MAKE EVERY BREATH COUNT

RHINOMED

ANNUAL REPORT 2015

ISSN 1839-6879

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LETTER FROM THE CHAIRMAN

Dear Shareholder

I am delighted to present the Rhinomed Limited 2015 Annual Report, in what has been a year of strong progress for the Company.

Rhinomed has launched two products into global markets during the financial year: launching our new sleep quality aid, Mute™ into the global sleep device market and a new generation Turbine™ sports product in response to feedback from users. We have focused on demonstrating the utility of our products in the hands of consumers, establishing brand recognition, developing our international distribution footprint and building upon our internal capabilities.

We have continued to invest in our intellectual property portfolio, which positions the Company well as we enter significant and competitive markets. These activities have extended and improved our regulatory position and we were particularly pleased to receive regulatory approval from the US Food and Drug Administration (FDA), the European Medical Devices Directives CE mark and Australian Therapeutic Goods Administration (TGA) approvals for both Turbine™ and Mute™ within the financial year.

Our manufacturing and production capability has continued to be refined and improved to accommodate the increasing demands for products as we negotiate substantial distribution agreements in multiple territories.

This year has witnessed continuing growth in consumer awareness of sleep and sleep quality and how this impacts on all areas of people's daily lives. The growing recognition of the role of sleep and recovery in physical and mental health, in relationships and in sporting and professional performance underlines the market opportunity for Rhinomed's products.

While Mute™ addresses a significant unmet need as a standalone snoring aid in the under-serviced snoring market, we are also assessing its potential as a combination therapy for mandibular advancement (or dental) splints and other therapies, where compliance is a key clinical challenge.

Mute™ has now been available online since December 2014 and we are establishing distribution through the fragmented Australian pharmacy market and through GP clinics and sleep specialists.

There are two very important points to which I draw shareholders' attention: Firstly, customers are beginning to reorder Mute™ regularly, and secondly, medical practitioners are recommending Mute™ to their patients.

This reinforces our confidence about the efficacy of the product in consumer's hands and the potential lifetime value of a customer in this significant market. It also underlines the commercial opportunity afforded by a product pipeline which delivers value to all parts of the value chain - from consumer and patient, through to dental specialists, clinicians, GPs, hospitals, sleep centres and other sleep device companies. We are building our internal capabilities to ensure we are able to capture and build upon the opportunities this creates as quickly as possible.

A little over two years ago, we began the process of rebuilding Rhinomed's intellectual property and technology portfolio and monetising its technology. With two products on the market and a strong development pipeline, Rhinomed is fundamentally different to the Company that existed then. I am confident that the Company is well placed to pursue its mission to revolutionise the way people breathe, sleep and take medication.

I would particularly like to thank shareholders for their continued support through this considerable period of change and their belief in Rhinomed's products and their future role in helping people with nasal and respiratory issues.

Martin Rogers
Chairman

LETTER FROM THE CEO

Dear Shareholder

Rhinomed is building a globally recognised brand for 'Breathing'. We have established two over-the-counter consumer health technologies with broad global application and commenced clinical programs in the high-value sleep apnea and drug delivery markets.

Socialising Our Technology
Healthcare companies rightly focus on fulfilling clear unmet needs. While efficacy is essential, consumer compliance rates continue to be one of the largest hurdles in entering market, gaining market acceptance and obtaining market share. Our strategy has always been to socialise our technology as a way to ensure long-term acceptance and adoption, and through this build significant long term market share.

Turbine™ is being embraced by globally recognised athletes, including 2013 and 2015 Tour de France winner Chris Froome and US track champion Shannon Rowbury. Engaging these global trendsetters not only encourages adoption of Turbine™, but socialises our broader intranasal technology platform.

TheTurbine™ strategy is creating a favourable climate for the adoption of Mute™ and the acceptance of future products into the highly valued sleep apnea and nasal drug delivery markets, where existing compliance and adoption rates underline the need for new well-tolerated solutions.

Although the current global sleep device market is substantial and growing, it remains under-penetrated with major players estimating that some 80% of potential obstructive sleep apnea patients remain undiagnosed. Of those patients who are diagnosed, close to two-thirds abandon their treatment regimes. This represents a core challenge for both sleep device manufacturers and for sleep specialists.

As snoring is often an early indicator of obstructive sleep apnea, Mute™ represents a key entry point to reach the long-term patient early in the diagnostic process. Rhinomed seeks to further enhance this positioning by developing well-tolerated technologies to address mild to moderate sleep apnea. This capability has been an important focus of our international partnering program for the past 12 months.

Demonstrating Value Through Performance
We are delighted to report early revenues for both product lines. While we appreciate the enormous opportunity before us, especially in the global sleep market, we recognise our immediate priorities are showing the utility of the products in customers' hands and the potential lifetime value of the customer. We are firmly focused on driving initial engagement and reorder rates in specific defined channels and markets.

We are confident this approach will allow us to demonstrate potential recurrent revenue and, consequently, the value of the products in broader markets.

Delivering Scale
We have launched Mute™ into the Australian pharmacy market and have made some important first steps to distribute through Australian GPs and sleep clinics. We will launch Mute into the UK pharmacy market in October 2015.

We are also progressing towards major distribution agreements in key geographic regions. These key priorities will build cash flows and a sustainable business model over the coming financial year.

Increasing Capability

As the company expands its operational focus, we have also added to our capability. In January we appointed Ms Justine Heath as COO/CFO. Justine brings extensive experience from PWC, FH Faulding & Co and Blamey Saunders. Throughout the period we also added consultants in the UK and the US to support our business development activities.

Vibrovein

The Vibrovein technology aims to reduce patient-reported pain associated with injectable cosmetics. The technology, which was part of the stable of assets acquired by previous management, was developed into a working prototype, the Marxman™. While the technology has commercial potential, the prototype requires significant further trialling and development. Consequently the Company has decided to focus its efforts on monetising its core respiratory technologies, in particular by commercialising its existing OTC products into multiple channels and geographic markets.

The Company wrote down the value of the Vibrovein technology in 2013 and has divested the asset in the period since year end.

Corporate Support

The Company was pleased to obtain shareholder support during the year through a private placement and Share Purchase Plan, to help secure these critical stages of the Company's growth. The capital raising in September 2014 raised $5m through a $3.5m private placement to sophisticated investors and a fully underwritten shareholder purchase plan. We thank our existing shareholders for their support and welcome new investors who can see the significant opportunities that lie ahead.

We were delighted to be invited to present the 'Rising Star' Keynote Address at the UK Master Investor Show in April 2015. I was honoured to be accompanied by Rhinomed shareholder and brand ambassador, Sir Steve Redgrave, CBE, the 5 time consecutive Olympic gold medallist. The UK Master Investor Show was attended by approximately 4700 investors and was a solid entry point into building concrete relationships in the UK market.

Thank you for your continued support and we look forward to reporting on an exciting year ahead for your Company.

Michael Johnson
CEO

OPERATIONAL REVIEW
PLATFORM TECHNOLOGY DEVELOPMENT

TURBINE™

Overview
Turbine™ is a sports breathing technology designed to make breathing easier during aerobic activity. Turbine™ has been well received by athletes and we are very pleased with the level of endorsement from elite athletes. We aim for Turbine™ to be regarded as an essential part of an athlete's kit.

Distribution
The original Turbine™ began distribution in Australia in July 2014. In September of the same year, Turbine™ was launched globally at the Interbike exhibition in Las Vegas. With over 24,000 retailers, wholesalers, distributors and cycling trade in attendance, Interbike is a unique opportunity to showcase cycling technology and begin the process of selling into trade and distributors.

This response to the Turbine™ was very exciting and we were able to expand distribution into Japan, Colombia, Malaysia, Singapore and Thailand off the back of Interbike.

We lost some momentum when user feedback showed a need for improved grip and retention when used in extreme conditions. Our design team responded immediately by further refining the production and individual sizing of the device. The next generation Turbine™, launched in February 2015, incorporates an improved dilation system for increased grip, greater comfort and flexibility. It has been received very enthusiastically. Turbine™ has now expanded its distribution into Belgium, Netherlands, Philippines, Chile, Costa Rica and the United Kingdom.

Elite Athlete Engagement
Engagement of key opinion leaders is a key to success. We experienced some startling early success with Tour de France champion, Chris Froome, wearing the Turbine™ in the Vuelta Espana (Tour of Spain), providing significant exposure and endorsement of the brand. Chris Froome subsequently trialled and tested the new Turbine™ prototypes and his feedback was instrumental in the design of the new generation Turbine™.

Since then, Turbine™ has gained a loyal following of elite athletes using it in competition, including:
- Chris Froome (2013 & 2015 Tour de France winner)
- Calvin Watson (Professional cyclist, Trek Factory racing)
- Rachel Neylan (Orica GreenEDGE cyclist)
- Shannon Rowbury (1500m US Olympian)
- Paul Van Der Ploeg (World XC Eliminator champion)
- Annabel Luxford (Australian triathlete)
- Jack Bobridge (Australian track team cyclist)

Chris Froome
2013 & 2015 Tour de France Winner

Rachel Neylan
Orica GreenEDGE Cyclist

Annabel Luxford
Australian Triathlete

OPERATIONAL REVIEW
PLATFORM TECHNOLOGY DEVELOPMENT

TURBINE™

The support of elite athletes and their ability to provide great acceptance and visibility of the brand amongst our core target market is integral to our continued growth strategy.

Promotion
The Company has exhibited at a number of major international sporting events, including IHRSA in Los Angeles, the Mexican Rock 'n Roll Marathon and again at Interbike 2015 in Las Vegas. While attendance at such events is expensive, they are an unprecedented opportunity to increase awareness dramatically and provide strong leads for new distribution partnerships.

We have also promoted Turbine™ through Tour Down Under, Fitness First, Ironman, Victorian Institute of Sport Science (Sufferfest event) and advertising/media promotions in print and electronic media. Promotional highlights include:

- SBS coverage of Tour de France
- Men's Health magazine
- Cycling Tips

Independent Trials
An independent trial at Murdoch University (WA) School of Exercise Science under the leadership of Dr Jeremiah Peiffer was started at the end of the financial year. This trial seeks to show the impact of Turbine™ on athletes during a 20km time trial. Results are expected at the end of CY15.

Next Steps
The next financial year will see Rhinomed continue to build Turbine™ distribution globally, especially targeting the US.

We are also increasing our online and e-commerce presence and will continue our focus on elite athletes and translating that success to the weekend warriors.

"Awesome product. I love the Turbine™ for multiple reasons but it made me realize that I have never been able to get efficient oxygen through my nostrils until I used the Turbine™. Thank you."

Aaron, Utah, USA.

