

R H I N O M E D

Appendix 4E – Preliminary Final Report

(ASX Listing rule 4.3A)

Company Name:	Rhinomed Limited (the 'Group')
ABN:	12 107 903 159
Reporting Period:	Financial year ended 30 June 2016
Previous Reporting Period:	Financial year ended 30 June 2015

Results for Announcement to the Market

The results of Rhinomed Limited for the year ended 30 June 2016 are as follows:

Revenue from ordinary activities	Up	134%	to	\$1,012,433
Loss after tax attributable to members	Up	13%	to	(\$6,022,553)
Net loss for the period attributable to members	Up	13%	to	(\$6,022,553)

Brief explanation of figures reported above

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

The revenue for the reporting period from ordinary activities was \$1,012,433 (2015: \$432,460).

The loss for the Group after income tax for the reporting period was \$5,998,529 (2015: \$5,316,992).

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

Dividends

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

Net Tangible Assets

	30 June 2016	30 June 2015
Net Tangible Assets/(Liabilities)	\$3,075,491	\$1,564,982
Shares (No.)	814,234,007	539,438,635
Net Tangible Assets/(Liabilities) – (cents)	0.377	0.290

Status of Audit of Accounts

The accounts are currently in the process of being audited. An Annual Report for the year ended 30 June 2016 containing the Audit Report shall be provided in due course.

R H I N O M E D

ABN 12 107 903 159

Appendix 4E
Preliminary Final Report

For the Year Ended 30 June 2016

In Compliance with ASX Listing Rule 4.3A

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Review of Operations

The Directors of Rhinomed Limited ('Rhinomed', 'RNO', or 'the Company' and its controlled entities 'the Group') provide the following Report in relation to the Group for the year ended 30 June 2016.

Principal activities

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

Operating and financial review

Results

Total sales revenue for the financial year was \$1.01m, an increase of 134% from \$432k in the previous year. This reflects the significant progress made in opening up sales in the UK and North American markets. The Group reported a loss of \$6.0m for the financial year, up from \$5.3m for the previous financial year as investment in operational capability increased. Operating expenses have increased as the Company scales up operations and builds global markets for the first two products based on its patented nasal technology platform.

Over the course of FY16 the Company set several specific milestones:

- Launch Mute into the Australian market
- Open distribution of Mute in the United Kingdom
- Establishment of a US office
- Open distribution of Mute into the North American market
- Complete the Phase 1 Trial of the INPEAP technology
- Expand awareness of the Turbine technology through strategic relationships
- Strengthen the Company's board and management to reflect the increasingly global nature of the Company's activities.

Pleasingly, the Company has made significant progress and achieved all of the specified milestones.

Key Products

Turbine and Mute are uniquely customisable nasal stents that enhance nasal breathing and reduce congestion without placing pressure on the septum.

Mute is designed to increase airflow, reduce snoring and improve sleep quality. Mute is light and flexible and can be worn comfortably during sleep. An independent in-home User Trial, as well as market research in the US, UK and Australia has assisted to develop an understanding of the scope of the global market opportunity and the key target groups.

Turbine is designed to make breathing easier during exercise. Because retention is vital, Turbine employs more robust materials and retention features on the paddles and curved arms to hold the device in place. Turbine can also be adjusted while in place to allow adjustment during intense exercise.

Distribution

Mute and Turbine are registered with regulatory authorities in key markets (TGA, US FDA, European CE Mark, Canada Health). They are over-the-counter products and are sold online and through pharmacies, sleep clinics and sports stores.

The Company launched Turbine in 2014. Mute was launched initially online in December 2014, then into the Australian retail market in late March 2015. The distribution footprint has continued to expand with launches into key markets during the financial year.

The Company is focussing its sales and marketing efforts on North America, on the United Kingdom and the home market of Australia. In recognition of the potential of the North American market, the Company has appointed two sales staff and opened an office in Cincinnati, Ohio.

Review of Operations

Geography	Type of distribution	Stores*	Date
Australia	Distributor, Direct Retail, Online Retailers, Sleep Clinics	600	Mar2015
United Kingdom	Direct Retail (Boots UK)	600	Nov 2015
United States	Distributors (McKesson, Europa), Direct Retail (Duane Reade, Walgreens, Dick's Sporting Goods, Performance Bike), Online retailer,	1,245	May 2015
Canada	Distributor (McArthur Medical)	24	Jun 2016
		<hr/> 2,469 <hr/>	

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

Operations

Sales for the June quarter were \$298k. With the US and Canadian launches occurring so late in the financial year, their impact on sales was relatively minor. The impact of these markets will be felt in the first half of FY17.

