# CLEANSING PROSPECTUS

RHINOMED

ABN 12 107 903 159

ASX Code: RNO

**CLEANSING**

This Prospectus has bveen prepared for the purposes of section 708A(11) of the Corporations Act to remove any trading restrictions on Shares issued pursuant to the Placement announced immediately before lodgement of this Prospectus.

**DEFINED TERMS**

Certain terms and abbreviations used in this Prospectus, including Shares, have defined meanings which are explained in the Glossary in Section 6.

**IMPORTANT DOCUMENT**

This Prospectus provides important information about the Company. You should read the entire document. If you have any questions about the Offer Shares being offered under this Prospectus, or any other matter relating to an investment in the Company, you should consult your professional adviser.

**An investment in Rhinomed securities is speculative.**

# IMPORTANT NOTICES

### General

This Prospectus is dated 21 March 2017. A copy of this Prospectus was lodged with ASIC on that date. Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to provide any information or make any representations about the Offer which is not contained in this Prospectus. Information or representations not contained in this Prospectus must not be relied on as authorised by the Company, or any other person, in connection with the Offer.

### Suitability of Investment & Risks

This Prospectus provides information for investors to decide if they wish to invest in Rhinomed. Read the document in its entirety. Examine the risk factors that could affect the financial performance of Rhinomed. Consider these factors carefully in light of your personal financial circumstances. Seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest. The Offer does not take into account any investment objectives, financial situation or needs of particular investors.

**An investment in Rhinomed should be considered speculative.**

### Australian Residents Only

The Offer is available to Australian residents in each state and territory of Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. Seek advice on and observe any restrictions. This Prospectus is not an Offer in any place where, or to any person to whom, it would not be lawful to make the Offer.

This document may not be distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been and will not be, registered under the US Securities Act 1993 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act 1993 and applicable US state securities law.

### Electronic Prospectus

This Prospectus is available electronically at **www.rhinomed.global.**

Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company. If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

### Defined Terms

Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in the Glossary.

### Privacy

Please read the privacy information located in Section 15.14 of this Prospectus. By submitting an Application Form, you consent to the matters outlined in that Section.

### Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'hopes, 'expects', 'intends', 'aimed at' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of past and present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its Directors and management.

Although the Company believes that the expectations reflected in the forward looking statements included in this Prospectus are reasonable, none of the Company, its Directors or officers, or any person named in this Prospectus, can give, or gives, any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur or that the assumptions on which those statements are based will prove to be correct or exhaustive beyond the date of its making. Investors are cautioned not to place undue reliance on these forward-looking statements.

Except to the extent required by law, the Company has no intention to update or revise forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus.

The forward looking statements contained in this Prospectus are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. The key risk factors of investing in the Company are set out in Section 9 of this Prospectus.

### Currency

Monetary amounts shown in the Prospectus are expressed in Australian dollars unless otherwise stated.

### Consent not sought for certain statements

Unless specifically noted in Section 15.22, statements made by, attributed to or based on statements by third parties have not been consented to for the purposes of section 729 of the Corporations Act and are included in this Prospectus by Rhinomed on the basis of ASIC Corporations (Consents to Statements) Instrument 2016/72 relief from the Corporations Act for statements used from books, journals or comparable publications.

### Photographs and Diagrams

Photographs used in this Prospectus without descriptions are only for illustration. The people shown are not endorsing this Prospectus or its contents. Diagrams used in this Prospectus may not be drawn to scale. The assets depicted in photographs in this Prospectus are not assets of the Company unless otherwise stated.

**THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY**

# CONTENTS

## LETTER FROM THE CHAIRMAN
## RON DEWHURST
CHAIRMAN

Dear Investor,

Rhinomed is a nasal technology company that has over the last three years, created a very early stage patented nasal technology platform that it hopes has potential to deliver multiple solutions to a number of opportunities in relation to sports, sleep and nasal congestion. Rhinomed's operations are based in Melbourne, Australia and Cincinnati, USA, which allows us to harness the significant benefits of developing and testing technology in Australia and then exporting and commercialising this technology in major international markets.

Since February 2013, the Company has been building a compelling intellectual property position across a wide number of jurisdictions that protect its Technology platform. Further, over that period, we have prototyped and launched two products, established manufacturing and supply chain resources and opened up major retail pharmacy distribution, which are now starting to deliver revenues on a quarter by quarter basis. However, Rhinomed is still an early stage company and its products are still in the proof of concept stage.

There are risks associated with an early-stage business such as Rhinomed, including the Company's future performance being dependent upon further, more robust, successful clinical trials, ensuring continual increase in stores stocking and selling our products, the adoption and repeat purchase of the products by customers and the Company's ability to continue to innovate and enhance its existing and new technology. **A consolidated loss of $1.3 million was incurred in the period from July 1st 2016 to December 31st, 2016** (as set out in further detail in Section 8).

Risks are further described in Section 9.

Through the Placement, funding was sought to provide capital to capture Rhinomed's near term prospects, to provide support for the Company's marketing and business development opportunities and provide working capital to allow investment in the Company's clinical programs. This Prospectus is not aimed at raising capital, but rather at facilitating secondary trading of Shares issued pursuant to the Placement.

This Prospectus contains important information about Rhinomed. It also contains information about the range of potential risks of investing in the Company.

**Potential investors should consider that the investment in the Company is speculative, as it and its Technology are early stage.**

I encourage you to read the prospectus carefully and in its entirety and consult with your professional advisers before deciding whether to invest in the Company.

Yours faithfully,

RON DEWHURST
CHAIRMAN

# 1. PURPOSE OF PROSPECTUS, THE PLACEMENT AND BACKGROUND INFORMATION

## 1.1 Summary Offer Details

| TERMS OF OFFER | DETAILS | |
|---|---|---|
| **Offer Price per Share** | $0.10 | |
| **Total number of Shares offered under this Prospectus** | 100 | |
| **Total number of Shares on issue following the Offer*** | **Pre-Consolidation** | **Post-Consolidation** |
| | 936,369,107 | 93,636,911 |
| **Total number of Options on issue**** | **Pre-Consolidation** | **Post Consolidation** |
| | 271,919,230 | 34,191,923 |
| **Amount to be raised under the Offer** | $10 | |

* Assumes all Offer Shares are issued

** For details of Options on issue, refer to Section 15.16.

## 1.2 Timetable

| EVENT | DATE |
|---|---|
| **Prospectus date** | 21 March 2017 |
| **Offer opens** | 28 March 2017 |
| **Offer closes** | 28 March 2017 |
| **Anticipated date of allotment** | 29 March 2017 |
| **Shareholding statements expected to be dispatched** | 29 March 2017 |
| **Anticipated commencement of ASX trading** | 30 March 2017 |

All dates and times are subject to change and indicative only. All times are AEDT. The Company reserves the right to vary these dates and times without notice. It may close the Offer early, withdraw the Offer, or accept late Applications, either generally or in particular cases.

## 1.3 Placement

Immediately before lodgement of this Prospectus, the Company completed and announced the placement of 105,135,000 and 17,000,000 Shares respectively at an issue price of $0.018 per Share, to Mr W. Whitney George and another investor, both Sophisticated Investors resident outside Australia and exempt from prospectus disclosure pursuant to the Corporations Act **(Placement).**

Immediately before completion of the Placement, the substantial Shareholders of the Company, were:

**(a)** Kroy Wen Pty Ltd (a company controlled by the Chairman, Mr Dewhurst), holding 71,000,000 Shares (8.72%); and

**(b)** Mr W. Whitney George, holding 60,916,205 Shares (7.48%) (held through a nominee);

Immediately after the Placement, the substantial Shareholders of the Company were:

**(c)** Mr W. Whitney George, holding 166,051,205 Shares (17.73%) (held through a nominee); and

**(d)** Kroy Wen Pty Ltd, (a company controlled by the Chairman, Mr Dewhurst), holding 71,000,000 Shares (7.58%).

Refer to Section 15.17 for more information on the Company's substantial Shareholders.

Before the Placement, the top 20 Shareholders of the Company collectively held 340,656,376 Shares, representing 41.84% voting power and remaining Shareholders held 473,577,631 Shares, representing 58.16% voting power.

After the Placement, the top 20 Shareholders of the Company collectively hold 462,791,376 Shares, representing 49.42% voting power and remaining Shareholders hold 473,577,631 Shares, representing 50.58% voting power.

As a result of the Placement, Shareholders (other than the two the investors under the Placement) have been diluted by 11.6%.

The investors under the Placement are not related parties to the Company.

Refer to Section 15.17 for more information on the Company's top 20 Shareholders.

Funds raised under the Placement will be used to fund capital expenditure, research and development, sales and marketing and as working capital.

## 1.4 Purpose of the Offer

### (a) Summary

The purpose of this Prospectus is to facilitate the secondary trading of Shares issued by the Company, pursuant to the Placement.

**No securities are offered under this Prospectus to members of the public or persons not selected by the Company.**

### (b) Cleansing of Placement

On 21 March 2017, the Company announced the completion of the Placement.

Section 707(3) of the Corporations Act requires that a prospectus is issued in order for a person to whom securities were issued without disclosure under Part 6D of the Corporations Act to offer those securities for sale within 12 months of their issue.

However, section 708A(11) of the Corporations Act provides that:

The sale offer [i.e. an offer of a body's securities for sale by a person] does not need disclosure to investors under this Part if:

(a) The relevant securities are in a class of securities of the company that are quoted securities of the body; and

(b) either:

  (i) a prospectus is lodged with ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or

  (ii) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and

(c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

The purpose of the Offer is therefore not primarily to raise capital, but to enable secondary trading of any Shares the Company issued pursuant to the Placement immediately before lodgement of this Prospectus, in accordance with section 708A(11) of the Corporations Act.

To avoid doubt, Shares the Company issued pursuant to the Placement are NOT being offered under this Prospectus. This Prospectus is being lodged and the Offer is made in order to "cleanse" Shares that have been issued pursuant to the Placement so that they are capable of secondary trading after their issue.