Calvin Watson
Professional Cyclist, Trek Factory Racing

OPERATIONAL REVIEW
PLATFORM TECHNOLOGY DEVELOPMENT

MUTE™

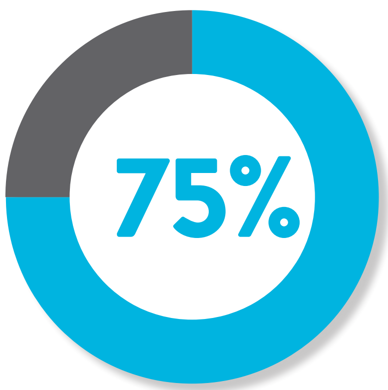
Overview
Mute™ is a sleep quality and snoring aid made of ultra-soft medical grade polymers that sits comfortably inside the nose and helps to increase the volume of air travelling through the nose during sleep. Its role is to reduce the incidence and severity of snoring and enable restful and sound quality sleep..

Mute User Trials
Late in 2014, the Company published results from an independently conducted user trial, with Mute™ achieving primary endpoints including a significant reduction in snoring severity, volume, frequency and duration. The trial (n=236) exceeded in pre-specified criteria and showed clear improvement in reported sleep quality in both snorers and partners. The trial involved five nights in-home with continual use. Importantly, 75% of subjects reported a reduction in snoring and 78% reported an improvement in breathing at night.

Australian Distribution
Rhinomed launched Mute™ online in December 2014. In April 2015, the Company commenced distribution into the highly fragmented Australian pharmacy market while simultaneously exploring global distribution opportunities.

The Company now distributes Mute™ through major wholesale distributors Symbion and Sigma Pharmaceuticals and is building store presence through community pharmacy and through mid-sized retail group, Discount Drug Stores. We are now targeting larger retail groups and supporting this roll out with the appointment of a pharmacy sales force.

In addition to the pharmacy roll out, we have commenced distribution through medical professionals and sleep clinics. We are partnering with the innovative SleepGP network, who empower GPs to deliver patient-centred solutions to snoring and sleep-related health issues, and we have appointed a representative to strengthen our ties with the Australian medical profession, particularly partnering with sleep clinics and sleep specialists.



OF THE SUBJECTS REPORTED A **REDUCTION IN THE INCIDENCE & SEVERITY OF SNORING***

*2014 USER TRIAL N=236 INCLUDES 5 DAYS OF CONTINUAL USE

REGULATORY APPROVAL

Global Distribution and International Partnering
In June 2015, the Company exhibited at APSS 2015 - a joint meeting of the American Academy of Sleep Medicine and Sleep Research Society in Seattle.

The trade show gave us direct exposure and contact with potential distributors, partners, sleep specialists and clinics/hospitals.

It became very apparent speaking with sleep dentists that many of the compliance issues with mandibular advancement devices (dental splints) relate to difficulty breathing. Users are increasingly reliant on nasal breathing and the clear message is that improving the ability to breathe through the nose would assist in the compliance rates of oral devices.

At the end of the financial year, Rhinomed was in negotiations with a number of potential international distributors.

Our Mute™ digital strategy includes partnering the technology through a range of affiliates, online retail portals and other sleep company channels, as well as the rollout of an online subscription model in the US. We will continue to examine the effectiveness of these channels and will work closely to build strong relationships with our current partners.

Consumer Support
Mute™ is rapidly gaining consumer support. One of our most resounding endorsements is from Mrs Jenny Chapman, the loudest snorer ever recorded, at 111 decibels! This is 8 decibels louder than a low flying jet. Mrs Chapman from Cambridgeshire, UK, told us:

“I’ve snored since I was five and over the years have tried pretty much everything. I’ve even considered surgery. The sound often wakes me up and most nights my husband Colin has to retreat to the spare room. I’ve tried Rhinomed product Mute™ a few times now and haven’t woken myself up once. My husband says my snoring is much reduced and much quieter, so I’m going to keep using it.”

Next Steps
Our focus for 2015/16 is to build our global distribution footprint for Mute™, ensuring it becomes a household brand and regular weekly consumer shop purchase.

Sleep and its effects on health, wellbeing, relationships and career are high on the agenda at the moment and Mute™ is going to capitalise on this growing interest and drive to take sleep seriously.

PROGRAM STATUS
ACHIEVEMENTS & MILESTONES

The Company has achieved a number of significant milestones over the past 12 months, most notably being the launch of Mute™.

Our current progress against milestones is illustrated below.

FY14/15	FY15/16
In-Market Milestones • Froome wins 2015 Tour de France • Distribution: Australia & multiple territories • Facebook 30,000+ Likes • FDA, TGA, CE Mark	**In-Market Milestones** • International distribution agreements • Additional regulatory approvals • Clinical program results • Business unit break-even • Substantial USA presence
In-Market Milestones • Snoring user trial results • FDA, TGA, CE Mark • Mute launched in Australian pharmacies, GPs & sleep clinics	**In-Market Milestones** • International distribution agreements • Additional regulatory approvals • Mute launched Boots UK • Commence distribution USA
Development Milestones • Commence development • Commence trial design	**Partnership Milestones** • Finalise trial design • Identify development partner
Development Achievements • INPEAP prototype complete • Clinical trial design • Trial recruitment • Trial commencement	**Development Milestones** • Clinical trial results • Design refinements • Regulatory applications

* KOL (Key Opinion Leaders)
* SAB (Scientific Advisory Board)
* API (Active Pharmaceutical Ingredient)

SLEEP PROGRAM

The Sleep Continuum
Rhinomed's sleep program covers the entire sleep continuum. It is important to note that Mute™ is our entry-card into this market and we have the ability to engage with numerous channels and touch-points in the market.

Introducing INPEAP
A significant opportunity exists within the US$13bn Obstructive Sleep Apnea (OSA) market. The vast majority of sleep apnea sufferers have mild to moderate sleep apnea. Current solutions of CPAP, APAP and mandibular splints are the gold standard, however, the compliance rates for these solutions are extremely low with some sleep specialists reporting rates under 40%. Nearly 80% of people will sleep apnea still remain undiagnosed. A significant opportunity exists to introduce a novel, well-tolerated therapy targeting this patient group.

At the international APSS 2015 conference, Rhinomed unveiled its new technology - our novel Intranasal Positive Expiratory Airway Pressure (INPEAP). INPEAP is a minimally invasive, well-tolerated solution that works by stenting the nostrils, coupled with nasally delivered EPAP through the use of a one-way valve. EPAP has been shown in other therapies to produce a clinical outcome.

Our Phase I pilot study has commenced at the Monash Lung and Sleep Department, Monash Health, to demonstrate the efficacy of the technology and importantly, seeks to establish that patients tolerate the solution. The trial is a mixture of in-clinic sleep studies and a 14-day in-home use phase.

DELIVERING AN END TO END SLEEP CATEGORY SOLUTION

SNORING	NASAL CONGESTION	MILD/ MODERATE SLEEP APNEA	SEVERE SLEEP APNEA
ON MARKET	MUTE CLEAR	RNO INPEAP	COMPANION THERAPY
	Aroma enhanced (menthol, eucalypt, sleep & relaxation blends)	Clinical trials underway	MUTE + CPAP Mask MUTE/INPEAP + Mandibular Splint

NASAL PLATFORM

WELLBEING PROGRAM

The Wellness program is focused on the use of fragrances and scents in our devices. The initial product will target the substantial decongestant market by using menthols and blends of eucalyptus. In addition to this, we continue to examine the potential use of fragrances to alleviate symptoms of anxiety. We have been examining manufacturing processes surrounding this and strengthening our intellectual property position in this area, with a view to launching our first wellbeing product within the next financial year.

DRUG DELIVERY PROGRAM

In 2014 we commenced our nasal drug delivery program, initially focusing on the migraine drug sumatriptan. We identified an opportunity in the migraine market where less than 25% of patients are satisfied with their existing solution of sprays, tablets, injections and patches. Our aim is to demonstrate that our platform technology provides drug developers with a patient accepted and well tolerated medium for the delivery of medication. We anticipate that our device will be able to remain in place within the nose for up to 8 hours. This will provide a unique opportunity for biotech and pharma who require drug molecules to be transferred quickly across the nasal epithelial cell layer directly to the circulation system.

The company started work with IDT Ltd on drug formulation development and to test specific excipients and trial protocol. Data showed that the platform is effective at delivering medication into the nasal mucosa, so we are now speaking with groups that specialise in nasal formulations, as well as prospective partners that can help us drive this program forward.

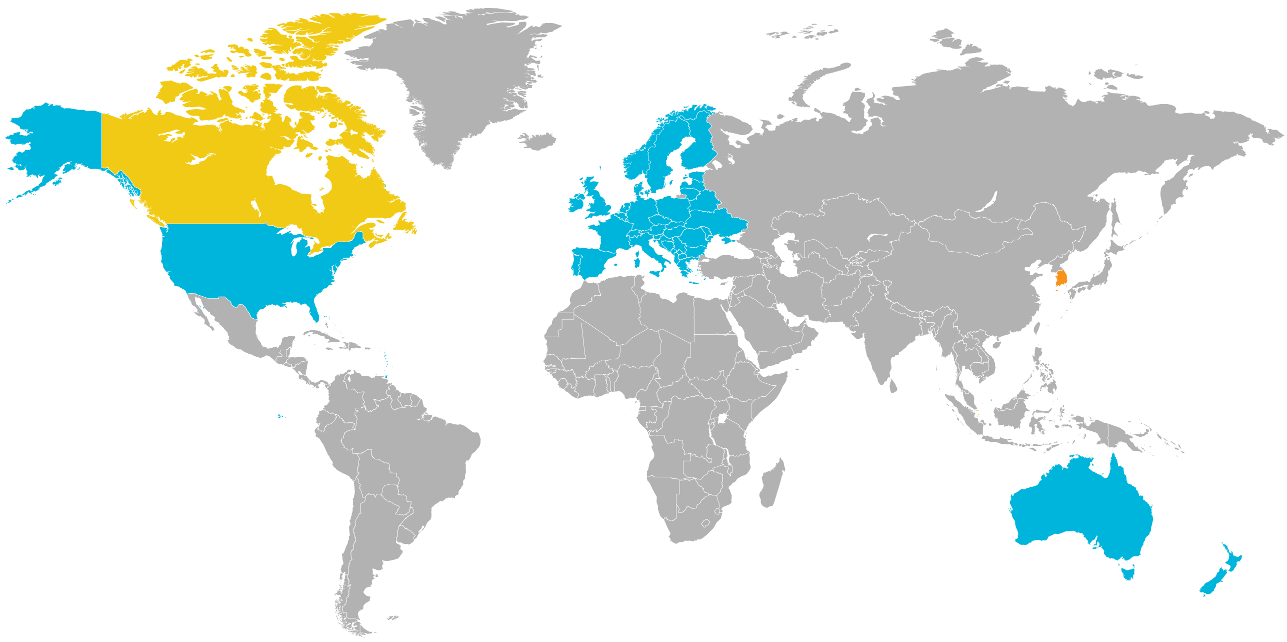
Sumatriptan as an initial target market is significant, with a projected growth to $5.6bn by 2021. Compliance and adherence continues to be one of the greatest challenges for pharmaceutical companies. We believe that Rhinomed's strategy of socialising the technology first through our OTC consumer products in sport and sleep - will help de-risk market entry in drug delivery and open up a myriad of options to partner and license.

