CHANGING THE WAY THE WORLD BREATHES

RHINOMED
ANNUAL REPORT 2018

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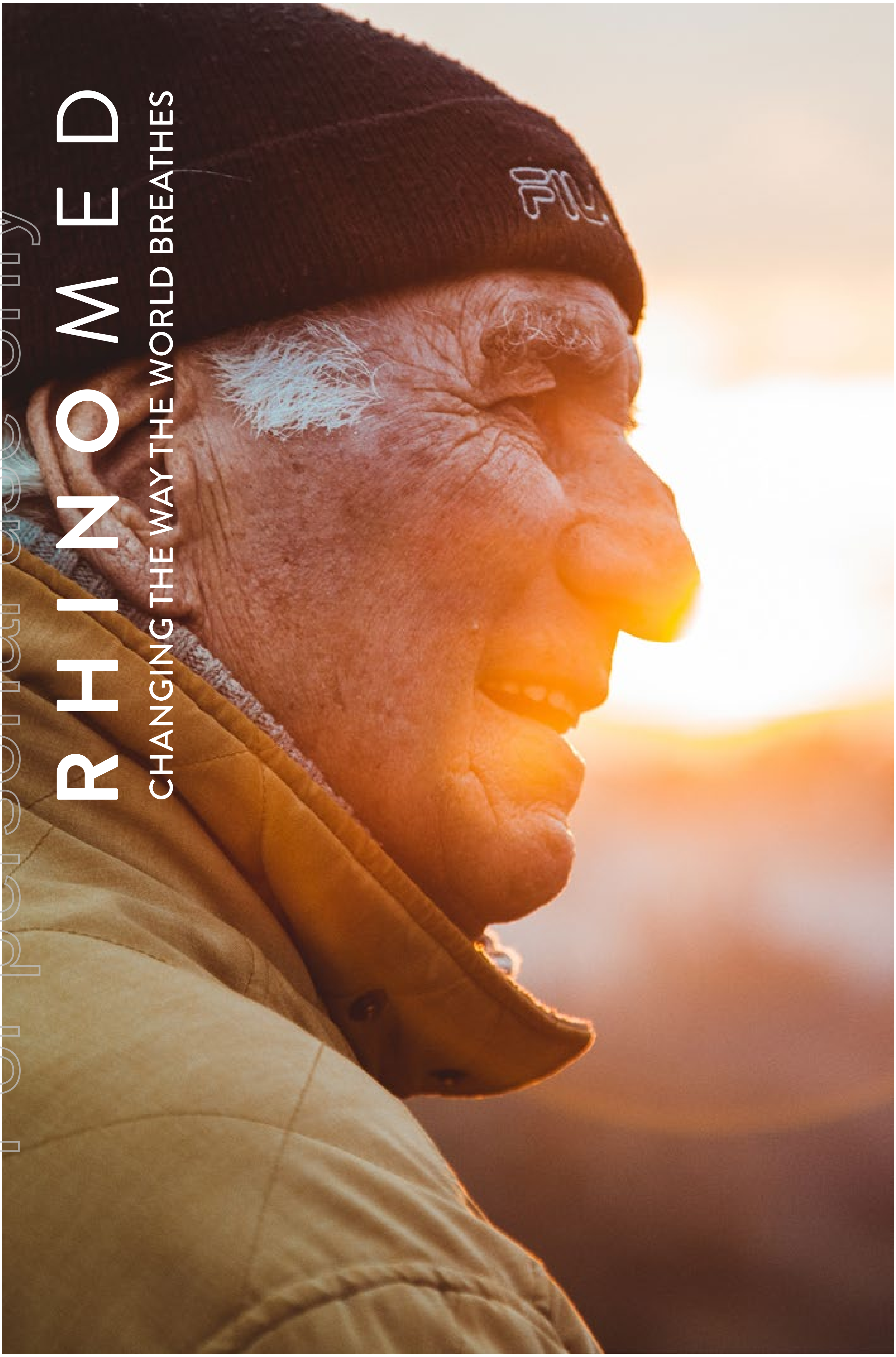

RHINOMED
CHANGING THE WAY THE WORLD BREATHES

WHO ARE WE?

Rhinomed (ASX:RNO) is a global medical platform technology company. Through our proprietary platform technology that focuses on the role and function of the nose we seek to radically improve the way people breathe, sleep, take medication and maintain their health.

Our relentless focus on understanding and identifying consumer, clinician and patient needs drives the design and development of our breakthrough medical and scientific innovation. Our customers range from consumers across three continents through to the world's leading clinicians and health care organisations.

Two products have already been brought to market - Turbine and Mute, aimed at helping people to breathe better, sleep better and enjoy a better quality of life. A further two products are at prototype stage (an overnight nasal decongestant and a sleep and anxiety aid) and are in the process of being presented to our retail partners.

We continue to develop and assess opportunities for our nasal platform in the sleep apnea, nasal drug delivery and wellness areas. The company is currently assessing a new partnership and development program in nasal delivery of cannabinoids in the USA – the world's largest medical cannabis market.

LETTER FROM THE CHAIRMAN

RON DEWHURST
CHAIRMAN

It is my pleasure to present the Rhinomed Limited 2018 Annual Report. The past year has been a transformative period for Rhinomed during which we begun clearly demonstrating the value of our unique proprietary platform technology. Rhinomed has a truly exciting medical technology platform. With applications in market and a deep pipeline of innovative future products, the company is poised for further growth and high value partnerships in some of the fastest growing consumer health and clinical markets in the world.

The successful roll out of Mute has continued to deliver consecutive quarters of growth. Having entered the financial year in just over 3000 stores globally, the company doubled the store presence in the USA within a 12 month period. Pleasingly, we did so by partnering with some of the world's leading retail partners.

Building a strong retail base in the USA was a key goal and we are delighted to have expanded our initial presence in Walgreens to now being core ranged in 4300 stores. Further, we have built on this success to include leading drug store chains CVS and Rite Aid.

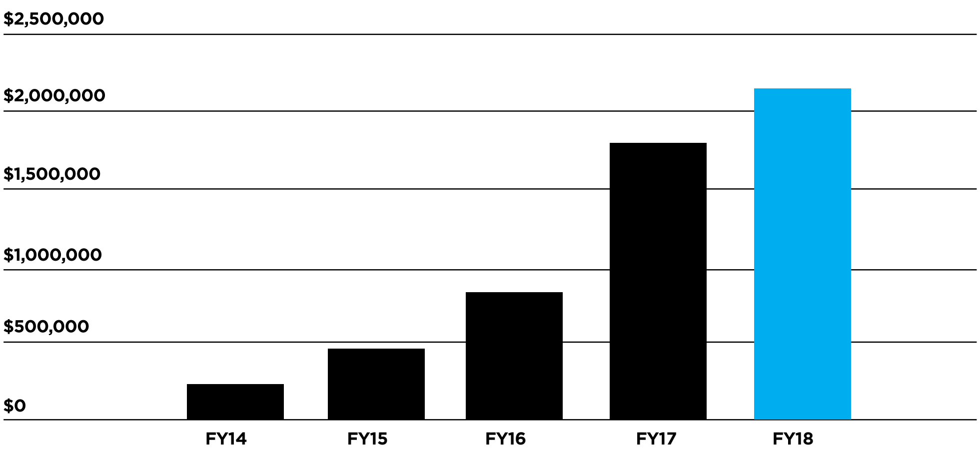
EXPANDING DISTRIBUTION THE KEY

This growing presence in the USA has been supported by the strong and growing level of endorsement and advocacy we have received from both sleep and sleep dental clinicians globally. It is clear that nasal obstruction is of great hindrance to not only better sleep, but also compliance with a range of therapies, none more so than with Obstructive Sleep Apnea therapies such as CPAP and mandibular advancement therapies. As a non drug, minimally invasive solution, Mute has been quickly adopted as a universally accessible and attractive companion therapy. We will continue to work with clinicians and researchers globally to better understand the role of the nose in night time respiration and how Rhinomed can continue to create innovative solutions to this significant global market.

I am pleased to report that our hard working team of 11 continued to deliver throughout FY 2018. Rhinomed recorded revenues of $2.1m – up 26% on FY17 and shipped 229,000 units - up 59% on FY17. Pleasingly, growth came without the need to discount heavily or offer inducement. The Mute technology and compelling branding provide a powerful proposition to consumers and retailers alike.

YEAR ON YEAR GROWTH

CASH RECIEPTS YEAR ON YEAR



BUILDING OUT THE VALUE OF OUR PLATFORM

Your board has set a strategy that we believe will deliver significant value over the long term.

Our platform technology has multiple applications and revenue generation opportunities across several major, high value global markets. Critical to this is recognising that our technology, like any new and potentially disruptive technology needs a strategy that focuses on early adoption and then a transition into a mass market in a controlled manner. We recognise that socialising the use of a nasal technology is a critical step. Our Turbine and Mute technologies continue to do this, and to do it well.

As this awareness, normalisation and use grows, new opportunities emerge for more complex solutions. Our focus on addressing market risk (the risk of product acceptance and adoption) upfront is increasingly being seen by potential partners as a major asset. Hence, we are particularly pleased to have begun a dialogue with Columbia Care - the US's largest and most experienced medical cannabis operator.

Medical Cannabis is a rapidly emerging opportunity in both recreational and medicinal markets. The current delivery methods - smoking, tinctures or ingesting - all come with significant issues around reliability, predictability and repeatability of dosing. Nasal delivery promises to resolve many

of these issues. Our platform also provides a greater flexibility in delivery than many other solutions - opening up the possibility of overnight, sustained and controlled release. We believe that the nasal delivery of cannabinoids has the potential to be a significant product suite for Rhinomed going forward.

While we recognise that medical cannabis is a major market in its own right, cannabis, is for all intensive purposes, just another drug. There are multiple opportunities for Rhinomed's proprietary platform across a range of drug classes. We look forward to validating these opportunities in the future.

SETTING THE FOUNDATIONS FOR GROWTH

While much of our progress has been strong, the company and its team note that without resilience and persistence none of this would be possible. Nothing grows in a straight line and the company has over the last five years required the patience of investors to prove out our strategy. It is important to emphasise that in this world of 24-hour social media and instant gratification - innovation, commercialisation and successful commercial strategy requires a long term perspective as well as a short term focus. Some of the greatest athletes the world has known have succeeded for this exact reason - a clear focus on long term goals while ensuring their day to day delivery never waivers. Rhinomed very much reflects this perspective.

What is particularly pleasing is that as Rhinomed consistently delivers on key milestones, we are building what has the potential to be a truly transformative company. Rhinomed is living its mission of radically improving the way millions of people breathe, sleep, take medication and maintain their health and wellness.

Most important is the contribution that our dedicated staff and board have made to our progress. In particular, I wish to acknowledge the pivotal leadership and vision that our CEO Michael Johnson has contributed to our progress, demonstrating unrelenting belief and commitment.

I would like to thank all of our investors for their continued support and feedback. We do not take this for granted and look forward to delivering another successful and exciting year for Rhinomed and its shareholders.

RON DEWHURST
CHAIRMAN

LETTER FROM THE CEO

MICHAEL JOHNSON
MANAGING DIRECTOR
& CEO

BUILDING A SOLID FOUNDATION FOR GROWTH

Rhinomed is a unique player in the global medical technology industry. Over a very short period of time we have developed a unique, patented protected technology platform that is being rapidly commercialised, globally.

Our strategy is to bring applications of our platform to market and in the process unlock significant growth opportunities within some of the world's fastest growing healthcare markets.

While we progress this commercialisation program we are also seeking to ensure that we mitigate one of the greatest risks associated with any emerging technology – clinician, patient and customer acceptance and adoption.

I am pleased to report that we are making significant progress in the execution of this strategy.

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

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

As mentioned in our 2017 Annual Report and reinforced again in 2018, we are executing a clear strategy that plays to these major trends.

CONSISTENTLY DELIVERING MILESTONES

Over the last 12 months Rhinomed has continued to deliver on key milestones:

- We reported four consecutive quarters of revenue growth during FY18, ending the year with $2.1m in recognized revenues - up 26% on FY17.
- We shipped over 229,000 units to customers during FY18, up from approximately 150,000 in 2017.
- Our expenditure remained prudent as we sought to support growth in key markets.
- The company's quest to ensure our leading sleep and snoring technology - Mute - is accessible to the millions of people globally who snore or suffer from poor sleep and continued to gain traction with our global store count growing to over 7000 stores. In the USA alone the store count more than doubled.
- We continued to make ground with key opinion leaders who in increasing numbers are using and recommending Mute as a non-drug, low invasive solution for nasal obstruction.
- The value of our platform as a strategic and high value asset was also recognised when Columbia Care, the USA's largest and most experienced Medical Cannabis operator commenced a dialogue with the company about utilising our proprietary platform as a drug delivery solution that can overcome some of the significant challenges facing this emerging and exciting new industry.
- Our year on year growth was acknowledged early in 2018 when the Financial Times recognised Rhinomed as the 37th fastest growing company in Asia Pacific in its FT Fast 1000.

YEAR ON YEAR SUCCESS.

We are pleased to report that our growth has continued throughout FY18. Following the successful core ranging of Mute into 4300 Walgreens stores in the USA in October 2017, US consumer response was strong. Mute rapidly became the fastest growing brand in the Nasal strip market - growing at 299% between 1 January and 1 June 2018.