## 1.5 Proposed General Meeting

The Company is about to issue a Notice of General Meeting to be held as soon as practicable (subject to review of the Notice of General Meeting by ASX), for the purpose of considering the following resolutions:

a) **Resolution 1**: Approval ("Ratification") under ASX Listing Rule 7.4 of the issue of 122,135,000 Shares pursuant to the Placement;

b) **Resolution 2**: Approval of the issue of 40,000,000 Options to Mr Michael Johnson;

c) **Resolution 3**: Approval of the issue of 10,000,000 Options to Mr Brent Scrimshaw;

d) **Resolution 4**: Approval of the issue of 10,000,000 Options to Dr Eric Knight;

e) **Resolution 5**: "That with effect from 28 April 2017, (or such other subsequent date that is notified to ASX by the Company), the share capital of the Company be consolidated through the conversion of every ten (10) Shares into one (1) Share, and that any resulting fractions of Shares be rounded up to the nearest whole number of Shares." (Consolidation of Capital); and

f) **Resolution 6:** (special resolution) Adding a provision as article 8A to the Company's Constitution, a provision permitting the Company to conduct sales of unmarketable parcels of its shares.

**Resolutions 2 to 4** will impact on the capital structure of the Company, if approved by Shareholders, resulting in an increase in the number of Options on issue. In this regard, refer to Section 15.16.

**Resolution 5**, if approved by Shareholders, will result in the consolidation of the Company's Shares and Options **(Consolidation).**

**Resolution 6** is a special resolution and if approved, adds a provision as article 8A to the Company's Constitution, a provision permitting the Company to conduct sales of unmarketable parcels of its shares.

**For more information on these proposed resolutions and their effect, refer to the draft Notice of General Meeting and Explanatory Statement exhibited as Annexure A to this Prospectus.**

## 2. INVESTMENT OVERVIEW

| ITEM | SUMMARY | FURTHER INFO |
|---|---|---|
| **COMPANY** | | |
| **Who is the issuer of this Prospectus?** | Rhinomed Limited (ACN 107 903 159) (ASX: RNO) | Section 15.1 |
| **Who is Rhinomed?** | Rhinomed is a technology company that has developed and is commercialising a nasal technology platform **(Technology).** | Section 6<br>Section 15.1 |
| **Rhinomed's aims and objectives** | Rhinomed seeks to develop and commercialise its nasal technology platform through either bringing to market its technology or commercialising the technology through partnerships and licensing opportunities. | Section a) |
| **When was Rhinomed and its business established?** | Rhinomed officially changed its name to Rhinomed Limited at its November 2013 Annual General meeting. This followed a turnaround programme in February 2013.<br>Prior to that, the Company was called Consegna Group and focused on identifying a range of biotech and medical technologies that it would then purchase and on sell/license to other parties.<br>Upon the cessation of this strategy in 2013, a new management team was brought in to identify a technology and a strategy that could potentially deliver a return to Shareholders. To this end, the Company committed to a new strategy focussed on commercialising nasal technology under the name Rhinomed. | Section 6.1 |
| **BUSINESS MODEL** | | |
| **Summary of Business Model** | The Company's business model now involves:<br>**(a)** developing and if justified, patenting, devices to improve nasal airflow for those who suffer from nasal obstruction, congestion or impairment;<br>**(b)** developing a retail footprint in several countries to facilitate the sale of applications of the Company's Technology;<br>**(c)** earning revenue from sales of its Mute and Turbine products as medical devices in markets where the Company has the necessary registrations to sell it (being the US, Canada, EU countries and Australia); and<br>**(d)** earning revenue from sales of its *Turbine* product as a consumer product in other markets where permitted by local laws. | Section 6<br>Section 6.4 |

| ITEM | SUMMARY | FURTHER INFO |
|---|---|---|
| **What is Rhinomed's Business Model?** | The Company's Technology is a nasal stent capable of harnessing a law of Physics (Poiseuille's Law). This law states that an increase in the diameter of a vessel (in this case, the nose) delivers an increase in the volume of a gas travelling through that vessel by the power of four. By increasing airflow through the nose, the Technology aims to target a range of issues associated with poor nasal airflow.<br><br>The Technology has application as a nasal stent that aims to improve nasal airflow for those who suffer from nasal obstruction, congestion or impairment. The Technology platform may (subject to further clinical trials) have potential to be further adapted to carry a range of medicaments – both non-clinical and clinical, to hold a valving system aimed at creating Expiratory Positive Air Pressure (EPAP) in the upper airway and to hold or carry a range of filters, sensors, etc.<br><br>The Company has launched its first two applications of the Technology, focused on nasal obstruction in the sport, exercise, snoring and sleep markets, namely its Mute and Turbine products.<br><br>In relation to its prototype INPEAP product, the Company has also completed a very early (Phase 1) clinical trial in Obstructive Sleep Apnea.<br><br>The Company has conducted preclinical work in applying nasal stents to sport and sleep applications.<br><br>The Company believes that if it successfully socialises the concept of using its nasal stenting device within its chosen market segments, it may be able to leverage this acceptance and adoption to offer a range of other solutions based on its nasal stenting Technology.<br><br>The Company has offices in Melbourne, Australia and in Cincinnati, U.S.A. | Section 6<br><br>Sections 6.3, 6.4, 6.5, 6.6, 6.7 and 6.8 |
| **Manufacturing** | The Company manufactures the Turbine and Mute products in Southern China through an agreement with a specialty injection moulder and manufacturer. It distributes these products through distribution arrangements with certain bricks and mortar retailers in the UK, USA, Canada and Australia and through online sites such as Amazon, www.mutesnoring.com and www.theturbine.com. | Section 6.11 |
| **Intellectual Property** | The Company has a portfolio of granted and pending applications for patents, trade marks and designs in key jurisdictions, while taking steps to protect trade secrets material to its Technology and the manufacturing of its products. | Section 6.17<br><br>Section 13 |

| | | |
|---|---|---|
| **Regulatory** | The Company's Mute and Turbine products have been registered in the U.S.A, Canada, the United Kingdom and the European Union as Class 1 medical products, permitting their sale in these jurisdictions. The Turbine product is sold as a consumer product in certain other jurisdictions, where permitted by the laws of such jurisdictions. | Section 5<br>Section 6.10 |
| **What is the market opportunity for Rhinomed?** | The sleep aids market in the US, primarily serviced by pharmaceuticals, is projected to record a value CAGR of 3% at constant 2016 prices over a forecast period of 2016 - 2021, achieving retail value sales of US$831 million in 2021.<br><br>Sleep aids are drugs (and potentially, medical devices) that help a person to fall asleep and stay asleep. Lack of sleep quality may lead to a medical condition known as a sleep disorder. Sleep disorders occur due to changes in sleep patterns, which can be caused by a physical disturbance, medical issues, psychiatric problems or environmental issues.<br><br>Globally, the sleep aids market (primarily serviced by pharmaceuticals) is experiencing growth.<br><br>The medical devices component of the sleep aids market is not readily identifiable, but Rhinomed is focussed on addressing specific sleep and breathing issues relating to nasal congestion and nasal airflow in the hope of establishing itself in this market. | Sections 3 and 4<br>Sections 6.4, 6.5, 6.6, 6.7 and 6.8 |
| **Who are the target customers for Rhinomed's Technology?** | In relation to sleep aids, the Company targets:<br>(a) consumers and their partners - those who suffer from primary snoring, nasal congestion or nasal obstruction and its side effects;<br>(b) retailers – pharmacy and grocery chains who sell OTC sleep products; and<br>(c) clinicians – Rhinomed hopes to gain support for Mute from sleep specialists, General Practitioner's (GP's), sleep focused dentists and Ear, Nose and Throat Specialists (ENT's) who treat patients who suffer from nasal airway issues.<br><br>In relation to sports and exercise, Rhinomed targets:<br>(a) consumers - those who suffer from nasal congestion or obstruction; and<br>(b) retailers – who sell sporting and exercise equipment and goods to consumers. | Section 6<br>Section 6.4 and 6.15 |

| | | |
|---|---|---|
| **What are Rhinomed's distribution channels?** | The Company is targeting these customers, through:<br>(a) direct sales from the Company's ecommerce websites **www.theturbine.com** and **www.mutesnoring.com** or through other online platforms such as **www.amazon.com**;<br>(b) sales through retailers (with whom the Company has distribution arrangements) who purchase the products to on-sell to consumers; and<br>(c) sales to retailers through wholesale distributors who have distribution arrangements with the Company.<br>In addition to existing distribution arrangements, the Company continues to investigate a range of potential relationships and conduct dialogues with potential partners. These discussions remain incomplete and confidential at this stage. The Company will update Shareholders, should these progress. | Sections 6.4, 6.11 and 6.15<br>Section 14.1 |
| **How does Rhinomed generate revenue?** | Rhinomed currently generates revenue by selling its Turbine (sports) and Mute (anti-snoring) products.<br>Early revenues from this commercialisation of the Company's Technology have been generated from the sport and sleep aids market segments.<br>Sales of the Turbine and Mute products generated $1.01 million in revenue FY16 and $1.2 million for the first six months of FY17. | Section 6<br>Section b)<br>Section 6.5<br>Section 8 |
| **What other commercial opportunities are there for Rhinomed?** | The Company's long term potential lies in demonstrating that its Technology platform, if it becomes established and accepted as a viable treatment modality, can be applied to a wider range of needs, subject to appropriate regulatory approvals and clinical trials.<br>As a result, the Company believes that its intellectual property position provides it with the potential to license or sell its Technology and/or brands to other parties.<br>If the Company's brands and Technology grow market share, there may be an opportunity to acquire or license in new products/technology under the existing brands' umbrellas, to complement the Company's products. | Section 4<br>Section 6<br>Sections 6.5, 6.7 and 6.8 |
| **Who are Rhinomed's competitors?** | The primary competitors to the Company's products are internal and external nasal dilators.<br>The Company believes that its largest competitor is the external nasal dilator - the Breathe Right strip. Breathe Right is an externally applied, stick on nasal strip that seeks to prevent nasal collapse by pulling out the external skin on the nose.<br>Other competitors are other strip brands and other internal nasal dilators. These internal nasal dilators consist of non-adjustable cones or flares that are inserted into the nose. Some of these are Snoreben, Airmax Max-air, Air and Nosevent. | Section 6.18 |

The Company believes that its internal stent has advantages over its competitors, primarily the ability to adjust the device to specifically fit the anatomy of each nostril and its availability in three sizes. This ability to select the right size and then tune the device to suit the user's nose, is a key advantage.

