symbion, which have now opened up their entire networks to Mute. This is a great achievement in a short period of time and the Company intends to build upon this presence over the coming months.

In October 2016, Rhinomed appointed Vittoria Industries to distribute Turbine within North America. Vittoria has the relevant reputation and network amongst retailers to support Turbine within both the sports, health and impulse buy markets.

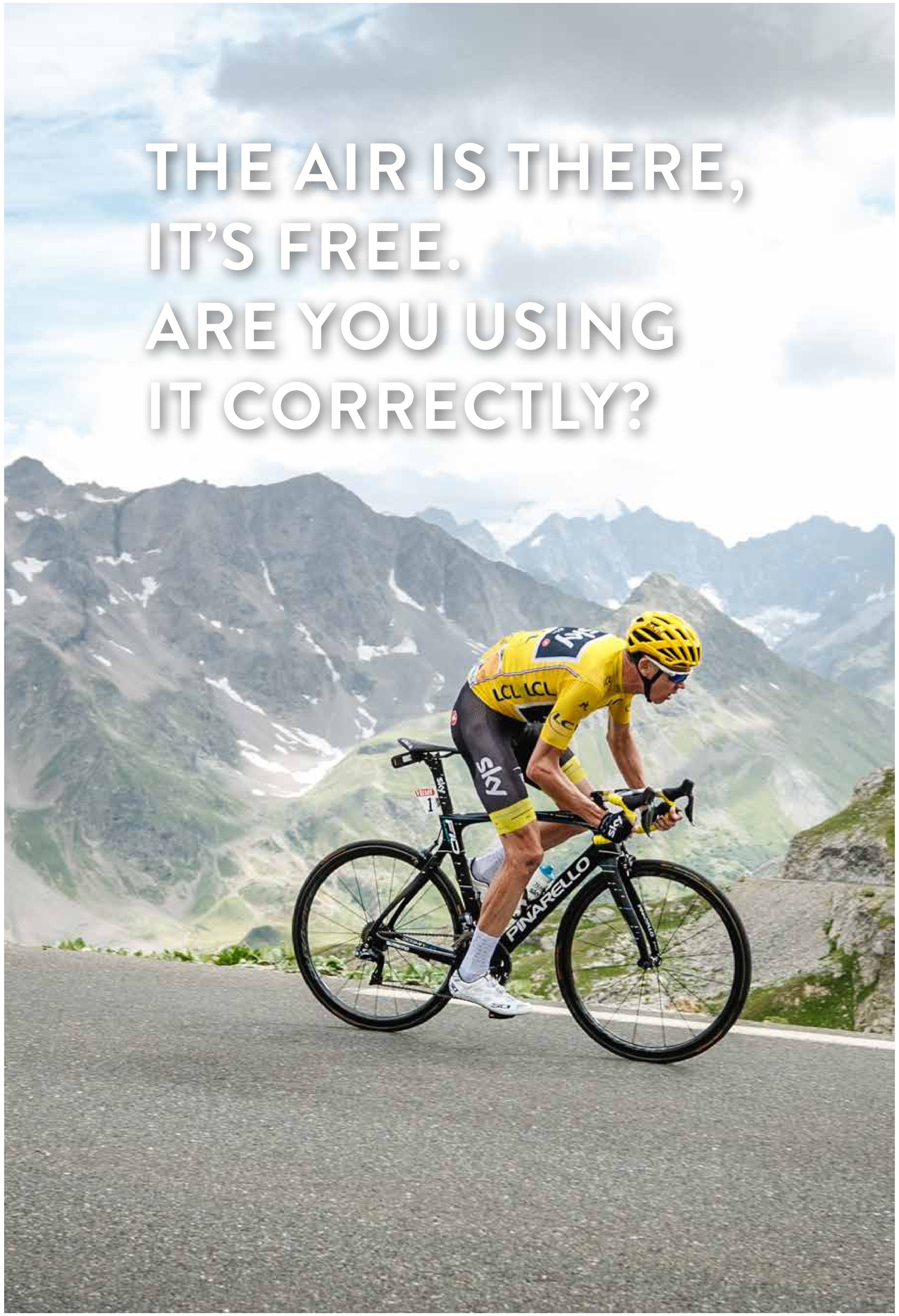
In addition, the Company as delighted to announce Amerisource-Bergen Corporation as a wholesaler in North America. In May of 2017, one of the world's premier nutrition and wellness chains, GNC Inc, began a trial of Mute within 811 of its corporate stores. Each of these new accounts require strong promotional and marketing support and I commend the Rhinomed team on their achievements to date.

Following the close of the financial year, Mute was added to the planogram of the Hamacher Resource Group. Being part of a planogram provides details to retailers on how and where the product should be placed on retail shelves to increase customer purchases. This was a critical milestone, as Hamacher provides the store and shelf layout for up to 10,000 independent pharmacies throughout the USA. Adding Mute into this layout provides an extraordinary opportunity for the Company to place Mute onto a signficant number of shelves in this vitally important market.

Finally, the Company achieved a major strategic milestone in July when it announced that its inaugural USA account Walgreens had decided to core range Mute into 4,300 stores throughout continental USA (taking our total 'in store' presence to 7,000 retail outlets). This major jump in in-store presence sets up an exciting next 24 months for the company as we seek to grow Mute in the USA.

SETTING THE FOUNDATIONS FOR GROWTH

As part of the Company's capital management strategy, Rhinomed announced several initiatives. These included a consolidation on a one share for every ten shares held basis and the sale of unmarketable parcels.



On behalf of the Board, we wish to thank our shareholders for supporting these proposals and we believe that these moves are a significant step toward creating a stronger capital structure. Our share register has continued to strengthen and this is evident in the top 20 shareholders now owning 54% of the register.

On 15th of March, Rhinomed announced a AUD$1.9 million private placement. The placement was made to two US based sophisticated investor groups. Having Mr Whitney George of Sprott Asset Management USA Inc. increase his personal shareholding to 17.3% of the Company, thereby becoming Rhinomed's cornerstone investor, is a wonderful vote of confidence as the Company transitions to a growth phase.

Rhinomed also secured a working capital facility of $2.0m in January 2017. This facility will provide the ability for the business to fund short term needs as they occur. It was not utilised during the financial year.

As a Company, we take a great deal of pride in knowing that our technology can change the way people breathe. Over the year we have been inundated with feedback and stories about how Mute and Turbine improved people's lives and helped them to achieve significant outcomes. While Chris Froome securing his fourth Tour de France win utilising the Turbine is a great endorsement; it is perhaps even more compelling to receive emails and calls from people who have, for the first time in their lives, been able to breathe properly through their nose and are obtaining much better results because of that.

I am confident that the Company has laid credible and solid foundations, opened the most appropriate and significant distribution channels and started the right strategic and clinical conversations to enable your company to deliver strong uplift in the next financial year. Rhinomed has steadily built a compelling proposition and an exciting brand presence in the USA. I commend Michael Johnson in his role as Chief Executive Officer, in his strong and unwavering pursuit of these milestones. It has been a big year for the Company and I am confident we have the right Board and team in place to continue to deliver solid outcomes over the coming year.

RON DEWHURST
CHAIRMAN

LETTER FROM THE CEO

MICHAEL JOHNSON
MANAGING DIRECTOR
& CEO

BREATHING - THE NEW HEALTH TREND

As this financial year closed out it became clear that the strategy your Company set at the beginning of 2013 is beginning to reap rewards. Our year on year growth and the steady increase in stores distributing our technology are key metrics reflecting this progress.

It is worth remembering the several key assumptions that underpin our strategy:

- Sleep will become a major health issue for tens of millions of people globally as emerging medical research increasingly points to poor sleep as a contributor to chronic disease.
- Existing sleep apnea technologies fail to meet the clinical, patient or economic need of the healthcare system – as they are defined by their high cost and low patient compliance. There is a clear unmet need for cheaper, highly accessible, low invasive solutions to sleep disrupted breathing and associated conditions.
- As wearable technology becomes more omnipresent, the question will turn to not how good your sleep was, but what you can do to improve it.
- The nose, as the entrance to the airway, plays a major role in how well and efficiently the rest of the airway functions.
- Pharmacies are the major channel through which people access the vast majority of their healthcare solutions – globally – yet this channel has been ignored by the sleep industry.

As a result, we put in place a strategy that plays to these major trends and as at June 30, 2017 I am pleased to report that we now are well positioned to deliver our solutions to millions of people globally.

Over the course of FY17, Rhinomed has undertaken an aggressive distribution expansion program of two exciting OTC brands. As a resultwe enter the 2018 financial year with access to some 13,000 stores globally. Additionally, the pipeline of potential new store growth for FY18 includes an addtional 10,000 stores. Rhinomed is on track to ensure that the 1 in 4 people globally who suffer from some form of nasal obstruction will be able to access our inexpensive, low-invasive breathing solution.

I would like to thank our entire team who have worked tirelessly to achieve this significant task. It is no easy feat to get some of the world's most iconic healthcare retailers to stock a new product, let alone a new technology. This early success in opening up retailers such as Walgreens, Boots and GNC clearly demonstrates that Australian technology companies can not only create a unique and disruptive innovation, but commercialise this innovation through world's best practice when it come to strategy, branding and market entry.

The Company's two current products in the market – Turbine, for sports and exercise, and Mute, for better breathing, reduced snoring and better sleep have enabled us to educate at both a consumer and clinical level, the importance of an open nasal airway and the ease and comfort in using our nasal dilators.

Rhinomed's strategy has firmly focused on using these initial products to enter the market, build global brands and socialise the idea of placing something in your nose to provide an outcome. We took exercise and snoring as our focus areas due to their large social relevance, and the paucity of relevant and effective solutions in the market.

As a Company, we continue to aspire to the goal of utilising our breathing platform for a host of potential uses and outcomes.

Before we extend our platform, we are focused on delivering a solid and profitable business for our shareholders. FY2016/17 has focused on building our global distribution presence and relationships with retailers, whilst also tightening our expenditure. Now that our key distribution channels are in place, our focus will turn to ensuring that we increase and support sell-through in these stores.

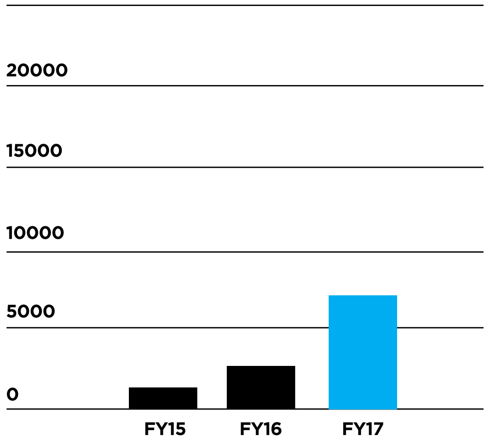
As outlined in the Chairman's letter, over the course of the year the Company employed a deliberate strategy of expanding its global retail distribution footprint. At the beginning of July 2016, the Mute and Turbine technology were available through a potential of 2,400 stores. By financial year end, accessibility of Mute increased to 7,000 retail stores. The vast majority of these stores were added during FY17 Q4 and have yet to fully impact revenues.

Pleasingly, our efforts to increase our distribution has also been reflected in a strong result for FY17 – delivering over $1.7 million in revenues – a year on year increase.

IT'S ALL RELATED TO THE NOSE

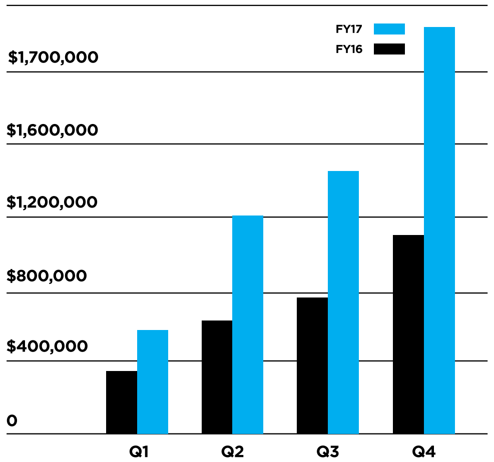
For the third year, Rhinomed exhibited at the highly regarded and global APSS American Sleep Medicine conference and the American Dental Sleep Medicine conference in Boston in June 2017. This year in particular, we have been impressed by the willingness of dental, TMJ and sleep physicians to reach out to Rhinomed and show interest in trialling and supporting research interests; a strong sign that we are building our credibility and reputation amongst key influencers in this market.

STORE GROWTH



YEAR ON YEAR GROWTH

CUMULATIVE REVENUES* YTD FY2016 V FY2017



There is undoubtedly a growing recognition of the importance of the nose and nasal airflow and its positive impact on both efficacy and compliance with a range of other sleep therapies, including CPAP and oral devices. Rhinomed continues to build a reputation and be recognised as an innovator and global leader in improving nasal airflow, breathing and sleep.

*Unaudited revenues

Nasal breathing performs at least 30 functions on behalf of the body[1]. Research is continuing to emphasize the role and importance of the nose – and the role it plays in airway health, structural development and avoidance of disease.

Some of our key opinion leaders are leading the charge in the way the nose and airway health is being considered amongst the clinical and research community.

The evidence provided by clinical experts is compelling:

1. *"If you have a narrow nasal airway, [you're] struggling to breathe all night long. And when your airway collapses, it stimulates the sympathetic nervous system – the fight-or-flight response – which leads to vasoconstriction of the blood vessels and systemic inflammation.[2]"*
2. *"Repeated awakenings (from constricted airways) also stimulate the sympathetic nervous system, which leads to systemic inflammation, endothelial dysfunction and other more serious conditions such as cardiovascular disease and neurocognitive disorders.[3]"*
3. Focusing on nasal breathing helps perform up to 30 functions in the human body. Given its remarkable role in influencing sleep, mental and respiratory health along with enhancing sports performance, the nose is our best friend.[4]
4. The case against mouth breathing is growing, and given its negative consequences, we feel that restoration of the nasal breathing route as early as possible is critical.[5]
5. There is a strong relationship between nasal obstruction, mouth breathing, snoring and sleep apnea. People with nasal congestion due to allergy are almost twice as likely to have moderate to severe sleep disorders than those without nasal congestion.[6]

Rhinomed has created a technology platform designed to take full advantage of this complex environment through multiple consumer, patient and clinician touch points. With a comfortable and individually adjustable nasal dilator, we believe we are firmly positioned to form an integral part of this breathing revolution.