Sales and marketing costs for the financial year have been high reflecting the cost of promotional campaigns to support the launch of Mute in both the UK and the US. This initial expenditure has been important in ensuring the Company meets early hurdle rates in these markets but is not expected to continue at these levels. The Company plans to leverage growing awareness and endorsement amongst sleep professionals and to focus on store presence, merchandising and PR opportunities.

Mute has featured in a number of Australian media stories during the year: A Current Affair, Channel 7 Weekend Sunrise, Channel 7 News and the Herald Sun. In the UK, Sir Steve Redgrave and Mrs Jenny Chapman (the UK's loudest snorer) helped launch Mute in numerous radio interviews broadcast all over the United Kingdom and Mute has featured on a couple of occasions in the Daily Mail. Sales respond strongly to PR activity reinforcing our belief that snorers will enthusiastically embrace new solutions.

Turbine is worn by key opinion leaders, including three time winner of the Tour de France Chris Froome, US Olympian Shannon Rowbury, 2015 UCI World Time Trial champion Linda Villumsen and the AeroVelo team. Their use and endorsement of the technology in sport plays an important role in highlighting the importance of breathing and reinforcing the credibility of Rhinomed's technology platform.

The Company is focusing its sales and marketing efforts on realising the potential of Mute in key markets and will curtail some Turbine marketing expenditure.

Working capital requirements have been high. Inventories increased to \$545k from \$110k as higher stock holdings with specific packaging requirements were required to service different geographies. Trade debtors increased to \$510k from \$120k reflecting both increased sales overall and the impact of trading terms of major retail and distribution customers. Employee costs have also increased as a result of opening the US office. The Company will continue to monitor corporate and overhead costs to ensure the timely investment in appropriate levels of expenditure.

Review of Operations *(continued)*

Corporate

The Company raised capital of \$7.2m before costs during the financial year to provide working capital to support expansion plans.

The Company received research and development tax rebates of \$437k compared with \$570k in the previous financial year. This decrease reflects the Company's increasing focus on expanding the distribution footprint for its lead products.

The Company sold its investment in listed Imugene shares and disposed of its Marxman Vibroveil technology along with all associated intellectual property during the financial year.

R&D

The Company's INPEAP (Intra Nasal Positive Expiratory Air Pressure) technology is being developed as a low-cost frontline treatment for mild to moderate obstructive sleep apnea (OSA).

OSA is a highly prevalent condition with low diagnosis levels and low compliance rates for existing treatments. In June 2016, the Company announced the results of its Phase I Pilot Sleep Apnea Clinical Trial. The trial (n=19) was conducted at the Monash Lung and Sleep Centre at Monash Health under Principal Investigator, Associate Professor Darren Mansfield and consisted of both an in-clinic study using polysomnography and a 14-day in-home trial.

Key findings were:

- Mean AHI (Apnea-Hypopnea Index) reduced from 19.2 to 16.5 per hour.
- 12 subjects showed efficacy to the primary end-point with 7 of the respondents showing an AHI reduction of >50% and 5 respondents showing an AHI reduction of 30-50%. Seven subjects did not respond to the treatment, which appears to be due to mouth breathing. Mouth breathing also presents difficulties for existing OSA treatments.

The results suggest the INPEAP technology may be effective in treating some patients with mild to moderate OSA. Grant funding will be sought to support the development of INPEAP.