Additionally, the potential to leverage the Technology in multiple applications is also a potential advantage over the Breathe Right strip.

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**Business Model Dependencies**

The key dependencies for the commercialisation of the Company's products, include:

Section 6.12

(a) delivering the Company's products at a price that makes them attractive, despite the current lack of reimbursement for them from government agencies and private medical funds;

(b) no major development or regulatory hurdles arising;

(c) continuing to maintain and prosecute the Company's intellectual property portfolio in key jurisdictions;

(d) ongoing take-up of the Mute and Turbine devices by customers at commercially sufficient levels to support the ongoing operations of the Company and further product development and sales;

(e) successfully ranging the Company's products with major healthcare retail operations, including pharmacies, grocery stores and other healthcare outlets, pursuant to distribution arrangements;

(f) ability to successfully merchandise applications of the Technology instore and online;

(g) ongoing adoption of the Company's Turbine and Mute technology by consumers and referral by key clinicians including dentists, GP's, sleep specialists and ENT's;

(h) ability to source constituent materials in required quantities and to manufacture the Mute and Turbine devices at costs that make the commercial sale of its products feasible;

(i) ability to source and commission key equipment, materials and manufacturers for the manufacture of the Mute and Turbine devices;

(j) brand recognition;

(k) maintenance of logistics and distribution channels;

(l) ability to deliver finished products in a timely manner to key customers; and

(m) keeping abreast of competition.

## RISKS & BENEFITS

**What are the Key risks for Rhinomed's business?**

**KEY RISKS SPECIFIC TO RHINOMED:**

Section 9
Section 9.1
Section 9.3

Occurrence of one or more of the following risks could have a material adverse effect on Rhinomed and its business:

**Early Stage Business**

The Company and its business are still at an early stage of development and clinical trials it has conducted are also early stage (proof of concept trials). Investors should consider the inherent risks encountered by an emerging company, particularly in the fast-moving medical devices industry and the risk that subsequent clinical trials of the Company's products, required to prove their efficacy and boost sales, may not justify further development and sale of those products. With a limited trading history in the Technology, there is low visibility on the future demand for the Company's products, within Australia or overseas.

**Clinical Trial Risk**

The successful commercialisation of the Company's products is dependent on the Company's ability to conduct successful clinical trials, which depend on enrolment of sufficient subjects and regulatory clearances. There is also no guarantee these trials will return positive results.

**Manufacturing and Distribution Risk**

Rhinomed's success is dependent upon its ability to manufacture its products on a commercial scale, with continuity of supply and in accordance with current good manufacturing practices prescribed by regulatory authorities. Any delays or difficulties in the future manufacturing of products may have a material adverse effect on the Company. Should the Company's outsourced manufacturing facilities be disrupted or agreements terminate unexpectedly, it may not be able to source alternate methods of creating its product within a reasonable time.

The Company's distribution arrangements may be terminated at the discretion of the counterparties, which could, in cases of material distribution agreements, materially adversely affect the Company.

The Company depends, at this stage, on a single manufacturer for its products and should that manufacturer for any reason cease to manufacture the Company's products, the Company will approach alternative manufacturers, but will be adversely affected until a suitable replacement is found.

### Competition

The medical device industry is competitive and subject to rapid change. The Company competes with other businesses and companies, some of which have greater financial and other resources than the Company. There is a risk that the Company's competitors may develop products or the Company may be slow to adopt new technology, in either case causing the Company's products to become obsolete or unattractive to its current customers or potential consumers.

### Intellectual Property

The Company relies upon its own intellectual property to conduct its business. To leverage innovation, the Company will need to protect its intellectual property. There may be circumstances where the Company's intellectual property cannot be protected or is subject to unauthorised disclosure, infringement or successful challenge by a third party. The Company may incur significant costs in asserting its rights in such circumstances and may be unable to successfully assert them, with material adverse effects.

### Dependence on Key Personnel

The success of the Company depends to a significant extent on the ability, performance and experience of its key personnel. The loss of key personnel or an inability to recruit or retain suitable replacement or additional personnel may adversely impact the Company's performance.

### Dependence on Key Relationships

The Company depends on the performance of its key commercial partners to successfully grow its business. The loss of any such relationships may have a material adverse effect on the Company. The Company has engaged third parties to assist with the manufacturing, sale and distribution of its products. Accordingly, the Company's success depends, in part, on the success of these relationships. Poor performance or breakdown of the Company's relationships with these commercial partners may lead to loss of or poor production quality, reduced sales and customer dissatisfaction.

The Company's distribution arrangements may be terminated at the discretion of the counterparties, which could, in cases of material distribution agreements, adversely affect the Company's ability to generate revenue.

### Management of Growth

If the Company's business experiences rapid growth in the future, the Company may not be able to manage this growth effectively. There is no guarantee that, should demand for the Company's products reach a level where its current manufacturing is insufficient to meet demand, the Company will be able to expand or upgrade existing facilities, build or obtain access to new facilities or develop manufacturing technology to meet such demand.

**R&D Claims**

In the last 3 years, the Company has received $1,565,829 in R&D refunds. While the Company believes that its claims were substantiated with appropriate evidence, the Company cannot guarantee that the Australian Taxation Office (ATO) may not, in the future, take a different view on some or all of those claims, in which case the Company may be compelled to refund amounts received, which amounts could be material.

**Market Failure**

The Company is dependent on commercially attractive markets remaining available to it. Commercial sales may not fund sufficient revenue for growth and potentially, continued operations, if it loses access to or its share of markets.

**Innovation Risk**

Should the Company fail to develop new technologies, or anticipate or react to changes in existing technologies, either within or outside of its industry, development of new products may be materially delayed, which could result in a reduction in net sales and a loss of market share, with materially adverse impacts on the Company.

**Additional Capital Requirements and Dilution Risk**

The Company is likely to raise additional equity capital in the future, which will dilute Shareholders. There is no assurance that the Company will be able to raise further capital when required or, if available, the terms may be unsatisfactory. If Rhinomed is unsuccessful in obtaining funds when they are required, it may need to delay or scale down its operations, with adverse impacts on the Company.

**Product LIability Risk**

The Company may be adversely impacted by any manufacturing defects and risks inherent in its products. In the medical devices market, such defects may give rise to claims against the Company that could materially adversely affect its business to a degree that insurance may either not compensate or for which insurance is not economically available to the Company.

**Litigation and Counterparty Risks**

The Company is exposed to litigation risks, including contractual disputes and potential defaults by contract counterparties. In either case, litigation may not yield the results or recovery hoped for. Such events may materially adversely affect the Company and its business. The Company is not currently engaged in any litigation.

### Strategy and Delay Risks

The Company's strategies and milestones it sets may be affected by changes in market conditions and other circumstances, such as risks mentioned in this Section. In such circumstances, there is potential for the delay of strategic milestones set by the Company, which may result in failure to achieve anticipated revenue within anticipated timeframes or at all and potential cost overruns.

### Currency Risk and Lack of Hedging

The Company may be adversely affected by fluctuations in the US dollar, the Euro and Australian dollar exchange rates. The Company does not currently have any hedging arrangements to mitigate this risk, but may implement them when the Directors consider the cost is justified.

### Debt Collection Risk

Customers or distributors may be slow, or fail, to pay the Company, reducing the Company's cash flow and liquidity, with adverse effects on the Company.

### International Agreements

The Company has entered, and may in future enter into, contractual relations with parties that are domiciled in foreign jurisdictions. Changes to laws or absence of legal remedies in those countries may adversely affect the Company's ability to carry on its business. It is costly for the Company to enforce compliance with contractual obligations in foreign jurisdictions and outcomes in those legal systems may differ from those in Australia.

### Acquisition Risks

As part of its business strategy, the Company may make acquisitions of, or significant investment in, complementary companies or prospects. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

### Liquidity and Realisation Risk

There can be no guarantee that an active market in the Company's Shares will develop or continue and that the price of its Shares will not decrease. There may be relatively few potential buyers or sellers at any given time and this may increase the volatility of the market price of the Company's Shares, making them illiquid and as a consequence, investors may be unable to readily exit or realise their investment in the Company.

### Compliance

If the Company fails to adhere to regulatory requirements for the ongoing registration of its products as medical devices, it could lose those registrations, with a material adverse effect on the Company.

**Legacy Business Risk**

The Company has previously carried on other businesses before focussing on commercialising its Technology. The Company is not aware of claims in relation to those businesses, but there is a risk that claims in relation to the Company's legacy business may arise in future.

**General Risks**

The Company's business is also subject to general risk factors. Such risks apply to companies generally, but may materially adversely impact the Company and its business or the value of its securities. More information about such risks is set out in Section 9. Some of these risks include:

**a) Securities Investments and Share Market Conditions**

There are risks associated with any securities investment. The prices at which the securities trade may fluctuate in response to a number of factors.

Furthermore, the stock market may experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of companies.

These factors may materially adversely affect the market price of the securities of the Company regardless of the Company's operational performance. Neither the Company nor the Directors warrant the future performance of the Company, or any return of an investment in the Company.

**b) Liquidity Risk**

The market for the Company's Shares may be illiquid. As a consequence, investors may be unable to readily exit or realise their investment in the Company.

**c) Economic Risk**

Changes in both Australia and world economic conditions may adversely affect the financial performance of the Company. Factors such as inflation, currency fluctuations, interest rates, industrial disruption and economic growth may impact on future operations and earnings.

**d) Policy**

Access to international markets may be limited in the future, depending on trade policy. Government policy or regulatory change may adversely impact the Company.

There is a risk that changes to tax policies and laws in Australia and other countries where the Company trades, may adversely affect the Company.

The above is not intended to be an exhaustive list of the risk factors to which the Company or investors in the Company are or may be exposed. The factors specifically referred to above may in the future materially affect the viability or performance of the Company and the value of its securities.

**What are the key Investment highlights?**

The key investment highlights below should be read in conjunction with the risks described in Section 9.
Key investment highlights include, but are not limited to:

Sections 3 and Section 6

**In Market**
The Company has established a growing customer base of both direct consumers and retailers and distributors. This has all been achieved in 4 years, despite clinical trials for the Company's products only being at early proof of concept stage. This provides important reference points in the Company's target markets and demonstrates its solution capability to potential future customers.