The key focus of the Company over the 2018 financial year is to reach cash flow break-even as soon as

[1] Breathing and Psychological approaches to breathing disorders. 1st ed Springer 1994
[2] Dr Michael Gelb, DDS. The Gelb Center, USA, 2017
[3] Dr Michael Gelb, DDS. The Gelb Center, USA, 2017
[4] McKeown P. (2017) Sleep with Buteyko
[5] Lee SY. et al. Sleep and Breathing (2015) Stanford University Sleep Medicine Division.
[6] Young T. et al. J Allergy Clin Immunol. (1997) Feb. 99(2):S757-62.

FUTURE

practical. The growth in store numbers, in particular over the last six months, provides the Company with a strong base from which it can continue to build a steady and strong growth in customer numbers.

The ongoing increase in sales figures, even after the known lag in timeframes between distribution announcements and products appearing on shelf, is testament to the hard work and dedication of the small but vibrant team that makes up Rhinomed.

We are grateful for the growing support from clinicians and opinion leaders who endorse and use our products in-clinic on a daily basis. I also wish to sincerely thank our dynamic board, led by Chairman, Ron Dewhurst and my fellow Directors, Brent Scrimshaw and Dr Eric Knight, for their significant and tireless support throughout the year. I would also like to acknowledge and thank the Company's very dedicated team that believes and supports the vision that Rhinomed can change the way the world breathes.

MICHAEL JOHNSON
CEO

OPERATIONAL REVIEW

TURBINE™

OVERVIEW

Turbine is a nasal dilator that helps athletes to breathe more easily during sport and aerobic exercise by overcoming nasal obstruction.

Turbine not only increases the amount of air you can inspire through your nose by an average of 38%.[1] it helps remind you to breathe in a more controlled way. The product structurally supports your nose in a way that nasal sports tapes can only dream of.

While Turbine has been adopted by leading athletes for their training, racing and recovery; everyday exercisers are now finding that the benefits extend in ways they hadn't recognised.

During exercise, people tend to breathe through their mouths, pushing the cold, dry air directly to the lungs, meaning that the air is moistened to only 60-70% relative humidity. Nose-breathing, helps to maximise the intake of warm, filtered and humidified air.[2]

Breathing through the mouth causes narrowing of airway space, reducing blood flow and oxygen delivery to the brain, which contributes to the feeling of exhaustion.[3]

Turbine is also individually adjustable, enabling a comfortable and secure fit for people to use with deviated septums or obstructed nasal passages.

DISTRIBUTION AND ADOPTION

Throughout the year, Turbine secured international sports distribution partner Vittoria Industries, North America. Announced in October 2016, the agreement with Vittoria enables access to a potential 4,000+ accounts across the USA in independent bike stores, big box retailers, as well as high growth niche markets such as yoga and health and fitness clubs, where nasal breathing is a key focus. This agreement altered Rhinomed's existing partnership with Europa Sports, where they will now continue to distribute the Mute technology alone.

During the year, Turbine attended the Sea Otter Classic, which provided an opportunity to meet directly with athletes and enable them to trial Turbine during competition.

[1]Braham S. Royal Victorian Eye and Ear Hospital, 2003
[2]Web mD - http://www.webmd.com/asthma/features/athletes-guide-exercise-induced-asthma
[3]Fitzpatrick et al. Eur Respir J 2003. Nov;22(5):827-32.

PROMOTIONAL SUPPORT

Breathing plays a critical role in any form of aerobic activity - from cycling through to yoga. For the one in four people who suffer from nasal obstruction[1], breathing while exercising can be a real challenge. Pleasingly, we have had considerable support from a number of athletes who find Turbine really helps. We are thrilled that it does!

Chris Froome is one of Turbine's brand ambassadors and has also helped with the development of the existing Turbine and some additional projects we are working on. Turbine continued to work with Froome in his quest for his fourth yellow jersey, documenting his journey in an animation video. See it at: https://youtu.be/xOmdS9RnzE8

"For me, I find the biggest benefit of the Turbine in the time trial stages and that whole build up to the warm-ups...Just for me to really focus on my breathing - get the maximum amount of airflow possible...and really just to calm my nerves," relates Chris Froome.

Rhinomed was delighted to watch Froome secure his 4th Tour de France victory, just after the end of the financial year.

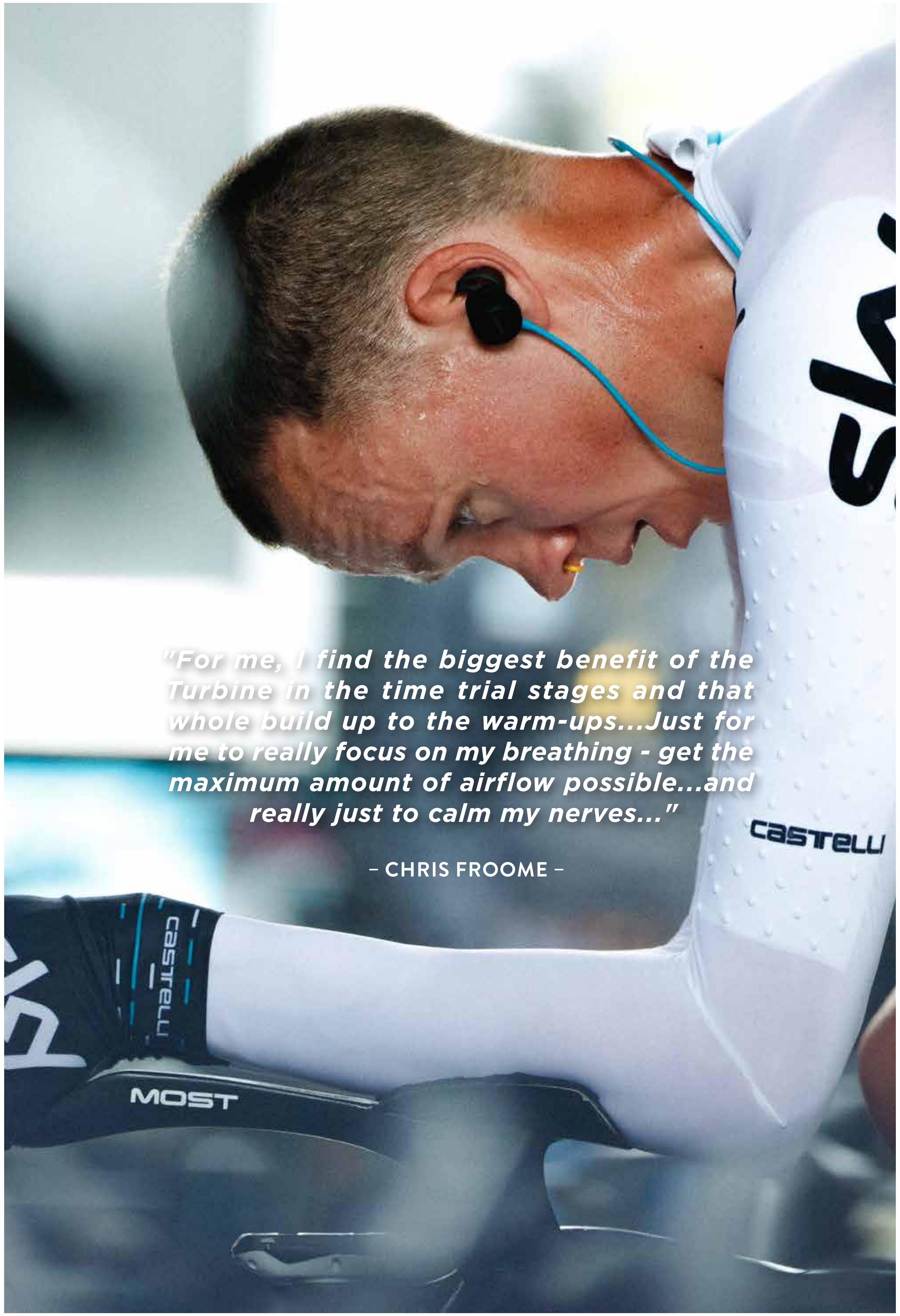
The 'Y3llow' animation Rhinomed made in conjunction with Froome and Jumbla received considerable attention throughout the year, receiving the Honouree Award at The Webby Awards – dubbed by New York Times as 'the highest honour of the internet'. The animation was also chosen to feature at the 'Bicycle Film Festival' on 20-25th June 2017. The Festival screening marked the sixth accolade for the animation, previously winning honours at the AEAF Awards, the W3 Awards, the Muse Awards, and the Horizon Awards.

When the spellbinding clip was released on Froome and Turbine's social media channels, the animation clocked up over 45,000 views.

NEXT STEPS

The 2017/18 financial year will continue to focus promotional and marketing support to our existing retailers currently selling Turbine. We will also continue to utilise the growing voice of elite athletes that understand the importance of nasal breathing in physical pursuits.

[1]Allergy 1997; 52 (suppl./40): 3-6.
[2]Dr Michael Gelb, DDS. The Gelb Center, USA, 2017



MUTE™

OVERVIEW

Quite simply, Mute is designed to help you breathe better at night.

As a nasal dilator, Mute stents open and dilates the nasal airways to reduce the effect of nasal obstruction and increase nasal air intake. This is a key factor in improving sleep and reducing snoring.

No matter what their physical characteristics, about 50% of the population snores at some point or another. It is more prevalent in men than women, tends to run in families, and becomes more common with age. Among habitual snorers, about 40 percent are adult men and 24 percent are adult women[1].

Several lifestyle factors contribute to habitual snoring including smoking, alcohol consumption, and being overweight.

Genetics and anatomy can also play a role in snoring. The structure of an individual's head, neck, and throat may make one more likely to snore, regardless of other factors.

DISTRIBUTION AND ADOPTION

Rhinomed has continued to engage with clinicians on the potential benefits of Mute in a clinical setting. In July 2016, the Company began medical distribution via Drugstore.com, 1800cpap.com, cpapsupplyusa, patientsleepsupplies.com and MVAP Medical supplies, enabling easy ordering access for sleep clinicians, ear, nose and throat surgeons, sleep dentists and TMJ specialists.

In the retail consumer setting, 2016/17 has seen the greatest growth of retail store distribution and uptake. Mute is available to all pharmacies under the Sigma and Symbion banners in Australia and is being distributed via BOC Limited. Mute is currently core ranged (meaning part of the 2017 planogram that define what products appear in stores) with Amcal, Amcal+, Guardian, Discount Drug Stores and Pharmacy Choice. The additional pharmacies within the Sigma and Symbion networks are able to order Mute through their online ordering facility. We are also represented in hundreds of independent pharmacies within Australia and are continuing distribution discussions with other big retail pharmacy groups.

[1]snorehq.com

DISTRIBUTION AND ADOPTION

In America, Rhinomed secured an agreement with major wholesale distributor McKesson Corporation in August 2016. McKesson is the oldest and largest healthcare company in the nation, serving more than 50% of US hospitals and 20% of physicians.

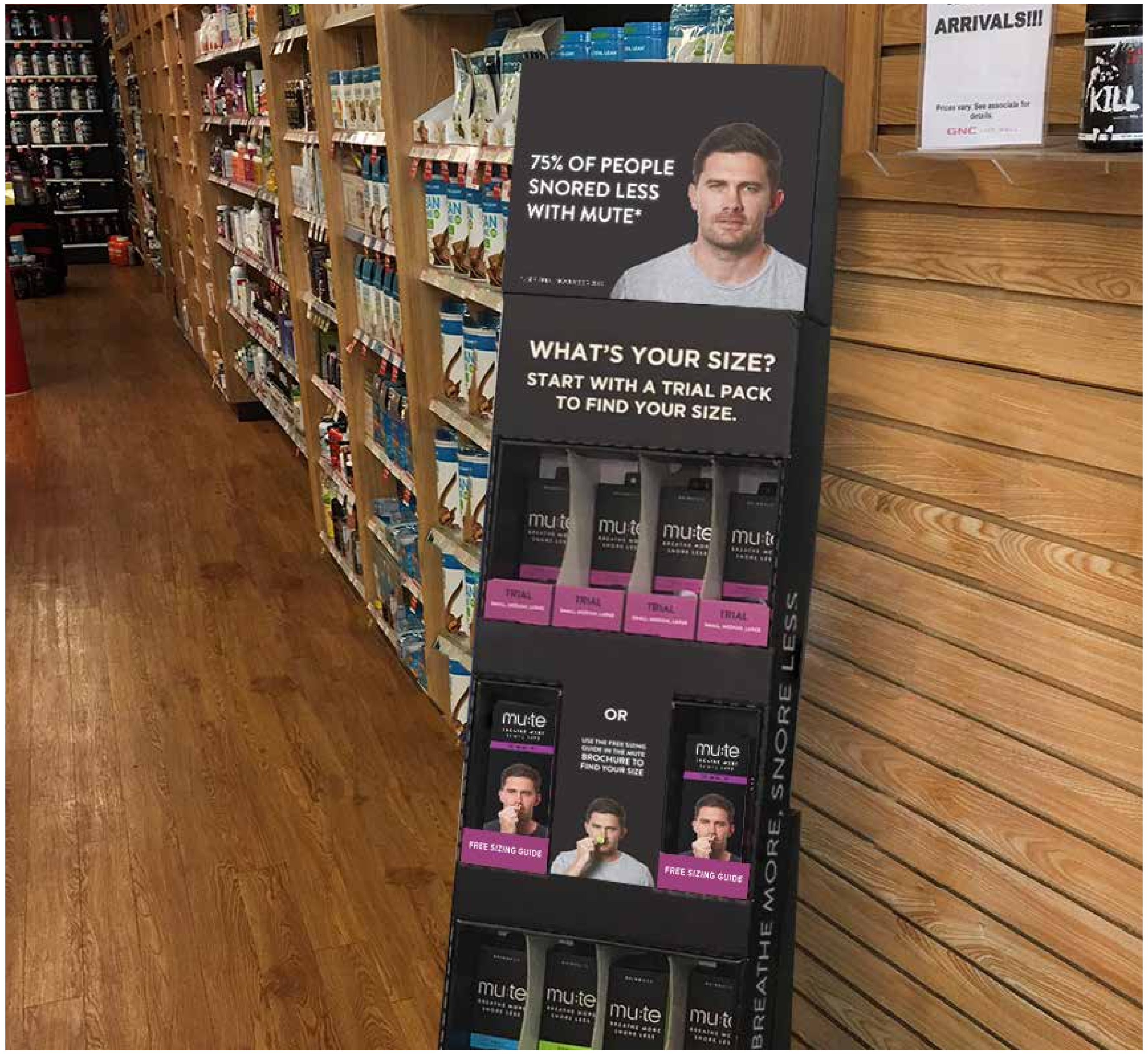
In March 2017, Rhinomed was delighted to add two significant vendors to its distribution network. Cardinal Health opened with Independence Medical, the first pharmacy chain to stock Mute under its banner. This followed with AmerisourceBergen opening as a wholesaler, with Good Neighbour Pharmacies initially stocking Mute. AmerisourceBergen is the largest generics purchasing organisation, holding more community and health system pharmacy relationships than any other distributor.