The company has built and will continue to invest in an end to end platform of solutions to nasal and respiratory problems. The sleep industry, in particular, is a significant and growing market with large unmet clinical needs. We continue to believe that the investment in R&D will deliver both near term and long term returns for shareholders.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2016

	Note	Consolidated	
		30-Jun-16 \$ AUD	30-Jun-15 \$ AUD
Revenue from Continuing Operations		1,012,433	432,460
Other income	3	84,882	60,428
Expenses			
Raw materials and consumables used		(312,375)	(217,281)
Employee benefits expense		(1,855,783)	(1,173,109)
Depreciation and amortisation		(527,315)	(451,021)
Impairment of assets		(1,622)	(72,473)
Fair value adjustment of investment		(25,000)	(50,000)
Administration		(1,412,979)	(1,579,889)
Marketing		(2,372,521)	(1,238,111)
Research & Development		(234,269)	(906,616)
Other expenses		(791,437)	(691,717))
Loss before income tax		(6,435,986)	(5,887,329)
Income tax benefit		437,457	570,337
Loss for the period		(5,998,529)	(5,316,992)
Other comprehensive income			
Foreign currency translation		(24,024)	-
Total other comprehensive income		(24,024)	-
Total comprehensive loss after income tax for the year		(6,022,553)	(5,316,992)
Total comprehensive loss attributable to non-controlling interest		-	-
Total comprehensive loss attributable to owners of the parent entity		(6,022,553)	(5,316,992)
Basic and diluted earnings/(loss) per share (cents per share)	9	(0.943)	(1.12)

Consolidated Statement of Financial Position

As at 30 June 2016

		Consolidated	
		30-Jun-16	30-Jun-15
	Note	\$ AUD	\$ AUD
ASSETS			
Current Assets			
Cash and cash equivalents		2,612,757	1,368,621
Trade and other receivables		510,645	120,477
Inventories		546,337	110,028
Assets classified as held for sale	6	-	93,848
Other assets		149,235	70,569
Total Current Assets		3,818,974	1,763,543
Non-Current Assets			
Other financial assets		103,775	378,063
Property, plant and equipment		127,811	272,503
Intangible assets	5	4,039,879	4,402,497
Total Non-Current Assets		4,271,465	5,053,063
TOTAL ASSETS		8,090,439	6,816,606
LIABILITIES			
Current Liabilities			
Trade and other payables		895,818	814,795
Provisions		79,251	34,332
Total Current Liabilities		975,069	849,127
TOTAL LIABILITIES		975,069	849,127
NET ASSETS		7,115,370	5,967,479
EQUITY			
Issued capital	7	48,919,157	41,927,021
Reserves		3,605,594	3,624,910
Non-controlling interest reserve	8	(6,158,687)	(6,158,687)
Accumulated losses	8	(39,250,694)	(33,425,765)
TOTAL EQUITY		7,115,370	5,967,479

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2016

	Note	Issued Capital \$	Option Reserve \$	Reserves NCI \$	FX Reserve \$	Accumulated Losses \$	Total \$
Balance as at 30 June 2014		37,204,175	5,699,284	(6,158,687)	-	(30,183,147)	6,561,625
Total comprehensive loss for the year		-	-	-	-	(5,316,992)	(5,316,992)
Transactions with Equity holders in their capacity as equity holders:							
Shares issued net of issue costs	7	4,722,846	-	-	-	-	4,722,846
Options expired	8		(2,074,374)	-	-	2,074,374	-
Options issued		-	-	-	-	-	-
Balance as at 30 June 2015	7	41,927,021	3,624,910	(6,158,687)	-	(33,425,765)	5,967,479
Total comprehensive loss for the year		-	-	-	(24,024)	(5,998,529)	(6,022,553)
Transactions with Equity holders in their capacity as equity holders:							
Shares issued net of issue costs	7	6,992,136	-	-	-	-	6,992,136
Options expired	8	-	(173,600)	-	-	173,600	-
Options issued		-	178,308	-	-	-	178,308
Balance as at 30 June 2016	7	48,919,157	3,629,618	(6,158,687)	(24,024)	(39,250,694)	7,115,370

Consolidated Statement of Cashflows

For the Year Ended 30 June 2016

		Consolidated	
	Note	30-Jun-16 \$ AUD	30-Jun-15 \$ AUD
<u>Cash flows from operating activities</u>			
Receipts from customers		845,323	458,278
Payments to suppliers and employees		(7,416,624)	(5,550,444)
Interest received		23,605	54,858
Interest and other costs of finance paid		(14,776)	(5,718)
Receipt of R&D tax refund		437,457	570,337
Net cash flows used in operating activities		(6,125,015)	(4,472,689)
<u>Cash flows related to investing activities</u>			
Payment for purchases of plant and equipment		(20,004)	(333,369)
Proceeds from sale of equity investments		310,125	-
Proceeds from sale of intellectual property		104,500	-
Net cash flows used in investing activities		394,621	(333,369)
<u>Cash flows related to financing activities</u>			
Proceeds from issues of equity securities		7,232,589	5,042,072
Capital raising costs		(240,453)	(319,226)
Net cash flows from financing activities		6,992,136	4,722,846
Net increase/(decrease) in cash and cash equivalents		1,261,742	(83,212)
Cash and cash equivalents at the beginning of the year		1,368,621	1,451,833
Foreign exchange		(17,606)	-
Cash and cash equivalents at the end of the year		2,612,757	1,368,621