REGULATORY STRATEGY

Regulatory Approval and Intellectual Property Protection

Part of our operational focus has been on ensuring appropriate regulatory approvals and intellectual property protection in all of the major markets of interest to the company. Both Mute™ and Turbine™ successfully gained regulatory acceptance with the US Food and Drug Administration (FDA), European authority (CE Mark) and the Australian Therapeutic Goods Association (TGA) during the financial year.

As part of the regulatory strategy, the company introduced a robust quality management system (QMS), which is behind the successful approvals we have received for both products to date.



MUTE & TURBINE CLASS I MEDICAL DEVICE
MUTE & TURBINE APPLICATION IN PROGRESS
TURBINE CLEARED FOR DISRIBUTION AS CONSUMER DEVICE

INTELLECTUAL PROPERTY

Since its initial position some two and a half years ago, the Company has created a family of 56 patents in the nasal and respiratory area, with 13 patents granted. We have also secured a further 60 Design Applications and Trademarks protecting our valuable brands.

Rhinomed held a solid commitment towards strengthening the intellectual property portfolio in the past 12 months and continues to file applications to protect new intellectual property. 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 patent applications filed in order to protect key aspects of the Mute, Turbine and INPEAP devices.
- New design applications filed to protect the appearance of the Turbine and INPEAP devices.
- New trademark applications filed for TURBINE, MUTE, INPEAP and MAKE EVERY BREATH COUNT.

PATENTS

A NASAL CAVITY DILATOR

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
International	WO2004/026391	Completed
Australia	2003227108	Granted
Australia	2007202425	Granted
Australia	2011200652	Granted
United States of America	7,105,008	Granted
United States of America	7,727,252	Granted
United States of America	7,740,643	Granted
United States of America	14/506,425	Pending
New Zealand	539496	Granted
Japan	4582518B	Granted
China	1729029B	Granted
Mexico	MXPA05003044	Granted
Europe	1549379	Granted
Austria	E637137	Validated
Belgium	1549379	Validated
Czech Republic	1549379	Validated
Denmark	1549379	Validated
Finland	1549379	Validated
France	1549379	Validated
Germany	603 45 163.2	Validated
Greece	1549379	Validated
Hungary	1549379	Validated
Ireland	1549379	Validated
Italy	1549379	Validated
Portugal	1549379	Validated
Spain	2450925	Validated
Sweden	1549379	Validated
Switzerland	1549379	Validated
The Netherlands	1549379	Validated
United Kingdom	1549379	Validated

A DEVICE FOR IMPROVING AIR-FLOW THROUGH A NASAL CAVITY DURING PHYSICAL ACTIVITY SUCH AS SPORTING PURSUITS

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

IMPROVEMENTS RELATING TO NASAL DILATION DEVICES

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
International	PCT/AU2013/000043	Completed
Australia	2013204827	Registered
Australia	2013205674 (Divisional)	Examination Report issued
Australia	2013205673 (Divisional)	Examination Report issued
Australia	2013205667 (Divisional)	Examination Report issued
Australia	2013205665 (Divisional)	Examination Report issued
New Zealand	625373	Examination Report issued
Europe	13822563.6	Pending
China	201380039290.4	Pending
United States of America	14/417,451	Pending

NASAL DILATOR DEVICES - MUTE

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
International	PCT/AU2014/000649	Pending
New Zealand	629495	Filed
Argentina	-	Filed
Taiwan	104119729	Filed

NASAL DILATOR DEVICES - TURBINE

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

NASAL DILATORS – INPEAP - 1

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

VIBRATING MEDICAL DEVICE AND METHOD OF PERFORMING MEDICAL PROCEDURES

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
International(PCT)	PCT/AU2013/001253	Completed
New Zealand	629489	In prosecution
Australia	2013337594	In prosecution
Europe	13850610.0	In prosecution
China	201380056952.9	In prosecution
United States of America	14/437,308	In prosecution

DESIGNS

BELT

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
Australia	350709	Registered
Brazil	BR302013003518.2	Accepted
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	29/461217	Registered
Canada	152145	Registered

TURBINE I

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
Australia	AU13438/2013	Registered
Canada	152154	Registered
China	201430013176.1	Registered
European Union	002376400	Registered
Japan	2013-030505	Registered
United States of America	29/461217	Pending

TURBINE II

COUNTRY / JURISDICTION	PATENT / 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	Pending
South Africa	F2014/00909	Pending
Japan	2014-012345	Registered
Korea	30-2014-0027588	Registered
Russia	2014502234	Granted
New Zealand	418886	Registered

DILATOR - FILTER

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

DILATOR - WITH RATCHET

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

DILATOR - WITHOUT RATCHET

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

TURBINE 3.0

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
Australia	201510495	Registered
Canada	162563	Pending
China	201530173446.X	Pending
European Union	00271324-0001	Registered
India	272761	Pending
Japan	D2015-013540	Pending
Russia	2015501656	Pending
United States	TBA	Pending

INPEAP/CPAP DESIGN

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
Australia	201512973	Pending

TRADEMARKS

BOLT

COUNTRY / JURISDICTION	CASE NO.	STATUS
Australia	1517641	Registered

BREATHE ASSIST

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

INPEAP

COUNTRY / JURISDICTION	CASE NO.	STATUS
Australia	1703812	Filed, Not Examined

MUTE

COUNTRY / JURISDICTION	CASE NO.	STATUS
Argentina	3396439	Filed, Not Examined
Australia	1649558	Registered
Brazil	909.174.849	Filed, Not Examined
Canada	1721352	Filed, Examined
Chile	1148530	Filed, Not Examined
Colombia	TBA	Filed, Not Examined
Europe (OHIM)	TBA	Filed, Not Examined
Hong Kong	303350330	Accepted
India	TBA	Filed, Not Examined
Indonesia	D002015013080	Filed, Not Examined
Japan	TBA	Filed, Not Examined
Malaysia	2015054734	Filed, Not Examined
Mexico	TBA	Filed, Not Examined
New Zealand	TBA	Filed, Not Examined
Norway	TBA	Filed, Not Examined
China	TBA	Filed, Not Examined
Korea	TBA	Filed, Not Examined
Singapore	TBA	Filed, Not Examined
South Africa	2015/08334	Filed, Not Examined
Switzerland	TBA	Filed, Not Examined
Taiwan	104016538	Filed, Not Examined
Thailand	979649	Filed, Not Examined
United States of America	TBA	Filed, Not Examined

RHINOMED

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

SLEEP ASSIST

COUNTRY / JURISDICTION	CASE NO.	STATUS
Australia	1043158	Registered

TURBINE

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

CORPORATE DIRECTORY

AUSTRALIAN COMPANY NUMBER (ACN)
107 903 159
Rhinomed Limited is a public company limited by shares and is domiciled in Australia.

DIRECTORS
Mr Martin Rogers - Non-executive Chairman
Mr Brent Scrimshaw - Non-executive Director
Dr Eric Knight - Non-executive Director

EXECUTIVE DIRECTOR
Mr Michael Johnson

COMPANY SECRETARIES
Mr Phillip Hains
Mr Justyn Stedwell

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SECURITIES QUOTED
Australian Securities Exchange
- Ordinary Fully Paid Shares (Code: RNO)
- Listed Options over Ordinary Fully Paid Shares (Code: RNOOA) exercisable at $0.06 per option on or before 30 April 2017.

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 2015.

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 Martin Rogers
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 paid or recommended

No dividends were paid or proposed during the year. (2014: Nil).

Operating and financial review

Results

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

Operations

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

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

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

Turbine

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

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

Directors' Report (continued)

Mute

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

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

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

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

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

Corporate

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

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

Financial Position

The Group held cash reserves of $1.369m at 30 June 2015, a decline of $83k from the previous period end. The Group's net assets were $5.967m compared with $6.562m for the previous year. The net carrying value of the Group's intangible assets of $4.4m remains consistent with the previous year after allowing for additions and amortisation charges.

Business Strategy and Future Prospects

The Group continues its strategy to target significant commercial opportunities for its breathing and respiratory platform. Our current over-the-counter products, Turbine and Mute are strengthening their global positioning and distribution footprint and we anticipate that their position will be significantly leveraged in the current calendar year.

Rhinomed has focused energies towards building a complete Sleep Category Solution. Starting with Mute, we are now pleased to have started our journey into providing a well-tolerated solution for the mild/moderate Obstructive Sleep Apnea market.

We were pleased to unveil INPEAP at the American Sleep Society conference in June 2015, to eagerly awaiting specialists. INPEAP is our Intranasal Positive Expiratory Air Pressure technology that includes a one-way valve and customised fit. The device is currently in a clinical trial at the Monash Lung and Sleep Department, Monash Health, which is seeking to show that the technology is effective and well tolerated in patients suffering from moderate sleep apnea (approximately 70% of all Obstructive Sleep Apnea patients).

Directors' Report (continued)

Results are due by the end of the 2015 calendar year. This technology will provide Rhinomed with an opportunity to provide a low-invasive, well-tolerated product in the $13.8bn sleep apnea market that currently suffers from highly invasive products and compliance rates below 40%.

Rhinomed's Drug Delivery program commenced during the year with work being done at IDT Ltd using sumatriptan for acute migraine. This preclinical work demonstrated the effectiveness of the device to deliver medication to the nasal mucosa. We continue to hold discussions with formulation experts and potential partners in this area, to determine the best pathway to actively and efficiently progress the value of this asset.

The Wellness program is focused on the use of aromatics and scents into our devices. The initial focus will be in enabling a decongestant using menthols and blends of eucalyptus for the substantial nasal congestion market. In addition to this, we continue to examine the potential use of aromatics to alleviate symptoms of anxiety.

The company invested heavily in its R&D and intellectual property portfolio in 2015. We now have a family of 56 patents, 13 of which are granted, as well as another 60 design patents and trademarks protecting our valuable and highly visible brands.

The Company plans to continue its international push in 2016, firmly embedding Mute and Turbine into the minds of consumers and in large-scale retail stores in major markets. Our other core focus will be in commercialising INPEAP to provide Rhinomed with the opportunity to offer a solution across the full sleep continuum – from snoring, nasal congestion, sleep quality, right through to obstructive sleep apnea. The Company remains committed to advancing the most compelling and unmet market opportunities for its platform technology and is actively identifying, assessing and qualifying potential partners, technologies and markets.

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.

Directors' Report (continued)

- Product acceptance & competitiveness – a developed product may not be considered by key opinion leaders or the end customer to be an effective alternative to products already on market, or new superior future products may be preferred.

- Product liability – a claim or product recall would significantly impact the Company. Insurance, at an acceptable cost, may not be available or be adequate to cover liability claims if a marketed product is found to be unsafe.

- Key personnel – the Group's success and achievements against timelines depend on key members of its highly qualified, specialised and experienced management and scientific teams. The ability to retain and attract such personnel is important.