This significant level of consumer support and same store sales provided the perfect foundation for further dialogue with some of America's largest pharmacy and drug store chains. As a result both CVS and Rite Aid confirmed that they would core range Mute, once again doubling our store count in the USA up from 4300 to over 7000 stores. We expect to see the revenues from these announcements make an impact in FY19 Q2.

EXPANDING OUR PLATFORM

As tens of thousands of people around the world become aware of, and try Mute, we are not only growing our position as a front line solution to sleep and respiratory issues, we are also building a major franchise in the global sleep market. This is a critically important step. Socialising people with the concept of using our nasal technology platform significantly de-risks our more sophisticated clinical and consumer health programs.

In 2018 we made great strides in advancing our platform technology. We have finalised prototyping and design for two new products – a decongestant solution and a sleep and anxiety solution.

We recognise that night time nasal congestion interrupts and disturbs the sleep of millions of people globally. We also recognise that there has been a distinct lack of innovation in this category. The traditional menthol eucalyptus solution remains a mainstay of families around the world. As a result, we see a very real and exciting opportunity to add a non medicated nasal decongestant to our Platform and provide a new and novel overnight solution to this annual and seasonal consumer need.

For millions of people, getting to sleep can be a very real challenge. A growing sense of anxiety can often accompany this. Nasal breathing has long been recognised as a way of relaxing. Adding an 'essential oil' based formulation that will amplify this effect offers a new non-drug alternative for the millions of people who face this challenge.

While there are some near term opportunities in consumer health, we have also been actively scoping opportunities within the clinical setting.

Over the last 12 months several things have become clear. The growing desire for innovation by patients and clinicians in the Sleep Apnea therapy market has reached, what we believe is, a tipping point. Investors will be well aware that the current gold standard – the CPAP mask – is beset by two major issues – high cost and poor compliance. The alternative therapy – Mandibular Advancement Splints – are also expensive and not necessarily comfortable either.

Both therapies seek to treat the occlusion - the obstruction, however neither seeks to treat the underlying cause of why people get OSA to begin with. Nor do they seek to return the patient to a healthy state - where the occlusion no longer occurs. In effect both therapies are prosthetics – devices that a patient needs to wear forever. We do not believe that this is an optimal outcome - at a health, economic or a lifestyle level.

It was with some interest then that we noted the research paper *Pharmacotherapy of Apnea by Cannabimimetic Enhancement, the PACE Clinical Trial: Effects of Dronabinol in Obstructive Sleep Apnea*[1].

The PACE Study examined the effect of dronabinol (a non selective cannabinoid agonist) on Obstructive Sleep Apnea. The authors noted that their "findings support the therapeutic potential of cannabinoids in people with OSA. In comparison to placebo, dronabinol was associated with a lower Apnea Hypopnea Index (AHI), improved self reported sleepiness and greater overall treatment satisfaction." While there is clearly more work to be done in ratifying this result, Rhinomed believes that there is a significant opportunity in developing a low invasive, nasally delivered cannabinoid therapy that targets the underlying cause of OSA.

[1]Carley et al, Sleep. 2018 Jan 1;41

COLUMBIA CARE - A NEW RELATIONSHIP WITH THE RIGHT PARTNER

In early 2018 Rhinomed began a dialogue with Columbia Care – America's largest and most experienced cannabis operator. This dialogue was initiated by Columbia Care and their desire to create nasally delivered, dose controlled, targeted medical cannabis formulations.

As this relationship developed it became clearly apparent to your board that the nasal delivery of cannabinoids opens up a new and exciting market opportunity and has the potential to set a new standard by providing a better, more reliable and repeatable dosing experience for patients and users alike.

As a result, the company commenced negotiations that would define this relationship going forward. We certainly believe that Columbia Care is the ideal prospective partner for Rhinomed in the US cannabis market.

Columbia Care:

i. Is a vertically integrated operation encompassing cultivation and production, industry-leading research and development and retail direct to patients through its network of dispensaries across the US.
ii. is the largest and most experienced provider of cannabis-based products and services in the US market - the world's largest and fastest growing cannabis market.
iii. has already completed more than 750,000 successful patient interactions since its inception.
iv. is working in collaboration with some of the most renowned and innovative teaching hospitals and medical centres in the world.
v. has a unique and compelling pharmacist/service driven model through a national dispensary channel plus access to health clinics and the US's leading teaching hospitals.
vi. has the ability to deliver unprecedented scale and access to an expected 50% of the US population in the next 24 months
vii. is a patient-centered healthcare company setting the standard for compassion, professionalism, quality, caring, and innovation for a rapidly growing medical marijuana industry.

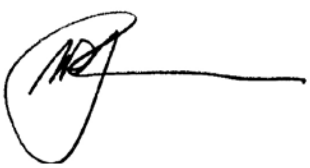
We look forward to updating investors on the progress of this relationship over the course of FY19.

POISED FOR A PIVOTAL FY19

I would like to thank our entire team who have worked tirelessly to deliver on our program. Rhinomed continues to demonstrate that Australian technology companies can not only create unique and disruptive innovation, but also commercialise this innovation through world's best practice when it comes to strategy, branding and market entry.

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

We are also grateful for the ongoing support of the range of clinicians and opinion leaders that endorse and use our products on a daily basis - in the clinic, in interviews and at conferences. I wish to sincerely thank Chairman Ron Dewhurst and fellow Directors, Brent Scrimshaw and Dr Eric Knight, for their significant support in ensuring we deliver on our mission to change the way the world breathes.



MICHAEL JOHNSON
CEO

OPERATIONAL REVIEW

REVIEW OF OPERATIONS

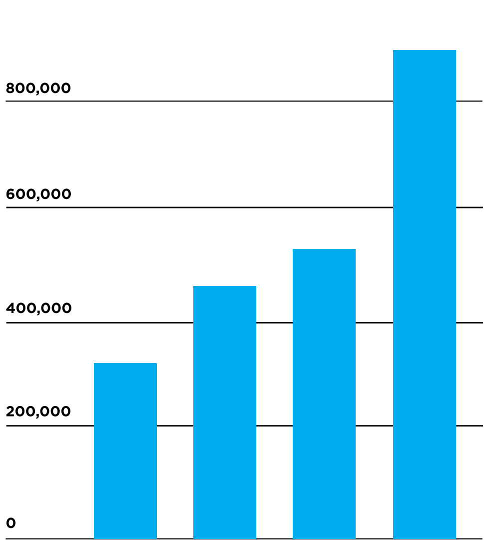
Rhinomed is seeking to radically improve the way millions of people around the world breathe, sleep, maintain their wellness and take medication.

Our strategy is to commercialise our platform technology and ensure our products are accessible through the world's leading pharmacies, are endorsed and recommended by clinicians and that our platform is utilised by leading medical and pharmaceutical companies to improve the lives of people all around the world.

Pleasingly, your directors can report that in FY18 the company made significant progress in achieving these outcomes. The following major milestones were achieved:

- The company generated strong revenue growth in each quarter of the financial year from the sales of its proprietary nasal technology and closed the year reporting $2,169,176 of revenues - up 26% on 2017 ($1,717,225)

QUARTERLY REVENUE FY18



- Net cash used in operating activities was $3.85m (up from $2.99m in FY17) reflecting a focus on strategic investment in revenue generation.
- The Group held cash reserves of $1,263,122 at 30 June 2018, a decrease from $1,666,882 for the corresponding period end of 30 June 2017.

- The Group's net assets decreased slightly over the financial year to $4,766,912 at 30 June 2018 from $5,332,093 as at 30 June 2017. The net carrying value of the Group's intangible assets of $3,316,623 remains consistent with the previous period allowing for amortisation charges.
- Store count continues to grow significantly to approx. 7000* stores by the end of FY18.
- The Company shipped 229,654 units to customers throughout FY18, a 59% increase over FY17.

OPERATIONAL COMMENTARY

In line with the Company's strategy, Mute continues to be a major area of growth for the Company. Nasal congestion, snoring and poor sleep continue to emerge as major contributors to poor health outcomes and chronic disease. The Company continues to believe that the unmet clinical need for a range of over-the-counter, non-drug, low cost, low invasive, well tolerated solutions is compelling.

The Turbine brand, while not contributing materially to the company results, remains an integral part of the socialisation process of nasal technology. The company will continue to assess the fit for this technology within the global sport and exercise market.

The Company delivered strong gross margins throughout FY18 and has maintained these during the sell-in process with major retailers. Sales and marketing costs for FY18 have been in line with expectations reflecting the cost of promotional campaigns to support new retail accounts and growth in brand awareness in these markets. This investment is vital to ensuring the Company meets store sell-through expectations in key markets.

The Mute brand continues to grow its awareness amongst consumers and clinicians. Mute is increasingly being offered as a companion therapy by the rapidly growing sleep dentistry profession. Rhinomed exhibited at the American Dental Sleep Medicine conference and attended the American Sleep Medicine conference in June 2018 in Baltimore, USA. Dentists treating sleep disorders are utilising Mute to resolve nasal obstruction as it is an inexpensive, universally accessible, non-drug alternative. We are pleased to see Mute's inclusion in sleep dental education courses as this mode of therapy grows.

*Stores numbers are estimated at the date of this report.

The Company continues to believe that Mute can grow to be a major leader within the OTC retail pharmacy sleep and nasal congestion categories and a front line solution for sleep related breathing disorders.

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

DISTRIBUTION

Over the course of this financial year the Company continued to build relationships with several important retailers and wholesalers globally.

- The company currently sells its technology through wholesalers, retail stores and clinics in the USA, Canada, the UK, Taiwan and Australia/New Zealand. This retail footprint is supplemented by an online presence on Amazon and other ecommerce sites.
- In the USA the company had established an initial relationship with Walgreens. This was expanded in FY18 from just over 1000 stores to 4300 stores across the continental USA. These stores began stocking Mute technology in October 2017.
- Early in 2018 the company added Cardinal Health to its existing line up of US based wholesalers which includes McKesson's and AmerisourceBergen. These wholesalers play a critical role in ensuring the large number of US based independent pharmacies are able to access the company's Mute technology.
- The company continued to assess its Australian distribution which did not perform to expectations and has strategies in place to address this issue during FY19.
- In the last quarter of the financial year, and following strong sell through from the existing store footprint in the USA, the Company announced further expansion in the US. The Company received confirmation that leading drug store pharmacy chains CVS (1300 stores) and Rite Aid (3000+stores) would stock the Mute technology in FY19.
- Store count closed at the end of the financial year at approximately 7000* stores. The impact of these recent distribution announcements will result in a doubling of the US store count in FY19.

KEY PRODUCTS

OVERVIEW

Our proprietary technology platform enables the development of multiple applications. The company has already commercialised two applications and is actively developing further application both internally and with potential partners. Turbine and Mute are individually customisable nasal dilators that enhance nasal breathing and stent the nasal valve without placing pressure on the septum.

- Mute is designed to increase airflow and reduce snoring, thereby supporting sleep quality. Mute is light and flexible and can be worn comfortably during sleep. An independent in-home User Trial, peer-reviewed literature reviews and market research in the US, UK and Australia has assisted in developing an understanding of the scope of the global market opportunity for breathing technologies.
- Turbine is designed to make breathing easier during aerobic exercise and activity. Because retention in the nose during these activities is vital, Turbine employs more robust materials and retention features on the paddles and curved arms to hold the device in place during intense exercise.

REGULATORY STATUS

Mute and Turbine are registered as a Class 1 medical device with regulatory authorities in several key markets - in Australia with the TGA, in the USA with the FDA, in Europe where it has received a CE Mark, in Canada with Canada Health, in Taiwan with the Taiwanese FDA and in New Zealand with MedSafe.


mu:te
BREATHE MORE
SNORE LESS
SLEEP BETTER
SOFT & COMFORTABLE • 38% MORE AIR • ADJUSTABLE • GENTLY OPENS THE NOSE
SMALL
3 PACK (30 NIGHT SUPPLY)
RHINOMED
TURBINE
SPORTS BREATHING TECHNOLOGY
SMALL
3 PACK
RHINOMED

PLATFORM TECHNOLOGY R&D

The company has created a compelling platform technology capable of meeting a number of clear unmet clinical and consumer health needs. This platform is protected by patents both granted and pending across multiple jurisdictions. To prove out the value of this platform the company began assessing a range of opportunities where nasal drug delivery resolves significant issues encountered by other delivery methods.

As part of the demonstration of the utility of the platform the company continues the development of its non medicated nasal decongestant and sleep management products. Prototyping has been finalised and the next stage of assessing retailer demand is underway. Further updates will be provided during the first half of FY19.

Late in 2017, the company began a dialogue with the US's largest medical cannabis operator Columbia Care. In June 2018 both parties announced the completion and signing of a non-binding term sheet. Rhinomed and Columbia Care are now working to finalise a definitive agreement that will define the relationship going forward. The company expects this will in time result in the development of a portfolio of products utilising the company's proprietary nasal technology to deliver cannabis formulations. The company believes that this relationship will unlock a number of significant opportunities in the USA - the fast growing medical cannabis market in the world.