The last quarter of the 2017 financial year saw Mute launch into 811 GNC stores. GNC is the first non-pharmacy retailer dedicated to the health and wellness space to stock Mute.

Extending Mute into the general health retail market is an important step in Rhinomed's US distribution strategy.

At the end of the financial year, Rhinomed secured an agreement with Hamacher to distribute Mute to 1,500 retail stores. Hamacher also enables access to 10,000 independent pharmacies and the Company will focus on expanding its presence within this network in the 2018 financial year, as well as supporting sell-through of the product from these stores.

Additionally, the Company was thrilled that Walgreens, the US based iconic pharmacy chain, core ranged Mute into 4,300+ pharmacies throughout the USA following a trial that began in May 2016 in 891 stores.



PROMOTIONAL SUPPORT

Rhinomed engages with leading experts in the sleep industry that can help raise the awareness of sleep issues and the role of nasal breathing. These sleep experts have been instrumental in highlighting the use of Mute in clinics, as well as providing independent comment on the products.

The Company has enjoyed considerable media interest this year, receiving 31 TV segments, 23 online articles, 7 print articles and 3 radio interviews (i.e. over one media segment per week). The majority of these have been focused on the US to cover national or local markets that are relevant to our key retailers.

A couple of highlights included our segment on 'Live with Kelly' in the US with the Sleep Doctor, Dr Michael Breus; News interviews on ABC TV, NBC TV, and Sirius Radio, as well as articles in Marie Claire and Brit + Co.

In Australia, the Company was delighted for Mute to be featured on channel 7 National News, Channel 7's Weekend Sunrise and Channel 9 News, as well as in The Australian.

All successful media coverage is supported across our other social media platforms to continue to drive conversations and awareness of the brand, as well as support our retail promotions.

In addition to ongoing promotions, Mute also attended the main sleep or pharmacy buyer conferences, including AADSM and Sleep 2016 and 2017 in Denver, Colorado and Boston, Massachusetts - providing the opportunity to speak directly with leading clinicians, doctors and researchers in the field of sleep medicine and dentistry. In addition, the company attended ECRM (Electronic Consumer Relationship Management) and NACDS (National Association of Chain Drug Stores) in 2016, meeting with core pharmacy and grocery buyer groups to continue business development activities.

NEXT STEPS

Over the next twelve months, the Company's emphasis will be to continue to build the brand franchise, grow market share and stimulate ongoing in-store and online traffic for Mute.In addition, we will continue to engage with clinicians, broadening out the opportunities for Mute. We will also continue our research program this year with a clinical study in the planning phase targeting Mute's role in nasal congestion.

PLATFORM DEVELOPMENT

Rhinomed's platform is a respiratory technology focusing on the nose. The current dilator is fully adjustable and enables contact within the nose - a site of considerable interest for delivery of drugs. The use of a stable, structural scaffold that can potentially deliver drug formulations or biosensors opens a multitude of potential uses. This forms the basis for many of the discussions we are holding with international researchers in a range of related fields.

Our emphasis for 2016/17 has been on extending our distribution footprint across channels for our existing over-the-counter products, as well as undertaking the financial restructure. As such, our Pipeline programs have been on hold until we build our revenue base further. While product development has been slower during this period, we have still continued discussions with potential partners and research centres, so that we are clearer on the pathway and the Company looks forward to activating these programs as soon as possible.

SLEEP APNEA - INPEAP PROGRAM

Obstructive Sleep Apnea occurs when the airway at the back of the throat is repeatedly blocked, partly or completely. Unlike Continuous Positive Airway Pressure (CPAP) that uses this Positive Airway Pressure to stop the airway collapsing during sleep, Rhinomed's IntraNasal Positive Expiratory Airway Pressure (INPEAP) technology employs Expiratory Positive Airway Pressure (EPAP). This uses the person's own exhaled breath through the nose to create sufficient positive airway pressure (back pressure) to prevent collapse in the upper airway.

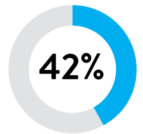
Rhinomed's technology achieves this through the leveraging of our nasal technology platform and introducing a unique combination of both a stent and valving system to open up and improve nasal inhalation and then partially close the airway upon exhalation.

We believe that this approach is potentially disruptive to the global Sleep Apnea solution market.

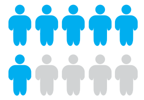
SLEEP APNEA - INPEAP PROGRAM

It has a number of unique benefits to patients who suffer from mild or moderate Sleep Apnea, such as it's ability to open up the nasal airway, it's anticipated cost against existing therapies; as well as the less invasive nature of the device. Finally, because it will look very similar to Mute, many people not yet diagnosed with Sleep Apnea may already be familiar with this device, making acceptance and adoption possibly a lot easier.

The Phase II study for this Sleep Apnea program is still be scoped.

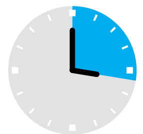


OF PEOPLE WITH OSA ADHERE TO CPAP*



6 OUT OF 10 DROP OFF THERAPY

IN TRIAL*, ONLY 6.7% TRIED CPAP[1]

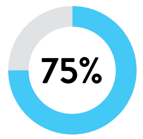


**MEAN USE OF CPAP 3.3HRS[2]
US REIMBURSEMENT REQUIRES > 4HRS/NIGHT**

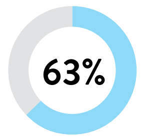
Nasal obstruction is a major contributor to poor compliance

INPEAP

Creates light resistance to maintain open airway



OF USERS TOLERATED THE DEVICE[3]



OF USERS WERE RESPONDERS[3]

*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
[3]Rhinomed Phase 1 Pilot Sleep Apnea Clinical Tiral, June 10, 2016. (n=19). (7 > 50% reduction AHI, 5 – AHI reduction 30-50%, 7 non-responders), (14-day in-home tiral – 75% tolerated the device. 4 were unable to complete the 14 day use).

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.

1.0		2.0		3.0	4.0	5.0
SPORT	**SNORING AND SLEEP**	**DECONGESTION**	**ANXIETY**	**OBSTRUCTIVE SLEEP APNEA**	**DIAGNOSTICS**	**NASAL DRUG DELIVERY**
 **TURBINE**	 **MUTE**	Menthol Eucalypt formulation **Mute "CLEAR"**	Essential oil formulation **Mute "DeepSleep"**	Intranasal Positive Expiratory Airway Pressure Phase 1 trial complete, Phase 2 being scoped  **INPEAP**	May include: Asthma Diagnosis. Addition of Sensor to detect Nitric Oxide(No) levels in exhaled breath	Target low dose, long release delivery of drugs to nasal mucosa. Pain, CNS, Respiratory disorders
IN MARKET		**IN DEVELOPMENT**			**FUTURE DEVELOPMENT**	

REGULATORY STRATEGY

Last financial year, we completed our regulatory registration in Canada, adding to our existing regulatory registrations for the US, UK, New Zealand and Australia. At close of the financial year, Rhinomed announced it had successfully registered its nasal dilator (covering both brands Mute and Turbine) with the Taiwanese Food and Drug Administration (TFDA) for distribution and sale of its Turbine and Mute products as Class I medical devices in the Taiwanese market.

This regulatory clearance enables Rhinomed to import and sell both products into Taiwan under this medical classification and importantly, continue early dialogue with distributors seeking to distribute Mute in Taiwan.

INTELLECTUAL PROPERTY

Rhinomed continues to file mainly patent applications to protect new intellectual property. The IP portfolio has also been managed to reflect the commercial value of the company and its strategic direction. 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:

- New international Patent applications filed in order to protect key aspects of the Mute, Turbine and INPEAP devices.
- The grant of Design applications in key regions, filed to protect the appearance of the Turbine and INPEAP devices.
- The Grant of important trademark applications such as TURBINE, MUTE, and INPEAP.

PATENTS

NASAL DILATOR DEVICES - MUTE

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
International	PCT/AU2014/000649	
New Zealand	629495	Filed
Taiwan	104119729	Filed
Australia	2014398172	Filed
Brazil	BR1120160296753	Filed
Canada	CA 2,952,261	Filed
China	2014800805899	Filed
European Union	14895038.9	Filed
Hong Kong	17107450.9	Filed
India	201727000001	Filed
Japan	2016-574088	Filed
Republic of Korea	10-2017-7001614	Filed
Malaysia	PI 2006704619	Filed
Russia	2017101211	Filed
United States of America	15/319,940	Filed

PATENTS

NASAL DILATOR DEVICES - TURBINE

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
International(PCT)	PCT/AU2015/050032	
New Zealand	727784	Filed
Taiwan	104119734	Filed
Australia	2015278239	Filed
Brazil	BR1120160299140	Filed
Canada	2,952,265	Filed
China	2015800332298	Filed
European Union	15809245.2	Filed
Hong Kong	N/A	Filed
India	201727001322	Filed
Japan	2016-574177	Filed
Republic of Korea	10-2017-7001486	Filed
Malaysia	PI 2016704618	Filed
Russia	2017100406	Filed
United States of America	15/319,941	Filed

NASAL DILATORS ('INPEAP/CPAP')

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

NASAL DILATORS ('INPEAP CLINICAL')

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
International	PCT/AU2016/050621	Pending

DESIGNS

BELT

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	350709	Registered
Brazil	BR302013003518.2	Registered
India	255356	Registered
Japan	D2013-016585	Registered
Mexico	MX/f/2013/002100	Registered
European Union	002277434	Registered
Argentina	85.804	Registered
China	201330341154.3	Registered
New Zealand	417812	Registered
United States of America	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	00237600	Registered
Japan	2013-030505	Registered
United States of America	29/479,493	Registered

DESIGNS

TURBINE II

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	352986 (16408/2013)	Registered
European Union	002444562	Registered
India	261822	Registered
China	201430089717.9	Registered
United States of America	29/493,060	Registered
South Africa	F2014/00909	Registered
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	Registered

INPEAP/CPAP DESIGN

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

INPEAP – NO ARM DESIGN

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	201517103	Registered
European Union	003237924	Registered
United States of America	29/569,108	Accepted

TRADEMARKS

BO_2LT

COUNTRY / JURISDICTION	CASE	STATUS
Australia	1517641	Registered

BREATHEASSIST

COUNTRY / JURISDICTION	CASE	STATUS
United States of America	1111756	Registered
Australia BREATHE ASSIST; BREATHEASSIST; Breathe Assist; BreatheAssist	958713	Registered

INPEAP

COUNTRY / JURISDICTION	CASE	STATUS
Australia	1703812	Registered
United States of America	1259432	Protected

MAKING EVERY BREATH COUNT

COUNTRY / JURISDICTION	CASE	STATUS
Australia	1704603	Registered

DESIGNS

MUTE

COUNTRY / JURISDICTION	CASE NO.	STATUS
Argentina	3396439	Registered
Australia	1649558	Registered
Brazil	909.174.849	Filed
Canada	1721352	Registered
Chile	1148530	Accepted
Colombia	1258450	Registered
Europe (EUIPO)	1258450	Protected
Hong Kong	303350330	Registered
India	1258450	Under Examination
Indonesia	D002015013080	Accepted
Japan	1258450	Protected
Malaysia	2015054734	Filed
Mexico	1258450	Protected
New Zealand	1258450	Protected
Norway	1258450	Protected
China	1258450	Protected
Korea	1258450	Protected
Singapore	1258450	Protected
South Africa	2015/08334	Protected
Switzerland	1258450	Protected
Taiwan	104016538	Registered
Thailand	979649	In prosecution
United States of America	4920237	Protected

RHINOMED

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

SLEEP ASSIST; Sleep Assist; sleep assist; Sleep-Assist; 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
Colombia	1191436	Protected
Europe (OHIM)	1191436	Protected
Hong Kong	303173896	Registered
India	1191436	Under examination
Indonesia	D00 2014 050422	Filed
Japan	1191436	Protected
Malaysia	2014065924	Registered
Mexico	1191436	Protected
Norway	1191436	Protected
New Zealand	1024018	Registered
China	1191436	Protected
Korea	1191436	Protected
Singapore	1191436	Filed
South Africa	2014/28750	Accepted
Switzerland	1191436	Protected
Taiwan	103062558	Registered
Thailand	964150	Filed
United States of America	1191436	Protected

CORPORATE DIRECTORY

DIRECTORS

MICHAEL JOHNSON
Executive Director
Chief Executive Officer

MR RON DEWHURST
Independent Non-Executive Chairman

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

97 Green Street
Cremorne, Victoria, 3121
Australia
Telephone: +61 (0) 8416 0900
Fax: +61 (0) 3 8080 0796

REGISTERED OFFICE

97 Green Street
Cremorne, Victoria, 3121
Australia
Telephone: +61 (0) 3 8416 0900
Fax: +61 (0) 3 8080 0796

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)

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 2017.