Section 4
Section 6.14

**Security of Supply**
The Company has an agreement with ChinaMed, its contract manufacturer. This agreement expires in 2018 but the Company sees no reason why this agreement will not be renewed.

Section 6.11
Section and 14.4 and 14.10

The Company has an agreement with Direct Link, a subsidiary of Poste Norde, who provide logistics services for the Company and enable the delivery of the Company's products to customers in several countries.

There are also other logistics agreements in place as described in Section 14.4.

**Intellectual Property**
The Company has created and filed a significant number of patents. In addition the Company has a portfolio of registered designs and applications, numerous trade marks and a series of domain names associated with its business.

Sections 6.17 and 13

**Clinical Program**
The Company has undertaken a clinical trial program and completed an early stage, proof of concept (Phase I) clinical trial of its Obstructive Sleep Apnea technology.

Sections 5 and 6.10

The Obstructive Sleep Apnea market is significant and there is demand for new innovative technology that can demonstrate both efficacy and improved compliance.

The Company intends to undertake further design refinement before conducting a Phase IIB clinical trial that will seek to provide further data to determine the efficacy of its INPEAP device.

Section 10

**Experienced Personnel**
Existing and planned activities, including promotion and sales of the existing portfolio and development of potential new technology, will be implemented by a management team with experience in sleep, consumer and over the counter health solutions, an industry track record of enterprise sales and an extensive network in its target markets.

## DIRECTORS AND KEY PERSONNEL

**Who are the Directors of the Company?**

### BOARD

Section 10.1

Section 10.2

The current Directors of Rhinomed are:

**(a)** Mr Ron Dewhurst, Non-Executive Chairman, not independent

**(b)** Mr Michael Johnson, CEO and Executive Director, not Independent

**(c)** Mr Brent Scrimshaw, Non-Executive Director, Independent

**(d)** Dr Eric Knight, Non-Executive Director, Independent

Mr Dewhurst has spent 40 years in the investment banking and asset management industries, covering Australia, Asia, Europe and America.

Mr Johnson has over 20 years' corporate experience in a range of companies, ranging from ASX 300 through to start-up companies in Life sciences, cleantech, financial services, energy and utilities, manufacturing, marketing and communication, automotive and consumer packaged goods. Mr Johnson has a Master's degree in Entrepreneurship and Innovation from Swinburne University and a Bachelor's degree in Business from Monash University.

Mr Scrimshaw has considerable experience in 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 involved in many of Nike's major growth and brand strategies.

Dr Knight brings a depth of experience in corporate strategy and management. He specialises in strategy implementation and corporate innovation in the healthcare, digital media and financial services sectors. 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 programme.

Further details on the experience and qualifications of each of the Directors are set out in Section 10.

### MANAGEMENT

The Management team consists of:

**(a)** Mr Phillip Hains, Joint Company Secretary

**(b)** Mr Justyn Stedwell, Joint Company Secretary

**(c)** Shane Duncan, Vice President, Global Sales and Marketing

Mr Hains is a Chartered Accountant operating a specialist public practice. 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.

Mr Stedwell is a professional Company Secretary with over 8 years' experience as a Company Secretary in ASX listed companies within various industries, including IT & telecommunications, biotechnology and mining. He has completed a Bachelor of Business and Commerce (Management & Economics) from Monash University, a Graduate Diploma of Accounting from Deakin University, a Graduate Diploma in Applied Corporate Governance from the Governance Institute and Graduate Certificate of Applied Finance from Kaplan Professional.

Mr Duncan has over 20 years' international experience across pharmaceutical marketing, sales and medical communications.

**What are the interests of Directors in the Company following the Offer?**

The Directors are not participating in the Offer and their respective interests in the Company's securities will not be altered by the Offer, except that their voting power will decrease in the same manner as all other existing Shareholders.

Section 10.3

The direct and indirect equity interests of the Directors and their voting power following completion of the Offer are set out in the table below:

| DIRECTOR | SHARE PRE-CONSOLIDATION | SHARES (POST-CONSOLIDATION) | VOTING POWER | OPTIONS (PRE-CONSOLIDATION) | OPTIONS (POST-CONSOLIDATION) |
|---|---|---|---|---|---|
| Ron Dewhurst | 71,000,000 | 7,100,000 | 7.58% | 10,000,000 | 1,000,000 |
| Michael Johnson | 1,611,014 | 161,110* | 0.17% | 40,273,056 | 4,027,306 |
| Brent Scrimshaw | 759,177 | 75,918* | 0.08% | 10,000,000 | 1,000,000 |
| Eric Knight | 761,572 | 76,158* | 0.08% | 10,000,000 | 1,000,000 |

**What remuneration do the Directors receive?**

| DIRECTOR | CASH | NON-CASH | SUPER |
|---|---|---|---|
| Ron Dewhurst | $44,749 | As approved by the Board from time to time. In 2016, he received Options valued at 96,780 | $4,251 |
| Michael Johnson | $230,692 | As approved by the Board from time to time, In 2015/2016, he received no equity consideration. | $19,308 |
| Brent Scrimshaw | $54,795 | As approved by the Board from time to time, In 2015/2016, he received no equity consideration. | $5,205 |
| Eric Knight | $54,795 | As approved by the Board from time to time, In 2015/2016, he received no equity consideration. | $5,205 |

Section 10.4

**Related party transactions and benefits for other parties**

Further details of current arrangements between Rhinomed and its Directors and other related parties, include:

**(a)** loan agreement between an entity controlled by Mr Ron Dewhurst and the Company under which Mr Dewhurst lends funds to the Company;

**(b)** executive employment contract between the Company and Michael Johnson;

**(c)** consultancy agreement between the Company and Smart Street Solutions (a business associated with Michael Johnson);

**(d)** Deeds of Indemnity, Access and Insurance between Directors and the Company; and

**(e)** Engagement agreements between the Company and its non-executive directors.

Advisers and other service providers are entitled to fees for services as set out in this Prospectus.

Section 14.5
Section 14.6
Section 15.20

**Where can I find Rhinomed's historical financial information?**

Detail about historical and pro forma financial information is provided in Section 8.

Historical financial information, including the historical reviewed consolidated statement profit and loss and other comprehensive income for the period to 31 December 2016 and the consolidated statement of financial position of the Group as at 31 December 2016, is included in Section 8.

Section 8
Section 12

**What Financial Information is included in this Prospectus?**

The financial information, is:

a) a reviewed consolidated statement of profit and loss and other comprehensive income for the period from 1 July 2016 to 31 December 2016;

b) a reviewed consolidated statement of financial position for the Company and its subsidiaries at 31 December 2016; and

c) pro forma historical financial information about the anticipated effect of the Placement and the Offer and notes to the pro forma historical financial information (is set out in Section 8.2).

The consolidated historical financial information of the Company and its subsidiaries (the Group) for the period 1 July 2016 to 31 December 2016 has been reviewed.

Past performance is not a guide to future performance.

Section 8
Section 12

**Financial Position and performance**

The Group's financial position is set out in detail in Section 8. In summary, as at 31 December 2016, total assets were approximately $6.5 million (including cash and cash equivalents of $0.8 million), with total liabilities of $0.7 million, resulting in net assets of $5.8 million.

The Group incurred a consolidated loss of $1.3 million for the period ended 31 December 2016.

The Investigating Accountant's Report is provided in Section 12.

An abridged historical financial performance summary is included in the table below:

Section 8
Section 12

| | 1 JULY 2015- 30 JUNE 2016 (AUDITED) | 1 JULY 2016- 31 DECEMBER 2016 (REVIEWED) |
|---|---|---|
| Sales revenue | 1,012,433 | 1,214,453 |
| Less total expenses | (7,533,301) | (2,863,110) |
| EBIT | (6,520,868) | (1,648,657) |
| Interest revenue | 84,882 | 17,637 |
| Loss before income tax expense | (6,435,986) | (1,631,020) |
| Income tax benefit | 437,457 | 279,000 |
| Loss for the period | (5,998,529) | (1,352,020) |

**Is the company profitable?**

The Company has not yet achieved a profit and does not have a history of profitability. It is uncertain if and when the Company may become profitable.

As set out in Section 8 in the reviewed consolidated statement of profit and loss and other comprehensive income for the period ending 31 December 2016, the consolidated result was a loss of $1,352,020.

Section 8
Section 12

| | | |
|---|---|---|
| **What are the use of funds from the Offer?** | Funds raised under the Offer are negligible ($10). The purpose of this Prospectus is not to raise capital but to enable secondary trading of Shares issued pursuant to the Placement.<br><br>The Company has no current intention to raise additional capital to meet its short term objectives. However, it is likely that the Company will need to raise additional capital in the future.<br><br>In addition to funds raised under the Placement, Rhinomed has access to a range of sources to meet its anticipated expenditure, including cash at bank, net cash flows from manufacturing and selling the Company's products and debt and equity funding options available to it as an ASX listed company. | Section 1.3<br>Section 1.4 |
| **What is Rhinomed's dividend policy?** | The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company. | Section 15.7 |

## INFORMATION ABOUT THE PLACEMENT

| | | |
|---|---|---|
| **What is the Placement?** | The Placement was an issue of 122,135,000 Shares at an issue price of $0.018 per share to raise $2,198,430 before costs, to Mr W. Whitney George and another investor immediately before the lodgement of this Prospectus.<br><br>As a result of the Placement, Shareholders (other than the investors under the Placement) have been diluted by 11.6%.<br><br>No securities are offered to the public under this Prospectus.<br><br>Funds raised under the Placement will be used to fund capital expenditure, research and development, sales and marketing and as working capital. | Section 1.3 |
| **What is the purpose of the Offer and this Prospectus?** | The Placement was conducted to raise funds. This Prospectus was lodged on the same day as the Placement to facilitate secondary trading of new Shares issued pursuant to the Placement, in accordance with section 708A(11) of the Corporations Act. | Section 1.4 |

## KEY OFFER INFORMATION

| | | |
|---|---|---|
| **Where can I find the timetable?** | The indicative timetable for the Offer is set out in Section 1.2. The Closing Date is 28 March 2017, but the Offer may close early or be extended without notice. | Section 1.2 |

**Effect of the Offer on the Company's capital structure**

Section 7

**PRE-CONSOLIDATION**

| SHARES BEFORE CLOSE OF THE OFFER* | OPTIONS BEFORE CLOSE OF THE OFFER | OFFER SHARES | SHARES AFTER CLOSE OF THE OFFER** | OPTIONS AFTER CLOSE OF THE OFFER |
|---|---|---|---|---|
| 936,369,007 | 271,919,230 | 100 | 936,369,107 | 271,919,230 |

* Includes 122,135,000 Shares issued pursuant to the Placement.