Rhinomed continues to build a reputation and to be recognised as an innovator and global leader in improving nasal airflow, breathing and sleep. R&D expenditure remains conservative as the Company leverages the existing technology infrastructure. R&D investment during FY18 was $142k.

2.0		3.0	4.0	5.0
DECONGESTION	**CALM**	**OBSTRUCTIVE SLEEP APNEA**	**DIAGNOSTICS**	**NASAL DRUG DELIVERY**
Essential Oil **Mute “CLEAR”**	Essential oil formulation **Mute “DeepSleep”**	Intranasal Positive Expiratory Airway Pressure Phase 1 trial complete, Phase 2 being scoped  **INPEAP**	May include: Asthma Diagnosis. Addition of Sensor to detect Nitric Oxide(No) levels in exhaled breath	Target low dose, long release delivery of drugs to nasal mucosa. Pain, CNS, Respiratory disorders

IN DEVELOPMENT (2.0, 3.0) — **FUTURE DEVELOPMENT** (4.0, 5.0)

CORPORATE

As outlined in the FY18 Q4 quarterly statement, the $2.0m working capital facility was rolled over. This facility was not utilised during the current financial year.

In November 2017, the Company raised $3.6m which was strongly supported by both existing and new investors from both the US, the UK and Australia.

The company has 117 million shares on issue and the top 20 shareholders held 61.5% of the company's stock as at June 30, 2018.

EVENTS AFTER THE REPORTING DATE

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

FINANCIAL POSITION

The Group held cash reserves of $1,263,122 at 30 June 2018 (2017: $1,666,883), a decrease of $403,761 from the previous period end.
The Group’s net assets were $4,766,912 compared with $5,332,093 for the previous year.

The net carrying value of the Group’s intangible assets was $3,316,623 compared with $3,678,251 for the previous year.

The Group recorded a total comprehensive loss for the period of $3,996,593 after tax reflecting the continuing investment in positioning the technology at the forefront of the sleep market.

GROUP STRUCTURE

In line with the company’s strategy, on the 16th August 2017, the following dormant fully owned subsidiaries within the Group were de-registered:

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

INTELLECTUAL PROPERTY

Rhinomed has successfully prosecuted its patent and trademark portfolio over 2018. The portfolio continues to be managed to reflect the commercial value of the company and its strategic direction. Existing and new intellectual property has been diligently prosecuted in all relevant jurisdictions, with numerous cases successfully proceeding to Grant status. Highlighted developments in the intellectual property portfolio include:

- National phase Patent applications filed in order to protect key aspects of the Mute, Turbine and INPEAP devices.
- The Grant of Design applications in key regions, filed to protect the appearance of the Turbine and INPEAP devices.
- The Grant of important trademark applications, particularly for TURBINE and MUTE.
- The filing of six new trademarks in the USA.

NASAL DILATOR DEVICES - MUTE

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

PATENTS

NASAL DILATOR DEVICES - TURBINE

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

NASAL DILATORS ('INPEAP/CPAP')

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
International (PCT)	PCT/AU2015/050314	Completed
Australia	2015397594	Pending
New Zealand	737761	Pending
Brazil	BR 11 2017 025880 3	Pending
Canada	2,986,934	Pending
Eurasia	201792458	Pending
Europe	15893549.4	Pending
Hong Kong	To be filed	To be filed
India	201727045913	Pending
Japan	2017-562692	Pending
Malaysia	PI 2017704643	Pending
People's Republic of China	2015800807102	Pending
Republic of Korea	10-2017-7036957	Pending
South Africa	2017/08687	Pending
United States of America	15/579,304	Pending

NASAL DILATORS ('INPEAP CLINICAL')

COUNTRY / JURISDICTION	PATENT / APPLICATION NO.	STATUS
Australia	2015903056	Pending
International	PCT/AU2016/050621	Completed
Australia	2016302387	Pending
Brazil	BR 11 2018 001794 9	Pending
Europe	16831962.2	Pending
Hong Kong	To be filed	To be filed
Japan	2018-502215	Pending
New Zealand	738947	Pending
People's Republic of China	ZL03825243.0	Pending
United States of America	7105008	Pending

DESIGNS

BELT

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

TURBINE I

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	352915	Registered
Canada	154473	Registered
China	201430013176.1	Registered
European Union	00237600	Registered
Japan	2013-030505	Registered
United States of America	29/479,493	Registered

TURBINE II

COUNTRY / JURISDICTION	DESIGN / APPLICATION NO.	STATUS
Australia	352986 (16408/2013)	Registered
European Union	002444562	Registered
India	261822	Registered
China	201430089717.9	Registered
United States of America	29/493,060	Registered
South Africa	F2014/00909	Registered
Japan	2014-012345	Registered
Korea	30-2014-0027588	Registered
Russia	2014502234	Registered
New Zealand	418886	Registered

DILATOR - FILTER

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

DESIGNS

DILATOR – WITH RATCHET

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

DILATOR – WITHOUT RATCHET

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

TURBINE 3.0

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

INPEAP/CPAP DESIGN

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

INPEAP – NO ARM DESIGN

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

TRADEMARKS

BO_2LT

COUNTRY / JURISDICTION	CASE	STATUS
Australia	1517641	Registered

BREATHEASSIST

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

INPEAP

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

MAKING EVERY BREATH COUNT

COUNTRY / JURISDICTION	CASE	STATUS
Australia	1704603	Registered

MUTE

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

DESIGNS

NASOBINOID, NASOBINOL NASOCANN, RHINOBINOID, RHINOBINOL, RHINOCAN

COUNTRY / JURISDICTION	CASE NO.	STATUS
USA - NASOBINOID	87/872,102	Filed
USA - NASOBINOL	87/872,089	Filed
USA - NASOCANN	87/872,094	Filed
USA - RHINOBINOID	87/872,078	Filed
USA - RHINOBINOL	87/872,109	Filed
USA - RHINOCAN	87/872,061	Filed

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

SLEEP ASSIST; Sleep Assist; sleep assist; Sleep-Assist; sleep-assist

COUNTRY / JURISDICTION	CASE NO.	STATUS
Australia	1043158	Registered

TURBINE

COUNTRY / JURISDICTION	CASE NO.	STATUS
Argentina	3369154	Registered
Australia	1568756	Registered
Brazil	908.545.436	Accepted
Canada	1647839	Registered
Colombia	1191436	Protected
Europe (OHIM)	1191436	Protected
Hong Kong	303173896	Registered
India	1191436	Under examination
Indonesia	D00 2014 050422	Filed
Japan	1191436	Protected
Malaysia	2014065924	Registered
Mexico	1191436	Protected
Norway	1191436	Protected
New Zealand	1024018	Registered
China	1191436	Protected
Korea	1191436	Protected
Singapore	1191436	Filed
South Africa	2014/28750	Accepted
Switzerland	1191436	Protected
Taiwan	103062558	Registered
Thailand	964150	Filed
United States of America	1191436	Protected

CORPORATE DIRECTORY

DIRECTORS

MICHAEL JOHNSON
Executive Director
Chief Executive Officer

MR RON DEWHURST
Independent Non-Executive Chairman

DR ERIC KNIGHT
Non-Executive Director

MR BRENT SCRIMSHAW
Non-Executive Director

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

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

SHARE REGISTER

Automic Share Registry
Level 12, 575 Bourke Street,
Melbourne Vic 3000

STOCK EXCHANGE LISTINGS

Rhinomed Limited shares are listed on the Australian Stock Exchange market code: **RNO**

WEBSITE

www.rhinomed.global

COMPANY SECRETARIES

MR PHILLIP HAINS

MR JUSTYN STEDWELL
(Resigned 1 November 2017)

AUSTRALIAN COMPANY NUMBER (ACN)
107 903 159

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

AUDITOR

HLB Mann Judd, 575 Bourke St,
Melbourne VIC 3000

BANKERS

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

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'consolidated entity' or 'Group') consisting of Rhinomed Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled for the year ended and as at 30 June 2018.

DIRECTORS

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

Mr Michael Johnson
Mr Ron Dewhurst
Mr Brent Scrimshaw
Dr Eric Knight

PRINCIPAL ACTIVITIES

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

DIVIDENDS

No dividends were paid or proposed during the year (2017: nil).

RESULTS

The Company is seeking to radically improve the way millions of people around the world breathe, sleep, maintain their wellness and take medication.

Our strategy is to commercialise our platform technology and ensure our products are accessible through the world's leading pharmacies, are endorsed and recommended by clinicians and that our platform is utilised by leading medical and pharmaceutical companies to improve the lives of people all around the world.

Pleasingly, the Directors can report that in FY18 the Company made significant progress in achieving these outcomes.
Over the course of the current financial year the Company set several key milestones:

- The Company generated strong revenue growth in each quarter of the financial year from the sales of its proprietary nasal technology and closed the year reporting $2,169,176 of revenues – up 26% on 2017 ($1,717,225);
- Net cash used in operating activities was $3.85 million (up from $2.99 million in FY17) reflecting a focus on strategic investment in revenue generation;
- The Group held cash reserves of $1,263,122 at 30 June 2018, a decrease from $1,666,883 for the corresponding period end of 30 June 2017;
- The Group's net assets decreased slightly over the financial year to $4,766,912 as at 30 June 2018 from $5,332,093 as at 30 June 2017. The net carrying value of the Group's intangible assets of $3,316,623 remains consistent with the previous period (2017: $3,678,251) allowing for amortisation charges;
- Store count continues to grow significantly to approximately 7000[1] stores by the end of FY18;
- The Company shipped 229,654 units to customers throughout FY18, a 59% increase over FY17.

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

OPERATIONAL COMMENTARY

In line with the Company's strategy, Mute continues to be a major area of growth for the Company. Nasal congestion, snoring and poor sleep continue to emerge as major contributors to poor health outcomes and chronic disease. The Company continues to believe that the unmet clinical need for a range of over-the-counter, non-drug, low cost, low invasive, well tolerated solutions is compelling.

The Turbine brand, while not contributing materially to the company results, remains an integral part of the socialisation process of nasal technology. The company will continue to assess the fit for this technology within the global sport and exercise market.

The Company delivered strong gross margins throughout FY18 and has maintained these during the sell-in process with major retailers. Sales and marketing costs for FY18 have been in line with expectations reflecting the cost of promotional campaigns to support new retail accounts and growth in brand awareness in these markets. This investment is vital to ensuring the Company meets store sell-through expectations in key markets.

The Mute band continues to grow its awareness amongst both consumers and clinicians. Mute is increasingly being offered as a companion therapy by the rapidly growing sleep dentistry profession. Rhinomed exhibited at the American Dental Sleep Medicine conference and attended the American Sleep Medicine conference in June 2018 in Baltimore, USA. Dentists treating sleep disorders are increasingly utilising Mute to resolve nasal obstruction as it is an inexpensive, universally accessible, non-drug alternative. We are pleased to see Mute's inclusion in sleep dental education courses as this mode of therapy grows.

The Company continues to believe that Mute can grow to be a major leader within the OTC retail pharmacy sleep and nasal congestion categories and a front line solution for sleep related breathing disorders.

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

DISTRIBUTION

Over the course of this financial year the Company continued to build relationships with several important retailers and wholesalers globally.

- The Company currently sells its technology through wholesalers, retail stores and clinics in the USA, Canada, the UK, Taiwan and Australia/New Zealand. This retail footprint is supplemented by an online presence on Amazon and other e-commerce sites;
- In the USA the Company had established an initial relationship with Walgreens. This was expanded in FY18 from just over 1000 stores to 4300 stores across the continental USA. These stores began stocking Mute technology in October 2017;
- The Company continued to assess its Australian distribution which did not perform to expectations and has strategies in place to address this issue during FY19;
- In the last quarter of the financial year, and following strong sell through from the existing store footprint in the USA, the Company announced further expansion in the US. The Company received confirmation that leading drug store pharmacy chains CVS (1300 stores) and Rite Aid (3000+stores) would stock the Mute technology in FY19;
- Store count closed at the end of the financial year at approximately 7000[1] stores. The impact of these recent distribution announcements will result in a doubling of the US store count in FY19.

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

KEY PRODUCTS

Our proprietary technology platform enables the development of multiple applications. The Company has already commercialised two applications and is actively developing further applications both internally and with potential partners. Turbine and Mute are individually customisable nasal dilators that enhance nasal breathing and reduce congestion without placing pressure on the septum.

- Mute is designed to increase airflow and reduce snoring, thereby supporting sleep quality. Mute is light and flexible and can be worn comfortably during sleep. An independent in-home User Trial, peer-reviewed literature reviews and market research in the US, UK and Australia has assisted in developing an understanding of the scope of the global market opportunity for breathing technologies;
- Turbine is designed to make breathing easier during aerobic exercise and activity. Because retention in the nose during these activities is vital, Turbine employs more robust materials and retention features on the paddles and curved arms to hold the device in place during intense exercise.

REGULATORY STATUS

Mute and Turbine are registered as a Class 1 product with regulatory authorities in several key markets – n Australia with the TGA, in the USA with the FDA, in Europe where it has received a CE Mark, in Canada with Canada Health and in Taiwan with the Taiwanese FDA.