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
Dr Eric Knight
Mr Ron Dewhurst
Mr Brent Scrimshaw

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

No dividends were paid or proposed during the year (2016: nil).

OPERATING AND FINANCIAL REVIEW

RESULTS

Total receipts for the financial year were $2.02m up 139% from $0.85m in 2016. Revenue from continuing operations for the financial year increased 70% to $1.7m up from $1.0m in 2016.

The Group reported a loss of $4.5 million for the financial year, down 26% from $6.0 million in 2016. Net cash used in operating expenses more than halved (down 51%) to $3.0 million. Operating expenses have tightened, as the Company focused on streamlining and building its global distribution presence and leveraging key relationships with key retailers.

This solid progress reflects the significant efforts made over the course of the financial year opening distribution channels, principally in the North American and Australian markets. Into this growing base of stores, the Company shipped close to 150,000 product units throughout the financial year.

Over the course of the current financial year the Company set several key milestones:

- Increase distribution amongst our existing key accounts in our three core markets;
- Increase the overall retail footprint through strategic focus on high value retail/pharmacy networks;
- Expand awareness of Mute amongst clinical channels to begin establishing referrals.

Pleasingly, the Company has made significant progress in achieving each of these milestones.

KEY PRODUCTS

Turbine and Mute are individually customisable nasal dilators that enhance nasal breathing by overcoming obstruction-like congestion without placing pressure on the septum.

Mute is designed to increase airflow and reduce snoring, thereby supporting sleep quality. Mute is light and flexible and can be worn comfortably during sleep. An independent in-home User Trial, peer-reviewed literature reviews and market research in the US, UK and Australia has assisted in developing an understanding of the scope of the global market opportunity for breathing technologies.

DIRECTORS' REPORT
CONTINUED

RHINOMED
2017

Turbine is designed to make breathing easier during aerobic exercise and activity. Because retention in the nose during these activities is vital, Turbine employs more robust materials and retention features on the paddles and curved arms to hold the device in place during intense exercise.

REGULATORY STATUS

The Company launched Turbine in early 2014. Mute was launched initially online in December 2014, then into the Australian retail market in late March 2015.

Mute and Turbine are registered with regulatory authorities in several key markets in Australia with the TGA, in the USA with the FDA, in Europe where it has received a CE Mark, in Canada with Canada Health and in New Zealand with Medsafe. During the course of the year the Company sought to expand and subsequently achieved regulatory registration in Taiwan with the Taiwanese FDA.

The Company's products are now sold over-the-counter and online through pharmacies, sleep clinics and sports stores.

DISTRIBUTION

Over the course of this financial year the Company was able to build relationships with several important distributors in both the USA and Australia. These included AmerisourceBergen Corporation, McKesson, Vittoria Industries, Sigma Healthcare, Symbion and The Linde Group (BOC Limited).

These distributors play an important role in expanding our retail footprint. During the current financial year, the Company stocked approximately 3,600 stores and opened up access to an additional 4,000[1] stores stores during Q4 of 2017.

Post 30 June, the Company subsequently announced an increase in its Walgreens store count from 891[1] to 4,300[1] stores and that the Hamacher Resource Group has included Mute in its Planogram, which is utilised by some 10,000 independent pharmacies throughout the USA.

[1]Stores numbers are estimated at the date of this report.

OPERATIONS

In line with the Company's strategy, Mute continues to be a major area of growth for the Company. Mute contributed the majority of sales. Nasal obstruction, snoring and poor sleep continue to emerge as major contributors of poor health outcomes and chronic disease. The Company continues to believe that the unmet clinical need for an over-the-counter, no-drug, low cost, low invasive, well tolerated solution is compelling.

Turbine's role as a core brand that socialises and raises awareness of nasal breathing remains critical. In July 2017, Chris Froome - one of the Company's key ambassadors - won his fourth Tour de France. He continues to use the Turbine as a part of this kit and Turbine continues to be worn by key sporting personalities, globally.

The Company continues to deliver strong gross margins and has maintained these throughout the sell-in process with major retailers. Sales and marketing costs for the financial year have been high reflecting the cost of promotional campaigns to support new retail accounts and growth in brand awareness in these markets. This investment has been important in ensuring the Company meets store sell-through expectations in these markets. The Company has leveraged growing awareness and endorsement amongst sleep and dental professionals and intends to continue to build this as it focuses on store presence, merchandising and PR opportunities.

Mute has featured in a significant number of US, UK and Australian media stories during the year: including Live with Kelly, Sirius Radio, ABC, NBC TV, Channel 7 National News and Marie Claire. Many of these media opportunities have involved key opinion leaders in the sleep and respiratory fields.

Staff numbers remained stable over the course of the year. The Company will continue to monitor corporate and overhead costs to ensure timely investment and appropriate levels of expenditure.

CORPORATE

During the year, the Company undertook several capital management initiatives in anticipation of its planned growth. In January 2017, it secured a $2.0 million working capital facility. This facility was not utilised during the current financial year. In March 2017, the Company raised $2.1 million with two key US based shareholders and subsequently welcomed Mr Whitney George as its cornerstone investor, with 17% of the Company's equity.

In addition, at a Shareholders general meeting held in March 2017, shareholders voted to consolidate the Company's stock on a one share for every ten shares held basis. Shareholders also voted to alter the constitution to allow for the sale of unmarketable parcels.

The consolidation was subsequently completed on May 11 and in July 2017, a letter regarding the unmarketable parcels was despatched to shareholders. The sale of unmarketable parcels is slated to take place in late August. Both these initiatives are designed to ensure shareholders are able to optimise their holdings in Rhinomed, ensure the Company manages prudently its administrative costs and position the business to best capture the considerable progress that has been made to date.

The Company received research and development tax rebates of $280,000 compared with $437,000 in the previous financial year. This decrease reflects the Company's increasing focus on expanding the distribution footprint for its lead products.

R&D

As a result of the Company's focus on commercialisation, R&D expenditure was significantly down for the year. Amount of costs incurred in the current year has been $65,000 compared to the $234,000 incurred in 2016.

Interest in the Company's technologies from the sleep medicine community continues to grow at a rapid rate. Rhinomed exhibited at both the American Sleep Medicine conference and the American Dental Sleep Medicine conference in June and both strongly illustrated the growing recognition of the importance of the nose and nasal airflow and its positive impact on both efficacy and compliance with a range of other sleep therapies, including CPAP and oral devices. Rhinomed continues to build a reputation and be recognised as an innovator and global leader in improving nasal airflow, breathing and sleep.

EVENTS AFTER THE REPORTING DATE

On 19 July 2017, the Company announced that it had received purchase orders confirming US Pharmacy giant Walgreens had placed Rhinomed's four SKU product range (Trial, Small, Medium and Large pack) of the Mute sleep and breathing technology product in approximately 4,300 pharmacy/drugstores across the USA. In addition, the Hamacher Resource Group confirmed that two of the Mute range (Trial and Medium) would be included in their planogram. This planogram is utilised by some 10,000 independent pharmacy/drugstores throughout the USA.

On 16 August 2017, the following dormant fully owned subsidiaries within the Group have been de-registered:

- Helicon (Asia) Pty Ltd
- Helicon (China) Pty Ltd
- Helicon (Korea) Pty Ltd
- Helicon International Pty Ltd (Formerly Helicon International Limited)
- Leading Edge Instruments Pty Ltd (Formerly Leading Edge Instruments Limited)
- Vibrovein Pty Ltd

Refer to note 18 for further details on the group structure within the Group.

No other matter or circumstance has arisen since 30 June 2017 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 financial years.

FINANCIAL POSITION

The Group held cash reserves of $1,666,883 at 30 June 2017, a decrease of $945,874 from the previous period end. The Group's net assets were $5,332,093 compared with $7,115,370 for the previous year. The net carrying value of the Group's intangible assets of $3,678,251 compared with $4,039,879 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.

DIRECTORS' REPORT
CONTINUED

RHINOMED
2017

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.

DIRECTORS' REPORT
CONTINUED

RHINOMED
2017

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 & CHIEF EXECUTIVE OFFICER
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 Entrepeneurship and Innovation from Swinburne University and a Bachelor's degree 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	174,553 ordinary fully paid shares
Interest in options	4,000,000 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
Committees	Member of the Remuneration and the Audit Committee.
Other listed company directorships in the past 3 years	Diversa Ltd (ASX: DVA), OneVue Holdings (ASX:OVH), Sprott Inc. (TSX:SII)
Interest in shares	7,184,680 ordinary fully paid shares
Interest in options	1,000,000 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 organisation's internationalisation and commercialisation strategy. Dr Knight is a Graduate of the Australian Institute of Company Directors, and is a Pro Vice Chancellor at the University of Sydney, where he leads strategy and entrepreneurship teaching in the MBA.
Date of appointment	12 February 2014
Committees	Chair of the Audit Committee Member of the Remuneration Committee
Other listed company directorships in the past 3 years	-
Interest in shares	76,158 ordinary fully paid shares
Interest in options	1,000,000 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 currently CEO of Unscript'd PTY LTD, and he is also a non-executive director of Catapult Group International Limited (ASX:CAT) and Kathmandu Holdings Limited (ASX/NZX:KAT) from November 24th 2017.
Date of appointment	12 February 2014
Committees	Chair of the Remuneration Committee
Other listed company directorships in the past 3 years	Catapult Sports Ltd (ASX: CAT)
Interest in shares	75,918 ordinary fully paid shares
Interest in options	1,000,000 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 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
Date of resignation	24 October 2016
Interest in shares	Nil
Interest in options	500,000 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 was an Australian based medical education and healthcare advertising agency.
Date of appointment	23 August 2015
Interest in shares	30,000 ordinary fully paid shares
Interest in options	500,000 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	1,273,358 ordinary fully paid shares
Interest in options	Nil

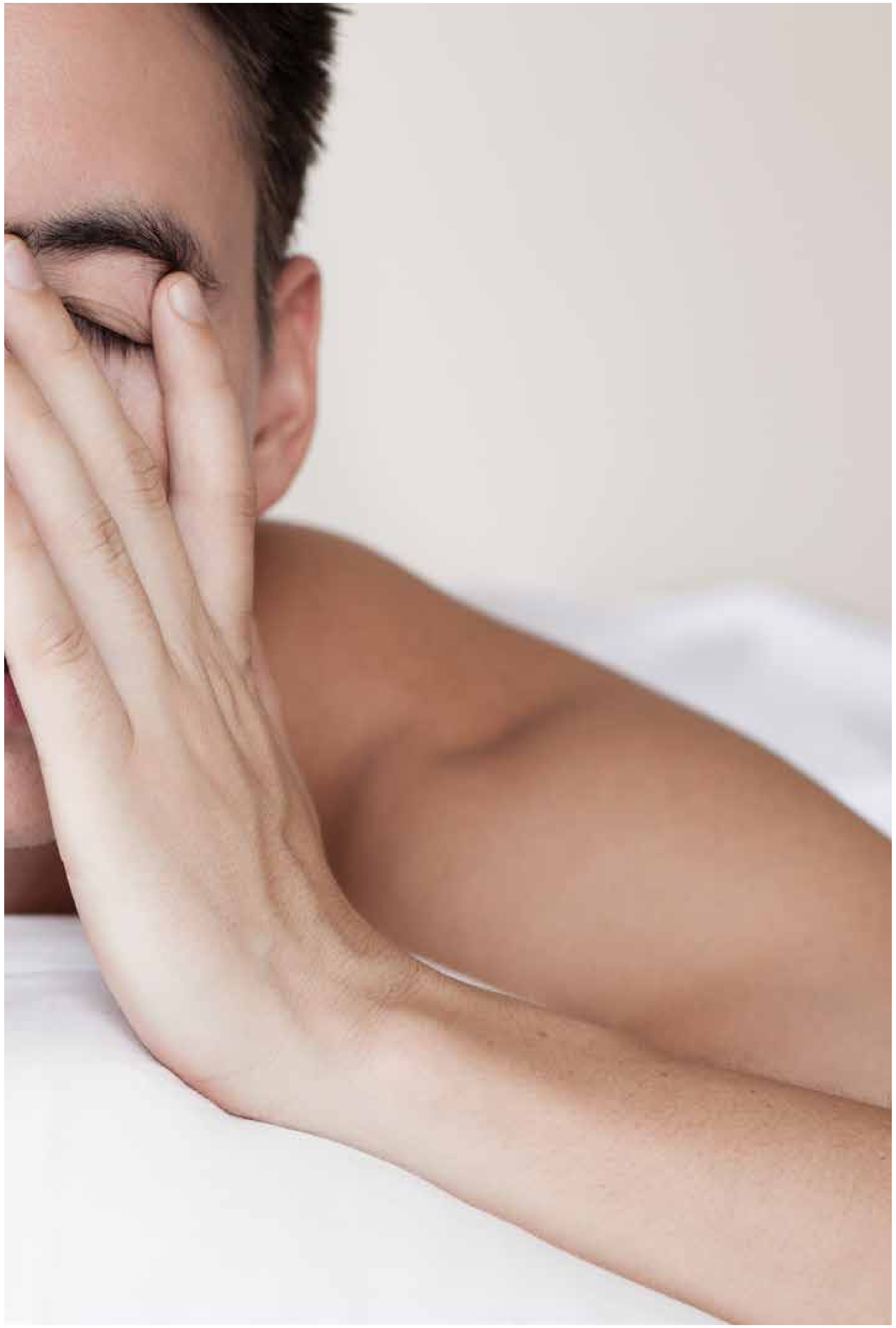
MR JUSTYN STEDWELL	JOINT COMPANY SECRETARY
EXPERIENCE AND EXPERTISE	Mr Stedwell is a professional Company Secretary with over 8 years' experience as a Company Secretary in ASX listed companies within various industries including IT & Telecommunications, Biotechnology, and Mining. He has completed a Bachelor 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 2017, and the numbers of meetings attended by each Director were:

	FULL BOARD		AUDIT COMMITTEE		REMUNERATION COMMITTEE	
	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD
MICHAEL JOHNSON	13	13	8	8	5	5
ERIC KNIGHT	13	13	8	8	5	5
RON DEWHURST	13	13	7	8	5	5
BRENT SCRIMSHAW	12	13	-	-	4	5

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

DIRECTORS' REPORT
CONTINUED

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 Director 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 the 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 Group.