** Assumes 100 Shares are issued pursuant to the Offer.

**POST-CONSOLIDATION**

Section 7

Annexure A

| SHARES BEFORE CLOSE OF THE OFFER* | OPTIONS BEFORE CLOSE OF THE OFFER | OFFER SHARES | SHARES AFTER CLOSE OF THE OFFER** | OPTIONS AFTER CLOSE OF THE OFFER*** |
|---|---|---|---|---|
| 93,636,901 | 27,119,923 | 10 | 93,636,911 | 34,191,923 |

* Includes 122,135,000 Shares issued pursuant to the Placement (pre-consolidation, before lodgement of this Prospectus).

** Assumes 100 Shares are issued pursuant to the Offer (pre-consolidation).

*** Assumes the Director Options are issued after Shareholder approval at the General Meeting to be held pursuant to the Notice of General Meeting For more information on the Director Options, refer to Annexure A of this Prospectus, which exhibits a Notice of General Meeting the Company intends to convene as soon as possible.

**Effect of the Offer on control of the Company**

The Offer will have a negligible effect on control of the Company.

Section 7.3

**How to participate in the Offer?**

The general public cannot participate in the Offer. Only Sophisticated Investors selected by Rhinomed are eligible to participate in the Offer.

Applications for Offer Shares by eligible Applicants must be made using the Application Form attached to this Prospectus. To the maximum extent permitted by law, the Directors will have discretion over which Applications to accept.

Applicants must follow the procedures advised to them by the Company for Applications under the Offer.

Section 11

Sections 11.5 and 11.7

| | | |
|---|---|---|
| **What securities will be listed?** | The Company will apply to ASX within 7 days after the date of this Prospectus for quotation of the Offer Shares offered by this Prospectus on ASX. If ASX does not grant permission for the quotation of those Offer Shares within 3 months after the date of this Prospectus, or such longer period as modified by ASIC, none of the Offer Shares offered by this Prospectus will be allotted or issued. In these circumstances, all Applications will be dealt with in accordance with the Corporations Act, including the return of all Application Moneys without interest. A decision by ASX to grant official quotation of the Offer Shares is not to be taken in any way as an indication of ASX's view as to the merits of the Company or of the Offer Shares.<br><br>Quotation, if granted, of the Offer Shares offered by this Prospectus will commence as soon as practicable after statements of holdings of the Offer Shares are dispatched. | Section 11.8 |
| **Are there any escrow arrangements?** | Offer Shares issued under the Offer will not be escrowed or be subject to other restrictions on trading. | |
| **Is the Offer underwritten** | The Offer is not underwritten. | |
| **What is the allocation policy under the Offer?** | To the maximum extent permitted by law and where appropriate, the Company reserves the right to reject any Application or to allocate to any Applicant fewer Offer Shares than the number applied for. The Company also reserves the right to reject or aggregate multiple applications in determining final allocations.<br><br>In the event an Application is not accepted or accepted in part only, the relevant portion of the Application Moneys will be returned to Applicants, without interest.<br><br>The Company reserves the right not to proceed with the Offer at any time before the allocation of the Offer Shares to Applicants. If the Offer is cancelled, all Application Moneys will be refunded without interest.<br><br>The Company also reserves the right to close the Offer early, or extend the Offer, or accept late Applications Forms either generally or in particular cases.<br><br>The allotment of Offer Shares to Applicants will occur as soon as practicable after Application Forms and Application Moneys have been received for the Offer Shares being offered, following which statements of Shareholding will be dispatched. It is the responsibility of Applicants to determine their allocation prior to trading in the Offer Shares. Applicants who sell Offer Shares before they receive their statement of holding will do so at their own risk. | Section 11.7 |

| | | |
|---|---|---|
| **Is any brokerage, commission or stamp duty payable by Applicants?** | No brokerage, commission or stamp duty is payable by applicants on acquisition of Offer Shares under the Offer. | |
| **What are the tax implications for acquiring Offer Shares?** | The Directors do not consider it appropriate to give Applicants advice regarding the taxation consequences of subscribing for Offer Shares under this Prospectus.<br>The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Applicants. As a result, Applicants should consult their professional tax adviser in connection with subscribing for Offer Shares under this Prospectus. | Section 11.14 |
| **CHESS** | The Company participates in the Clearing House Electronic Subregister System (**CHESS**). CHESS is operated by ASX Settlement, a wholly owned subsidiary of ASX. Under CHESS, the Company does not issue certificates to investors. Instead, security holders will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASX Settlement will send a CHESS statement. | Section 11.9 |
| **Residents outside Australia** | This Prospectus and any accompanying Application Form, do not, and are not intended to, constitute an offer of securities in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus or the Offer Shares under the Offer. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. | Section 11.13 |
| **Market prices of Shares on ASX** | The highest and lowest market sale price of the Company's Shares, which are on the same terms and conditions as the Offer Shares, during the 3 months immediately preceding the lodgement of this Prospectus with ASIC and the last market sale price on the date before the lodgement date of this Prospectus, are set out below: | Section 11.12 |

| 3 MONTH HIGH | 3 MONTH LOW | LAST MARKET PRICE |
|---|---|---|
| $0.02<br>28/12/2016 | $0.014<br>07/03/2017 | $0.019<br>20/03/2017 |

| | | |
|---|---|---|
| **Enquiries** | All enquiries about this Prospectus should be directed to Rhinomed Pty Ltd on +61 3 9824 5254 outside Australia, or email **info@rhinomed.global** | Section 11.16 |

# 3. INDUSTRY OVERVIEW

## 3.1 What is Nasal Obstruction and Congestion?

Nasal obstruction is an inability to breathe normally through the nose that can have an adverse impact on health and in particular, respiration during the day and at night (during sleep). Nasal congestion or nasal stuffiness is often described as a 'fullness', obstruction or reduced airflow.

In effect, the upper airway has been reported as behaving like a Starling resistor, in that an obstruction at the inlet (i.e. the nasal airway) produces collapsing forces that manifest downstream in the collapsible segment, the pharynx.

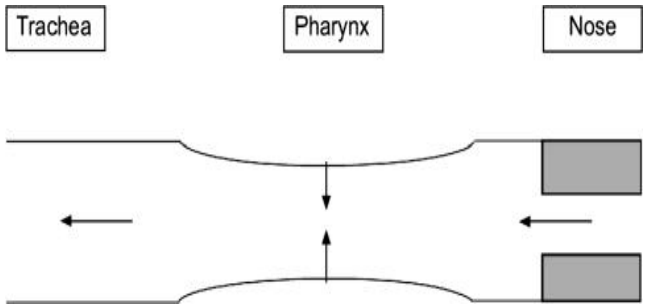



Figure 1

The Starling resistor model (Fig. 1) views the upper airway as a hollow tube, with a partial obstruction at the inlet (corresponding to the nose) and a collapsible segment downstream, corresponding to the oropharynx. This model predicts that a further obstruction upstream (nose) will generate a suction force (negative intraluminal pressure) downstream (oropharynx) resulting, in predisposed individuals, in oropharyngeal collapse. This effect is exacerbated at the supine position, when nasal resistance tends to increase both actively due to postural reflex mechanisms, as well as passively as a result of the reduced hydrostatic pressure on nasal venous circulation.

## 3.2 What Conditions are Associated with Nasal Congestion?

### (a) Rhinologic Conditions

Conditions associated with nasal congestion include nasal polyposis, obstructive sleep apnea, anatomic variation, allergic rhinitis and rhinosinusitis, diseases of which congestion is the major symptom. Congestion can be caused by other rhinologic conditions, such as non-allergic rhinitis, viral or bacterial rhinitis, and vasomotor rhinitis.

Allergic rhinitis affects as much as one quarter of the population of surveyed countries, namely Belgium, France, Germany, Italy, Spain and the United Kingdom. Additionally, allergic rhinitis significantly impairs quality of life. Congestion causes allergic rhinitis sufferers decreased daytime productivity at work or school and reduces night-time sleep time and quality.

Annually, in the USA, allergic rhinitis represents a considerable economic burden, with annual costs in the US in 2003 estimated at US$2-5 billion.

(b) **Mouth Breathing**

When the nasal airway is almost completely obstructed, a switch from nose to mouth breathing occurs, but at a high physiological cost. Mouth breathing is associated with up to 2.5 times higher total resistance and with narrowing of the pharyngeal lumen, decrease in the retroglossal diameter as a result of further posterior retraction of the tongue and increase in the oscillation of the soft palate and redundant pharyngeal tissue. These factors lead to SRDB (Sleep Related Breathing Disorder). Mouth opening may contribute to the occurrence of sleep-related breathing abnormalities.

(c) **Sleep Disordered Breathing**

Sleep Disordered Breathing (SDB), associated with Sleep Related Breathing Disorders, results in impaired respiration and is a common issue, with 17% of people suffering mild to moderate SDB and 6% of people suffering moderate to severe SDB.

Nasal obstruction can be an undiagnosed contributor to Sleep Disordered breathing in certain patients, by being an independent risk factor for obstructive sleep apnea. Generally, patients who suffer from Sleep Disordered Breathing will commonly have a nasal obstruction of some form. SDB can both result from and be worsened by nasal obstruction. Nasal congestion from any cause predisposes a person to SDB.

(i) **Snoring**

In Australia, the 2016 Sleep Health Foundation national survey identified that loud snoring is reported by 24% of men and 17% of women. Among these, 70% report daytime impairment or other sleep-related symptoms. The Company believes that demand for innovative solutions aimed at alleviating snoring, is likely to grow.