PLATFORM TECHNOLOGY R&D

The Company has created a compelling platform technology capable of meeting a number of clear unmet clinical and consumer health needs. This platform is protected by patents both granted and pending across multiple jurisdictions.
To prove the value of this platform, the company began assessing a range of opportunities where nasal drug delivery resolves significant issues encountered by other delivery methods.

As part of the demonstration of the utility of the platform, the Company continues the development of its nasal decongestant and sleep management products. Prototyping has been finalised and the next stage of assessing retailer demand is underway. Further updates will be provided during the first half of FY19.

Late in 2017, the Company began a dialogue with the US's largest medical cannabis operator Columbia Care. In June 2018 both parties announced the completion and signing of a non-binding term sheet. Rhinomed and Columbia Care are now working to finalise a definitive agreement that will define the relationship going forward. The Company expects this will in time, result in the development of a portfolio of products utilising the Company's proprietary nasal technology to deliver cannabis formulations. The Company believes that this relationship will unlock a number of significant opportunities in the USA – the fast growing medical cannabis market in the world.

Rhinomed continues to build a reputation and be recognised as an innovator and global leader in improving nasal airflow, breathing and sleep. R&D expenditure remains conservative as the Company leverages the existing technology infrastructure. Investment during FY18 was $142k (2017: 65k).

CORPORATE

As outlined in the FY18 Quarter 4 quarterly statement, the $2.0 million working capital facility was rolled over. This facility was not utilised during the current financial year.

In November 2017, the Company raised $3.6 million which was strongly supported by both existing and new investors from both the US, the UK and Australia.

The Company has 117 million shares on issue and the top 20 shareholders held 61.5% of the company's stock as at 30 June 2018.

EVENTS AFTER THE REPORTING DATE

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

FINANCIAL PERFORMANCE

The Group recorded a total comprehensive loss for the period of $3,996,593 after tax reflecting the continuing investment in positioning the technology at the forefront of the sleep market.

INFORMATION ON DIRECTORS

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

MR MICHAEL JOHNSON	EXECUTIVE DIRECTOR & CHIEF EXECUTIVE OFFICER
EXPERIENCE AND EXPERTISE	Mr Johnson is also a director of Melbourne based Cogentum, one of Australia's leading market oriented strategic advisory firms based in Melbourne, Australia. Over the last 20 years, Mr Johnson has worked in and for a wide spectrum of companies from ASX300 through to start-up companies in Life Sciences, Cleantech, Financial Services, Energy and Utilities, Manufacturing, Marketing and Communication, Automotive, and Consumer packaged goods. His most recent work has focused on helping companies envision and create new growth and innovation, manage and grow technology platforms and achieve sustainable growth through business model innovation. Mr Johnson has been a Principal at two leading global consulting firms where he advised on innovation and competing in heavily regulated industries. Before that, he held roles within some of the world's most successful marketing and communication firms where he launched a number of high profile new products and brands. Mr Johnson has received a Master's degree in Entrepeneurship and Innovation from Swinburne University and a Bachelor's degree 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	314,548 ordinary fully paid shares
Interest in options	4,000,000 options

MR RON DEWHURST	NON-EXECUTIVE CHAIRMAN
EXPERIENCE AND EXPERTISE	Mr Dewhurst has spent 40 years in the Investment Banking and Asset Management Industries, covering Australia, Asia, Europe and America. In 1992 he joined J P Morgan where he ran the Asian and European equities divisions in Hong Kong and London before being appointed Head of Americas for J P Morgan Asset Management. In 2004 he was CEO of IOOF Holdings Ltd and from 2008 until 2013 he was Senior Executive Vice President and Head of Global Investment Managers for Legg Mason Inc based in the USA. Previously, Mr Dewhurst worked within Melbourne-based broking firm McCaughan Dyson going on to become CEO of what became ANZ McCaughan Ltd.
Date of appointment	1 December 2015
Committees	Member of the Remuneration and the Audit Committee.
Other listed company directorships in the past 3 years	Diversa Ltd (ASX: DVA), OneVue Holdings (ASX:OVH), Sprott Inc. (TSX:SII)
Interest in shares	7,784,680 ordinary fully paid shares
Interest in options	1,000,000 options

DR ERIC KNIGHT	NON-EXECUTIVE DIRECTOR
EXPERIENCE AND EXPERTISE	Dr Knight brings a depth of experience in corporate strategy and management, having previously worked for the Boston Consulting Group. He specialises in strategy implementation and corporate innovation in the healthcare, digital media, and financial services sectors. Dr Knight draws upon his expertise to support the organisation's internationalisation and commercialisation strategy. Dr Knight is a Graduate of the Australian Institute of Company Directors and is based at the University of Sydney Business School, where he leads strategy and entrepreneurship teaching in the MBA.
Date of appointment	12 February 2014
Committees	Chair of the Audit Committee Member of the Remuneration Committee
Other listed company directorships in the past 3 years	-
Interest in shares	76,158 ordinary fully paid shares
Interest in options	1,000,000 options

MR BRENT SCRIMSHAW	NON-EXECUTIVE DIRECTOR
EXPERIENCE AND EXPERTISE	Mr Scrimshaw brings a unique understanding of the requirements of building disruptive brands and businesses worldwide. During a 19-year career with Nike Inc. where he became Vice President and Chief Executive of Western Europe and a member of the global corporate leadership team, he was responsible of many of Nike's major growth and brand strategies. He is currently CEO of Unscript'd Pty Ltd, and he is also a non-executive director of Catapult Group International Limited (ASX: CAT) and Kathmandu Holdings Limited (ASX/NZX: KMD) from 24 November 2017.
Date of appointment	12 February 2014
Committees	Chair of the Remuneration Committee
Other listed company directorships in the past 3 years	Catapult Sports Ltd (ASX: CAT) Kathmandu Holdings Limited (ASX: KMD)
Interest in shares	108,918 ordinary fully paid shares
Interest in options	1,000,000 options

INFORMATION ON KEY MANAGEMENT PERSONNEL

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

MR SHANE DUNCAN	VICE PRESIDENT GLOBAL SALES AND MARKETING
EXPERIENCE AND EXPERTISE	Mr Duncan has over 20 years International experience across pharmaceutical marketing, sales and medical communications. Mr Duncan was formerly the Founder and Managing Director of Lifeblood which was an Australian based medical education and healthcare advertising agency.
Date of appointment	23 August 2015
Interest in shares	30,000 ordinary fully paid shares
Interest in options	500,000 options

MR PHILLIP HAINS	COMPANY SECRETARY
EXPERIENCE AND EXPERTISE	Mr Hains is a Chartered Accountant operating a specialist public practice, 'The CFO Solution'. The CFO Solution focuses on providing back office support, financial reporting and compliance systems for listed public companies. A specialist in the public company environment, Mr Hains has served the needs of a number of company boards and their related committees. He has over 20 years' experience in providing businesses with accounting, administration, compliance and general management services. He holds a Master of Business Administration from RMIT and a Public Practice Certificate from the Institute of Chartered Accountants.
Date of appointment	24 December 2012
Interest in shares	1,273,358 ordinary fully paid shares
Interest in options	Nil

MR JUSTYN STEDWELL	JOINT COMPANY SECRETARY
	(RESIGNED 1 NOVEMBER 2017)

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 2018, and the numbers of meetings attended by each Director were:

	FULL BOARD		AUDIT COMMITTEE		REMUNERATION COMMITTEE	
	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD
MICHAEL JOHNSON	14	14	8	8	1	1
RON DEWHURST	14	14	8	8	1	1
BRENT SCRIMSHAW	14	14	-	-	1	1
ERIC KNIGHT	14	14	8	8	1	1

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

REMUNERATION REPORT

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 Director and Company with those of shareholders.

All remuneration paid to KMP is valued at the cost to the Group and expensed. KMP are also entitled and encouraged to participate in the employee share and option arrangements to align directors' interests 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 the achievements of individuals and the Group.

ENGAGEMENT OF REMUNERATION CONSULTANTS

During the financial year, Crichton and Associates was engaged by the remuneration committee to review its remuneration policies and make recommendations on the Company's remuneration levels based on the market conditions and expectations. Crichton and Associates was paid $10,091 for the remuneration recommendations relating to the review of the Company's remuneration policies.

The Board is satisfied that the remuneration recommendations were free from undue influence by members of KMP to whom the recommendations relate.

PERFORMANCE LINKED REMUNERATION

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

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

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

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 KPIs being achieved. KPIs includes 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)

STI bonuses were granted to KMP during the financial year ended 30 June 2018 for overall performance.

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

LONG TERM INCENTIVES (LTI)

No options were granted to KMP during the financial year ended 30 June 2018.

RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND THE GROUP'S PERFORMANCE

The remuneration of executives consists of a fixed 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:

- Mr Michael Johnson – Executive Director
- Mr Ron Dewhurst – Non-Executive Chairman
- Mr Brent Scrimshaw – Non-Executive Director
- Dr Eric Knight – Non-Executive Director

And the following persons:

- Mr Shane Duncan - Vice President Global Sales and Marketing

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

	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENTS	TOTAL	PROPORTION OF REMUNERATION NOT RELATED TO PERFORMANCE
2018	CASH SALARY AND FEES $	CASH BONUS $	NON-MONETARY $	SUPER-ANNUATION $	LONG SERVICE LEAVE $	EQUITY-SETTLED $	$	
NON-EXECUTIVE DIRECTORS:								
RON DEWHURST	76,712	-	-	7,288	-	-	84,000	0%
BRENT SCRIMSHAW	54,795	-	-	5,205	-	-	60,000	0%
ERIC KNIGHT	54,795	-	-	5,205	-	-	60,000	0%
EXECUTIVE DIRECTORS:								
MICHAEL JOHNSON	254,951	87,500	-	20,049	-	-	362,500	24%
OTHER KEY MANAGEMENT PERSONNEL:								
SHANE DUNCAN	251,501	-	-	-	-	-	251,501	0%
	692,754	**87,500**	**-**	**37,747**	**-**	**-**	**818,001**	

2017								
NON-EXECUTIVE DIRECTORS:								
RON DEWHURST	76,712	-	-	7,283	-	-	83,995	0%
BRENT SCRIMSHAW	54,794	-	-	5,205	-	105,500	165,499	64%
ERIC KNIGHT	54,794	-	-	5,205	-	105,500	165,499	64%
EXECUTIVE DIRECTORS:								
MICHAEL JOHNSON	230,692	-	-	19,308	-	422,000	672,000	63%
OTHER KEY MANAGEMENT PERSONNEL:								
JUSTINE HEATH[1]	78,067	-	-	5,910	-	-	83,977	0%
SHANE DUNCAN	221,591	-	-	-	-	-	221,591	0%
	716,650	**-**	**-**	**42,911**	**-**	**633,000**	**1,392,561**	

[1]MS JUSTINE HEATH RESIGNED AS CHIEF FINANCIAL OFFICER AND CHIEF OPERATING OFFICER ON 24 OCTOBER 2016.

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

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

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

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

NON-EXECUTIVE DIRECTORS

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

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

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

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

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

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

D.
SHARE-BASED COMPENSATION

ISSUE OF SHARES

There has been no share-based payments for the period ended 30 June 2018.

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 2018 are set out below:

NAME	NUMBER OF OPTIONS GRANTED DURING THE YEAR		NUMBER OF OPTIONS VESTED DURING THE YEAR	
	2018	2017	2018	2017
PHILLIP HAINS	-	-	-	-
MICHAEL JOHNSON	-	4,000,000	-	4,000,000
RON DEWHURST	-	-	-	-
BRENT SCRIMSHAW	-	1,000,00	-	1,000,000
ERIC KNIGHT	-	1,000,00	-	1,000,000
SHANE DUNCAN	-	-	-	-
JUSTINE HEATH[1]	-	-	-	-
	-	**6,000,000**	**-**	**6,000,000**

[1]MS JUSTINE HEATH RESIGNED AS CHIEF FINANCIAL OFFICER AND CHIEF OPERATING OFFICER ON 24 OCTOBER 2016.

E. RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND GROUP PERFORMANCE

As detailed under heading (a), remuneration of executives consists of a fixed 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 2018:

	30 JUNE 2018	30 JUNE 2017	30 JUNE 2016	30 JUNE 2015	30 JUNE 2014
	$	$	$	$	$
REVENUE	2,259,364	1,853,270	1,097,315	492,888	291,069
NET LOSS BEFORE TAX	(4,079,747)	(4,721,522)	(6,435,986)	(5,887,329)	(3,922,702)
NET LOSS AFTER TAX	(4,004,324)	(4,441,578)	(5,998,529)	(5,316,992)	(3,534,577)

No dividends have been paid for the five years to 30 June 2018.

	30 June 2018	30 JUNE 2017	30 JUNE 2016	30 JUNE 2015	30 JUNE 2014
	$	$	$	$	$
SHARE PRICE AT START OF THE YEAR	0.185	0.190	0.300*	0.230*	0.300*
SHARE PRICE AT END OF YEAR	0.175	0.185	0.190*	0.300*	0.230*
BASIC AND DILUTED GAIN/(LOSS) PER SHARE (CENTS)	(3.74)	(6.61)	(9.43)*	(11.20)*	(10.00)*

*On 3 May 2017 the share capital of the Company has been consolidated through the conversion of every ten shares into one share. Basic and diluted loss per share and share price for the prior financial years have been restated for presentation purpose.