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 2017.

LONG TERM INCENTIVES (LTI)

Options granted to KMP during the financial year ended 30 June 2017 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 unrisked 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
- Ron Dewhurst – Non-Executive Chairman
- Brent Scrimshaw – Non-Executive Director
- Eric Knight – Non-Executive Director

And the following persons:

- Justine Heath - Chief Financial Officer and Chief Operating Officer (resigned on 24 October 2016)
- Shane Duncan - Vice President Global Sales and Marketing

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

	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENTS	TOTAL	PROPORTION OF REMUNERATION NOT RELATED TO PERFORMANCE
2017	CASH SALARY AND FEES $	CASH BONUS $	NON-MONETARY $	SUPER-ANNUATION $	LONG SERVICE LEAVE $	EQUITY-SETTLED $	$	
NON-EXECUTIVE DIRECTORS:								
RON DEWHURST	76,712	-	-	7,283	-	-	83,995	0%
BRENT SCRIMSHAW	54,794	-	-	5,205	-	105,500	165,499	64%
ERIC KNIGHT	54,794	-	-	5,205	-	105,500	165,499	64%
EXECUTIVE DIRECTORS:								
MICHAEL JOHNSON	230,692	-	-	19,308	-	422,000	672,000	63%
OTHER KEY MANAGEMENT PERSONNEL:								
JUSTINE HEATH	78,067	-	-	5,910	-	-	83,977	0%
SHANE DUNCAN	221,591	-	-	-	-	-	221,591	0%
	716,650	**-**	**-**	**42,911**	**-**	**633,000**	**1,392,561**	
2016								
NON-EXECUTIVE DIRECTORS:								
MARTIN ROGERS	35,000	-	-	-	-	-	35,000	0%
RON DEWHURST	44,749	-	-	4,251	-	58,000	107,000	0%
BRENT SCRIMSHAW	54,795	-	-	5,205	-	-	60,000	0%
ERIC KNIGHT	54,795	-	-	5,205	-	-	60,000	0%
EXECUTIVE DIRECTORS:								
MICHAEL JOHNSON	230,692	-	-	19,308	-	-	250,000	0%
OTHER KEY MANAGEMENT PERSONNEL:								
JUSTINE HEATH	200,913	-	-	19,087	-	30,000	250,000	18%
SHANE DUNCAN	229,295	-	-	-	-	30,000	259,295	17%
	850,239	**-**	**-**	**53,056**	**-**	**118,000**	**1,021,295**	

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, resigned 24 October 2016
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

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 2017.

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 2017 are set out below:

NAME	NUMBER OF OPTIONS GRANTED DURING THE YEAR		NUMBER OF OPTIONS VESTED DURING THE YEAR	
	2017	2016	2017	2016
PHILLIP HAINS	-	-	-	-
MICHAEL JOHNSON	4,000,000	-	4,000,000	-
ERIC KNIGHT*	1,000,000	-	1,000,000	-
RON DEWHURST*	-	1,000,000	-	1,000,000
BRENT SCRIMSHAW	1,000,000	-	1,000,000	-
JUSTINE HEATH*	-	500,000	-	500,000
SHANE DUNCAN*	-	500,000	-	500,000
	6,000,000	**2,000,000**	**6,000,000**	**2,000,000**

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:

*On 3 May 2017 the share capital of the Company has been consolidated through the conversion of every ten shares into one share. Basic and diluted loss per share for the prior financial year have been restated to align with the current year's amount.

GRANT DATE	VESTING DATE AND EXERCISABLE DATE	EXPIRY DATE	EXERCISE PRICE	FAIR VALUE PER OPTION AT GRANT DATE
28/04/2017	-	30/04/2020	$0.27	$0.1055

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 2017 are set out below:

NAME	VALUE OF OPTIONS GRANTED DURING THE YEAR[1]	VALUE OF OPTIONS EXERCISED DURING THE YEAR	VALUE OF OPTIONS LAPSED DURING THE YEAR	REMUNERATION CONSISTING OF OPTIONS FOR THE YEAR
	$	$	$	
MICHAEL JOHNSON	422,000	-	916,931	63%
ERIC KNIGHT	105,500	-	202,790	64%
RON DEWHURST	-	-	-	-
BRENT SCRIMSHAW	105,500	-	202,790	64%
JUSTINE HEATH[2]	-	-	-	-
SHANE DUNCAN	-	-	-	-
	633,000	**-**	**1,322,511**	

[1]Options values at grant date are determined using the Black-Scholes method.
[2] Resigned on 24 October 2016.

E.
RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND GROUP PERFORMANCE

As detailed under heading (a), remuneration of executives consists of an unrisked 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 2017:

	30 JUNE 2017	30 JUNE 2016	30 JUNE 2015	30 JUNE 2014	30 JUNE 2013
	$	$	$	$	$
REVENUE	1,742,315	1,097,315	492,888	291,069	300,500
NET LOSS BEFORE TAX	(4,832,477)	(6,435,986)	(5,887,329)	(3,922,702)	(20,226,248)
NET LOSS AFTER TAX	(4,441,578)	(5,998,529)	(5,316,992)	(3,534,577)	(19,559,713)

No dividends have been paid for the five years to 30 June 2017.

	30 JUNE 2017	30 JUNE 2016 RESTATED	30 JUNE 2015	30 JUNE 2014	30 JUNE 2013
	$	$	$	$	$
SHARE PRICE AT START OF THE YEAR	0.190*	0.300*	0.230*	0.300*	4.00*
SHARE PRICE AT END OF YEAR	0.185*	0.190*	0.300*	0.230*	0.300*
BASIC AND DILUTED GAIN/(LOSS) PER SHARE (CENTS)	(6.61)*	(9.43)*	(11.20)*	(10.00)*	(82.00)*

*On 3 May 2017 the share capital of the Company has been consolidated through the conversion of every ten shares into one share. Basic and diluted loss per share for the prior financial year have been restated to align with the current year's amount.

F.
KEY MANAGEMENT PERSONNEL DISCLOSURES

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 APPOINT-MENT	CONSOLI-DATION 10:1	RECEIVED AS PART OF REMUNE-RATION	ADDITIONS	DISPO-SALS/ OTHER	BALANCE AT DATE OF RESIGNATION	BALANCE AT THE END OF THE YEAR
2017								
ORDINARY SHARES								
MICHAEL JOHNSON	1,611,014	-	161,101	-	13,452	-	-	174,553
RON DEWHURST	71,000,000	-	7,100,000	-	84,680	-	-	7,184,680
BRENT SCRIMSHAW	759,177	-	75,918	-	-	-	-	75,918
ERIC KNIGHT	761,572	-	76,158	-	-	-	-	76,158
JUSTINE HEATH[1]	-	-	-	-	-	-	-	-
SHANE DUNCAN	300,000	-	30,000	-	-	-	-	30,000
	74,431,763	**-**	**7,443,177**	**-**	**98,132**	**-**	**-**	**7,541,309**
2016								
ORDINARY SHARES								
MICHAEL JOHNSON	1,611,014	-	-	-	-	-	-	1,611,014
MARTIN ROGERS[2]	3,428,573	-	-	-	-	-	3,428,573	-
RON DEWHURST[3]	-	50,000,000	-	-	21,000,00	-	-	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**

[1]Justine Heath resigned as Chief Financial Officer and Chief Operating Officer on 24 October 2016
[2]Martin Rogers resigned as Non-Executive Chairman on 1 December 2015
[3]Ron Dewhurst appointed as Non-Executive Chairman on 1 December 2015

OPTION HOLDING

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 APPOINT-MENT	GRANTED AND VESTED	ACQ-UIRED ON MARKET	EXER-CISED	EXPIRED/ FORFEITED	CONSOLI-DATION 10:1	BALANCE AT DATE OF RESIG-NATION	BALANCE AT THE END OF THE YEAR[1]
2017									
OPTIONS OVER ORDINARY SHARES									
MICHAEL JOHNSON	40,273,056	-	4,000,000	-	-	(40,273,056)	-	-	4,000,000
RON DEWHURST	10,000,000	-	-	-	-	-	1,000,000	-	1,000,000
BRENT SCRIMSHAW	10,000,000	-	1,000,000	-	-	(10,000,000)	-	-	1,000,000
ERIC KNIGHT	10,000,000	-	1,000,000	-	-	(10,000,000)	-	-	1,000,000
JUSTINE HEATH[2]	5,000,000	-	-	-	-	-	-	5,000,000	-
SHANE DUNCAN	5,000,000	-	-	-	-	-	500,000	-	500,000
	80,273,056	**-**	**6,000,000**	**-**	**-**	**(60,273,056)**	**1,500,000**	**5,000,000**	**7,500,000**
2016									
OPTIONS OVER ORDINARY SHARES									
MICHAEL JOHNSON	40,273,056	-	-	-	-	-	-	-	40,273,056
MARTIN ROGERS[3]	34,700,000	-	-	-	-	-	-	34,700,000	-
RON DEWHURST[4]	-	-	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**

[1]All options fully vested and exercisable at the end of the year
[2]Justine Health resigned on 24 October 2016 (pre-consolidation 10:1)
[3]Martin Rogers resigned as Non-Executive Chairman on 1 December 2015
[4]Ron Dewhurst appointed as Non-Executive Chairman on 1 December 2015

RELATED PARTY TRANSACTIONS

Disclosures relating to remuneration of key management personnel are set out in note 13 and the remuneration report in the Directors' report.

	NOTE	CONSOLIDATED	
		30-JUN-17 $AUD	30-JUN-16 $AUD
TRANSACTIONS WITH RELATED PARTIES The following transactions occurred with the following related parties:			
PAYMENT FOR GOODS AND SERVICES: Smart Street	(i)	96,400	50,572

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

RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES

Balance outstanding at the end of the current year to Smart Street is $9,540 (2016: $5,968). Smart Street provides consulting and marketing related services to the Company.

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.)

DIRECTORS' REPORT
CONTINUED

RHINOMED
2017

SHARES UNDER OPTION

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

GRANT DATE	CONSOLIDATION DATE	EXPIRY DATE	EXERCISE PRICE	OPTIONS EXPIRED	CONSOLIDATION 10:1	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	03/05/2017	30/04/2019	$0.650*	-	76,923	76,923
11/04/2016	03/05/2017	11/04/2019	$0.650*	-	1,800,000	1,800,000
20/05/2016	03/05/2017	30/04/2019	$0.670*	-	1,000,000	1,000,000
24/01/2017	-	30/12/2020	$0.400	-	-	150,000
28/04/2017	-	30/04/2020	$0.270	-	-	6,000,000
				(243,150,000)	**2,876,923**	**9,026,923**

* Post consolidation

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 Director 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 SINCE THE END OF THE FINANCIAL YEAR

On 19 July 2017, The Company announced that it had received purchase orders confirming US Pharmacy giant Walgreens had placed Rhinomed's four SKU product range (Trial, Small, Medium and Large pack) of the MUTE sleep and breathing technology product in approximately 4,300 pharmacy/drugstores across the USA. In addition, the Hamacher Resource Group confirmed that two of the Mute range (Trial and Medium) would be included in their planogram. This planogram is utilised by some 10,000 independent pharmacy/ drugstores throughout the USA.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Groups state of affairs in future financial 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 15 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.*

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 page 75.

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 Groups 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
28 September 2017

HLB Mann Judd
Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Rhinomed Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in 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 relation to Rhinomed Limited and the entities it controlled during the year.

HLB Mann Judd

HLB Mann Judd	**Nick Walker**
Chartered Accountants	Partner

Melbourne
28 September 2017

HLB Mann Judd (VIC Partnership)
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FULL YEAR FINANCIAL ACCOUNTS

FOR THE YEAR ENDED

30 JUNE 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

		CONSOLIDATED	
	NOTE	30-JUN-17 $AUD	30-JUN-16 $AUD
Revenue from continuing operations	2	1,717,225	1,012,433
Other income	2	25,090	84,882
EXPENSES			
Raw materials and consumables used	3	(388,309)	(312,375)
Employee benefits expense		(2,198,595)	(1,855,783)
Depreciation and amortisation	3	(470,228)	(527,315)
Impairment of assets		-	(1,622)
Fair value adjustment of investment		-	(25,000)
Administration		(1,399,803)	(1,412,979)
Marketing		(1,510,672)	(2,372,521)
Research and development		(64,546)	(234,269)
Other expenses		(542,639)	(791,437)
LOSS BEFORE INCOME TAX		**(4,832,477)**	**(6,435,986)**
Income tax benefit	4	390,899	437,457
LOSS FOR THE YEAR		**(4,441,578)**	**(5,998,529)**
OTHER COMPREHENSIVE LOSS			
Exchange differences on translation of foreign operations	7(b)	**(4,961)**	**(24,024)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(4,446,539)**	**(6,022,553)**
Total comprehensive loss for the year is attributable to:			
Non-controlling interests		-	-
Owners of Rhinomed Limited		(4,446,539)	(6,022,553)
		CENTS	CENTS (RESTATED)[2]
LOSS PER SHARE FOR LOSS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:			
Basic earnings per share[1]	16	(6.61)	(9.43)
Diluted earnings per share[2]	16	(6.61)	(9.43)

[1] On 3 May 2017 the share capital of the Company has been consolidated through the conversion to one share for every ten shares

[2] Basic and diluted loss per share for the prior financial year have been restated to align with the current year's amount based on post consolidation of one share for every ten shares held.