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

Information on directors

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

Mr Michael Johnson	**Executive Director**
Experience and expertise	Mr Johnson is also a director of 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 with distinction in business from Monash University.
Date of appointment	1 February 2013
Committees	Member of the Remuneration and the Audit Committee.
Other listed company directorships in the past 3 years	-
Interest in shares	1,611,014 ordinary fully paid shares
Interest in options	40,273,056 options

Directors' Report (continued)

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

Dr Eric Knight	**Non-Executive Director**
Experience and expertise	Dr. Eric Knight brings a depth of experience in corporate strategy and management, having previously worked for the Boston Consulting Group. He specialised in rapid transformations and corporate innovation in the healthcare, digital media, and public sector sectors. In digital marketplaces, he was intimately involved in integrating the sports broadcast and editorial assets inside one of the country's largest media organisations, and in driving digital subscriptions under a pay wall. Dr. Knight draws upon his expansive corporate strategic and management expertise, across healthcare, sports and digital organisations. He is currently leading the business and entrepreneurship programs at the University of Sydney Business School.
Date of appointment	12 February 2014
Other listed company directorships in the past 3 years	-
Committees	Chair of the Audit Committee Member of the Remuneration Committee
Interest in shares	761,572 ordinary fully paid shares
Interest in options	10,000,000 options

Directors' Report (continued)

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 for many of Nike's major growth and brand strategies. He is also a non-executive director of Fox Head Inc, one of the world's leading Motocross and Action Sports brands in California, USA.
Date of appointment	12 February 2014
Other listed company directorships in the past 3 years	Catapult Sports Ltd (ASX: CAT)
Committees	Chair of the Remuneration Committee Member of the Audit Committee
Interest in shares	759,177 ordinary fully paid shares
Interest in options	10,000,000 options

Information on Key Management Personnel

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

Justine Heath	**Chief Financial Officer & Chief Operating Officer**
Experience and expertise	Ms. Heath is a Fellow of the Institute of Chartered Accountants, Australia and has more than two decades experience in senior finance and operational roles. Ms. Heath brings considerable executive experience in healthcare and technology development companies and a strong commercial background. She started her career at PWC before working at Santos and then in senior roles at healthcare major Faulding and as COO/CFO at ASX listed Hexima before its privatisation. More recently Ms. Heath was CFO at hearing aid company Blamey Saunders.
Date of appointment	6 February 2015
Interest in shares	Nil
Interest in options	Nil

Directors' Report (continued)

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

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

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each board committee held during the year ended 30 June 2015, and the number of meetings attended by each director were:

	Full Board		Audit Committee		Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
Michael Johnson	7	7	6	6	-	-
Eric Knight	7	7	6	6	-	-
Martin Rogers	7	7	6	6	-	-
Brent Scrimshaw	7	7	6	6	-	-

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

Directors' Report (continued)

Remuneration report (audited)

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

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

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

A Principles used to determine the nature and amount of remuneration

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

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

The compensation structure of individual key management personnel is embodied in individual service contracts that include incentives designed to reward key management personnel for results achieved and to retain their services, as well as to create goals congruence between directors, executives and shareholders. The Board's policy for determining remuneration is based on the following:

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

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

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

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

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

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

Directors' Report (continued)

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 2015.

Long term incentives (LTI)

Options granted to KMP during the financial year ended 30 June 2015 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

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

- Michael Johnson – Executive Director
- Martin Rogers – Non-Executive Chairman
- Brent Scrimshaw – Non-Executive Director
- Eric Knight – Non-Executive Director

And the following persons:

- Phillip Hains – Joint Company Secretary (resigned as Chief Financial Officer 6th February 2015)
- Justine Heath – Chief Financial Officer & Chief Operating Officer (appointed 6th February 2015)

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

2015	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total	Value of remuneration related to performance
	Cash salary and fees $	Bonus $	Non-monetary $	Super - annuation $	Long service leave $	Equity-settled $		
Non-Executive Directors:								
Martin Rogers	84,000	-	-	15,000	-	-	**99,000**	-
Brent Scrimshaw	69,795	-	-	5,205	-	-	**75,000**	-
Eric Knight	69,795	-	-	5,205	-	-	**75,000**	-
Executive Directors:								
Michael Johnson	246,217	-	-	18,783	-	-	**265,000**	-
Other Key Management Personnel:								
Justine Heath	99,060	-	-	9,257	-	-	**108,317**	-
Phillip Hains	77,981	-	-		-	-	**77,981**	-
	646,848	**-**	**-**	**53,450**			**700,298**	

Directors' Report (continued)

2014	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total	Value of remuneration related to performance
	Cash salary and fees $	Bonus $	Non-monetary $	Super - annuation $	Long service leave $	Equity-settled $		
Non-Executive Directors:								
Martin Rogers	84,000	-	-	15,000	-	202,790	**301,790**	67%
Brent Scrimshaw	21,053	-	-	1,947	-	202,790	**225,790**	90%
Eric Knight	21,053	-	-	1,947	-	202,790	**225,790**	90%
Lord Simon Reading	65,000	-	-	-	-	-	**65,000**	-
Executive Directors:								
Michael Johnson	194,053	25,000	-	7,197	-	202,790	**429,040**	53%
Other Key Management Personnel:								
Phillip Hains	87,440	-	-		-	74,286	**161,726**	-
	472,599	**25,000**	**-**	**26,091**		**885,446**	**1,409,136**	

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: Phillip Hains
Title: Chief Financial Officer and Joint Company Secretary appointed 24 December 2012, resigned as Chief Financial Officer on 6 February 2015
Term of Agreement: Standard rolling agreement (no fixed term)

Details: Rhinomed Limited has a contract with The CFO Solution, a specialist public practice, focusing on providing back office support, financial reporting and compliance systems for listed public companies. Through this contact the services of Mr Phillip Hains, Mr Justyn Stedwell (from 1 January 2013) were provided. The contract commenced on 24 December 2013 and can be terminated with three months' notice of either party. As a KMP, Mr Hains may be 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 2015
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.

Directors' Report (continued)

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 2015.

During the 2014 financial year 2,857,142 ordinary fully paid shares were issued to Phillip Hains at an issue price of $0.026.

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 2015 are set out below:

Name	Number of options granted during the year		Number of options vested during the year	
	2015	2014	2015	2014
Phillip Hains	-	-	-	-
Michael Johnson	-	10,000,000	-	10,000,000
Eric Knight	-	10,000,000	-	10,000,000
Martin Rogers	-	10,000,000	-	10,000,000
Brent Scrimshaw	-	10,000,000	-	10,000,000
	-	**40,000,000**	-	**40,000,000**

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

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
11/04/2014	11/04/2014	30/04/2017	$0.065	$0.020279

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

Directors' Report (continued)

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 2015 are set out below:

Name	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
Phillip Hains	-	-	-	-
Michael Johnson	-	-	(1,000,000)	-
Eric Knight	-	-	-	-
Lord Simon Reading	-	-	-	-
Martin Rogers	-	-	(600,000)	-
Brent Scrimshaw	-	-	-	-
	-	-	**(1,600,000)**	-

**Options values at grant date are determined using the Binomial method.*

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 2015:

	30 June 2015 $	30 June 2014 $	30 June 2013 $	30 June 2012 $	30 June 2011 $
Revenue	492,888	291,069	300,500	5,515,748	-
Net loss before tax	(5,887,329)	(3,922,702)	(20,226,248)	(1,308,494)	(1,128,712)
Net loss after tax	(5,316,992)	(3,534,577)	(19,559,713)	(1,308,494)	(1,128,712)

No dividends have been paid for the five years to 30 June 2014.

	30 June 2015 $	30 June 2014 $	30 June 2013 $	30 June 2012 $	30 June 2011 $
Share price at start of the year	$0.023	$0.030	$0.400	$0.550	$0.380
Share price at end of year	$0.030	$0.023	$0.030	$0.400	$0.550
Basic and diluted gain/(loss) per share (cents)	(1.12)	(1.00)	(8.20)	(0.98)	(1.80)

Directors' Report (continued)

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 appointment	Received as part of remuneration	Additions	Disposals/ other	Balance at date of resignation	Balance at the end of the year
2015							
Ordinary shares							
Michael Johnson	1,182,442	-	-	428,572	-	-	1,611,014
Martin Rogers	3,000,001	-	-	428,572	-	-	3,428,573
Brent Scrimshaw	330,605	-	-	428,572	-	-	759,177
Eric Knight	333,000	-	-	428,572	-	-	761,572
Phillip Hains	9,234,142	-	-	-	(146,514)	-	9,087,628
Justine Heath	-	-	-	-	-	-	-
	14,080,190	**-**	**-**	**1,714,288**	**(146,514)**	**-**	**15,647,694**

	Balance at the start of the year	Balance at date of appointment	Received as part of remuneration	Additions	Disposals/ other	Balance at date of resignation	Balance at the end of the year
2014							
Ordinary shares							
Michael Johnson	872,499	-	-	309,943	-	-	1,182,442
Martin Rogers	2,100,000	-	-	900,001	-	-	3,000,001
Lord Simon Reading	-	-	-	315,000	-	315,000	-
Brent Scrimshaw	-	-	-	330,605	-	-	330,605
Eric Knight	-	-	-	333,000	-	-	333,000
Phillip Hains	4,350,000	-	2,857,142	2,027,000	-	-	9,234,142
	7,322,499	**-**	**2,857,142**	**4,215,549**	**-**	**315,000**	**14,080,190**

Directors' Report (continued)

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 appointment	Granted and Vested	Acquired on market	Exercised	Expired/ forfeited	Balance at date of resignation	Balance at the end of the year*
2015 *Options over ordinary shares*								
Michael Johnson	41,273,056	-	-	-	-	(1,000,000)	-	40,273,056
Martin Rogers	35,300,000	-	-	-	-	(600,000)	-	34,700,000
Brent Scrimshaw	10,000,000	-	-	-	-	-	-	10,000,000
Eric Knight	10,000,000	-	-	-	-	-	-	10,000,000
Phillip Hains	11,350,000	-	-	502,000	-	-	-	11,852,000
Justine Heath	-	-	-	-	-	-	-	-
	107,923,056	**-**	**-**	**502,000**	**-**	**(1,600,000)**	**-**	**106,825,056**

	Balance at the start of the year	Balance at date of appointment	Granted and Vested	Acquired on market	Exercised	Expired/ forfeited	Balance at date of resignation	Balance at the end of the year*
2014 *Options over ordinary shares*								
Michael Johnson	31,273,056	-	10,000,000	-	-	-	-	41,273,056
Lord Simon Reading	10,000,000	-	-	-	-	-	10,000,000	-
Martin Rogers	25,300,000	-	10,000,000	-	-	-	-	35,300,000
Brent Scrimshaw	-	-	10,000,000	-	-	-	-	10,000,000
Eric Knight	-	-	10,000,000	-	-	-	-	10,000,000
Phillip Hains	11,350,000	-	-	-	-	-	-	11,350,000
	77,923,056	**-**	**40,000,000**	**-**	**-**	**-**	**10,000,000**	**107,923,056**

**all options fully vested and exercisable at the end of the year.*

Directors' Report (continued)

Related party transactions
Disclosures relating to key management personnel are set out in note 18 and the remuneration report in the directors' report.