(ii) **Sleep Deprivation**

Poor sleep quality is a significant issue, with one in three Americans not getting enough sleep on a regular basis.

In Australia, sleep deprivation is now reported to have reached epidemic proportions, according to a 2016 sleep survey, which showed that 33%-45% of adult respondents self-reported inadequate sleep (either quality or quantity) and the resulting adverse daytime consequences.

(iii) **Obstructive Sleep Apnea**

Obstructive Sleep Apnea affects the way people breathe when they sleep. OSA is the most common form of sleep apnea and occurs when the upper airway relaxes to the point that the airway completely collapses or blocks airflow.

OSA is increasing in prevalence, due to ageing and rising levels of obesity, with WHO estimates stating that the prevalence of sleep disorders in the older adults is in the range of 20% to 50%.

# 4. THE MARKET

## 4.1 Market Segments and Product Categories

Nasal obstruction or congestion can have many adverse effects on the health and wellness of an individual. As a result, the range of available treatments varies according to issue giving rise to the complaint. The Company intends to target what it identifies as four key market segments:

a) *Sleep Aids*, which includes medical devices and drugs that help a person enjoy a better quantity and quality of sleep;

b) *Cough, cold, congestion*, which consists of products that seek to ease or respond to nasal congestion;

c) Obstructive Sleep Apnea; and

d) Dyspnea, which consists of products that assist individuals suffering from an issue or ailment that restricts their breathing.

## 4.2 Sleep Aids

The sleep aids market in the US, primarily serviced by pharmaceuticals, is projected to record a value CAGR of 3% at constant 2016 prices over the forecast period of 2016 - 2021, achieving retail value sales of US$831 million in 2021.

Sleep aids are drugs (and potentially, medical devices) that help a person to fall asleep and stay asleep. Lack of sleep quality may lead to a medical condition known as a sleep disorder.

Globally, the sleep aids market (primarily serviced by pharmaceuticals) is experiencing growth.

The medical devices component of the sleep aids market is not readily identifiable, but the Company is focussed on addressing specific sleep and breathing issues relating to nasal congestion and nasal airflow by application of its Technology, in the hope of establishing itself in this market.

## 4.3 Obstructive Sleep Apnea

The most common treatments for Obstructive Sleep Apnea (**OSA**) are Continuous Positive Airway Pressure (**CPAP**) and Oral Appliance Therapies (**OAT**).

**Continuous Positive Airway Pressure (CPAP)**

CPAP is the most common treatment for OSA. The CPAP device is a mask-like machine that provides a constant stream of air that keeps the patient's breathing passages open while he or she sleeps. The main reasons patients fail at CPAP is due to, claustrophobia, mask-related issues and nasal obstruction/congestion.

The current global sleep apnoea market was valued at US$4,861.9 million and is predicted to grow at 7.74% CAGR. In 2016, North America has been estimated to be 38.29% of this total market, Europe 29.93%, Asia Pacific 22.19% and Rest of the world (ROW), 9.58%. The CPAP masks are sold through specialist distributors, online and through pharmacies.

**Oral Appliance Therapy**

Oral Appliance therapies are widespread and include prescription fitted devices. Most existing dental devices fit inside the patient's mouth, much like an athletic mouth guard. Others fit around the head and chin to adjust the position of the lower jaw. These devices open the airway by bringing the lower jaw or the tongue forward during sleep, addressing obstructions caused by the tongue.

There are many oral devices on market. The OTC varieties are sold online and through pharmacies, while the tailored prescribed devices are generally sold through dental practices.

### 4.4 Sports/Active Lifestyle

The Company believes that its Technology has potential application in this market, although penetration is this time is at a nascent level.

The efficacy and health of the nose is of key importance to the athlete. Ensuring good nasal airflow is something that many athletes are focusing on when both preparing, training and performing.

## 5. REGULATORY ENVIRONMENT

### 5.1 Product Registrations

In most markets of interest to the Company, the Company's products are classified as medical devices that require registration with relevant authorities before they can be sold. To this end, the Company has sought appropriate registrations for Turbine and Mute in its key markets (USA, EU countries, Canada and Australia) (refer to Section 6.10). In certain additional markets Turbine may be sold as a consumer product without a registration being required.

Generally, categories of registered medical product are divided into the following categories:

a) Class I - elastic bandages, tongue depressors, cervical collars, slings, non-sterile dressings;
b) Class IIa - X-ray films, intravenous tubing, contact lenses, catheters;
c) Class IIb - blood bags, dressings for severe wounds, condoms;
d) Class III - coronary artery probes, intrauterine contraceptive devices, medical devices that contain medicines, such as dressings with an anti-microbial agent; and
e) Active implantable medical devices - pace makers, cochlear implants.

*The Therapeutic Goods Act 1989 (Cth)* and corresponding legislation in other jurisdictions in which the Company has arrangements to distribute its products, establishes a rigorous compliance regime that affects the Company. Restrictions include certain limitations on representations the Company can make about its products in advertising material and their approval by medical practitioners. There are also rigorous ongoing compliance requirement that the Company must meet in order to retain registrations of its products.

### 5.2 Clinical Trials

In the medical devices industry, manufacturers test their products by conducting clinical trials. In Australia, as elsewhere, clinical trials are regulated.

Generally, trials are conducted in phases. In the early phases, the new intervention is tested in a small number of participants to assess safety and effectiveness. If the intervention is promising, it may move to later phases of testing where the number of participants is increased to collect more information about the safety of the therapy.

Clinical trials of biomedical interventions typically proceed through four phases.

**a) Phase I Clinical Trial**

Phase I clinical trials are done to test a new biomedical intervention for the first time in a small group of people (e.g. 20-80) to evaluate safety.

**b) Phase II Clinical Trial**

Phase II clinical trials are done to study an intervention in a larger group of people (several hundred) to determine efficacy (that is, whether it works as intended) and to further evaluate its safety.

**c) Phase III Clinical Trial**

Phase III studies are done to study the efficacy of an intervention in large groups of trial participants (from several hundred to several thousand) by comparing the intervention to other standard or experimental interventions (or to non-interventional standard care). Phase III studies are also used to monitor adverse effects and to collect information about the safety of the therapy.

**d) Phase IV Clinical Trial**

Phase IV studies are done after an intervention has been marketed. These studies are designed to monitor the effectiveness of the approved intervention in the general population and to collect information about any adverse effects associated with widespread use over longer periods of time. They may also be used to investigate the potential use of the intervention in a different condition, or in combination with other therapies.

## 5.3 Other Clinical Trials

Researchers may also conduct exploratory studies, sometimes referred to as ‘Phase 0 trials’ or ‘pilot studies’. These come before Phase I trials and are used to test how the body responds to an invention.

## 5.4 Restricted Representations in Advertising

In April 2016, the TGA made a decision under the Therapeutic Goods Act 1989 to approve the use of the following restricted representation in consumer advertising (including the labelling) of the Company's Mute product:

*"IMPORTANT: Mute nasal device is not for the treatment of sleep apnea. If you think that your snoring may be a symptom of sleep apnea, you should consult your doctor or a sleep specialist."*

The above representation is a restricted representation and therefore requires such approval by the TGA because it refers to the term "sleep apnea" and sleep apnea is a serious form of respiratory disease and or nervous system disease.

# 6. BUSINESS OVERVIEW

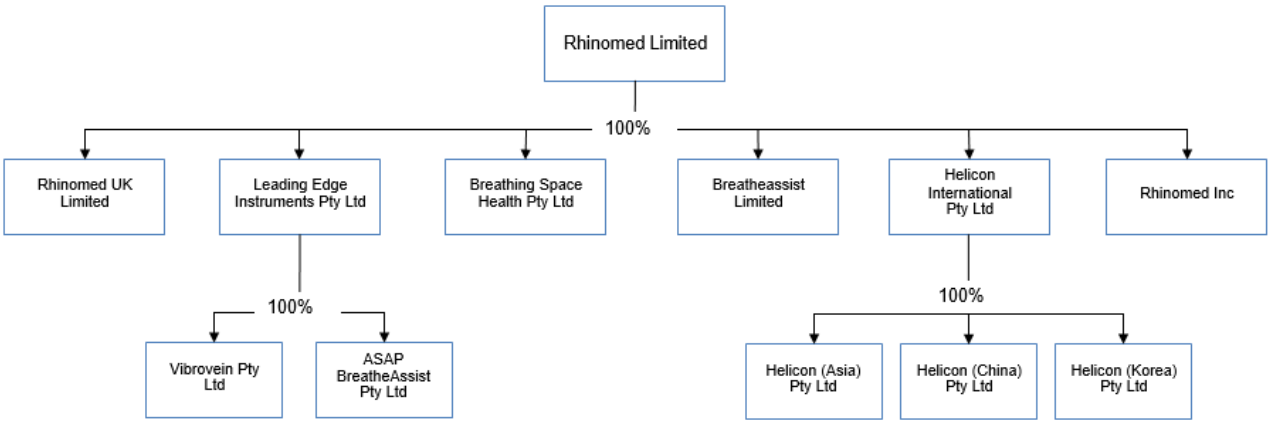
## 6.1 Background

Rhinomed was listed on ASX in 2007 under the name Helicon Group Limited. In late 2011, the Company changed its name to Consegna Group Limited. In early 2012, the Company finalised its acquisition of all the share capital of Leading Edge Instruments Limited (**LEI**) and through that company, gained control of a range of early stage technologies, one of which was early stage technology for alleviating nasal obstruction or congestion.

At the beginning of 2013, the Company committed to a new strategy focussed on commercialising its nasal technology and in November 2013, changed its name to Rhinomed Limited, to better reflect this focus.

## 6.2 Subsidiaries

The Company operates through a number of wholly owned subsidiaries, listed in the diagram below:




Some of these subsidiary companies are dormant entities and reflective of previous operations. It is the intention of the Board to de-register the dormant companies and only operate through Rhinomed Limited, Rhinomed Inc., Leading Edge Instruments Pty Ltd, ASAP BreatheAssist Pty Ltd, Breathing Space Health Pty Ltd and Rhinomed UK Limited.

## 6.3 Overview

### a) Mission

The Company's mission is to become a global leader in the delivery of better breathing and sleep through application of its Technology.