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

		CONSOLIDATED	
	NOTE	30-JUN-17 $AUD	30-JUN-16 $AUD
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5(a)	1,666,883	2,612,757
Trade and other receivables	5(b)	514,275	510,645
Inventories	5(c)	429,118	546,337
Other assets		78,032	149,235
TOTAL CURRENT ASSETS		**2,688,308**	**3,818,974**
NON-CURRENT ASSETS			
Other financial assets		51,475	103,775
Property, plant and equipment		23,926	127,811
Intangible assets	6(a)	3,678,251	4,039,879
TOTAL NON-CURRENT ASSETS		**3,753,652**	**4,271,465**
TOTAL ASSETS		**6,441,960**	**8,090,439**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	5(e)	979,615	895,818
Provisions	6(b)	122,632	79,251
TOTAL CURRENT LIABILITIES		**1,102,247**	**975,069**
NON-CURRENT LIABILITIES			
Provisions	6(b)	7,620	-
TOTAL NON-CURRENT LIABILITIES		**7,620**	**-**
TOTAL LIABILITIES		**1,109,867**	**975,069**
NET ASSETS		**5,332,093**	**7,115,370**
EQUITY			
Issued capital	7(a)	50,934,839	48,919,157
Reserves	7(b)	795,104	3,605,594
Non-controlling interest reserve	7(b)	(6,158,687)	(6,158,687)
Accumulated losses	7(c)	(40,239,163)	(39,250,694)
TOTAL EQUITY		**5,332,093**	**7,115,370**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	ISSUED CAPITAL $	OPTION RESERVE $	RESERVES NCI $	FOREIGN EXCHANGE RESERVE $	ACCUMULATED LOSSES $	TOTAL EQUITY $
BALANCE AS AT 01 JULY 2015	**41,927,021**	**3,624,910**	**(6,158,687)**	**-**	**(33,425,765)**	**5,967,479**
Loss for the year	-	-	-	-	(5,998,529)	(5,998,529)
Other comprehensive loss for the year	-	-	-	(24,024)	-	(24,024)
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	6,992,136	-	-	-	-	6,992,136
Options expired	-	(173,600)	-	-	173,600	-
Options issued	-	178,308	-	-	-	178,308
	6,992,136	4,708	-	-	173,600	7,170,444
BALANCE AS AT 30 JUNE 2016	**48,919,157**	**3,629,618**	**(6,158,687)**	**(24,024)**	**(39,250,694)**	**7,115,370**
LOSS FOR THE YEAR	-	-	-	-	(4,441,578)	(4,441,578)
Other comprehensive loss for the year	-	-	-	(4,961)	-	(4,961)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**-**	**-**	**-**	**(4,961)**	**(4,441,578)**	**(4,446,539)**
TRANSACTIONS WITH EQUITY HOLDERS IN THEIR CAPACITY AS EQUITY HOLDERS:						
Shares issued net of issue costs	2,015,682	-	-	-	-	2,015,682
Options expired	-	(3,453,109)	-	-	3,453,109	-
Options issued	-	647,580	-	-	-	647,580
	2,015,682	(2,805,529)	-	-	3,453,109	2,663,262
BALANCE AS AT 30 JUNE 2017	**50,934,839**	**824,089**	**(6,158,687)**	**(28,985)**	**(40,239,163)**	**5,332,093**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 JUNE 2017

		CONSOLIDATED	
	NOTE	30-JUN-17 $AUD	30-JUN-16 $AUD
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,024,000	845,323
Payments to suppliers and employees		(5,432,071)	(7,416,624)
Interest received		35,000	23,605
Interest and other costs of finance paid		(14,000)	(14,776)
Receipt of R&D tax refund		279,860	437,457
Government grants		110,955	-
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**8(a)**	**(2,996,256)**	**(6,125,015)**
CASH FLOWS RELATED TO INVESTING ACTIVITIES			
Payment for purchases of plant and equipment		(4,714)	(20,004)
Proceeds from sale of equity investments		-	310,125
Proceeds from the sale of intellectual property		-	104,500
Withdrawal/(investment) from/(in) term deposits		51,510	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**46,796**	**394,621**
CASH FLOWS RELATED TO FINANCING ACTIVITIES			
Proceeds from issues of equity securities	7(a)	2,198,440	7,232,589
Capital raising costs		(182,758)	(240,453)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**2,015,682**	**6,992,136**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(933,778)**	**1,261,742**
Cash and cash equivalents at the beginning of the year		2,612,757	1,368,621
Effects of exchange rate changes on cash and cash equivalents		(12,096)	(17,606)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**5(a)**	**1,666,883**	**2,612,757**

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1.
SEGMENT INFORMATION

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 2.
REVENUE

	CONSOLIDATED	
	30-JUN-17 $AUD	30-JUN-16 $AUD
REVENUE		
Sale of goods	1,717,225	1,012,433
OTHER INCOME		
Interest received	25,090	23,605
Gain on sale of equity investment	-	60,125
Other	-	1,152
TOTAL OTHER INCOME	**25,090**	**84,882**
TOTAL REVENUE & OTHER INCOME	**1,742,315**	**1,097,315**

NOTE 3.
EXPENSES

	CONSOLIDATED	
	30-JUN-17 $AUD	30-JUN-16 $AUD
PROFIT/(LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS INCLUDES THE FOLLOWING SPECIFIC EXPENSES:		
COST OF SALES		
Raw materials and consumables used	388,309	312,375
DEPRECIATION & AMORTISATION		
Plant and equipment	108,600	164,697
Intangible asset	361,628	362,618
	470,228	**527,315**
IMPAIRMENT		
Assets	-	-
Inventory	-	1,622
	-	**1,622**
FINANCE COSTS		
Finance costs expensed	-	-
NET FOREIGN EXCHANGE LOSS		
Foreign exchange loss	16,317	67,508
SUPERANNUATION EXPENSE		
Defined contribution superannuation expense	64,634	56,239
RESEARCH & DEVELOPMENT COSTS		
Research & development costs	64,546	234,269
OPERATING LEASE EXPENSE		
Operating lease expense	103,808	109,413

NOTE 4.
INCOME TAX BENEFIT

(A) NUMERICAL RECONCILIATION OF INCOME TAX BENEFIT TO PRIMA FACIE TAX PAYABLE	CONSOLIDATED	
	30-JUN-17 $AUD	30-JUN-16 $AUD
Loss before income tax	(4,832,477)	(6,435,986)
Tax at the Australian tax rate of 27.5% (2016: 30%)	(1,328,931)	(1,930,796)
TAX EFFECT OF AMOUNTS WHICH ARE NOT DEDUCTABLE IN CALCULATING INCOME TAX:		
Impairment and amortisation expenses	99,448	116,286
Other expenses not deductible	799	4,150
Legal fees and penalties	669	15,673
Other deductible items	(50,258)	(72,136)
Deferred tax assets relating to tax losses not recognised	1,669,172	2,304,280
INCOME TAX RECONCILIATION IN PROFIT OR LOSS	**390,899**	**437,457**

(B) UNRECOGNISED TEMPORARY DIFFERENCES		
Tax losses	18,960,777	17,291,604
Inventory	(104,217)	(132,162)
Prepayments	(41,705)	(76,510)
Accruals	39,552	23,494
Unearned income	51,492	66,894
Employee provisions	33,724	23,775
NET DEFERRED TAX ASSETS NOT RECOGNISED	**18,939,623**	**17,197,095**

NOTE 5.
FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(A) CASH AND CASH EQUIVALENTS	CONSOLIDATED	
	30-JUN-17 $AUD	30-JUN-16 $AUD
Cash at bank	1,666,883	2,612,757
	1,666,883	**2,612,757**

Refer to note 9(e)(iv) for the effective interest rate.

(B) TRADE AND OTHER RECEIVABLES	CONSOLIDATED	
	30-JUN-17 $AUD	30-JUN-16 $AUD
Trade receivables	514,275	502,683
Other receivables	-	140,962
Less: Provision for impairment of receivables	-	(133,000)
	514,275	**510,645**

IMPAIRMENT OF RECEIVABLES

The consolidated entity has recognised a loss of $nil (2016: $nil) in profit or loss in respect of impairment of receivables for the year ended 30 June 2017.

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 uncollectible	133,000	-
CLOSING BALANCE	**-**	**(133,000)**

PAST DUE BUT NOT IMPAIRED

Customers with balances past due but without provision for impairment of receivables amount to $nil as at 30 June 2017 ($nil as at 30 June 2016).

(C) INVENTORIES

Inventories consist of finished goods and are measured at cost.

NOTE 5.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(D) OTHER FINANCIAL ASSETS	CONSOLIDATED	
	30-JUN-17 $AUD	30-JUN-16 $AUD
Term deposits*	51,475	103,775
	51,475	**103,775**

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

(E) TRADE AND OTHER PAYABLES	CONSOLIDATED	
	30-JUN-17 $AUD	30-JUN-16 $AUD
UNSECURED		
Trade payables	297,347	404,862
Other payables	682,268	490,956
	979,615	**895,818**

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

NOTE 6.

NON-FINANCIAL ASSETS AND LIABILITIES

(A) INTANGIBLE ASSETS	CONSOLIDATED	
	30-JUN-17 $AUD	30-JUN-16 $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	602,503
Less: impairment	(213,576)	(213,576)
Less: amortisation	(134,936)	(104,248)
NET CARRYING VALUE	**253,991**	**284,679**
INTELLECTUAL PROPERTY		
At cost	9,516,217	9,516,217
Less: impairment	(6,492,957)	(6,492,957)
Less: amortisation	(1,164,004)	(833,064)
NET CARRYING VALUE	**1,859,256**	**2,190,196**
TOTAL INTANGIBLE ASSETS	**3,678,251**	**4,039,879**

(I) 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 01 JULY 2015	1,565,004	326,010	2,511,483	4,402,497
Amortisation charge	-	(41,331)	(321,287)	(362,618)
BALANCE AT 30 JUNE 2016	**1,565,004**	**284,679**	**2,190,196**	**4,039,879**
Amortisation charge	-	(30,688)	(330,940)	(361,628)
BALANCE AT 30 JUNE 2017	**1,565,004**	**253,991**	**1,859,256**	**3,678,251**

NOTE 6.

NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(II) IMPAIRMENT OF INTANGIBLES

The Directors conducted an impairment review of the Group's intangible assets as at 30 June 2017 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 four year period with a terminal value calculated on a perpetual growth basis, a fair value calculation using cashflow projections over a four 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% (2016: 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. 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).

In performing the impairment review, the Directors have determined that the cash generating unit (CGU) is to be assessed on a group level, inline with the Group's single segment.

(III) 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 $361,628 (2016: $362,618) and was recorded for the period.

The intangible assets has been assessed as having a finite life and is amortised using the straight line method over a period of 9.5 years for 2017 and 2016.

(B) PROVISIONS	**CONSOLIDATED**	
	30-JUN-17 $AUD	30-JUN-16 $AUD
CURRENT		
Employee benefits	122,632	79,251
	122,632	**79,251**
NON-CURRENT		
Employee benefits	7,620	-
	7,620	**-**

(I) 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 20.

NOTE 7.
EQUITY

(A) ISSUED CAPITAL

(I) MOVEMENTS IN ORDINARY SHARES ON ISSUE:

DETAILS	NUMBER OF SHARES	$
BALANCE AT 1 JULY 2015	**539,438,635**	**41,927,021**
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: transaction costs arising on share issue	-	(240,453)
BALANCE AT 30 JUNE 2016	**814,234,007**	**48,919,157**
14/03/2017 Private placement at $0.018	105,135,000	1,892,430
20/03/2017 Private placement at $0.018	13,000,000	234,000
21/03/2017 Private placement at $0.018	4,000,000	72,000
23/03/2017 Private placement at $0.10	100	10
03/05/2017 Share consolidation	(936,369,107)	-
03/05/2017 Share consolidation	93,637,159	-
Less: transaction costs arising on share issue	-	(182,758)
BALANCE AT 30 JUNE 2017	**93,637,159**	**50,934,839**

(B) RESERVES

	CONSOLIDATED	
	30-JUN-17 $AUD	30-JUN-16 $AUD
Other reserves	824,089	3,629,618
Foreign exchange reserve	(28,985)	(24,024)
	795,104	**3,605,594**

(I) RECONCILIATIONS

	OPTION RESERVE $	NCI RESERVE $	FOREIGN EXCHANGE RESERVE $	TOTAL $
BALANCE AT 1 JULY 2015	**3,624,910**	**(6,158,687)**	**-**	**(2,533,777)**
Share-based payments	-	-	-	-
Options issued/(expired)	4,708	-	-	4,708
Foreign exchange movements	-	-	(24,024)	(24,024)
BALANCE AT 30 JUNE 2016	**3,629,618**	**(6,158,687)**	**(24,024)**	**(2,553,093)**
Share-based payments	-	-	-	-
Options issued/(expired)	(2,805,529)	-	-	(2,805,529)
Foreign exchange movements	-	-	(4,961)	(4,961)
BALANCE AT 30 JUNE 2017	**824,089**	**(6,158,687)**	**(28,985)**	**(5,363,583)**

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 foreign exchange reserve is used to record exchange differences arising on translation of a foreign controlled subsidiary.