F. KEY MANAGEMENT PERSONNEL DISCLOSURES

SHAREHOLDING

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

	BALANCE AT THE START OF THE YEAR	BALANCE AT DATE OF APPOINT-MENT	RECEIVED AS PART OF REMUNE-RATION	ADDITIONS	DISPO-SALS/ OTHER	BALANCE AT DATE OF RESIGNATION	BALANCE AT THE END OF THE YEAR
2018	$	$	$	$	$	$	$
ORDINARY SHARES							
MICHAEL JOHNSON	174,553	-	-	139,995	-	-	314,548
RON DEWHURST	7,184,680	-	-	600,000	-	-	7,784,680
BRENT SCRIMSHAW	75,918	-	-	33,000	-	-	108,918
ERIC KNIGHT	76,158	-	-	-	-	-	76,158
SHANE DUNCAN	30,000	-	-	-	-	-	30,000
	7,541,309	**-**	**-**	**772,995**	**-**	**-**	**8,314,304**

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

[1]Ms Justine Heath resigned as Chief Financial Officer and Chief Operating Officer on 24 October 2016.
*On 3 May 2017 the share capital of the Company has been consolidated through the conversion to one share for every ten shares held.

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:

2018	BALANCE AT THE START OF THE YEAR	BALANCE AT DATE OF APPOINT-MENT	GRANTED AND VESTED	ACQ-UIRED ON MARKET	EXER-CISED	EXPIRED/ FORFEITED	BALANCE AT DATE OF RESIG-NATION	BALANCE AT THE END OF THE YEAR[1]
	$	$	$	$	$	$	$	$
OPTIONS OVER ORDINARY SHARES								
MICHAEL JOHNSON	4,000,000	-	-	-	-	-	-	4,000,000
RON DEWHURST	1,000,000	-	-	-	-	-	-	1,000,000
BRENT SCRIMSHAW	1,000,000	-	-	-	-	-	-	1,000,000
ERIC KNIGHT	1,000,000	-	-	-	-	-	-	1,000,000
SHANE DUNCAN	500,000	-	-	-	-	-	-	500,000
	7,500,000	**-**	**-**	**-**	**-**	**-**	**-**	**7,500,000**

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

[1]Ms Justine Heath resigned as Chief Financial Officer and Chief Operating Officer on 24 October 2016 (pre-consolidation 10:1)

RELATED PARTY TRANSACTIONS

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

	NOTE	CONSOLIDATED	
		30-JUN-18 $AUD	30-JUN-17 $AUD
TRANSACTIONS WITH RELATED PARTIES The following transactions occurred with the following related parties:			
PAYMENT FOR GOODS AND SERVICES: Smart Street	(i)	88,660	96,400

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

RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES

Outstanding balance payable at the end of the current year to Smart Street is $20,668 (2017: $9,540). Smart Street provides consulting and marketing related services to the Company.

There are no other outstanding balances at the reporting date in relation to transactions with related parties.

(This concludes the remuneration report, which has been audited.)

SHARES UNDER OPTION

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

GRANT DATE	CONSOLIDATION DATE	EXPIRY DATE	EXERCISE PRICE	OPTIONS EXPIRED	NUMBER UNDER OPTION
23/12/2015	03/05/2017	30/04/2019	$0.650*	-	76,923
11/04/2016	03/05/2017	11/04/2019	$0.650*	-	1,800,000
20/05/2016	03/05/2017	30/04/2019	$0.674*	-	1,000,000
24/01/2017	-	30/12/2020	$0.400*	-	150,000
28/04/2017	-	30/04/2020	$0.270*	-	6,000,000
				-	**9,026,923**

* Post consolidation

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

INDEMNITY AND INSURANCE OF OFFICERS

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

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

INDEMNITY AND INSURANCE OF AUDITOR

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

ENVIRONMENTAL ISSUES

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

EVENTS SINCE THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Groups state of affairs in future financial years.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 15 to the financial statements.

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

AUDITOR'S INDEPENDENCE DECLARATION

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

On behalf of the Directors

Michael Johnson
Director

Melbourne
27 September 2018

CORPORATE GOVERNANCE

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

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

HLB Mann Judd
Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Rhinomed Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to the Rhinomed Limited and the entities it controlled during the period.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Nick Walker
Partner

Melbourne
27 September 2018

HLB Mann Judd (VIC Partnership)
Level 9, 575 Bourke Street, Melbourne VIC 3000 | GPO Box 2850, Melbourne VIC 3001 | DX 154 Melbourne | Tel: +61 (0)3 9606 3888 | Fax: +61 (0)3 9606 3800
Email: mailbox@hlbvic.com.au | Website: www.hlbvic.com.au

FULL YEAR FINANCIAL ACCOUNTS

FOR THE YEAR ENDED

30 JUNE 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

		CONSOLIDATED	
	NOTE	30-JUN-18 $AUD	30-JUN-17 $AUD
REVENUE			
Revenue from continuing operations	2	2,169,176	1,717,225
Other income	2	90,188	136,045
EXPENSES			
Raw materials and consumables used	3	(607,447)	(388,309)
Employee benefits expense		(1,503,486)	(2,198,595)
Depreciation and amortisation	3	(372,103)	(470,228)
Administration		(1,458,003)	(1,399,803)
Marketing		(1,750,937)	(1,510,672)
Research and development	3	(142,296)	(64,546)
Other expenses		(504,839)	(542,639)
LOSS BEFORE INCOME TAX		**(4,079,747)**	**(4,721,522)**
Income tax benefit	4	75,423	279,944
LOSS FOR THE YEAR		**(4,004,324)**	**(4,441,578)**
OTHER COMPREHENSIVE LOSS			
Exchange differences on translation of foreign operations	7(b)	**7,731**	**(4,961)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(3,996,593)**	**(4,446,539)**
Total comprehensive loss for the year is attributable to:			
Non-controlling interests		-	-
Owners of Rhinomed Limited		(3,996,593)	(4,446,539)
		CENTS	CENTS
LOSS PER SHARE FOR LOSS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:			
Basic earnings per share[1]	16	(3.74)	(6.61)
Diluted earnings per share	16	(3.74)	(6.61)

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

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

		CONSOLIDATED	
	NOTE	30-JUN-18 $AUD	30-JUN-17 $AUD
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5(a)	1,263,122	1,666,883
Trade and other receivables	5(b)	838,144	375,900
Inventories	5(c)	359,070	429,118
Other assets		54,202	78,032
TOTAL CURRENT ASSETS		**2,514,538**	**2,549,933**
NON-CURRENT ASSETS			
Other financial assets		52,170	51,475
Property, plant and equipment		25,253	23,926
Intangible assets	6(a)	3,316,623	3,678,251
TOTAL NON-CURRENT ASSETS		**3,394,046**	**3,753,652**
TOTAL ASSETS		**5,908,584**	**6,303,585**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	5(e)	696,075	726,588
Provisions	6(b)	53,364	122,632
Deferred revenue		371,354	114,652
TOTAL CURRENT LIABILITIES		**1,120,793**	**963,872**
NON-CURRENT LIABILITIES			
Provisions	6(b)	20,879	7,620
TOTAL NON-CURRENT LIABILITIES		**20,879**	**7,620**
TOTAL LIABILITIES		**1,141,672**	**971,492**
NET ASSETS		**4,766,912**	**5,332,093**
EQUITY			
Issued capital	7(a)	54,366,251	50,934,839
Reserves	7(b)	802,835	795,104
Non-controlling interest reserve	7(b)	-	(6,158,687)
Accumulated losses	7(c)	(50,402,174)	(40,239,163)
TOTAL EQUITY		**4,766,912**	**5,332,093**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	ISSUED CAPITAL $	OPTION RESERVE $	RESERVES NCI $	FOREIGN EXCHANGE RESERVE $	ACCUMULATED LOSSES $	TOTAL EQUITY $
	Note 7(a)	Note 7(b)	Note 7(b)	Note 7(b)		
BALANCE AS AT 01 JULY 2016	**48,919,157**	**3,629,618**	**(6,158,687)**	**(24,024)**	**(39,250,694)**	**7,115,370**
Loss for the year	-	-	-	-	(4,441,578)	(4,441,578)
Other comprehensive income/(expense) for the year	-	-	-	(4,961)	-	(4,961)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	-	-	-	**(4,961)**	**(4,441,578)**	**(4,446,539)**
TRANSACTIONS WITH EQUITY HOLDERS IN THEIR CAPACITY AS EQUITY HOLDERS:						
Shares issued net of issue costs	2,015,682	-	-	-	-	2,015,682
Options expired	-	(3,453,109)	-	-	3,453,109	-
Options issued	-	647,580	-	-	-	647,580
	2,015,682	(2,805,529)	-	-	3,453,109	2,663,262
BALANCE AS AT 30 JUNE 2017	**50,934,839**	**824,089**	**(6,158,687)**	**(28,985)**	**(40,239,163)**	**5,332,093**
Loss for the year	-	-	-	-	(4,004,324)	(4,004,324)
Other comprehensive income/(expense) for the year	-	-	-	7,731	-	7,731
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**-**	**-**	**-**	**7,731**	**(4,004,324)**	**(3,996,593)**
TRANSACTIONS WITH EQUITY HOLDERS IN THEIR CAPACITY AS EQUITY HOLDERS:						
Transfer to accumulated losses	-	-	6,158,687	-	(6,158,687)	-
Shares issued net of issue costs	3,431,412	-	-	-	-	3,431,412
	3,431,412	-	6,158,687	-	(6,158,687)	3,431,412
BALANCE AS AT 30 JUNE 2018	**54,366,251**	**824,089**	**-**	**(21,254)**	**(50,402,174)**	**4,766,912**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	CONSOLIDATED 30-JUN-18 $AUD	CONSOLIDATED 30-JUN-17 $AUD
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,768,552	2,024,000
Payments to suppliers and employees		(5,758,478)	(5,432,071)
Interest received		15,000	35,000
Interest and other costs of finance paid		(18,000)	(14,000)
Receipt of R&D tax refund		75,423	279,860
Government grants		72,159	110,955
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**8(a)**	**(3,845,344)**	**(2,996,256)**
CASH FLOWS RELATED TO INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment		(11,802)	(4,714)
Withdrawal/(investment) from/(in) term deposits		-	51,510
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(11,802)**	**46,796**
CASH FLOWS RELATED TO FINANCING ACTIVITIES			
Proceeds from issues of shares and other equity securities	7(a)	3,605,125	2,198,440
Capital raising costs		(173,713)	(182,758)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**3,431,412**	**2,015,682**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(425,734)**	**(933,778)**
Cash and cash equivalents at the beginning of the year		1,666,883	2,612,757
Effects of exchange rate changes on cash and cash equivalents		21,973	(12,096)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**5(a)**	**1,263,122**	**1,666,883**

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1.

SEGMENT INFORMATION

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

NOTE 2.

REVENUE

	CONSOLIDATED	
	30-JUN-18 $AUD	30-JUN-17 $AUD
REVENUE		
Sale of goods	2,169,176	1,717,225
OTHER INCOME		
Interest received	13,063	25,090
Other items	4,966	-
Government grants	72,159	110,955
TOTAL OTHER INCOME	**90,188**	**136,045**

NOTE 3.

EXPENSES

	CONSOLIDATED	
	30-JUN-18 $AUD	30-JUN-17 $AUD
PROFIT/(LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS INCLUDES THE FOLLOWING SPECIFIC EXPENSES:		
COST OF SALES		
Raw materials and consumables used	607,447	388,309
DEPRECIATION & AMORTISATION		
Plant and equipment	10,475	108,600
Intangible asset	361,628	361,628
	372,103	**470,228**

NET FOREIGN EXCHANGE (GAIN)/LOSS		
Foreign exchange (gain)/loss	(14,243)	19,222
SUPERANNUATION EXPENSE		
Defined contribution superannuation expense	62,312	64,634
RESEARCH & DEVELOPMENT COSTS		
Research & development	142,296	64,546
OPERATING LEASE EXPENSE		
Operating lease expense	120,103	103,808

NOTE 4.

INCOME TAX BENEFIT

(A) NUMERICAL RECONCILIATION OF INCOME TAX BENEFIT TO PRIMA FACIE TAX PAYABLE	CONSOLIDATED	
	30-JUN-18 $AUD	30-JUN-17 $AUD
Loss before income tax	(4,079,747)	(4,721,522)
Tax at the Australian tax rate of 27.5% (2017: 27.5%)	(1,121,930)	(1,298,419)
TAX EFFECT OF AMOUNTS WHICH ARE NOT DEDUCTABLE IN CALCULATING INCOME TAX:		
Impairment and amortisation expenses	99,448	99,448
Other expenses not deductible	(1,767)	799
Legal fees and penalties	-	669
Other deductible items	(47,771)	(50,258)
Deferred tax assets relating to tax losses not recognised	1,147,444	1,527,705
INCOME TAX BENEFIT	**75,424**	**279,944**

NOTE 5.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(A) CASH AND CASH EQUIVALENTS	CONSOLIDATED	
	30-JUN-18 $AUD	30-JUN-17 $AUD
Cash at bank	1,263,122	1,666,883
	1,263,122	**1,666,883**

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

(B) TRADE AND OTHER RECEIVABLES	CONSOLIDATED	
	30-JUN-18 $AUD	30-JUN-17 $AUD
Trade receivables	837,547	375,900
Other receivables	597	-
	838,144	**375,900**
MOVEMENTS IN THE PROVISION FOR IMPAIRMENT OF RECEIVABLES ARE AS FOLLOWS:		
Opening balance	-	(133,000)
Additional provisions recognised	-	-
Receivables written off during the year as uncollectible	-	133,000
CLOSING BALANCE	**-**	**-**

	CONSOLIDATED					
	2018			2017		
	CURRENT $	NON-CURRENT $	TOTAL $	CURRENT $	NON-CURRENT $	30-JUN-17 $AUD
FINANCIAL ASSETS CLASSIFIED AS LOANS AND RECEIVABLES						
Trade and other receivables	838,144	-	838,144	375,900	-	375,900
Less net consumption taxes receivable (GST and VAT)	(592)	-	(592)	(45,866)	-	(45,866)
	837,552	**-**	**837,552**	**330,034**	**-**	**330,034**

PAST DUE BUT NOT IMPAIRED

Customers with balances past due but without provision for impairment of receivables amount to $nil as at 30 June 2018 ($nil as at 30 June 2017).