### b) First Products to Market

Based on this strategy, the Company has brought two products to market, namely *Turbine* and *Mute* (**Products**). *Turbine* is aimed at relieving discomfort caused by nasal obstruction during exercise and aerobic activity. *Mute* aims to alleviate nasal congestion and obstruction at night with the objective of reducing snoring and improving sleep quality.

The Company currently sells its *Turbine* and *Mute* products in Australia, the United States, Canada, the United Kingdom and the European Union. The products are sold through retail outlets (such as speciality bike stores), pharmacies, drugstores and/or grocery channels in these countries. The *Turbine* product is also sold in additional markets, where sale as a consumer product is permitted by local laws. The Company has achieved sales of these products despite only having conducted very early stage clinical trials for them.

**c) Further Opportunities in the Pipeline**

By adding scents, fragrances and odours (e.g. menthol and eucalyptus) to Turbine and Mute, the Company is working on solutions that have the potential to more effectively alleviate nasal congestion.

The Company is currently in the early stages of developing a new version of the Technology that it hopes, through the use of a valving system, will create Positive Expiratory Airway Pressure (**PEAP**) in the upper airway. This application of the Technology aims to treat patients who suffer from mild or moderate Obstructive Sleep Apnea. Rhinomed has carried out a very early (Phase I Proof of Concept) clinical trial in OSA (Obstructive Sleep Apnea) and the raw data from that trial appears to show that its Intra-Nasal Positive Expiratory Airway Pressure (**INPEAP**) product may assist in reducing AHI (Apnea Hypopnea Index) scores in some mild and/or moderate patients, while also improving their adherence/compliance to an OSA therapy. However, the Company has not yet formalised its report from that clinical trial and therefore the results remain preliminary.

## 6.4 Business Model

The Company's business model involves:

- Developing and patenting medical devices based on its Technology platform that are capable of treating conditions associated with nasal congestion and obstruction;
- Manufacturing the Company's products through an outsourced specialist contract manufacturer who can deliver on the Company's volume and margin requirements;
- Developing a distribution network in several countries for its products within the retail pharmacy and grocery channels, through which it will deliver solutions directly to customers;
- Garnering the support for its products from a range of clinicians, including dentists, sleep specialists, GP's and ENT's who are looking for low invasive, low cost, adjustable, non-drug based, front line solutions to a range of unmet clinical needs;
- Generating revenue from the sale of the its Mute and Turbine products as medical devices in markets where the Company has the necessary registrations to sell it (being the US, Canada, EU countries and Australia); and
- Generating revenue from the sale of its Turbine product as a consumer product in other markets, where permitted by local laws.

## 6.5 Rhinomed Technology and Products

### a) Products Description

The Company's existing Technology is a polymer based, adjustable, nasal stent.

The Technology currently underpins two Products - *Turbine* (for use during exercise and aerobic sport) and *Mute* (aimed at promoting sleep quality and alleviating Sleeping Disorders associated with nasal obstruction or congestion).

### b) Key Design Features

Each Product is available in three sizes (small, medium, large) and is adjustable, via a built-in ratchet mechanism on either side, that allows the user to tailor the fit and stent to each nostril, independently. The medical grade polymer provides a soft comfortable grip, ensuring the device stays in the nose.

Turbine and Mute are sold in packs of three units in the three sizes and as a trial pack, which contains one of each size.


### c) Turbine

Turbine has been designed for use with aerobic and sporting activities. It features specific design features that ensure it not only sits comfortably in the nose, but is also able to grip the nose and not fall out even when the user is upright and doing percussive activity such as running or jogging.

The Turbine has been sold by the Company since 2014.

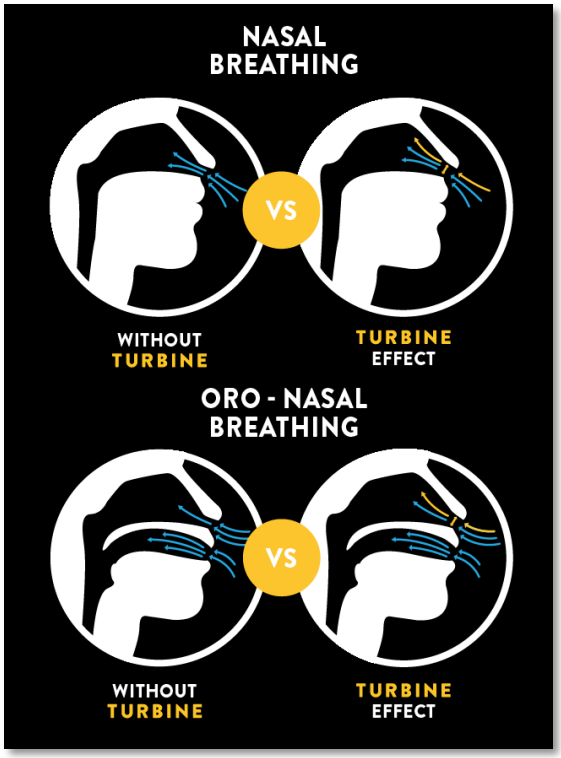

### d) Mute

Mute has been designed to be used at night time, when the user is lying down. It includes specific design features that ensure its stays comfortably in place over a long period of time (up to 8 hours). Each Mute can be used up to 10 times, so that a packet of Mute will generally last a customer up to month.

Turbine is aimed at relieving discomfort caused by nasal obstruction during exercise and aerobic activity. Mute aims to alleviate nasal congestion and obstruction at night with the objective of reducing snoring and improving sleep quality.

Mute was first sold by the Company in 2015. Since then, the Company has seen adoption of the product increase. Mute is sold through pharmacies, drug stores and online.

## 6.6 How Mute and Turbine Work




By opening the nasal airway, the Company's Products aim to increase airflow through the nose and the upper airway by utilising a law of physics - Poiseuille's law.

Poiseuille's law states that for every increase in the diameter of a vessel, the volume (of air) travelling through that vessel will increase by the power of four.

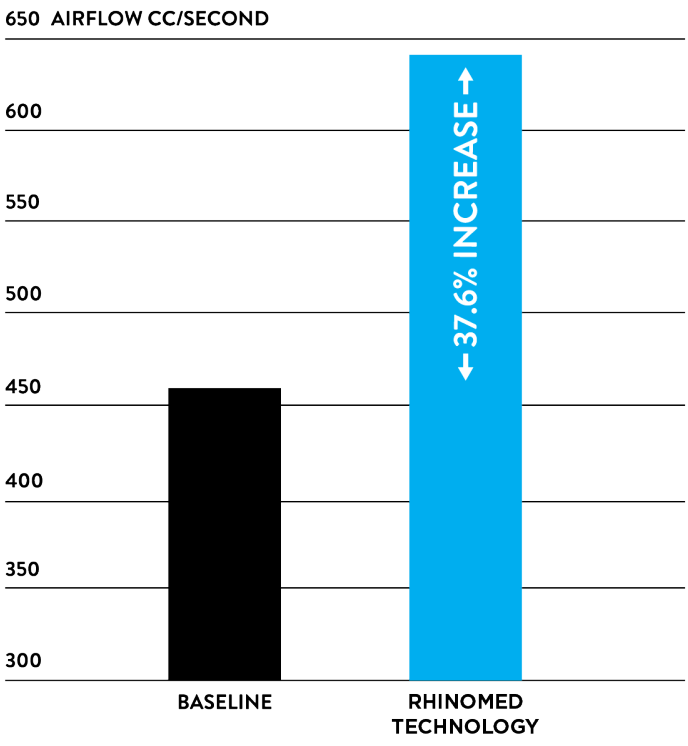
The Company's Products, based on its Technology, leverage this by stenting the nasal valve and preventing valve collapse or opening up the valve in the case where it may be congested or obstructed. This increase in diameter of the nasal valve allows more air to be inhaled through the nose.

The Technology has potential for numerous applications aimed at alleviating the disorders identified in Sections 3 and 4.

## 6.7 Trials of the Technology

### a) The Value of Nasal Stenting

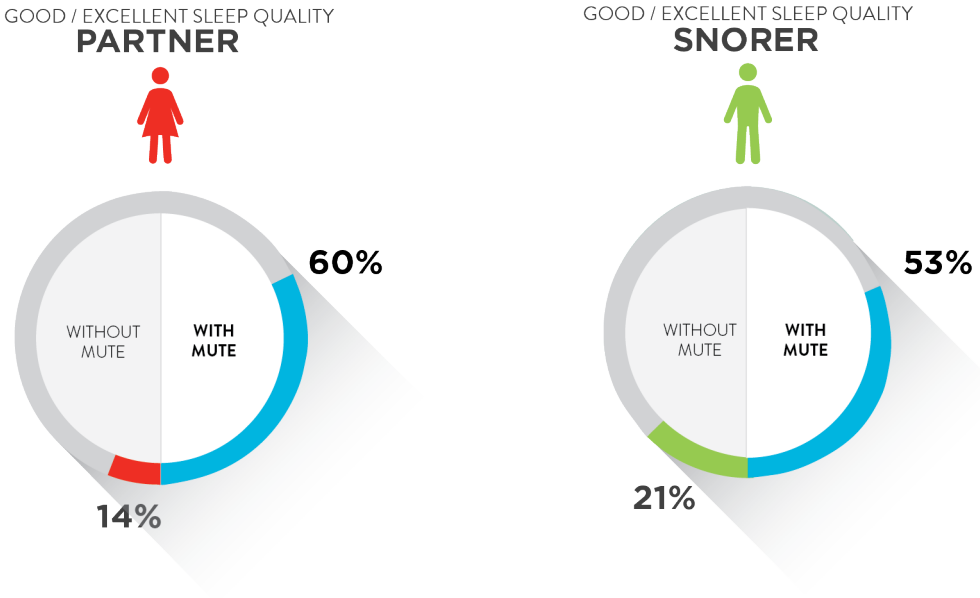
A Phase I clinical trial conducted in 2003 showed that stenting the nasal airway can deliver, on average, a 38% increase in airflow through the nose. Nasal stenting is the basis of the Mute and Turbine products.