	Note	Consolidated 30-Jun-15 $AUD	Consolidated 30-Jun-14 $ AUD
Transactions with related parties			
The following transactions occurred with the following related parties:			
Payment for goods and services*:			
Cogentum Limited	(i)	-	93,666

**excludes cash salaries and directors fees which are disclosed in note 18.*

(i) Cogentum Pty Limited, a company associated with Mr Michael Johnson, provided consulting services to the Group during the previous year.

All amounts paid to the CFO Solution, of which Mr Phillip Hains is the principal are disclosed in note 18.

Provision of Convertible Loan Facility:
The company had a Share Purchase and Convertible Security Agreement with Australian Special Opportunity Fund, LP, which is managed by Lind Partners, LLC of which Mr Martin Rogers is an advisor during the period. On 8th July 2013, the convertible security was reduced to $nil with the conversion of $175,000 representing 12,500,000 shares @ $0.01.

Receivable from and payable to related parties
There are no 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)

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
3/04/2013	30/04/2017	$0.060	90,000,000
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
			243,150,000

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

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Environmental issues

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

Events after the reporting date

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

On the 18th September 2015 the company announced that it had raised A$2.5m, before costs, by way of placement of 78,125,000 fully paid shares at A$0.032 per share to Institutional, Sophisticated and Offshore investors. $100,000 of the funds raised is subject to shareholders approval.

Non-audit services

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

Directors' Report (continued)

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

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

Auditor's independence declaration

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

Auditor

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

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

Dividends

No dividends were paid or declared furing the year (2014: Nil)

Corporate Governance

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

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

On behalf of the directors

Michael Johnson
Director

Melbourne
30 September 2015

HLB Mann Judd
Accountants | Business and Financial Advisers

Auditor's independence declaration

As lead auditor for the audit of the financial report of Rhinomed Limited for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Jude Lau
Partner

Melbourne
30 September 2015

HLB Mann Judd (VIC Partnership)
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Notes:

FULL YEAR FINANCIAL ACCOUNTS

For the Year Ended 30 June 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Note	Consolidated 30-Jun-15 $AUD	30-Jun-14 $AUD
Revenue from Continuing Operations		432,460	210,854
Other income	2	60,428	80,215
Expenses			
Raw materials and consumables used		(217,281)	(56,753)
Employee benefits expense		(1,173,109)	(120,624)
Depreciation and amortisation	3	(451,021)	(240,652)
Impairment of assets	3	(72,473)	(133,000)
Fair value adjustment of investment		(50,000)	225,000
Other expenses		(4,416,333)	(3,076,806)
Share based payments		-	(811,160)
Finance costs	3	-	(44)
Loss before income tax		**(5,887,329)**	**(3,922,970)**
Income tax benefit	4	570,337	388,393
Loss for the period		**(5,316,992)**	**(3,534,577)**
Total comprehensive loss after income tax for the year		**(5,316,992)**	**(3,534,577)**
Total comprehensive loss attributable to non-controlling interest		-	-
Total comprehensive loss attributable to owners of the parent entity		**(5,316,992)**	(3,534,577)
Basic and diluted earnings/(loss) per share (cents per share)	27	(1.12)	(1.00)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	Consolidated 30-Jun-15 $AUD	30-Jun-14 $AUD
ASSETS			
Current Assets			
Cash and cash equivalents	5	1,368,621	1,451,833
Trade and other receivables	6	120,477	71,376
Inventories	7	110,028	12,634
Assets classified as held for sale	29	93,848	-
Other assets	8	70,569	219,470
Total Current Assets		**1,763,543**	**1,755,313**
Non-Current Assets			
Other financial assets	9	378,063	376,875
Property, plant and equipment	10	272,503	75,969
Intangible assets	11	4,402,497	4,857,974
Total Non-Current Assets		**5,053,063**	**5,310,817**
TOTAL ASSETS		**6,816,606**	**7,066,130**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	814,795	497,316
Provisions	13	34,332	7,188
Total Current Liabilities		**849,127**	**504,504**
TOTAL LIABILITIES		**849,127**	**504,504**
NET ASSETS		**5,967,479**	**6,561,625**
EQUITY			
Issued capital	14	41,927,021	37,204,175
Reserves	15	3,624,910	5,699,284
Non-controlling interest reserve	15	(6,158,687)	(6,158,687)
Accumulated Losses	16	(33,425,765)	(30,183,147)
TOTAL EQUITY		**5,967,479**	**6,561,625**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	Note	Issued Capital $	Option Reserve $	Reserves NCI $	Accumulated Losses $	Total $
Balance as at 30 June 2013		**33,732,078**	**4,750,874**	**(6,158,687)**	**(26,648,570)**	**5,675,695**
Total comprehensive loss for the year	**16**	**-**	**-**	**-**	**(3,534,577)**	**(3,534,577)**
Transactions with Equity holders in their capacity as equity holders:						
Shares issued net of issue costs	14	3,472,097	-	-	-	3,472,097
Options issued	15	-	948,410	-	-	948,410
Balance as at 30 June 2014		**37,204,175**	**5,699,284**	**(6,158,687)**	**(30,183,147)**	**6,561,625**
Total comprehensive loss for the year	**16**	**-**	**-**	**-**	**(5,316,992)**	**(5,316,992)**
Transactions with Equity holders in their capacity as equity holders:						
Shares issued net of issue costs	14	4,722,846	-	-	-	4,722,846
Options expired	15		(2,074,374)	-	2,074,374	-
Options issued		-	-	-	-	-
Balance as at 30 June 2015		**41,927,021**	**3,624,910**	**(6,158,687)**	**(33,425,765)**	**5,967,479**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 JUNE 2015

	Note	Consolidated 30-Jun-15 $AUD	Consolidated 30-Jun-14 $AUD
Cash flows from operating activities			
Receipts from customers		458,278	210,854
Payments to suppliers and employees		(5,550,444)	(3,392,782)
Interest received		54,858	31,174
Interest and other costs of finance paid		(5,718)	(1,708)
Receipt of R&D tax refund	4	570,337	898,178
Other grant received		-	47,093
Other		-	701
Net cash flows used in operating activities	**26**	**(4,472,689)**	**(2,206,490)**
Cash flows related to investing activities			
Payment for purchases of plant and equipment	10	(333,369)	(76,858)
Proceeds from sale of equity investments		-	408,415
Purchase of intellectual property		-	(172,081)
Other		-	(51,956)
Net cash flows used in investing activities		**(333,369)**	**107,520**
Cash flows related to financing activities			
Proceeds from issues of equity securities	14	5,042,072	3,520,000
Capital raising costs	14	(319,226)	(239,939)
Repayment of borrowings		-	(52,407)
Net cash flows from financing activities		**4,722,846**	**3,227,654**
Net increase/(decrease) in cash and cash equivalents		(83,212)	1,128,684
Cash and cash equivalents at the beginning of the year		1,451,833	323,149
Cash and cash equivalents at the end of the year	**5**	**1,368,621**	**1,451,833**

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of significant accounting policies

Corporate Information

The financial report of Rhinomed Limited and its subsidiaries (the "Group") for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on the 30 September 2015. The financial report is for the Group consisting of Rhinomed Limited and its subsidiaries.

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

Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards, required for a for-profit entity. The financial report has been prepared on an accruals basis and is based on historical costs. 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.

Going Concern

At 30 June 2015, the Group's cash and cash equivalents amounted to $1,368,621 (2014: $1,451,833) and for the year ended 30 June 2015, the Group experienced a loss of $5,316,992 (2013: $3,534,577) and a net cash outflow of $83,212 (2014: net cash inflow of $1,128,684).

Based on current budget assumptions the Group has sufficient funds to meet current commitments towards commercialising the respiratory technology asset in the sporting and health market. Additional funds will need to be accessed however, in order to progress the commercialisation of the technology into other markets. As disclosed in note 25, on the 18th September 2015 the company announced that it had raised A$2.5m, before costs, by way of placement of 78,125,000 fully paid shares at A$0.032 per share to Intuitional, Sophisticated and Offshore investors. $100,000 of the funds raised is subject to shareholders approval.

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

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

Notwithstanding the material uncertainty pertaining to the ability of the Group to continue to access additional capital, the financial statements have been prepared on a going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Accordingly the financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts, or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

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

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

Ref	Title	Summary
AASB 2012-3	**Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities**	The consolidated entity has applied AASB 2012-3 from 1 July 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement.
AASB 2013-3	**Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets**	The consolidated entity has applied AASB 2013-3 from 1 July 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.
AASB 2014-1	**Amendments to Australian Accounting Standards (Parts A to C)**	The consolidated entity has applied Parts A to C of AASB 2014-1 from 1 July 2014. These amendments affect the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker; AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination.

Other than the amended accounting standards listed above, all other accounting standards adopted by the Group are consistent with the most recent Annual Report for the year ended 30 June 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and therefore have not been adopted by the Group for the annual reporting period ended 30 June 2015:

Ref	Title	Summary	Application date of standard	Impact on financial report	Application date
AASB 9	*Financial Instruments*	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. 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 described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) 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. 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) 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. (d) 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. Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	1 Jan 2018	The Group is still determining if there will be any potential impact	1 July 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Ref	Title	Summary	Application date of standard	Impact on financial report	Application date
AASB 15	*Revenue from Contracts with Customers*	This amends AASB 18 'Revenue', AASB 111 'Construction Contracts' and revenue-related interpretations. The amendment establishes a new control-based revenue recognition model, which changes the basis for deciding whether revenue is to be recognised over time or at point in time.	1 January 2017	No impact	1 January 2017
AASB 2014-1 Part D	*Amendments to Accounting Standards*	Makes consequential amendments arising from the issuance of AASB 14.	1 January 2016	No impact	1 January 2016
AASB 2014-1 Part E	*Amendments to Accounting Standards*	Makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application dates of AASB 9: 'Financial Instruments' to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 'Hedge Accounting' into AASB 9 and to amend reduced disclosure requirements for AASB 7 'Financial Instruments: Disclosures' and AASB 101 Presentation of Financial Statements.	1 January 2015	The Group is still determining if there will be any potential impact	1 January 2015
AASB 2014-5	*Amendments to Accounting Standards arising from AASB 15*	Incorporates the consequential amendments arising from the issuance of AASB 15.	1 January 2017	No impact	1 January 2017
AASB 2014-7	*Amendments to Accounting Standards*	Incorporates the consequential amendments arising from the issuance of AASB 9.	1 January 2018	The Group is still determining if there will be any potential impact	1 January 2018
AASB 2014-8	*Amendments to Accounting Standards arising from AASB 9*	Limits the application of the existing versions of AASB 9 from 1 February 2015.	1 January 2015	The Group is still determining if there will be any potential impact	1 January 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Ref	Title	Summary	Application date of standard	Impact on financial report	Application date
AASB 2015-1	*Annual Improvements to IFRSs 2012-2014 Cycle*	The amendments clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution has the accounting guidance in paragraphs 27-29 of AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' does not apply. The amendments also state that when an entity determines that the asset is no longer available for immediate distribution of that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of AASB 5.	1 January 2016	No impact	1 January 2016
AASB 2015-2	*Disclosure Initiative: Amendments to AASB 101*	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 IAS 1 for identifying a significant accounting policy	1 January 2016	No impact	1 January 2016
AASB 2015-3	*Amendments to Accounting Standards arising from withdrawal of AASB 1031 Materiality*	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards	1 July 2015	No impact	1 July 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Accounting Policies

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

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Rhinomed Ltd as at 30 June 2015 and the results of all subsidiaries for the year then ended.