(C) INVENTORIES

Inventories consist of finished goods and are measured at cost.

NOTE 5.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(D) OTHER FINANCIAL ASSETS	CONSOLIDATED	
	30-JUN-18 $AUD	30-JUN-17 $AUD
Term deposits*	52,170	51,475
	52,170	**51,475**

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

(E) TRADE AND OTHER PAYABLES	CONSOLIDATED	
	30-JUN-18 $AUD	30-JUN-17 $AUD
UNSECURED		
Trade payables	560,870	574,765
Accrued expenses	2,368	-
Other payables	132,837	151,823
	696,075	**726,588**

All of the above trade and other payables are measured at amortised cost.

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

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

(F) DEFERRED REVENUE	CONSOLIDATED	
	30-JUN-18 $AUD	30-JUN-17 $AUD
Deferred revenue	371,354	114,652
	371,354	**114,652**

NOTE 6.

NON-FINANCIAL ASSETS AND LIABILITIES

(A) INTANGIBLE ASSETS	CONSOLIDATED	
	30-JUN-18 $AUD	30-JUN-17 $AUD
GOODWILL		
At cost	4,951,996	4,951,996
Less: impairment	(3,386,992)	(3,386,992)
NET CARRYING VALUE	**1,565,004**	**1,565,004**
DEVELOPMENT COSTS		
At cost	602,503	602,503
Less: impairment	(213,576)	(213,576)
Less: amortisation	(165,624)	(134,936)
NET CARRYING VALUE	**223,303**	**253,991**
INTELLECTUAL PROPERTY		
At cost	9,516,217	9,516,217
Less: impairment	(6,492,957)	(6,492,957)
Less: amortisation	(1,494,944)	(1,164,004)
NET CARRYING VALUE	**1,528,316**	**1,859,256**
TOTAL INTANGIBLE ASSETS	**3,316,623**	**3,678,251**

(I) RECONCILIATIONS

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

	GOODWILL $	DEVELOPMENT COSTS $	INTELLECTUAL PROPERTY $	TOTAL $
BALANCE AT 01 JULY 2016	1,565,004	284,679	2,190,196	4,039,879
Amortisation charge	-	(30,688)	(330,940)	(361,628)
BALANCE AT 30 JUNE 2017	**1,565,004**	**253,991**	**1,859,256**	**3,678,251**
Amortisation charge	-	(30,688)	(330,940)	(361,628)
BALANCE AT 30 JUNE 2018	**1,565,004**	**223,303**	**1,528,316**	**3,316,623**

NOTE 6.

NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(II) IMPAIRMENT OF INTANGIBLES

The Directors conducted an impairment review of the Group's intangible assets as at 30 June 2018 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 cash flow projections over a five year period with a terminal value calculated on a perpetual growth basis. The cash flows were discounted using a pre-tax discount rate of 20 percent (2017: 20 percent) at the beginning of the projection period. The projections reflected the Board's best estimate of the product's expected market share, its expanding distribution network and the Group's revenue stream. Gross profit was determined factoring in expected cost structures as well as estimated inflation rates over the period. A possible reasonable change in the discount rate would not result in an impairment of the intangible assets.

In performing the impairment review, the Directors have determined that the cash generating unit (CGU) is to be assessed on a group level, consistent with the Group's single segment as disclosed in note 1.

(III) AMORTISATION

As the Group has commenced commercialisation of the BreatheAssist technology, an amortisation charge is recognised for development costs and intellectual property over the asset's useful life. An amortisation charge is recognised for $361,628 (2017: $361,628) and was recorded for the period.

The intangible assets has been assessed as having a finite life and is amortised using the straight line method over a period of 9.5 years for 2018 and 2017.

(B) PROVISIONS	CONSOLIDATED	
	30-JUN-18 $AUD	30-JUN-17 $AUD
CURRENT		
Employee benefits	53,364	122,632
	53,364	**122,632**
NON-CURRENT		
Employee benefits	20,879	7,620
	20,879	**7,620**

(I) PROVISION FOR EMPLOYEE BENEFITS

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

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

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

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed in note 19aa.

NOTE 7.
EQUITY

(A) ISSUED CAPITAL

(I) MOVEMENTS IN ORDINARY SHARES ON ISSUE:

DETAILS	NUMBER OF SHARES	$
BALANCE AT 1 JULY 2016	**814,234,007**	**48,919,157**
14/03/2017 Private placement at $0.018	105,135,000	1,892,430
20/03/2017 Private placement at $0.018	13,000,000	234,000
21/03/2017 Private placement at $0.018	4,000,000	72,000
23/03/2017 Private placement at $0.10	100	10
03/05/2017 Share consolidation*	(936,369,107)	-
03/05/2017 Share consolidation*	93,637,159	-
Less: transaction costs arising on share issue	-	(182,758)
BALANCE AT 30 JUNE 2017	**93,637,159**	**50,934,839**
BALANCE AT 1 JULY 2017	**93,637,159**	**50,934,839**
05/12/2017 Private placement at $0.15	5,271,281	790,692
08/12/2017 Private placement at $0.15	18,129,613	2,719,433
21/03/2018 Private placement at $0.15	633,334	95,000
Less: transaction costs arising on share issue	-	(173,713)
BALANCE AT 30 JUNE 2018	**117,671,387**	**54,366,251**

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

(B) RESERVES

	CONSOLIDATED	
	30-JUN-18 $AUD	30-JUN-17 $AUD
Other reserves	824,089	824,089
Foreign exchange reserve	(21,254)	(28,985)
	802,835	**795,104**

(I) RECONCILIATIONS

	OPTION RESERVE $	NCI RESERVE $	FOREIGN EXCHANGE RESERVE $	TOTAL $
BALANCE AT 1 JULY 2016	**3,629,618**	**(6,158,687)**	**(24,024)**	**(2,553,093)**
Options issued/(expired)	(2,805,529)	-	-	(2,805,529)
Foreign exchange movements	-	-	(4,961)	(4,961)
BALANCE AT 30 JUNE 2017	**824,089**	**(6,158,687)**	**(28,985)**	**(5,363,583)**
BALANCE AT 1 JULY 2017	**824,089**	**(6,158,687)**	**(28,985)**	**(5,363,583)**
Options issued/(expired)	-	-	-	-
Foreign exchange movements	-	-	7,731	7,731
Transfer to accumulated losses from NCI reserve	-	6,158,687	-	6,158,687
BALANCE AT 30 JUNE 2018	**824,089**	**-**	**(21,254)**	**802,835**

The option reserve is used to record the expense associated with the valuation of options. The NCI reserve is used to record adjustments arising from transactions with non-controlling interests. The foreign exchange reserve is used to record exchange differences arising on translation of a foreign controlled subsidiary.

(B) RESERVES

(II) MOVEMENTS IN OPTIONS

	NO.	$
BALANCE AT 1 JULY 2016	**271,919,230**	**3,629,618**
Options lapsed/expired	(243,150,000)	(3,453,109)
Consolidation 10:1	(25,892,307)	-
Options issued	6,150,000	647,580
BALANCE AT 30 JUNE 2017	**9,026,923**	**824,089**
BALANCE AT 1 JULY 2017	**9,026,923**	**824,089**
Options lapsed/expired	-	-
Options issued	-	-
BALANCE AT 30 JUNE 2018	**9,026,923**	**824,089**

There were no new options granted or issued during the current reporting period.

(C) ACCUMULATED LOSSES

	30-JUN-18 $AUD	30-JUN-17 $AUD
Accumulated losses at the beginning of the financial year	40,239,163	39,250,694
Loss after income tax expense for the year	4,004,324	4,441,578
Transfer from option reserve	-	(3,453,109)
Transfer to accumulated losses from NCI reserve	6,158,687	-
	(50,402,174)	**(40,239,163)**

NOTE 8.

CASH FLOW INFORMATION

(A) RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES	CONSOLIDATED	
	30-JUN-18 $AUD	30-JUN-17 $AUD
LOSS FOR THE PERIOD	**(4,004,324)**	**(4,441,578)**
Adjustment for:		
Depreciation and amortisation	372,103	470,228
Share-based payments	-	647,580
Other	(14,244)	12,096
CHANGE IN OPERATING ASSETS AND LIABILITIES:		
(Increase)/decrease in trade and other receivables	(205,540)	(2,839)
(Increase)/decrease in other current assets	23,135	71,203
Increase/(decrease) in accounts payable	(30,513)	78,835
(Increase)/decrease in inventories	70,048	117,219
Increase/(decrease) in employee benefits	(56,009)	51,000
NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES	**(3,845,344)**	**(2,996,256)**

NOTE 9.
FINANCIAL RISK MANAGEMENT

(A) FINANCIAL INSTRUMENTS

The Group's financial instruments are detailed below:

	NOTE	CONSOLIDATED 30-JUN-18 $AUD	30-JUN-17 $AUD
Cash and cash equivalents	5(a)	1,263,122	1,666,883
Trade and other receivables	5(b)	838,144	375,900
Other financial assets	5(d)	52,170	51,475
Trade and other payables	5(e)	(696,075)	(726,588)
		1,457,361	**1,367,670**

The Group did not have any derivative instruments at 30 June 2018 and 30 June 2017.

(B) RISK MANAGEMENT POLICY

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

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

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

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

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

(C) SIGNIFICANT ACCOUNTING POLICY

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 19 to the financial statements.

The carrying amounts of cash and cash equivalents, trade and other receivables, other financial assets, trade and other payables and other financial liabilities represents their fair values determined in accordance with the accounting policies disclosed in note 19.

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

(D) CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may issue new shares or reduce its capital, subject to the provisions of the Group's constitution. The capital structure of the Group consists of equity attributed to equity holders of the Group, comprising contributed equity, reserves and accumulated losses disclosed in note 7. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the Board by the Group's Management the Board monitors the need to raise additional equity from the equity markets.

(E) FINANCIAL RISK MANAGEMENT

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

(I) INTEREST RATE RISK

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

The objective of managing interest rate risk is to minimise the Group's exposure to fluctuations in interest rate that might impact its interest revenue and cash flow. The Group is exposed to security price risk which is the risk that a change in the value of the equity will impact on the Group's net results or net assets position on investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

INSTRUMENTS WITH CASH FLOW RISK

		CONSOLIDATED	
	NOTE	30-JUN-18 $AUD	30-JUN-17 $AUD
Cash and cash equivalents	5(a)	1,263,122	1,666,883
Other financial assets	5(d)	52,170	51,475
		1,315,292	**1,718,358**

An increase or decrease of 0.2% in interest rates at the reporting date would have the following increase/(decrease) effect on cash and cash equivalents and other financial assets. The analysis assumes that all other variables remain constant.

The use of 0.2% was determined based on analysis of the Reserve Bank of Australia rates change, on an absolute value basis, between June 2016, June 2017 and June 2018. The average change of rate was 0.17%.

	2018	2017
	+0.2%/-0.2% $	+1%/-1% $
Cash and cash equivalents	2,526/(2,526)	16,669/(16,669)
Other financial assets	104/(104)	515/(515)

(II) FOREIGN EXCHANGE RISK

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange rate risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the Group's reporting currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

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

2018	USD	GBP	EUR	NZD	TOTAL
Assets	868,051	142,985	-	-	1,011,036
Liabilities	(256,929)	(12,886)	(3,114)	(384)	(273,313)
	611,122	**130,099**	**(3,114)**	**(384)**	**737,723**

A strengthening or weakening of the Australian Dollar against the following currencies would have an equal and opposite effect on the loss after tax and equity as outlined below. The analysis assumes that all other variables, in particular interest rates, remain constant.

During the current financial period, the percentage movement was determined based on the analysis of USD, GBP, EUR and NZD change, on a high and low value basis, between 30 June 2017 and 30 June 2018. The average change of these currencies within this period was approximately 11%, 12%, 10% and 7%, respectively (2017: 5%).