(B) RESERVES (CONTINUED)

(II) MOVEMENTS IN OPTIONS

	NO.	$
BALANCE AT 01 JULY 2015	**245,150,000**	**3,624,910**
Options lapsed/expired	(2,000,000)	(173,600)
Options issued	28,769,230	178,308
BALANCE 30 JUNE 2016	**271,919,230**	**3,629,618**
Options lapsed/expired	(243,150,000)	(3,453,109)
Consolidation 10:1	(25,892,307)	-
Options issued	6,150,000	647,580
BALANCE AT 30 JUNE 2017	**9,026,923**	**824,089**

On 24 January 2017, the Company has issued 150,000 of options to its employees and on 28 of April 2017 the Company has issued 6,000,000 of options to its key management personnel. The options are not listed and expire on the 30 December 2020 and 30 April 2020 respectively. The options have an exercise price of $0.040 and $0.027. The fair value of the options granted during the year was $0.0972 and $0.1055.

(C) ACCUMULATED LOSSES

	30-JUN-17 $AUD	30-JUN-16 $AUD
Accumulated losses at the beginning of the financial year	39,250,694	33,425,765
Loss after income tax expense for the year	4,441,578	5,998,529
Transfer from option reserve	(3,453,109)	(173,600)
	(40,239,163)	**(39,250,694)**

NOTE 8.

CASH FLOW INFORMATION

(A) RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES	CONSOLIDATED	
	30-JUN-17 $AUD	30-JUN-16 $AUD
LOSS FOR THE PERIOD	**(4,441,578)**	**(5,998,529)**
Adjustment for:		
Depreciation and amortisation	470,228	527,315
(Gain)/loss on disposal of assets	-	(61,277)
Share-based payments	647,580	-
Other	12,096	178,307
Fair value adjustments of investments	-	25,000
CHANGE IN OPERATING ASSETS AND LIABILITIES:		
(Increase)/decrease in trade and other receivables	(2,839)	(338,393)
(Increase)/decrease in other current assets	71,203	(584,128)
(Increase)/decrease in accounts payable	78,835	81,397
(Increase)/decrease in other liabilities	-	45,293
(Increase)/decrease in inventories	117,219	-
(Increase)/decrease in employee benefits	51,000	-
NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES	**(2,996,256)**	**(6,125,015)**

(B) NON-CASH INVESTING AND FINANCING ACTIVITIES

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

NOTE 9.

FINANCIAL RISK MANAGEMENT

(A) FINANCIAL INSTRUMENTS

The Group's financial instruments are detailed below:		CONSOLIDATED	
	NOTE	30-JUN-17 $AUD	30-JUN-16 $AUD
Cash and cash equivalents	5(a)	1,666,883	2,612,757
Trade and other receivables	5(b)	514,275	510,645
Other financial assets	5(d)	51,475	103,775
Trade and other payables	5(e)	(979,615)	(895,818)
		1,253,018	**2,331,359**

The Group did not have any derivative instruments at 30 June 2017 and 30 June 2016.

(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 Group'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 19 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 19.

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 note 7. 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.

(I) 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.

(II) 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 British Pound (GBP) (2016: Euro (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 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.

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

	CONSOLIDATED		
2017	USD	GBP	TOTAL
Cash and cash equivalents	31,405	22,047	53,452
Other financial assets	85,360	42,688	128,048
Other financial liabilities	(86,935)	-	(86,935)
NET FINANCIAL ASSETS	**29,830**	**64,735**	**94,565**

(III) 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.

(IV) 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.
- investing surplus funds with reputable financial institutions.[1]

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:

2017	NOTE	FLOATING INTEREST RATE $	NON-INTERESTED BEARING $	FIXED INTEREST BEARING $	TOTAL $
FINANCIAL ASSETS					
Cash and cash equivalents*	5(a)	1,666,883	-	-	1,666,883
Other financial assets	5(d)	-	-	51,475	51,475
Trade and other receivables	5(b)	-	514,275	-	514,275
		1,666,883	**514,275**	**51,475**	**2,232,633**
FINANCIAL LIABILITIES					
Trade and other payables	5(e)	-	979,615	-	979,615
NET FINANCIAL ASSETS		**1,666,883**	**(465,340)**	**51,475**	**1,253,018**

*Weighted average effective interest rate: 1.85%

2016	NOTE	FLOATING INTEREST RATE $	NON-INTERESTED BEARING $	FIXED INTEREST BEARING $	TOTAL $
FINANCIAL ASSETS					
Cash and cash equivalents**	5(a)	2,612,757	-	-	2,612,757
Other financial assets	5(d)	-	-	103,775	103,775
Trade and other receivables	5(b)	-	510,645	-	510,645
		2,612,757	**510,645**	**103,775**	**3,227,177**
FINANCIAL LIABILITIES					
Trade and other payables	5(e)	-	895,818	-	895,818
NET FINANCIAL ASSETS		**2,612,757**	**(385,173)**	**103,775**	**2,331,359**

**Weighted average effective interest rate: 1.72%

(V) MATURITY PROFILE

2017	NOTE	CARRYING AMOUNT $	CONTRACTUAL CASH FLOW $	WITHIN 1 YEAR $	1-5 YEARS $	TOTAL $
FINANCIAL ASSETS						
Cash and cash equivalents	5(a)	1,666,883	1,666,883	1,666,883	-	1,666,883
Other financial assets	5(d)	51,475	51,475	-	51,475	51,475
Trade and other receivables	5(b)	514,275	514,275	514,275	-	514,275
TOTAL FINANCIAL ASSETS		**2,232,633**	**2,232,633**	**2,181,158**	**51,475**	**2,232,633**
FINANCIAL LIABILITIES						
Trade and other payables	5(e)	979,615	979,615	979,615	-	979,615
TOTAL FINANCIAL LIABILITIES		**979,615**	**979,615**	**979,615**	**-**	**979,615**

2016	NOTE	CARRYING AMOUNT $	CONTRACTUAL CASH FLOW $	WITHIN 1 YEAR $	1-5 YEARS $	TOTAL $
FINANCIAL ASSETS						
Cash and cash equivalents	5(a)	2,612,757	2,612,757	2,612,757	-	2,612,757
Other financial assets	5(d)	103,775	103,775	-	103,775	103,775
Trade and other receivables	5(b)	510,645	510,645	510,645	-	510,645
TOTAL FINANCIAL ASSETS		**3,227,177**	**3,227,177**	**3,123,402**	**103,775**	**3,227,177**
FINANCIAL LIABILITIES						
Trade and other payables	5(e)	895,818	895,818	895,818	-	895,818
TOTAL FINANCIAL LIABILITIES		**895,818**	**895,818**	**895,818**	**-**	**895,818**

(VI) NET FAIR VALUES

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

NOTE 9
CONTINUED

RHINOMED
2017

(VII) 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.

2017	NOTE	TOTAL BALANCE $	INTEREST RATE RISK (±1%) $	OTHER PRICE RISK (±5%) $
Cash	5(a)	1,666,883	16,669	-
Other financial assets	5(d)	51,475	-	2,574
TOTAL INCREASE/DECREASE		**1,718,358**	**16,669**	**2,574**
2016				
Cash	5(a)	2,612,757	26,128	-
Other financial assets	5(d)	103,775	-	5,189
TOTAL INCREASE/DECREASE		**2,716,532**	**26,128**	**5,189**

2017	AUD/USD (±5%) $	AUD/GBP (±5%) $
Net financial assets/(liabilities)	1,491	3,237
TOTAL INCREASE/DECREASE	**1,491**	**3,237**
2016	AUD/USD (±5%) $	AUD/EUR (±5%) $
Net financial assets/(liabilities)	107	6,082
TOTAL INCREASE/DECREASE	**107**	**6,082**

(F) 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 2017 and 2016, 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.

NOTE 10.

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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 11.
COMMITMENTS

(A) NON-CANCELLABLE OPERATING LEASES

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	CONSOLIDATED	
	30-JUN-17 $AUD	30-JUN-16 $AUD
Within one year	95,950	67,825
Later than one year but not later than five years	173,238	-
	269,188	**67,825**

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 31 March 2020. An option exists to renew the lease at the end of the 3 year term for an additional term of 3 years.

(B) OTHER EXPENDITURE COMMITMENTS

Commitments contracted for at balance date but not recognised as liabilities are as follows:

	CONSOLIDATED	
	30-JUN-17 $AUD	30-JUN-16 $AUD
Within one year	3,678	2,759
Later than one year but not later than five years	-	3,678
	3,678	**6,437**

NOTE 12.
EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Directors are not aware of any significant events since the end of the reporting period.

NOTE 13.
RELATED PARTY TRANSACTIONS

(A) PARENT ENTITIES

Rhinomed Limited is the parent entity.

(B) SUBSIDIARIES

Interests in subsidiaries are set out in note 18.

(C) KEY MANAGEMENT PERSONNEL

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

(I) DETAILS OF KEY MANAGEMENT PERSONAL

DIRECTORS:
- Michael Johnson
  Chief Exectuive Officer
  Executive Director
- Eric Knight
  Non-Executive Director
- Ron Dewhurst
  Non-Executive Chairman
- Brent Scrimshaw
  Non-Executive Director

EXECUTIVES:
- Justine Heath
  Chief Financial Officer and Chief Operating Officer
- Shane Duncan
  Vice President Sales and Marketing

NOTE 13.

RELATED PARTY TRANSACTIONS (CONTINUED)

(II) 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-17 $AUD	30-JUN-16 $AUD
Short-term employee benefits	716,650	850,239
Post-employment benefits	42,911	53,056
Share-based payments	633,000	118,000
	1,392,561	**1,021,295**

(III) OTHER RELATED PARTY TRANSACTIONS

	CONSOLIDATED	
	30-JUN-17 $AUD	30-JUN-16 $AUD
PAYMENT FOR GOODS AND SERVICES		
Smart Street*	96,400	50,572

* Consulting fees paid to Smart Street, Director related entity to Mr Michael Johnson.

(IV) RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES

Balance outstanding at the end of the current year to Smart Street is $9,540 (2016: $5,968). There are no other outstanding balances at the reporting date in relation to transactions with related parties.

(V) LOANS TO/FROM RELATED PARTIES

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

(VI) TERMS AND CONDITIONS

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

NOTE 14.

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:

2017

GRANT DATE	EXPIRY DATE	EXERCISE PRICE $	BALANCE AT 1 JULY $	GRANTED $	EXERCISED, OTHER $	EXPIRED, FORFEITED $	CONSOLIDATION 10:1	BALANCE AT 30 JUNE* $
27/05/2013	30/04/2017	0.060	95,400,000	-	-	(95,400,000)	-	-
18/11/2013	30/04/2017	0.060	15,250,000	-	-	(15,250,000)	-	-
11/04/2014	30/04/2017	0.060	2,500,000	-	-	(2,500,000)	-	-
11/04/2014	30/04/2017	0.065	40,000,000	-	-	(40,000,000)	-	-
23/09/2015	30/07/2017	0.600	90,000,000	-	-	(90,000,000)	-	-
23/12/2015	30/04/2019	0.650*	769,230	-	-	-	76,923	76,923
11/04/2016	11/04/2019	0.650*	18,000,000	-	-	-	1,800,000	1,800,000
20/05/2016	30/04/2019	0.670*	10,000,000	-	-	-	1,000,000	1,000,000
24/01/2017	30/12/2020	0.400	-	150,000	-	-	-	150,000
28/04/2017	30/04/2020	0.270	-	6,000,000	-	-	-	6,000,000
			271,919,230	**6,150,000**	**-**	**(243,150,000)**	**2,876,923**	**9,026,923**
WEIGHTED AVERAGE EXERCISE PRICE:			**0.064**	**0.335**	**0.00**	**0.061**		**0.528***

*On 3 May 2017 the share capital of the Company has been consolidated through the conversion to one share for every ten shares held.

2016

GRANT DATE	EXPIRY DATE	EXERCISE PRICE $	BALANCE AT 1 JULY $	GRANTED $	EXERCISED, OTHER $	EXPIRED, FORFEITED $	CONSOLIDATION 10:1	BALANCE AT 30 JUNE* $
13/07/2012	31/07/2015	0.120	2,000,000	-	-	(2,000,000)	-	-
27/05/2013	30/04/2017	0.060	95,400,000	-	-	-	-	95,400,000
18/11/2013	30/04/2017	0.060	15,250,000	-	-	-	-	15,250,000
11/04/2014	30/04/2017	0.060	2,500,000	-	-	-	-	2,500,000
11/04/2014	30/04/2017	0.065	40,000,000	-	-	-	-	40,000,000
23/09/2015	30/07/2017	0.060		90,000,000	-	-	-	90,000,000
23/12/2015	30/04/2019	0.065	-	769,230	-	-	-	769,230
11/04/2016	11/04/2019	0.065	-	18,000,000	-	-	-	18,000,000
20/05/2016	30/04/2019	0.067	-	10,000,000	-	-	-	10,000,000
			97,400,000	**108,769,230**	**-**	**(2,000,000)**	**-**	**271,919,230**
WEIGHTED AVERAGE EXERCISE PRICE:			**0.062**	**0.066**	**0.00**	**0.120**	**-**	**0.064**

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

2017

GRANT DATE	EXPIRY DATE	NUMBER OF OPTIONS (2017)	NUMBER OF OPTIONS (2016)
27/05/2013	30/04/2017	-	95,400,000
18/11/2013	30/04/2017	-	15,250,000
11/04/2014	30/04/2017	-	2,500,000
11/04/2014	30/04/2017	-	40,000,000
03/04/2013	30/04/2017	-	90,000,000
23/12/2015	30/04/2019	76,923	769,230
11/04/2016	11/04/2019	1,800,000	18,000,000
20/05/2016	30/04/2019	1,000,000	10,000,000
24/01/2017	30/12/2020	150,000	-
28/04/2017	30/04/2020	6,000,000	-
TOTAL EXERCISABLE		**9,026,923**	**271,919,230**

The weighted average remaining contractual life of options outstanding at year end is 2.36 years (2016: 1.57 years).