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

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

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

Revenue recognition

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

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

Interest - control of the right to receive the interest payment and using the effective interest rate method.

Government grants

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

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

Borrowing costs

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

Leases

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

Cash and cash equivalents

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

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

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment, once they become over due by more than 60 days. A separate account records the impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

An allowance for a doubtful debt 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.

Inventories

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

Foreign currency translation

The functional currency of the Group is based on the primary economic environment in which the Group operates. The functional currency of the Group is Australia dollars.

Transactions in foreign currencies are converted to local currency at the rate of exchange at the date of the transaction.

Amounts payable to and by the Group outstanding at reporting date and denominated in foreign currencies have been converted to local currency using rates prevailing at the end of the financial year.
All exchange differences are taken to profit or loss.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Tax consolidation
Rhinomed Limited and all its wholly-owned Australian controlled entities are part of a tax consolidated group under Australian taxation law. Rhinomed Limited is the head entity in the tax-consolidated group. Rhinomed Limited and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

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

Goods and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except:

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Financial assets

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

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

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

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

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

Available-for-sale investments
Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

Impairment
At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. A financial asset or group of financial assets is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events (a "loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Business Combination

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

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

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

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

Changes in ownership interests

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

Goodwill

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

Intangible assets other than Goodwill

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

(i) Intellectual property

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

(ii) Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful lives.

(iii) Research and development

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

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

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

Impairment of non-financial assets

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffer an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

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

Trade and other payables

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

Employee benefits

Short Term Employee Benefits

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

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

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.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Share-based payment transactions

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

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

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

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

Issued Capital

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

Dividends

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

Earnings per share

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

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

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

Parent Information

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

Segment reporting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Assets (or Disposal Groups) held for Sale and Discontinued Operations

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

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

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

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

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

Critical accounting estimates and judgements

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

(i) Impairment of intangible assets

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

(ii) Impairment of receivables

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

(iii) Share-based Payments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 2. Revenue

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

Note 3. Expenses

	Consolidated	
	30-Jun-15	**30-Jun-14**
	$ AUD	**$ AUD**
Profit/(loss) before income tax from continuing operations includes the following specific expenses:		
Cost of sales		
Cost of sales	217,281	56,753
Depreciation & Amortisation		
Plant and equipment	89,393	27,586
Intangible Asset	361,628	213,066
	451,021	240,652
Impairment		
Receivable	-	133,000
Assets	30,846	-
Inventory	41,627	-
	72,473	133,000
Finance costs		
Finance costs expensed	-	44
Net foreign exchange loss		
Net foreign exchange (gain)/loss	19,934	8,812
Superannuation Expense		
Defined contribution superannuation expense	55,942	16,181
Research & Development Costs		
Research & Development Costs	906,616	419,676

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 4. Income tax benefit

The Group has not commenced significant trading. At its current stage of operational development the Group is not in a position to satisfy the accounting criteria of AASB112: Income Taxes to bring to account the benefit of its tax losses. Accordingly no current or deferred income tax benefits have been brought to account.

	Consolidated	
	30-Jun-15	**30-Jun-14**
	$ AUD	**$ AUD**
The prima facie tax on loss from ordinary activities before the loss is reconciled to the income tax as follows:		
Loss before income tax	(5,887,329)	(3,922,970)
Income tax benefit calculated at 30% (2014:30%)	(1,766,199)	(1,176,891)
Tax effect of amounts which are not deductable in calculating income tax:		
- impairment and amortisation expenses	123,488	(3,580)
- share-based payments expenses	-	243,348
- other expenses not deductable	2,462	42,559
- legal fees and penalties	27,960	-
Other deductible items	(95,768)	(71,982)
Deferred tax assets relating to tax losses not recognised	2,278,394	1,354,939
Income tax reconciliation in Profit or Loss	**570,337**	**388,393**
Unrecognised Deferred Tax Assets and Liabilities		
Deferred tax assets and liabilities are attributable to the following:		
- Tax losses	14,987,324	12,643,198
- Inventory	(33,008)	-
- Prepayments	(21,170)	-
- Accruals	79,943	60,743
- Unearned income	32,438	-
- Employee provisions	12,456	4,995
Net deferred tax assets not recognised	**15,057,983**	**12,708,936**

Note 5. Current assets - cash and cash equivalents

	Consolidated	
	30-Jun-15	**30-Jun-14**
	$ AUD	**$ AUD**
Cash at bank	1,368,621	1,451,833
	1,368,621	**1,451,833**

Refer to note 17 for the effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 6. Current assets - trade and other receivables

	Consolidated	
	30-Jun-15	**30-Jun-14**
	$ AUD	**$ AUD**
Trade receivables	120,477	4,224
Other receivables	133,000	200,152
Less: Provision for impairment of receivables	(133,000)	(133,000)
	120,477	**71,376**

Impairment of receivable

The consolidated entity has recognised a loss of $Nil (2014: $133,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2015.

Movements in the provision for impairment of receivables are as follows:

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

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $nil as at 30 June 2015 ($nil as at 30 June 2014).

Note 7. Current assets – inventories

	Consolidated	
	30-Jun-15	**30-Jun-14**
	$ AUD	**$ AUD**
Finished goods	88,035	12,634
Raw materials	21,993	-
	110,028	**12,634**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 8. Current assets – other assets

	Consolidated	
	30-Jun-15	**30-Jun-14**
	$ AUD	**$ AUD**
Prepayments	70,569	219,470
	70,569	**219,470**

Note 9. Other Financial Assets

	Consolidated	
	30-Jun-15	**30-Jun-14**
	$ AUD	**$ AUD**
Investments at fair value through profit or loss (a)	275,000	325,000
Term Deposit (b)	103,063	51,875
	378,063	**376,875**

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

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

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

Note 10. Non-current assets - property, plant and equipment

	Consolidated	
	30-Jun-15	**30-Jun-14**
	$ AUD	**$ AUD**
Plant and equipment - at cost	357,048	113,893
Less: Accumulated depreciation	(84,545)	(37,924)
	272,503	**75,969**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	Plant and equipment $AUD
Balance at 1 July 2013	**26,696**
Additions	76,858
Disposals	-
Depreciation expense	(27,585)
Balance at 30 June 2014	75,969
Additions	333,369
Disposals	(47,442)
Depreciation expense	(89,393)
Balance at 30 June 2015	272,503

Note 11. Non-current assets - intangibles

		Consolidated	
		30-Jun-15 $ AUD	30-Jun-14 $ AUD
Goodwill			
At cost		4,951,996	4,951,995
Less impairment		(3,386,992)	(3,386,991)
Net carrying value		**1,565,004**	**1,565,004**
Development Costs			
At cost		646,352	646,352
Less impairment		(213,576)	(213,576)
Less amortisation		(62,917)	(21,698)
Less assets held for sale	29	(43,849)	-
Net carrying value		**326,010**	**411,078**
Intellectual Property			
At cost		9,566,217	9,566,217
Less impairment		(6,492,957)	(6,492,957)
Less amortisation		(511,777)	(191,368)
Less asset held for sale	29	(50,000)	-
Net carrying value		**2,511,483**	**2,881,892**
Total Intangible Assets		**4,402,497**	**4,857,974**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	Goodwill $	Development Costs $	Intellectual Property $	Total $
Balance at 30 June 2013	**1,565,004**	**260,694**	**3,073,260**	**4,898,958**
Additions – internal development	-	172,082	-	172,082
Amortisation charge	-	(21,698)	(191,368)	(213,066)
Balance at 30 June 2014	**1,565,004**	**411,078**	**2,881,892**	**4,857,974**
Additions – internal development	-	-	-	-
Amortisation charge	-	(41,219)	(320,409)	(361,628)
Assets held for sale	-	(43,849)	(50,000)	(93,849)
Balance at 30 June 2015	**1,565,004**	**326,010**	**2,511,483**	**4,402,497**

Impairment of Intangibles
The Directors conducted an impairment review of the Group's intangible assets as at 30 June 2015 and concluded that an impairment charge was not necessary. The Directors have assessed that IP and development costs have an indefinite life until they are commercialised. They, together with goodwill have been subject to an impairment test whereby the recoverable amount was compared to their written down value. Recoverable amount has been determined by the Board by preparing a value in use calculation using cashflow projections over a 5 year period. The cashflows were discounted using a pre-tax discount rate of 20% (2014: 20%) at the beginning of the projection period. The budget reflected the Board's best estimate of the product's expected market share and the Group's revenue stream from selling into the consumer health markets. Gross profit was determined taking into account expected cost structures as well as estimated inflation rates over the period. A reasonably possible change in the discount rate would not lead to an impairment of the intangible assets.

Amortisation
As the Group has commenced commercialisation of its respiratory technology, the amortisation of development costs and intellectual property over the asset's useful life. An amortisation charge of $361,628 (2014: $213,066) was recorded for the period.