Notes to the consolidated financial statements

Note 1 – Statement of Significant Accounting Policies

Corporate Information

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

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

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

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

The preliminary financial report is presented in Australian dollars.

Basis of preparation

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

New, revised or amending Accounting Standards and Interpretations adopted

The following amending Standards have been adopted from 1 July 2015. Adoption of these Standards did not have any effect on the financial position or performance of the Group:

Ref	Title	Summary
AASB 2015-4	Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent	AASB 2015-4 amends AASB 128 Investments in Associates and Joint Ventures to ensure that its reporting requirements on Australian groups with a foreign parent align with those currently available in AASB 10 Consolidated Financial Statements for such groups. AASB 128 will now only require the ultimate Australian entity to apply the equity method in accounting for interests in associates and joint ventures, if either the entity or the group is a reporting entity, or both the entity and group are reporting entities. AASB 2015-4 is applicable to annual reporting periods beginning on or after 1 July 2015. The adoption of this amendment has not had a material impact on the Company.

Other than the amended accounting standards listed above, all other accounting standards adopted by the Group are consistent with the most recent Annual Report for the year ended 30 June 2015.

Note 2 - Dividends

The Company has resolved not to declare any dividends for the financial year ended 30 June 2016.

Notes to the consolidated financial statements

Note 3 - Revenue

	Consolidated	
	30-Jun-16	30-Jun-15
	\$ AUD	\$ AUD
Revenue		
Sales	1,012,433	432,460
Other Income		
Interest received	23,605	54,852
Gain on sale of equity investment	60,125	-
Other	1,152	5,576
Total Other Income	84,882	60,428
Total Revenue & Other Income	1,097,315	492,888

Notes to the consolidated financial statements

(continued)

Note 4. Segment Information

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

Note 5. Intangible Assets

	Consolidated	
	30-Jun-16	30-Jun-15
	\$ AUD	\$ 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	646,352	646,352
Less impairment	(213,576)	(213,576)
Less amortisation	(104,248)	(62,917)
Less assets held for sale	(43,849)	(43,849)
Net carrying value	284,679	326,010
Intellectual Property		
At cost	9,566,217	9,566,217
Less impairment	(6,492,957)	(6,492,957)
Less amortisation	(833,064)	(511,777)
Less asset held for sale	(50,000)	(50,000)
Net carrying value	2,190,196	2,511,483
Total Intangible Assets	4,039,879	4,402,497

Reconciliations:

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

	Goodwill	Development Costs	Intellectual Property	Total
	\$	\$	\$	\$
Balance at 30 June 2014	1,565,004	411,078	2,881,892	4,857,974
Additions – internal development	-	-	-	-
Amortisation charge	-	(41,219)	(320,409)	(361,628)
Assets held for sale	-	(43,849)	(50,000)	(93,849)
Balance at 30 June 2015	1,565,004	326,010	2,511,483	4,402,497
Additions – internal development	-	-	-	-
Amortisation charge	-	(41,331)	(321,287)	(362,618)
Assets held for sale	-	-	-	-
Balance at 30 June 2016	1,565,004	284,679	2,190,196	4,039,879

Note 6. Assets and Liabilities Classified as held for sale

	Consolidated	
	30-Jun-16	30-Jun-15
	\$ AUD	\$ AUD
<i>Assets held for sale</i>		
Other Intellectual Property	-	50,000
Development Costs	-	43,848
	-	93,848

The Group disposed of its Marxman Device technology along with all associated intellectual property during the financial year.