Refer to note 7 for details of options issued during the year to key management personnel as share based payments.

NOTE 15.

REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by HLB Mann Judd, the auditor of the Group.

(A) HLB Mann Judd

(I) AUDIT AND OTHER ASSURANCE SERVICES		
AUDIT SERVICES		
Audit or review of the financial statements	54,000	41,000
	54,000	**41,000**
(II) OTHER SERVICES		
Preparation of tax returns	12,500	12,611
Due diligence	20,000	-
	32,500	12,611
TOTAL REMUNERATION OF HLB MANN JUDD	**86,500**	**53,611**

NOTE 16.

EARNINGS PER SHARE

(A) RECONCILIATION OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE	CONSOLIDATED	
	30-JUN-17 $AUD	30-JUN-16 $AUD
LOSS ATTRIBUTABLE TO PARENT ENTITY		
Loss	(4,441,578)	(5,998,529)
Loss attributable to non-controlling interest	-	-
	(4,441,578)	**(5,998,529)**
BASIC EARNINGS PER SHARE		
Profit attributable to the ordinary equity holders of the Group used in calculating basic earnings per share:		
From continuing operations	(6.61)	(9.43)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING DURING THE YEAR USED TO CALCULATE BASIC AND DILUTED EPS	**67,223,730**	**63,638,911**

*Basic and diluted loss per share for the prior financial year have been restated to align with current year's amount based on post consolidation of one share for every ten shares held.

NOTE 17.

PARENT ENTITY FINANCIAL INFORMATION

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

	30-JUN-17 $AUD	30-JUN-16 $AUD
BALANCE SHEET		
Current assets	1,567,282	13,785,032
Non-current assets	32,942,473	20,367,028
TOTAL ASSETS	**34,509,755**	**34,152,060**
Current liabilities	389,724	316,865
Non-current liabilities	7,620	-
TOTAL LIABILITIES	**397,344**	**316,865**
NET ASSETS	**34,112,411**	**33,835,195**
SHAREHOLDERS' EQUITY		
Issued capital	50,934,839	48,919,157
Other reserves	997,688	3,803,218
Retained earnings	(17,820,116)	(18,887,178)
TOTAL EQUITY	**34,112,411**	**33,835,197**
PROFIT/(LOSS) FOR THE YEAR	**(2,386,002)**	**(2,062,102)**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(2,386,002)**	**(2,062,102)**

(B) GUARANTEES ENTERED INTO BY THE PARENT ENTITY

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

(C) CONTINGENT LIABILITIES OF THE PARENT ENTITY

Refer to note 10 for details.

(D) CONTRACT COMMITMENTS

Refer to note 11 for details.

(E) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 19.

NOTE 18.
SUBSIDIARIES

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

SUBSIDIARY	COUNTRY OF INCORPORATION	2017 %	2016 %
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.**	United States	100	-

* formally known as Consegna Management Services Limited.
** Rhinomed Inc. is a newly formed entity set up to commercialise operations in the United States.

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.

On 16 August 2017, the following dormant fully owned subsidiaries within the Group have been de-registered:

- Helicon (Asia) Pty Ltd
- Helicon (China) Pty Ltd
- Helicon (Korea) Pty Ltd
- Helicon International Pty Ltd (Formerly Helicon International Limited)
- Leading Edge Instruments Pty Ltd (Formerly Leading Edge Instruments Limited)
- Vibrovein Pty Ltd

NOTE 19.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) CORPORATE INFORMATION

The financial report of Rhinomed Limited and its subsidiaries (the "Consolidated Entity" or "Group") for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on the 26th day of September 2017. 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.

(B) 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.

(I) GOING CONCERN

At 30 June 2017, the Group's cash and cash equivalents amounted to $1,666,883 (2016: $2,612,757) and for the year ended 30 June 2017, the Group experienced a loss of $4,441,578 (2016: $5,998,529) and a net cash outflow from operating activities of $2,996,256 (2016: net cash outflow of $6,125,015).

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 and its future operating income, 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.

(II) 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.

(III) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The following amending Standards have been adopted from 1 July 2016.

Adoption of these Standards did not have any effect on the financial position or performance of the Group:

TITLE	NATURE OF CHANGE
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: 1. 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 2. Provide disclosures for business combinations as required by AASB 3 and other Australian Accounting Standards. Impact: The adoption of this amendment has not had a material impact on the Company. Application date: AASB 2015-4 is applicable to annual reporting periods beginning on or after 1 July 2016.
AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation	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: 1. 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 2. When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. Impact: The adoption of this amendment has not had a material impact on the Company. Application date: AASB 2015-4 is applicable to annual reporting periods beginning on or after 1 July 2016.

TITLE	NATURE OF CHANGE
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. Impact: The adoption of this amendment has not had a material impact on the Company. Application date: AASB 2015-4 is applicable to annual reporting periods beginning on or after 1 July 2016.
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 Application date: Standards - Disclosure Initiative: Amendments to AASB 101 is applicable to annual reporting periods beginning on or after 1 July 2016.

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 2017.

(IV) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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 financial year ended 30 June 2017:

TITLE	NATURE OF CHANGE	IMPACT	APPLICATION DATE
AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations	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	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.	Must be applied for financial years commencing on or after 1 January 2018.
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.		

TITLE	NATURE OF CHANGE	IMPACT	APPLICATION DATE
AASB 9 Financial Instruments (CONTINUED)	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.	The Group is still determining if there will be any potential impact.	Must be applied for financial years commencing on or after 1 January 2018.

(IV) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

TITLE	NATURE OF CHANGE	IMPACT	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	Whilst the impact of AASB 16 has not yet been quantified, the entity currently has $103,808 worth of operating leases which we anticipate will be brought onto the statement of financial position. Interest and amortisation expense will increase and rental expense will decrease.	Must be applied for financial years commencing on or after 1 January 2019.
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.	No impact	Must be applied for financial years commencing on or after 1 January 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 change in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	No impact	Must be applied for financial years commencing on or after 1 January 2017.

(C) 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.

(D) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Rhinomed Limited as at 30 June 2017 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 18.

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.

(E) 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.

(F) 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.

(G) BORROWING COSTS

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

(H) 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.

(I) CASH AND CASH EQUIVALENTS

Cash and short-term deposits in the consolidated 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 consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(J) 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.

(K) 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.

(L) 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.

(M) 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.

(I) 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.

(N) 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 cash flows 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.

(O) 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.

(P) 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 10% to 33% for office equipment, and 50% for production plant. There have been no changes to depreciation rates or methods since the prior year.

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.

(Q) 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.

(R) 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.

(S) 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.

(T) 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.

(U) IMPAIRMENT OF FINANCIAL ASSETS

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.

(V) 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.

(W) 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.

(X) 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.

(I) GOODWILL

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

- the consideration transferred;
- any non-controlling interest; and
- 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.

(II) 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 Group will carry its intellectual property at cost whilst it is under development and it is subject to annual impairment testing.

(III) 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.

(IV) 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.

(Z) 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.

(AA) EMPLOYEE BENEFITS

(I) SHORT-TERM OBLIGATIONS

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.

(II) 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.

(III) SHARE-BASED PAYMENTS

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 14. 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:

- the extent to which the vesting period has expired, and;
- 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.

(AB) 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.

(Z) TRADE AND OTHER PAYABLES

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.

(AC) 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.

(AD) DIVIDENDS

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

(AE) 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.

(AF) PARENT INFORMATION

The financial information for the parent entity, Rhinomed Limited, disclosed in note 17 has been prepared on the same basis as these consolidated statements.

(AG) 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.

(AH) 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

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

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 in the consolidated statement of profit or loss and other comprehensive income.

(AI) 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 6 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.

DIRECTOR'S DECLARATION

DIRECTORS' DECLARATION

In the Directors' opinion:

A. the financial statements and notes set out on pages 78 to 133 are in accordance with the *Corporations Act 2001*, including:

(I). complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(II). giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date, and

B. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 19(b) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of Directors.

On behalf of the Directors,

MICHAEL JOHNSON
DIRECTOR

28 September 2017
Melbourne

HLB Mann Judd
Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF RHINOMED LIMITED

REPORT ON THE FINANCIAL REPORT

Opinion

We have audited the 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 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Regarding Going Concern

We draw attention to Note 19(B)(I) of the financial report, which indicates that the Group incurred a loss of $4.442 million (2016: loss of $5.999 million) had a net operating cash outflow of $2.996 million during the year (2016: outflow of $6.125 million). These conditions, along with other matters set forth in Note 19(B)(I), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Impairment of intangible assets *Refer to Note 6A 'Intangible Assets'*	
At 30 June 2017, the Group's balance sheet includes goodwill of $1.565 million, capitalised development costs of $254 thousand, and intellectual property of $1.859 million. In line with the entities segment allocation, these are all assigned to the single Cash Generating Unit ("CGU"). The assessment of impairment of the Group's intangible assets incorporates significant judgement in respect of factors such as discount rates, future revenue forecasts, and growth in key markets. The Group is exposed to potential impacts of economic uncertainty in Australia and overseas, varied consumer acceptance of the product, regulatory obstacles, cost pressures, and increases in the entities weighted average cost of capital. Whether the Group's value in use and fair value models for impairment included appropriate consideration of such variables, as well as appropriate underlying assumptions, is why impairment of assets is considered a key audit matter.	Our procedures included, but were not limited to: • We assessed management's determination of the Group's CGU based on our understanding of the nature of the Group's operations. We also analysed the internal reporting of the Group to assess how earnings streams are monitored and reported. • We evaluated management's process regarding evaluation of the Group's assets to determine any asset impairments. • We tested entity level controls in place, such as the preparation and review of budgets and forecasts. These forecasts take into consideration the impacts of the sector and geographic specific challenges that the Group may face. • We challenged the Group's assumptions and estimates used to determine the recoverable value of its assets, including those relating to forecast revenue, cost, capital expenditure, and discount rates by adjusting for future events and corroborating the key market related assumptions to external data. • We checked the mathematical accuracy of the cash flow models and agreed relevant data to the latest forecasts. • We obtained and read reports prepared by management's expert, including assessing the competence and capability of management's external expert; • We assessed the historical accuracy of forecasting of the Group. • We performed sensitivity analysis over the model by focusing on the impact of changing growth and discount rates.

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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 57 to 69 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Rhinomed Limited for the year ended 30 June 2017 complies with section 300A of the Corporations Act 2001.

Responsibilities

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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Nick Walker
Partner

Melbourne
28 September 2017

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 1 September 2017.

A. NUMBER OF HOLDERS OF EQUITY SECURITIES

ORDINARY SHARES

93,637,159 fully paid ordinary shares are held by 1,248 individual holders. All ordinary shares carry one vote per share.

B. DISTRIBUTION OF ORDINARY FULLY PAID SHARES

	NO. OF HOLDERS	TOTAL UNITS	% OF ISSUED SHARE CAPITAL
HOLDING RANGES			
1 - 1000	60	11,700	0.01
1,001 - 5,000	274	1,020,472	1.09
5,001 - 10,000	251	2,095,722	2.24
10,001 - 100,000	549	19,005,261	20.30
100,001 and over	114	71,504,004	76.36
TOTALS	**1,248**	**93,637,159**	**100.00**

C. TWENTY LARGEST ORDINARY FULLY PAID SHAREHOLDERS

Fully paid ordinary shares

	HOLDER NAME	NUMBER	%
1	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	17,031,076	18.19
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	4,638,791	4.95
3	THIRTY-FIFTH CELEBRATION PTY LTD <JC MCBAIN SUPER FUND A/C>	4,000,000	4.27
4	KROY WEN PTY LTD	3,800,000	4.06
5	KROY WEN PTY LTD <DEWHURST SUPER FUND A/C>	3,384,680	3.61
6	CITICORP NOMINEES PTY LIMITED	2,745,711	2.93
7	ABINGDON NOMINEES PTY LTD <ABINGDON NOMS INVEST A/C>	2,187,500	2.34
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,810,277	1.93
9	KENSINGTON CAPITAL MANAGEMENT PTY LTD	1,712,500	1.83
10	CAPITAL H MANAGEMENT PTY LTD <CAPITAL H A/C>	1,430,556	1.53
11	JASFORCE PTY LTD	1,333,335	1.42
12	ELITE4FITNESS PTY LTD	1,073,618	1.15
13	MR YI LU	850,000	0.91
14	ARGUS NOMINEES PTY LTD <THE HALSTEAD SUPER FUND A/C>	833,334	0.89
15	AJG PTY LTD	663,265	0.71
16	MHBIAT PTY LTD <JASON PHILLIP WALLS DISC A/C>	620,000	0.66
17	SHARED OFFICE SERVICES PTY LTD <PHILANNE SUPER FUND A/C>	586,250	0.63
18	MS GWENETH JOY MCINTYRE & MS GLENICE KAY GRONOW <GJ MCINTYRE PENSION A/C>	558,449	0.60
19	STRUCTURE INVESTMENTS PTY LTD <ROGERS FAMILY A/C>	518,029	0.55
20	OZPHARMA PTY LTD	500,000	0.53
	TOTAL OF TOP 20 SHAREHOLDERS	**50,277,371**	**53.69**

D. UNMARKETABLE PARCELS

Holdings less than a marketable parcel of ordinary shares (being 73,603 as at 1 September 2017):

HOLDERS	UNITS
95	73,603

E. SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders the Company is aware of from the register, or who have notified the Company in accordance with Section 671B of the *Corporations Act 2001* are:

SUBSTANTIAL SHAREHOLDERS	NUMBER OF SHARES
W. Whitney George	16,570,121
Kroy Wen Pty Ltd	7,184,680
TOTAL NUMBER OF SHARES HELD BY SUBSTANTIAL SHAREHOLDERS	**23,754,801**

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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