Note 12. Current liabilities - trade and other payables

	Consolidated	
	30-Jun-15 $ AUD	30-Jun-14 $ AUD
Unsecured:		
Trade payables	439,978	285,378
Other payables	374,817	211,938
	814,795	**497,316**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 13. Current liabilities - provisions

	Consolidated	
	30-Jun-15	30-Jun-14
	$ AUD	$ AUD
Employee benefits	34,332	7,188
	34,332	**7,188**

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

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

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

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

Note 14. Equity - issued capital

	Consolidated		Consolidated	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
	Shares	Shares	$AUD	$AUD
Ordinary Shares - fully paid	**539,438,635**	**395,379,445**	**41,927,021**	**37,204,175**
Movement in ordinary shares on issue				
At 1 July	395,379,445	293,752,461	37,204,175	33,732,078
09/07/2013 Lind Partners Convertible Security @ $0.014	-	12,500,000	-	175,000
29/08/2013 Private placement at $0.04	-	25,000,000	-	918,750
18/11/2013 Issue for Services @ 0.063	-	1,269,842	-	80,000
26/02/2014 Private Placement at $0.042	-	60,000,000	-	2,520,000
11/04/2014 Issued for Services @ $0.026	-	2,857,142	-	74,286
Less Costs of Capital Raising year ended 30 June 2014	-	-	-	(295,939)
04/09/2014 Private placement at $0.035	84,059,146	-	2,942,070	-
08/09/2014 Private placement at $0.035	14,285,714	-	500,000	-
05/11/2014 Share Purchase Plan at $0.035	45,714,330	-	1,600,002	-
Less Costs of Capital Raising year end 30 June 2015	-	-	(319,226)	-
	539,438,635	**395,379,445**	**41,927,021**	**37,204,175**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Note 15. Equity – reserves

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

	Option Reserve $AUD	NCI Reserve $AUD	Total $AUD
Balance at 30 June 2013	**4,750,874**	**(6,158,687)**	**(1,407,813)**
Share based payments	811,160	-	811,160
Options issued/(expired)	137,250	-	137,580
Balance at 30 June 2014	**5,699,284**	**(6,158,687)**	**(459,403)**
Share based payments	-	-	-
Options issued/(expired)	(2,074,374)	-	(2,074,374)
Balance at 30 June 2015	**3,624,910**	**(6,158,687)**	**(2,533,777)**

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

Movement in options were as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 16. Equity – accumulated losses

	Consolidated	
	30-Jun-15	**30-Jun-14**
	$ AUD	**$ AUD**
Accumulated losses at the beginning of the financial year	(30,183,147)	(26,648,570)
Loss after income tax expense for the year	(5,316,992)	(3,534,577)
Transfer from option reserve	2,074,374	-
Accumulated losses at the end of the financial year	**(33,425,765)**	**(30,183,147)**

Note 17. Financial Instruments, Risk Management Objectives and Policies

(a) Financial Instruments

The Group's financial instruments are detailed below:

	Consolidated	
	30-Jun-15	**30-Jun-14**
	$ AUD	**$ AUD**
Cash and cash equivalents	1,368,621	1,451,833
Trade and other receivables	120,477	71,376
Other financial assets	378,063	376,875
Trade and other payables	(814,795)	(497,316)

The Group did not have any derivative instruments at 30 June 2015 and 30 June 2014.

(b) Risk Management Policy

The Board is responsible for overseeing the establishment and implementation of the risk management system, and reviews and assesses the effectiveness of the Company's implementation of that system on a regular basis. The Board and Senior Management identify the general areas of risk and their impact on the activities of the Group, with Management performing a regular review of:

- the major risks that occur within the business;
- the degree of risk involved;
- the current approach to managing the risk; and
- if appropriate, determine:
  - any inadequacies of the current approach; and
  - possible new approaches that more efficiently and effectively address the risk.

Management reports risks identified to the Board through the monthly Operations Report.
The Group seeks to ensure that its exposure to undue risk which is likely to impact its financial performance, continued growth and survival is minimised in a cost effective manner.

(c) Significant Accounting Policy

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 17. Financial Instruments, Risk Management Objectives and Policies (continued)

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

(d) Capital Risk Management

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

(e) Financial Risk Management

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

Interest Rate Risk

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

The objective of managing interest rate risk is to minimise the Group's exposure to fluctuations in interest rate that might impact its interest revenue and cash flow.

Price Risk

The Group is exposed to security price risk which is the risk that a change in the value of the equity will impact on the Group's net results or net assets position on investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Foreign Exchange Risk

The Group's exposure to foreign exchange risk increased slightly during the year. The Group buys and sells in United States Dollars (US Dollars) and therefore is affected by movement in the US Dollar. The Group's mitigates it's foreign exchange exposure by settling US Dollar purchases with proceeds from US Dollar sales where possible.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 17. Financial Instruments, Risk Management Objectives and Policies (continued)

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.

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:

2015	Weighted Average Effective Interest Rate	Floating Interest Rate	Non Interest Bearing	Fixed Interest Bearing	Total
	%	$AUD	$AUD	$AUD	$AUD
Financial Assets:					
Cash and cash equivalents	1.72	1,368,621	-	-	1,368,621
Other financial assets		-	275,000	103,063	378,063
Trade and other receivables		-	120,477	-	120,477
Total Financial Assets		**1,368,621**	**395,477**	**103,063**	**1,867,161**
Financial Liabilities:					
Trade and other payables		-	814,795	-	814,795
Interest bearing liabilities		-	-	-	-
Total Financial Liabilities		**-**	**814,795**	**-**	**814,795**
Net Financial Assets/(Liabilities)		**1,368,621**	**(419,318)**	**103,063**	**1,052,363**

2014	Weighted Average Effective Interest Rate	Floating Interest Rate	Non Interest Bearing	Fixed Interest Bearing	Total
	%	$AUD	$AUD	$AUD	$AUD
Financial Assets:					
Cash and cash equivalents	1.80	1,451,833	-	-	1,451,833
Other financial assets		-	325,000	51,875	376,875
Trade and other receivables		-	71,376	-	71,376
Total Financial Assets		**1,451,833**	**396,376**	**51,875**	**1,900,084**
Financial Liabilities:					
Trade and other payables		-	497,316	-	497,316
Interest bearing liabilities		-	-	-	-
Total Financial Liabilities		**-**	**497,316**	**-**	**497,316**
Net Financial Assets/(Liabilities)		**1,451,833**	**(100,940)**	**51,875**	**1,402,768**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 17. Financial Instruments, Risk Management Objectives and Policies (continued)

Maturity profile:

	Carrying Amount		Contractual Cash Flow		Within 1 Year		1-5 Years		Total	
	2015 $ AUD	2014 $ AUD	2015 $ AUD	2014 $ AUD	2015 $ AUD	2014 $ AUD	2015 $ AUD	2014 $ AUD	2015 $ AUD	2014 $ AUD
Financial Assets:										
Cash and cash equivalents	1,368,621	1,451,833	1,368,621	1,451,833	1,368,621	1,451,833	-	-	1,368,621	1,451,833
Other financial assets	378,063	376,875	378,063	376,875	275,000	325,000	103,063	51,875	378,063	376,875
Trade and other receivables	120,477	71,376	120,477	71,376	120,477	71,376	-	-	120,477	71,376
Total Financial Assets	**1,867,161**	**1,900,084**	**1,867,161**	**1,900,084**	**1,764,098**	**1,848,209**	**103,063**	**51,875**	**1,867,161**	**1,900,084**
Financial Liabilities:										
Interest bearing liabilities	-	-	-		-	-	-	-	-	-
Trade and other payables	814,795	497,316	814,795	497,316	814,795	497,316	-	-	814,795	497,316
Total Financial Liabilities	**814,795**	**497,316**	**814,795**	**497,316**	**814,795**	**497,316**	**-**	**-**	**814,795**	**497,316**

Net Fair Values

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

Financial Instruments measured at Fair Value

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

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

In 2015 and 2014, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 17. Financial Instruments, Risk Management Objectives and Policies (continued)

Sensitivity Analysis

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

		Interest rate risk				Other price risk			
2015		-1% Net result	-1% Equity	-1% Net result	-1% Equity	-5% Net result	-5% Equity	-5% Net result	-5% Equity
Cash	1,368,621	(1,369)	(1,369)	1,369	1,369	-	-	-	-
Other financial assets	378,063	-	-	-	-	(18,903)	(18,903)	18,903	18,903
Total increase / (decrease)		**(1,369)**	**(1,369)**	**1,369**	**1,369**	**(18,903)**	**(18,903)**	**18,903**	**18,903**

		Interest rate risk				Other price risk			
2014		-1% Net result	-1% Equity	-1% Net result	-1% Equity	-5% Net result	-5% Equity	-5% Net result	-5% Equity
Cash	1,451,833	(1,452)	(1,452)	1,452	1,452	-	-	-	-
Other financial assets	376,875	-	-	-	-	(16,250)	(16,250)	16,250	16,250
Total increase / (decrease)		**(1,452)**	**(1,452)**	**1,452**	**1,452**	**(16,250)**	**(16,250)**	**16,250**	**16,250**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 18. Key management personnel disclosures

Details of Key Management Personal

Directors
Michael Johnson – Executive Director
Martin Rogers – Non-Executive Chairman
Brent Scrimshaw – Non-Executive Director
Eric Knight – Non-Executive Director

Executives
Phillip Hains – Joint Company Secretary (resigned as Chief Financial Officer 6 February 2015)
Justine Heath – Chief Financial Officer and Chief Operating Officer (appointed as Chief Financial Officer 6 February 2015)

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

	Consolidated	
	30-Jun-15	**30-Jun-14**
	$ AUD	**$ AUD**
Short-term employee benefits	646,848	512,599
Post-employment benefits	53,450	11,091
Long-term benefits	-	-
Share-based payments	-	885,446
	700,298	**1,409,136**

Note 19. Remuneration of auditors

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

	Consolidated	
	30-Jun-15	**30-Jun-14**
	$ AUD	**$ AUD**
Audit services – HLB Mann Judd		
Audit or review of the financial statements	41,863	42,865
Other services – HLB Mann Judd		
Preparation of tax returns	12,095	12,127
	53,958	**54,992**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 20. Commitments

	Consolidated	
	30-Jun-15	**30-Jun-14**
	$ AUD	**$ AUD**
Operating lease commitments		
Non-cancellable operating leases contracted for at balance date but not recognised as liabilities are as follows:		
Within one year	78,046	75,044
After one year but not more than five years	67,825	137,581
More than five years	-	-
	145,871	**212,625**

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

Other expenditure commitments		
Commitments contracted for at balance date but not recognised as liabilities are as follows:		
Within one year	-	293,888
After one year but not more than five years	-	-
More than five years		
	-	**293,888**

Note 21. Contingent assets/ liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 22. Related party transactions

Parent entity
Rhinomed Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 24.

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

		Consolidated	
		30-Jun-15	30-Jun-14
	Note	$ AUD	$ AUD
Transactions with related parties			
The following transactions occurred with the following related parties:			
Payment for goods and services*:			
Cogentum Limited	(i)	-	93,666

*excludes cash salaries and directors fees which are disclosed in note 18.

Provision of Convertible Loan Facility:

The company had a Share Purchase and Convertible Security Agreement with Australian Special Opportunity Fund, LP, which is managed by Lind Partners, LLC of which Mr Martin Rogers is an advisor during the period. On 8th July 2013, the convertible security was reduced to $nil with the conversion of $175,000 representing 12,500,000 shares @ $0.01.

(i) Cogentum Pty Limited, a company associated with Mr Michael Johnson, provided consulting services to the Group during the previous year.

All amounts paid to the CFO Solution, of which Mr Phillip Hains is the principal are disclosed in note 18.

Receivable from and payable to related parties
There were receivables from related parties at the current reporting date.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 23. Parent entity information

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

	Parent	
	30-Jun-15	**30-Jun-14**
	$ AUD	**$ AUD**
Statement of profit or loss and other comprehensive income		
Income / (Loss) after income tax	(1,628,284)	(1,527,834)
Total comprehensive income / (loss)	**(1,628,284)**	**(1,527,834)**
Statement of Financial Position		
Total current assets	8,439,053	5,150,119
Total assets	29,084,892	25,794,396
Total current liabilities	357,995	162,021
Total liabilities	357,995	162,021
Equity		
Issued capital	41,927,021	37,204,175
Reserves:		
Share based payments	5,699,284	5,699,284
Accumulated Losses	(18,899,408)	(17,271,084)
Total equity	**28,726,897**	**25,632,375**

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

Contingent Liabilities
Refer to note 21 for details.