Note 7. Equity – Issued Capital

	Consolidated		Consolidated	
	30-Jun-16	30-Jun-15	30-Jun-16	30-Jun-15
	Shares	Shares	\$ AUD	\$ AUD
Ordinary Shares - fully paid	814,234,007	539,438,635	\$48,919,157	\$41,927,021
<i>Movement in ordinary shares on issue</i>				
At 1 July	539,438,635	395,379,445	\$41,927,021	37,204,175
04/09/2014 Private placement at \$0.035	-	84,059,146	-	2,942,070
08/09/2014 Private placement at \$0.035	-	14,285,714	-	500,000
05/11/2014 Share Purchase Plan at \$0.035	-	45,714,330	-	1,600,002
Less Costs of Capital Raising Year ended 30 June 2015	-	-	-	(319,226)
23/09/2015 Private placement at \$0.032	64,062,500	-	2,050,000	-
25/09/2015 Private placement at \$0.032	10,937,500	-	350,000	-
23/12/2015 Private placement at \$0.032	4,687,500	-	150,000	-
11/03/2016 Private placement at \$0.024	139,583,340	-	3,350,000	-
20/05/2016 Private placement at \$0.024	55,524,532	-	1,332,589	-
Less Costs of Capital Raising Year ended 30 June 2016	-	-	(240,453)	-
	814,234,007	539,438,635	\$48,919,157	\$41,927,021

Notes to the consolidated financial statements

(continued)

Note 8. Equity – Reserves

	Consolidated	
	30-Jun-16	30-Jun-15
	\$ AUD	\$ AUD
Option Reserve	3,629,618	3,624,910
Non-Controlling Interest Reserve	(6,158,687)	(6,158,687)
FX Reserve	(24,024)	-
	(2,553,093)	(2,533,777)

	Option Reserve \$ AUD	NCI Reserve \$ AUD	FX Reserve \$ AUD	Total \$ AUD
Balance at 30 June 2014	5,699,284	(6,158,687)	-	(459,403)
Share based payments	-	-	-	-
Options issued/(expired)	(2,074,374)	-	-	(2,074,374)
Balance at 30 June 2015	3,624,910	(6,158,687)	-	(2,533,777)
Share based payments	-	-	-	-
Options issued/(expired)	4,708	-	-	4,708
FX movements	-	-	(24,024)	(24,024)
Balance at 30 June 2016	3,629,618	(6,158,687)	(24,024)	(2,553,093)

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 FX Reserve is used to record exchange differences arising on transaction of a foreign controlled subsidiary.

Movement in options were as follows:

	Consolidated		2015	
	No.	2016 Weighted average Price \$	No.	Weighted Average Price \$
Balance at 1 July	245,150,000	0.061	276,206,150	0.077
Options issued	28,769,230	0.066	-	-
Options lapsed / expired	(2,000,000)	0.118	(31,056,150)	0.203
Balance at 30 June	271,919,230	0.061	245,150,000	0.061

Notes to the consolidated financial statements

(continued)

Note 9. Loss per Share

	Consolidated	
	30-Jun-16	30-Jun-15
	\$ AUD	\$ AUD
Reconciliation of earnings to profit/(loss):		
Loss	(5,998,529)	(5,316,952)
Loss attributable to non-controlling interest	-	-
	(5,998,529)	(5,316,952)
<i>Loss attributable to parent entity:</i>	(5,998,529)	(5,316,952)
Basic earnings/(loss) per share (cents)	(0.94)	(1.12)
Weighted average number of ordinary shares outstanding during the year used to calculate basic and diluted EPS.	636,389,109	474,813,706

Note 10. Audit

These accounts are currently in the process of being audited. An Annual Report for the year ended 30 June 2016 containing the Audit Report shall be provided in due course.

Note 11. Events Subsequent to Reporting Date

No other matter or circumstance has arisen since 30 June 2016 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 years.

Corporate Directory

AUSTRALIAN COMPANY NUMBER (ACN)
107 903 159

DIRECTORS

Mr Ron Dewhurst
Dr Eric Knight
Mr Brent Scrimshaw

MANAGING DIRECTOR

Mr Michael Johnson

PRINCIPAL PLACE OF BUSINESS

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WEBSITE

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SECURITIES QUOTED

Australian Securities Exchange

- Ordinary Fully Paid Shares (Code: RNO)

- Listed Options over Ordinary Fully Paid Shares (Code: RNOOA)
exercisable at \$0.06 per option on or before 30 April 2017

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

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

COMPANY SECRETARIES

Mr Phillip Hains
Mr Justyn Stedwell

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