	2018	**2017**
	+%/-% $	+5%/-5% $
United State Dollar (USD)	67,223/(67,223)	1,492/(1,492)
British Pound (GBP)	15,612/(15,612)	3,237/(3,237)
Euro (EUR)	(311)/311	-
New Zealand Dollar (NZD)	(38)/38	-

(III) CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group closely monitors the activities of its counterparties and controls the access to its intellectual property which enables it to ensure the prompt collection of customers' balances. The Group's main financial assets are cash and cash equivalents as well as trade and other receivables and represent the Group's maximum exposure to credit risk in connection with its financial assets. Trade and other receivables are carried on the balance sheet net of bad and doubtful debt provisions estimated by management based on prior year experience and an evaluation of prevailing economic circumstances. Wherever possible and commercially practical the Group holds cash with major financial institutions in various regions.

Maturity profile is disclosed in note 9(e)(v).

(IV) LIQUIDITY RISK

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

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

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:

2018	NOTE	FLOATING INTEREST RATE $	NON-INTERESTED BEARING $	FIXED INTEREST BEARING $	TOTAL $
FINANCIAL ASSETS					
Cash and cash equivalents*	5(a)	1,263,122	-	-	1,263,122
Other financial assets	5(d)	-	-	52,170	52,170
Trade and other receivables	5(b)	-	838,144	-	838,144
		1,263,122	**838,144**	**52,170**	**2,153,436**
FINANCIAL LIABILITIES					
Trade and other payables	5(e)	-	(696,075)	-	(696,075)
NET FINANCIAL ASSETS		**1,263,122**	**142,069**	**52,170**	**1,457,361**
*Weighted average effective interest rate: 0.84%					
2017					
FINANCIAL ASSETS					
Cash and cash equivalents**	5(a)	1,666,883	-	-	1,666,883
Other financial assets	5(d)	-	-	51,475	51,475
Trade and other receivables	5(b)	-	375,900	-	375,900
		1,666,883	**375,900**	**51,475**	**2,094,258**
FINANCIAL LIABILITIES					
Trade and other payables	5(e)	-	(726,588)	-	(726,588)
NET FINANCIAL ASSETS		**1,666,883**	**(350,688)**	**51,475**	**1,367,670**

**Weighted average effective interest rate: 1.85%

(V) MATURITY PROFILE

2018	NOTE	CARRYING AMOUNT $	CONTRACTUAL CASH FLOW $	WITHIN 1 YEAR $	1-5 YEARS $	TOTAL $
FINANCIAL ASSETS						
Cash and cash equivalents	5(a)	1,263,122	1,263,122	1,263,122	-	1,263,122
Other financial assets	5(d)	52,170	52,170	-	52,170	52,170
Trade and other receivables	5(b)	838,144	838,144	838,144	-	838,144
TOTAL FINANCIAL ASSETS		**2,153,436**	**2,153,436**	**2,101,266**	**52,170**	**2,153,436**
FINANCIAL LIABILITIES						
Trade and other payables	5(e)	696,075	696,075	696,075	-	696,075
TOTAL FINANCIAL LIABILITIES		**696,075**	**696,075**	**696,075**	**-**	**696,075**

2017						
FINANCIAL ASSETS						
Cash and cash equivalents	5(a)	1,666,883	1,666,883	1,666,883	-	1,666,883
Other financial assets	5(d)	51,475	51,475	-	51,475	51,475
Trade and other receivables	5(b)	375,900	375,900	375,900	-	375,900
TOTAL FINANCIAL ASSETS		**2,094,258**	**2,094,258**	**2,042,783**	**51,475**	**2,094,258**
FINANCIAL LIABILITIES						
Trade and other payables	5(e)	726,588	726,588	726,588	-	726,588
TOTAL FINANCIAL LIABILITIES		**726,588**	**726,588**	**726,588**	**-**	**726,588**

(VI) NET FAIR VALUES

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

(F) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

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

In 2018 and 2017, none of the Group's assets and liabilities except for the other financial assets had their fair value determined using the fair value hierarchy. The other financial assets are classified as level 1 instruments. No transfers between the levels of the fair value hierarchy occurred during the current or previous years.

NOTE 10.

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

NOTE 11.

COMMITMENTS

(A) NON-CANCELLABLE OPERATING LEASES

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:	CONSOLIDATED	
	30-JUN-18 $AUD	30-JUN-17 $AUD
Within one year	95,950	95,950
Later than one year but not later than five years	74,438	173,238
	170,388	**269,188**

The property lease is a non-cancellable lease with a 3 year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by 4% per annum.
The current lease expires on the 31 March 2020. An option exists to renew the lease at the end of the 3 year term for an additional term of 3 years.

(B) OTHER EXPENDITURE COMMITMENTS

Commitments contracted for at balance date but not recognised as liabilities are as follows:	CONSOLIDATED	
	30-JUN-18 $AUD	30-JUN-17 $AUD
Within one year	920	3,678
	920	**3,678**

NOTE 12.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

NOTE 13.

RELATED PARTY TRANSACTIONS

(A) PARENT ENTITIES

Rhinomed Limited is the parent entity.

(B) SUBSIDIARIES

Interests in subsidiaries are set out in note 18.

(C) KEY MANAGEMENT PERSONNEL

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

(I) DETAILS OF KEY MANAGEMENT PERSONAL

DIRECTORS:

- Mr Michael Johnson - Executive Director and Chief Executive Officer
- Mr Ron Dewhurst - Non-Executive Chairman
- Mr Brent Scrimshaw - Non-Executive Director
- Dr Eric Knight - Non-Executive Director

EXECUTIVES:

- Mr Shane Duncan - Vice President Global Sales and Marketing

NOTE 13.

RELATED PARTY TRANSACTIONS (CONTINUED)

(II) COMPENSATION

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

	CONSOLIDATED	
	30-JUN-18 $AUD	30-JUN-17 $AUD
Short-term employee benefits	780,254	716,650
Post-employment benefits	37,747	42,911
Share-based payments	-	633,000
	818,001	**1,392,561**

(III) OTHER RELATED PARTY TRANSACTIONS

	CONSOLIDATED	
	30-JUN-18 $AUD	30-JUN-17 $AUD
PAYMENT FOR GOODS AND SERVICES		
Smart Street*	88,660	96,400

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

(IV) RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES

Outstanding balance payable at the end of the current year to Smart Street is $20,668 (2017: $9,540). There are no other outstanding balances at the reporting date in relation to transactions with related parties.

(V) LOANS TO/FROM RELATED PARTIES

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

(VI) TERMS AND CONDITIONS

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

NOTE 14.

SHARE-BASED PAYMENTS

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

2018

GRANT DATE	EXPIRY DATE	EXERCISE PRICE $	BALANCE AT 1 JULY $	GRANTED $	EXERCISED, OTHER $	EXPIRED, FORFEITED $	BALANCE AT 30 JUNE* $
23/12/2015	30/04/2019	0.650*	76,923	-	-	-	76,923
11/04/2016	11/04/2019	0.650*	1,800,000	-	-	-	1,800,000
20/05/2016	30/04/2019	0.670*	1,000,000	-	-	-	1,000,000
24/01/2017	30/12/2020	0.400*	150,000	-	-	-	150,000
28/04/2017	30/04/2020	0.270*	6,000,000	-	-	-	6,000,000
			9,026,923	**-**	**-**	**-**	**9,026,923**
WEIGHTED AVERAGE EXERCISE PRICE:			**0.396**	**-**	**-**	**-**	**0.396**

2017

GRANT DATE	EXPIRY DATE	EXERCISE PRICE $	BALANCE AT 1 JULY $	GRANTED $	EXERCISED, OTHER $	EXPIRED, FORFEITED $	CONSOLIDATION 10:1	BALANCE AT 30 JUNE* $
27/05/2013	30/04/2017	0.060	95,400,000	-	-	(95,400,000)	-	-
18/11/2013	30/04/2017	0.060	15,250,000	-	-	(15,250,000)	-	-
11/04/2014	30/04/2017	0.060	2,500,000	-	-	(2,500,000)	-	-
11/04/2014	30/04/2017	0.065	40,000,000	-	-	(40,000,000)	-	-
23/09/2015	30/07/2017	0.060	90,000,000	-	-	(90,000,000)	-	-
23/12/2015	30/04/2019	0.650*	769,230	-	-	-	76,923	76,923
11/04/2016	11/04/2019	0.650*	18,000,000	-	-	-	1,800,000	1,800,000
20/05/2016	30/04/2019	0.670*	10,000,000	-	-	-	1,000,000	1,000,000
24/01/2017	30/12/2020	0.400*	-	150,000	-	-	-	150,000
28/04/2017	30/04/2020	0.270*	-	6,000,000	-	-	-	6,000,000
			271,919,230	**6,150,000**	**-**	**(243,150,000)**	**2,876,923**	**9,026,923**
WEIGHTED AVERAGE EXERCISE PRICE:			**0.064**	**0.335**	**0.00**	**0.061**	**-**	**0.396**

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

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	NUMBER OF OPTIONS (2018)	NUMBER OF OPTIONS (2017)
23/12/2015	30/04/2019	76,923	76,923
11/04/2016	11/04/2019	1,800,000	1,800,000
20/05/2016	30/04/2019	1,000,000	1,000,000
24/01/2017	30/12/2020	150,000	150,000
28/04/2017	30/04/2020	6,000,000	6,000,000
TOTAL EXERCISABLE		**9,026,923**	**9,026,923**

The weighted average remaining contractual life of options outstanding at year end is 1.36 years (2017: 2.36 years).

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

NOTE 15.

REMUNERATION OF AUDITORS

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

(A) HLB Mann Judd

(I) AUDIT AND OTHER ASSURANCE SERVICES	30-JUN-18 $AUD	30-JUN-17 $AUD
Audit services		
Audit or review of the financial statements	56,700	54,000
	56,700	**54,000**
(II) OTHER SERVICES		
Preparation of tax returns	12,500	12,500
Due diligence	-	20,000
	12,500	32,500
TOTAL REMUNERATION OF HLB MANN JUDD	**69,200**	**86,500**

NOTE 16.

EARNINGS PER SHARE

(A) RECONCILIATION OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE	**CONSOLIDATED**	
	30-JUN-18 $AUD	30-JUN-17 $AUD
LOSS ATTRIBUTABLE TO PARENT ENTITY		
Loss	(4,004,324)	(4,441,578)
Loss attributable to non-controlling interest	-	-
	(4,004,324)	**(4,441,578)**
BASIC EARNINGS PER SHARE		
Profit attributable to the ordinary equity holders of the Group used in calculating basic earnings per share:		
From continuing operations	(3.74)	(6.61)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING DURING THE YEAR USED TO CALCULATE BASIC AND DILUTED EPS	**106,934,592**	**67,223,730**

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

NOTE 17.

PARENT ENTITY FINANCIAL INFORMATION

(A) SUMMARY FINANCIAL INFORMATION

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

	30-JUN-18 $AUD	30-JUN-17 $AUD
BALANCE SHEET		
Current assets	1,016,167	1,567,282
Non-current assets	17,480,113	32,942,473
TOTAL ASSETS	**18,496,280**	**34,509,755**
Current liabilities	252,868	389,724
Non-current liabilities	20,879	7,620
TOTAL LIABILITIES	**273,747**	**397,344**
NET ASSETS	**18,222,533**	**34,112,411**
SHAREHOLDERS' EQUITY		
Issued capital	54,366,251	50,934,839
Other reserves	824,089	997,688
Retained earnings	(36,967,807)	(17,820,116)
TOTAL EQUITY	**18,222,533**	**34,112,411**
PROFIT/(LOSS) FOR THE YEAR	**2,210,679**	**(2,386,002)**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**2,210,679**	**(2,386,002)**

(B) GUARANTEES ENTERED INTO BY THE PARENT ENTITY

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

(C) CONTINGENT LIABILITIES OF THE PARENT ENTITY

Refer to note 10 for details.

(D) CONTRACT COMMITMENTS

Refer to note 11 for details.

(E) SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 18.
SUBSIDIARIES

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

SUBSIDIARY	COUNTRY OF INCORPORATION	2018 %	2017 %
Helicon (Asia) Pty Ltd	Australia	-	100
Helicon (China) Pty Ltd	Australia	-	100
Helicon (Korea) Pty Ltd	Australia	-	100
Helicon International Limited	Australia	-	100
Leading Edge Instruments Pty Ltd (LEI)	Australia	-	100
Breathing Space Health Pty Ltd	Australia	100	100
Vibrovein Pty Ltd	Australia	-	100
ASAP Breatheassist Pty Ltd	Australia	100	100
Rhinomed UK Limited*	United Kingdom	100	100
Breatheassist Limited	United Kingdom	100	100
Rhinomed Inc.	United States	100	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.

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

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

As a result of the above deregistrations, an amount of $6,158,687 previously attributable to non-controlling interest was transferred to accumulated losses.

NOTE 19.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) CORPORATE INFORMATION

The financial report of Rhinomed Limited and its subsidiaries (the "Consolidated Entity" or "Group") for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on the 27th day of September 2018. The financial report is for the Group consisting of Rhinomed Limited and its subsidiaries.

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

(B) BASIS OF PREPARATION

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

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

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

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

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

(I) GOING CONCERN

At 30 June 2018, the Group's cash and cash equivalents amounted to $1,263,122 (2017: $1,666,883) and for the year ended 30 June 2018, the Group experienced a loss of $4,004,324 (2017: $4,441,578) and a net cash outflow from operating activities of $3,851,222 (2017: netcash outflow of $2,996,256).