Contract Commitments
Refer to note 20 for details.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 24. Subsidiaries

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

Name of entity	Country of incorporation	Equity holding 2015 %	Equity holding 2014 %
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	-
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

* formally known as Consegna Management Services Limited

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

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

Note 25. Events after the reporting period

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

On the 18th September 2015 the company announced that it had raised A$2.5m, before costs, by way of placement of 78,125,000 fully paid shares at A$0.032 per share to Institutional, Sophisticated and Offshore investors. $100,000 of the funds raised is subject to shareholders approval.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 26. Reconciliation of net loss after income tax to net cash from operating activities

	Consolidated	
	30-Jun-15	30-Jun-14
	$ AUD	$ AUD
Loss after income tax expense for the year	(5,316,992)	(3,534,577)
Adjustments for:		
Depreciation and amortisation	451,021	240,652
Impairment of assets	30,846	133,000
(Gain)/Loss on disposal of assets	3,561	(98,412)
Share-based payments	-	811,160
Settlement of payables via shares	-	154,286
Fair value adjustment of investments	50,000	(225,000)
Foreign exchange adjustments	13,034	-
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(49,900)	307,908
(Increase)/decrease in other current assets	320	34,050
(Decrease)/increase in accounts payable	318,277	(36,739)
(Decrease)/increase in other liabilites	27,144	7,185
Net cash from operating activities	(4,472,689)	(2,206,490)

Non-cash financing activities
During the prior year, the Group settled the convertible note liabilities via the issue of shares as outlined in note 14

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 27. Earnings per share

	Consolidated	
	30-Jun-15	**30-Jun-14**
	$ AUD	**$ AUD**
Reconciliation of earnings to profit/(loss):		
Loss	(5,316,992)	(3,534,577)
Loss attributable to non-controlling interest	-	-
	(5,316,992)	(3,534,577)
Loss attributtable to parent entity:	(5,316,992)	(3,534,577)
Basic earnings/(loss) per share (cents)	(1.12)	(1.00)
Weighted average number of ordinary shares outstanding during the year used to calculate basic and diluted EPS.	**474,813,706**	**348,774,483**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 28. Share-based payments

Set out below are summaries of options granted under the employee share option plan which was established to provide ongoing incentive to reward employees and consultants for their contribution to the Group's performance:

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired / forfeited / other	Balance at the end of the year
2015							
29/11/11	07/12/14	$0.25	4,000,000	-	-	(4,000,000)	-
29/11/11	07/12/14	$0.50	4,000,000	-	-	(4,000,000)	-
23/12/11	31/12/14	$0.225	6,000,000	-	-	(6,000,000)	-
13/07/12	31/07/15	$0.12	2,000,000	-	-	-	2,000,000
20/07/12	28/02/15	$0.15	4,000,000	-	-	(4,000,000)	-
03/04/13	30/04/17	$0.06	90,000,000	-	-	-	90,000,000
03/04/13	11/05/15	$0.20	796,150	-	-	(796,150)	-
11/04/14	30/04/17	$0.065	40,000,000	-	-	-	40,000,000
			150,796,150	-	-	**(18,796,150)**	**132,000,000**
Weighted average exercise price:			$0.088	$0.00	$0.00	$0.271	$0.062

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired / forfeited / other	Balance at the end of the year
2015							
29/11/11	07/12/14	$0.25	4,000,000	-	-	-	4,000,000
29/11/11	07/12/14	$0.50	4,000,000	-	-	-	4,000,000
23/12/11	31/12/14	$0.225	6,000,000	-	-	-	6,000,000
13/07/12	31/07/15	$0.12	2,000,000	-	-	-	2,000,000
20/07/12	28/02/15	$0.15	4,000,000	-	-	-	4,000,000
03/04/13	30/04/17	$0.06	90,000,000	-	-	-	90,000,000
03/04/13	11/05/15	$0.20	796,150	-	-	-	796,150
11/04/14	30/04/17	$0.065	-	40,000,000	-	-	40,000,000
			110,796,150	**40,000,000**	-	**-**	**150,796,150**
Weighted average exercise price:			$0.097	$0.065	$0.00	$0.00	$0.088

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 28. Share-based payments (continued)

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

Grant date	Expiry date	2015 Number	2014 Number
29/11/11	07/12/14	-	4,000,000
29/11/11	07/12/14	-	4,000,000
23/12/11	31/12/14	-	6,000,000
13/07/12	31/07/14	2,000,000	2,000,000
20/07/12	28/02/15	-	4,000,000
03/04/13	30/04/17	90,000,000	90,000,000
03/04/13	11/05/15	-	796,150
11/04/14	30/04/17	40,000,000	40,000,000
Total exercisable		132,000,000	150,796,150

The weighted average remaining contractual life of options outstanding at year end is 1.93 years.

No options were issued during the year to Key Management Personnel as share based payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 29. Assets and Liabilities Classified as held for sale

	Consolidated	
	30-Jun-15	**30-Jun-14**
	$ AUD	**$ AUD**
Assets held for sale		
Other Intellectual Property	50,000	-
Development Costs	43,848	-
	93,848	**-**

The Group has been in negotiations to sell its Marxman Device technology along with all associated intellectual property. With a possible purchaser, accordingly the asset has been transferred to Assets and Liabilites held for sale.

Note 30. Segment Reporting

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

Note 31. Fair Value

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

- financial assets at fair value through profit or loss

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

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

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

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

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

Valuation techniques

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

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

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

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

Recurring fair value measurements:

Financial assets	**Level 1**		**Level 2**		**Level 3**	
	2015	2014	2015	2014	2015	2014
financial assets at fair value through profit or loss	275,000	325,000	-	-	-	

DIRECTORS' DECLARATION

In the Directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, based on the factors outlined in note 1 of the financial statements.

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

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

On behalf of the Directors

Michael Johnson
Director

30 September 2015
Melbourne

HLB Mann Judd

Accountants | Business and Financial Advisers

Independent Auditor's Report to the Members of Rhinomed Limited

Report on the Financial Report

We have audited the accompanying financial report of Rhinomed Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the Group. The Group comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Rhinomed Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to the going concern note included in Note 1 of the financial report, which indicates that the Group incurred a loss of $5.317 million (2014: loss of $3.535 million) had a net cash outflow of $83,212 during the year (2014: inflow of $1.129 million). Those conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. 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.

Auditor's Opinion

In our opinion, the Remuneration Report of Rhinomed Limited for the year ended 30 June 2015 complies with section 300A of the Corporations Act 2001.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Jude Lau
Partner

Melbourne
30 September 2015

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SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 19th August 2015.

Number of holders of equity securities

Ordinary Shares

614,438,635 fully paid ordinary shares are held by 2,012 individual holders. All ordinary shares carry one vote per share.

Options

203,150,000 (ASX:RNOOA) listed options execisable at $0.06 per option on or before 30 April 2017 are held by 274 invidual holders

40,000,000 (ASX: RNOAA) unlisted options exercisable at $0.065 per option on or before 30 April 2017 are held by 4 individual holders.

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

Distribution of ordinary fully paid shares

	Ordinary Shares	
Holding Ranges	**No. of holders**	**Total Units**
1 - 1000	62	9,174
1001 - 5000	154	435,303
5001 - 10,000	104	911,281
10,001 - 100,000	941	46,228,495
100,001 and above	751	566,854,382
Totals	**2,012**	**614,438,635**
Unmarketable parcels	56	3,514

Twenty largest ordinary fully paid shareholders

	Holder Name	Number	%
1	Kroy Wen Pty Ltd	50,000,000	8.14%
2	HSBC Custody Nominees (Australia) Limited	14,819,427	2.41%
3	Nominee Holdings	14,062,500	2.29%
4	Kensington Capital Management Pty Ltd Group	13,500,000	2.20%
5	Abingdon Nominees Pty Ltd	13,000,000	2.12%
6	Citicorp Nominees Pty Limited	10,156,846	1.65%
7	Fifty Second Celebration Pty Ltd	9,062,500	1.47%
8	Mr Yi Lu	8,500,000	1.38%
9	CC Fourth Nominees Pty Ltd	7,812,500	1.27%
10	Mhbiat Pty Ltd	6,700,000	1.09%
11	AJG Pty Ltd	6,632,645	1.08%
12	Thirty-Fifth Celebration Pty Ltd	6,400,000	1.04%
13	Ms Gweneth Joy Mcintyre & Ms Glenice Kay Gronow	5,084,487	0.83%
14	Ozpharma Pty Ltd	5,000,000	0.81%
15	Chifley Portfolios Pty Ltd	4,687,500	0.76%
16	Mr Gerard Anthony O'brien & Mrs Helen Margaret O'brien	4,531,263	0.74%
17	Mr Austin Miller	4,529,286	0.74%
18	Mr William Henry Hernstadt	4,425,000	0.72%
19	Mr Craig Raymond	4,204,999	0.68%
20	Shared Office Services Pty Ltd	3,550,000	0.58%
Total of Top 20 Shareholders		**196,658,953**	**32.01%**
Total Balance of Remaining Shareholders		**417,779,682**	**67.99%**
Total Issued Capital		**614,438,635**	**100.00%**

SHAREHOLDER INFORMATION

	Optionholders (RNOOA)	Number	%
1	Mr Michael Johnson	30,000,000	14.77
2	Structure Investments Pty Ltd	24,000,000	11.81
3	Mr Phillip Allen Hains	10,000,000	4.92
4	Dovehouse Ltd	10,000,000	4.92
5	Mr Jason Peterson & Mrs Lisa Peterson	8,000,000	3.94
6	Ms Helen Rosevear Hill	4,400,000	2.17
7	Mr Phillip Keith Biggs & Dr Katie Louise Spearritt	4,172,000	2.05
8	Mr Peter Lancelot Gebhardt & Mrs Carlene Joy Gebhardt	4,141,755	2.04
9	Brazilliant Pty Ltd	4,000,000	1.97
10	Professional Payment Services Pty Ltd	4,000,000	1.97
11	A D Wilson & Associates Pty Ltd	3,315,989	1.63
12	Professional Payment Services Pty Ltd	3,049,668	1.50
13	Gordon Family Superannuation Pty Ltd	3,024,519	1.49
14	Mr Gregory William Mitchell	3,000,000	1.48
15	Celtic Capital Pty Ltd	3,000,000	1.48
16	Mr Jurgen Behrens	3,000,000	1.48
17	Hirsute Pty Ltd	2,957,500	1.46
18	Kensington Capital Management Pty Ltd Group	2,500,000	1.23
19	Sa Chaff Pty Ltd	1,868,393	0.92
20	Mr Joel David Platt & Mrs Susanna Platt	1,850,000	0.91
Total of Top 20 Shareholders		**130,279,824**	**64.13%**
Total Balance of Remaining Shareholders		**62,810,993**	**35.87%**
Total Issued Capital		**203,150,000**	**100.00%**

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

Substantial Shareholders	Number of Shares
Kroy Wen Pty Ltd	50,000,000
Total number of shares held by substantial shareholders	**50,000,000**

Notes:

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