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

The Board acknowledges the possibility of additional funding to be required and are also confident in the Group's ability to raise additional funding as and when required in order to meet the Group's working capital requirements and other capital commitments.

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

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

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

Based on the above considerations, the Board has assessed the resources and opportunities available to the Group, and consequently believe that the Group will be able to repay its debts as and when they fall due.

(II) STATEMENT OF COMPLIANCE

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

(III) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

There were no adoption of new standards that had a material impact on the Group.

(IV) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future periods and on foreseeable future transactions.

TITLE	NATURE OF CHANGE	IMPACT	APPLICATION DATE
AASB 9 Financial Instruments	AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.	Although management anticipate that the adoption of AASB 9 will impact the Group's financial statements, management have determined that the impact to the accounts will be immaterial.	Accounting periods beginning on or after 1 January 2018
AASB 15 Revenue from Contracts with Customers	AASB 15 – replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations– establishes a new revenue recognition model – changes the basis for deciding whether revenue is to be recognised over time or at a point in time – provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing) – expands and improves disclosures about revenue.	Management has performed a preliminary assessment of the impact of AASB 15 on the recognition of revenue and concluded that there will be no material difference to how revenue has been recognised under the prevailing accounting standard.	Accounting periods beginning on or after 1 January 2018

TITLE	NATURE OF CHANGE	IMPACT	APPLICATION DATE
AASB 16 Leases	AASB 16 – replaces AASB 117 Leases and some lease-related Interpretations– requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases– provides new guidance on the application of the definition of lease and on sale and lease back accounting– largely retains the existing lessor accounting requirements in AASB 117– requires new and different disclosures about leases Interpretations.	Management has considered the recognition and measurement requirements of AASB16 in conjunction with the existing operating lease agreement between the Group and its suppliers. Based on this assessment management have concluded that there will be no material impact to the accounts.	Accounting periods beginning on or after 1 January 2019

(C) ACCOUNTING POLICIES

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

(D) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Rhinomed Limited as at 30 June 2018 and the results of all subsidiaries for the year then ended.

Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in note 18.

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

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

(E) REVENUE RECOGNITION

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

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

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

(F) GOVERNMENT GRANTS

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

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

(G) BORROWING COSTS

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

(H) LEASES

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

(I) CASH AND CASH EQUIVALENTS

Cash and short-term deposits in the consolidated statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(J) TRADE AND OTHER RECEIVABLES

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

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

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

(K) INVENTORIES

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

(L) FOREIGN CURRENCY TRANSLATION

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

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

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

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

(M) INCOME TAX

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

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

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

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

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

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

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

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

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

(I) TAX CONSOLIDATION

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

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

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

(N) GOODS AND SERVICES TAX (GST)

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

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

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

(O) PLANT AND EQUIPMENT

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

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

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

(P) DEPRECIATION

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the consolidated entity commencing from the time the asset is held ready for use. The depreciation rates used are 10 percent to 33 percent for office equipment, and 50 percent for production plant. There have been no changes to depreciation rates or methods since the prior year.

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

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

(Q) FINANCIAL ASSETS

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

(R) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

(S) HELD-TO-MATURITY INVESTMENTS

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

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

(T) LOANS AND RECEIVABLES

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

(U) IMPAIRMENT OF FINANCIAL ASSETS

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

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

(V) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

(W) BUSINESS COMBINATION

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

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

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

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

(X) CHANGES IN OWNERSHIP INTERESTS

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

(Y) INTANGIBLE ASSETS

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) GOODWILL

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

- the consideration transferred;
- any non-controlling interest; and
- the acquisition date fair value of any previously held equity interest;

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

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

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

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

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

Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill on acquisition of associates is included in investments in associates.

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

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

(II) INTELLECTUAL PROPERTY

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

(III) PATENTS AND TRADEMARKS

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

(IV) RESEARCH AND DEVELOPMENT

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

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

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

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

(Z) TRADE AND OTHER PAYABLES

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

(AA) EMPLOYEE BENEFITS

(I) SHORT-TERM OBLIGATIONS

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

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

(II) RETIREMENT BENEFIT OBLIGATIONS

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

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

(III) SHARE-BASED PAYMENTS

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

The cost of these transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial option pricing model, further details of which are given in note 14. The cost of these transactions is recognised, together with a corresponding increase in equity, over the period in which the options vest.

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

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

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

(AB) BORROWINGS

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

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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

(AC) ISSUED CAPITAL

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

(AD) DIVIDENDS

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

(AE) EARNINGS PER SHARE

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

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

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

(AF) PARENT INFORMATION

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

(AG) SEGMENT REPORTING

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

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

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

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

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

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

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

(AI) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(I) IMPAIRMENT OF INTANGIBLE ASSETS

In the absence of readily available market prices, the recoverable amount of assets are determined using estimations of the present value of future cash flows using asset-specific discount rates. For patents, licenses and other rights, these estimates are based on various assumptions concerning for example future sales profiles and royalty income, market penetration, milestone achievement dates and production profiles. Refer to note 6 for further details.

(II) IMPAIRMENT OF RECEIVABLES

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

(III) SHARE-BASED PAYMENTS

The value attributed to share options and remuneration shares issued is an estimate calculated using an appropriate mathematical formula based on an option pricing model. The choice of models and the resultant option value require assumptions to be made in relation to the likelihood and timing of the conversion of the options to shares and the value and volatility of the price of the underlying shares. Refer to note 14 for more details.

DIRECTOR'S DECLARATION

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Rhinomed Limited, the Directors of the company declare that:

A. the financial statements and notes set out on pages 70 to 123 are in accordance with the *Corporations Act 2001* and:

   (I). comply with Accounting Standards, which, as stated in Note 19(b) to the financial statement, constitutes compliance with International Financial Reporting Standards; and

   (II). give a true and fair view of the financial position of the Group as at 30 June 2018 and of its performance for the year ended on that date based on the factors outlined in note 19(b)(ii); and

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

C. the directors have been given the declaration required by s 295A of the Corporations Act 2001 from the Chief Executive Officer.

On behalf of the Directors,

MICHAEL JOHNSON
DIRECTOR

27 September 2018
Melbourne

HLB Mann Judd
Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF RHINOMED LIMITED

REPORT ON THE FINANCIAL REPORT

Opinion

We have audited the financial report of Rhinomed Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material Uncertainty Regarding Going Concern

We draw attention to Note 19(b)(i) of the financial report, which indicates that the Group incurred a loss of $4.004 million (2017: loss of $4.442 million) had a net operating cash outflow of $3.851 million during the year (2017: outflow of $2.996 million). These conditions, along with other matters set forth in Note 19(b)(i), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

HLB Mann Judd (VIC Partnership)
Level 9, 575 Bourke Street, Melbourne VIC 3000 | GPO Box 2850, Melbourne VIC 3001 | DX 154 Melbourne | Tel: +61 (0)3 9606 3888 | Fax: +61 (0)3 9606 3800
Email: mailbox@hlbvic.com.au | Website: www.hlbvic.com.au

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Key Audit Matters

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

Key Audit Matter	How our audit addressed the key audit matter
Impairment of intangible assets *Refer to Note 6A 'Intangible Assets'*	
At 30 June 2018, the Group's balance sheet includes goodwill of $1.565 million, capitalised development costs of $223,000, and intellectual property of $1.528 million. In line with the entities segment allocation, these are all assigned to a single Cash Generating Unit ("CGU"). The assessment of impairment of the Group's intangible assets incorporates significant judgement in respect of factors such as discount rates, future revenue forecasts, and growth in key markets. The Group is exposed to potential impacts of economic uncertainty in Australia and overseas, varied consumer acceptance of the product, regulatory obstacles, cost pressures, and increases in the entities weighted average cost of capital. Whether the Group's value in use models for impairment included appropriate consideration of such variables, as well as appropriate underlying assumptions, is why impairment of assets is considered a key audit matter.	Our procedures included, but were not limited to: • we assessed management's determination of the Group's CGU based on our understanding of the nature of the Group's operations. We also analysed the internal reporting of the Group to assess how earnings streams are monitored and reported; • we evaluated management's process regarding evaluation of the Group's assets to determine any asset impairments; • we tested entity level controls in place, such as the preparation and review of budgets and forecasts. These forecasts take into consideration the impacts of the sector and geographic specific challenges that the Group may face; • we assessed the Group's assumptions and estimates used to determine the recoverable value of its assets, including those relating to forecast revenue and cost and discount rates; • we checked the mathematical accuracy of the cash flow models and agreed relevant data to the latest forecasts; • we assessed the historical accuracy of forecasting of the Group; and • we performed sensitivity analysis over the model by focusing on the impact of changing growth and discount rates.

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Key Audit Matter	How our audit addressed the key audit matter
Sales Revenue Recognition	
The Group primarily generates revenue through the sale of inventories and sales to certain customers of the Group are subject to individual agreements. The terms and conditions of the respective agreements may have an impact on the timing of when sales revenue should be recognised in accordance with *AASB 118 Revenue*. The varying terms and conditions of individual customer agreements increase the risk that revenue is not recognised in the appropriate accounting period. The Group's accounting policy with respect to sales revenue is provided in note 19(e).	Our procedures included, but were not limited to: • *we assessed whether the Group's accounting policy adhered to AASB 118 Revenue;* • we examined a sample of customer agreements to establish when control of inventories is transferred to the customer; and • read a sample of executed agreements with customers and undertook cut-off testing to establish whether sales revenue had been recognised in the appropriate reporting period.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

HLB Mann Judd
Accountants | Business and Financial Advisers

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

HLB Mann Judd
Accountants | Business and Financial Advisers

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 51 to 62 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Rhinomed Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Nick Walker
Partner

Melbourne
27 September 2018

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 3 September 2018.

A. NUMBER OF HOLDERS OF EQUITY SECURITIES

ORDINARY SHARES

117,671,387 fully paid ordinary shares are held by 1,135 individual holders. All ordinary shares carry one vote per share.

B. DISTRIBUTION OF ORDINARY FULLY PAID SHARES

	NO. OF HOLDERS	TOTAL UNITS	% OF ISSUED SHARE CAPITAL
HOLDING RANGES			
1 - 1000	65	12,003	0.01
1,001 - 5,000	256	947,222	0.80
5,001 - 10,000	208	1,723,859	1.46
10,001 - 100,000	491	17,433,229	14.82
100,001 and over	115	97,550,074	82.90
TOTALS	**1,135**	**117,671,387**	**100.00**

C. TWENTY LARGEST ORDINARY FULLY PAID SHAREHOLDERS

Fully paid ordinary shares

	HOLDER NAME	NUMBER	%
1	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	24,566,676	20.88
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	9,614,135	8.17
3	THIRTY-FIFTH CELEBRATION PTY LTD <JC MCBAIN SUPER FUND A/C>	7,664,667	6.51
4	CITICORP NOMINEES PTY LIMITED	6,285,359	5.34
5	KROY WEN PTY LTD	3,984,680	3.39
6	KROY WEN PTY LTD <DEWHURST SUPER FUND A/C>	3,800,000	3.23
7	ABINGDON NOMINEES PTY LTD <ABINGDON NOMS INVEST A/C>	2,187,500	1.86
8	KENSINGTON CAPITAL MANAGEMENT PTY LTD	2,062,500	1.75
9	MUTUAL TRUST PTY LTD	2,000,000	1.70
10	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,809,159	1.54
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,457,029	1.24
12	MR JAMES MELLON	1,312,500	1.12
13	JASFORCE PTY LTD	1,189,897	1.01
14	MR MARK PACHACZ & MS ELISSA PACHACZ <AUST SUPER EQUITIES FND A/C>	1,062,253	0.90
15	BUDUVA PTY LTD <BASKERVILLE SUPER FUND A/C>	1,000,000	0.85
16	MR JASON STANLEY MACDONALD	913,152	0.78
17	ELITE4FITNESS PTY LTD	898,525	0.76
18	ARGUS NOMINEES PTY LTD <THE HALSTEAD SUPER FUND A/C>	833,334	0.71
19	PICTON COVE PTY LTD	733,314	0.62
20	MR DUNCAN HORDERN MICHAELIS	700,000	0.59

TOTAL OF TOP 20 SHAREHOLDERS	**74,074,680**	**62.95**

D. UNMARKETABLE PARCELS

Holdings less than a marketable parcel of ordinary shares (being 67,284 as at 03 September 2018):

HOLDERS	UNITS
100	67,284

E. SUBSTANTIAL SHAREHOLDERS

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

SUBSTANTIAL SHAREHOLDERS	NUMBER OF SHARES
W. Whitney George	24,241,401
Kroy Wen Pty Ltd	7,284,680
Paul H. Stephens & Eleanor M. Stephens	9,351,129
Thirty-fifty Celebration Pty Ltd <JC Mcbain Super Fund A/C>	7,664,667
TOTAL NUMBER OF SHARES HELD BY SUBSTANTIAL SHAREHOLDERS	**48,541,877**

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

RHINOMED

97 Green Street
Cremorne, Victoria, 3121
Australia

Telephone: +61 (0) 8416 0900
info@rhinomed.global
www.rhinomed.global

ASX: RNO