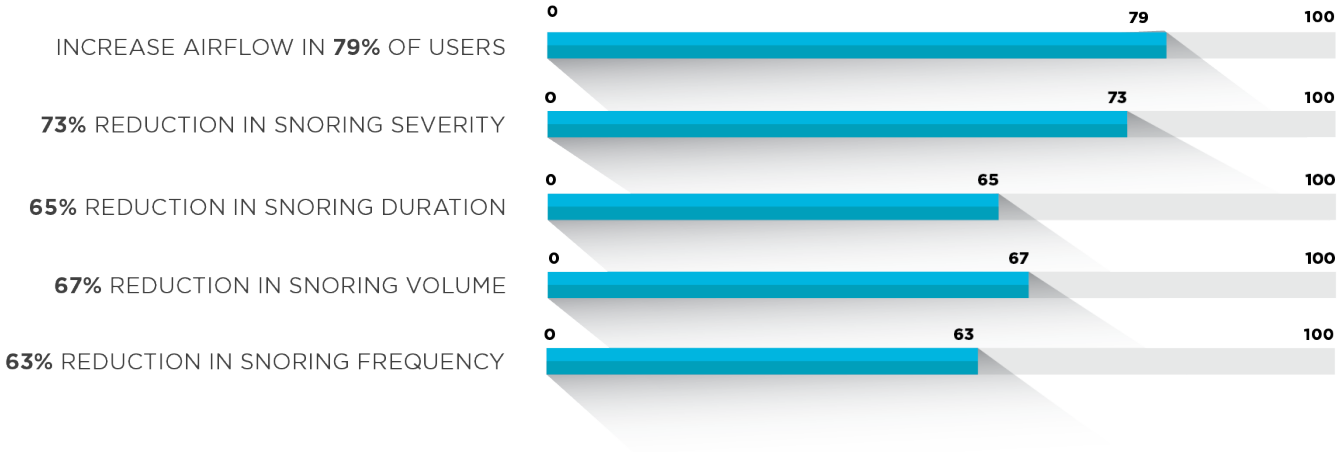


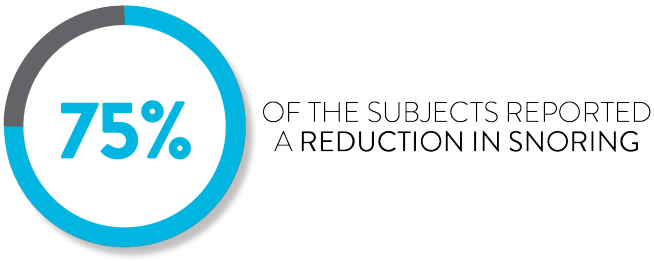
**b) Pre-clinical Trial Tests on Nasal Congestion and Snoring**

In a 2014 user trial conducted by the Company, with 236 participants, the Mute product appeared over a 5 day in home trial to reduce snoring by up to 75%. This represents potential for the Company's Products in the Cough, Colds and Congestion market category, warranting further testing.

The independently conducted, five day in-home trial involved 188 subjects aged 35-65 and their partners (**n=236**). In addition to the 75% of respondents who reported a reduction in their snoring, their partners reported a significant reduction in snoring severity (73%), volume (67%), frequency (63%) and duration (65%). By day three of the trial, 71% of all subjects reported being comfortable with the product.



**c) What Can It Do For Sleep Quality?**

In the same 2014 user trial with 236 participants, the Mute product appeared, over a 5 day in-home trial, to increase airflow in 79% of users and improve the ability to breathe at night for 74% of users. The snorer group who reported good or excellent sleep quality increased from 21% pre-trial, to 53% during the trial. The partner group reporting good or excellent sleep quality increased from 14% pre-trial to 60% during the trial.

The Company does not claim that Mute stops snoring, based on the user trial, but rather that it is aimed at reducing nasal congestion and obstruction at night with the objective of *reducing* snoring and improving sleep quality.

If further clinical trials are conducted, the Company's claims regarding Mute may be extended, if those trials are successful.

## 6.8 What Other Products Are in the Company's Innovation Pipeline?

The Company is now selling two Products based on applications of its Technology. There is potential for additional applications, despite clinical trials of the Products only being very early stage.

**a) Cough, Cold and Allergy**

With global retail value sales topping US$34 billion in 2016, cough, cold and allergy (hay fever) remedies is the largest OTC subcategory in consumer health. The global CCA industry has seen substantial changes to its competitive landscape, driven in part by the successful R-to-OTC switches (particularly antihistamines and nasal sprays).

The Company is investigating opportunities to leverage its Technology to enter the Cough, Cold, Congestion market category, with an easy-to-use intra-nasal decongestant device, based on its nasal stenting Technology.

To this end and currently in development phase, the Company is investigating the use of a vapour-infused product that will be worn at night or while resting, that may ease nasal congestion. The Company hopes that the combination of application of the Technology (nasal stenting) with the mild cooling effects of a vapour, has the potential to soothe the lining of the nose, ease breathing and relieve coughing.

Further applications in the use of vapours, scents and aromatics to assist with such things as appetite suppression and anxiety, are also being considered, but no development or trials have occurred yet.

**b) Obstructive Sleep Apnea Program**

The Company hopes to apply the Technology to develop an effective, low cost, front line, intranasal solution. The Intranasal Positive Expiratory Airway Pressure (**INPEAP**) product in development by the Company is designed for patients who suffer from mild to moderate Obstructive Sleep Apnea.

If the Company's development programme for this product is successful, the Company intends to apply for authorisation from the Therapeutic Goods Administration in Australia to refer to the use of INPEAP for treatment of sleep apnea. Whether or not that registration will ultimately be granted, is not guaranteed.

Current remedies for sleep apnea tend to be expensive and highly invasive and include oral application therapy (OAT) or machine-based positive airway treatments (CPAP). Ongoing compliance among patients who use the gold standard CPAP therapy, is low (reportedly less than 58%).

The Company believes there may be an opportunity to apply its intranasal Technology to help relieve OSA and to this end, the Company is seeking to develop a new product that it hopes will be easy to use, have strong compliance and cost effective in alleviating the effects of OSA.

The Company has conducted a very early (Phase I) trial for its INPEAP prototype technology, which was conducted at the Monash Lung and Sleep Centre, Monash Health, Melbourne. Unlike CPAP, that uses mechanical means to increase air pressure to stop the throat collapsing during sleep, INPEAP aims to employ expiratory positive airway pressure (**EPAP**), using the patient's own exhaled breath to create sufficient pressure to hold open the upper airway. The Company believes that this is a more natural, less invasive approach, which the Company hopes has potential to address the low adoption and compliance rates associated with existing OSA treatments.

The company's INPEAP product, if developed, will be aimed at mild to moderate OSA patients. It is being designed to sit comfortably inside the nose and using a specialised valve system, help ensure normal inspiration (breathing in), but will create light resistance to the exhaled breath, thereby keeping the airway open and unobstructed.

In the Phase I pilot trial, 19 moderate-severity OSA subjects completed a polysomnography in-clinic study and a 14-day in-home tolerance trial. The trial indicated that moderate-severity OSA may be attenuated through EPAP, with seven patients meeting the primary end point responding positively with a 50% or more reduction in their AHI (Apnea-Hypopnea Index) levels using the Company's INPEAP device; five subjects were partial responders, obtaining an AHI reduction of 30-50% and seven did not see an improvement or had a deterioration in their AHI scores. Out of the non-responders, four were found to be mouth-breathing, which made it difficult to reach the pressures required to assess the INPEAP device.

The Company believes that the study supports ongoing assessment and testing of this early stage technology's potential to attenuate moderate-severity Sleep Apnea. More clinical trials need to be conducted before the Company can assess the commercial viability of its INPEAP prototype product.

The Company is also investigating the viability of a related product aimed at a combined therapy approach (adjunct to CPAP mask or Mandibular Splint) for severe sleep apnea sufferers. To this end, the Company intends to consider a Phase II clinical trial with INPEAP, whilst also refining manufacturing materials selection and production requirements for this product.

## 6.9 Is There Reimbursement for the Company's Products?

For some medical devices, reimbursement from third-party payers, usually government agencies and private health insurance plans, is available. There is currently no reimbursement for the Company's products.

## 6.10 Regulatory Status

The Turbine and Mute technology have been successfully registered as Class 1 Medical devices with:

- the US Food and Drug Administration (F.D.A.);
- the European Authority - CE Mark;
- the Australian Therapeutic Goods Administration (T.G.A.); and
- Medical Development Establishment License (MDEL) from Health Canada (2015).

Further jurisdictions will be considered as part of the Company's expansion strategy.

Class 1 excludes products for sleep apnea. An application to have the INPEAP technology registered as a Class II device in Australia will be made if the INPEAP clinical trial program results justify it. This registration is necessary if INPEAP is to be sold as a medical device for treatment of sleep apnea.

These registrations enable the Company to sell its products in those markets for the purposes described in this Section. Turbine is sold in additional markets as a consumer product, where permitted by local laws.

## 6.11 Supply Chain - Production, Logistics and Distribution

### a) Production

In 2013, the Company entered into an agreement with ChinaMed Products (China) Ltd (**ChinaMed**), pursuant to which ChinaMed agreed to manufacture the Company's Products (refer to Section 14.3). ChinaMed has been manufacturing quality medical products for the international healthcare market since July, 2002 and is situated in the city of Jiaotang, Gaoyao, Zhaoqing in China's southern Guangdong Province. ChinaMed uses ISO13845 -2003 manufacturing and quality systems.

### b) Logistics

The Company supplies products to its customers internationally through an integrated, automated supply system. This system ensures orders are recognised and despatched in a timely manner. At present, the Company has engaged Direct Link, a subsidiary of Norde Post, to ship stock from its Hong Kong, Australian and U.S.A. warehouses to its customers' distribution centres and also fulfil orders that come direct from consumers. There are also other logistics agreements in place as described in Section 14.4.

**c) Distribution**

The Company, through its logistics system, supplies its products to customers through online channels and distribution arrangements with certain bricks and mortar retailers in the UK, USA, Canada and Australia and through online sites such as **Amazon**, **www.mutesnoring.com** and **www.theturbine.com**. In this regard, refer to Section 14.1.

## 6.12 Key Business Model Dependencies

The key dependencies for the ongoing commercialisation of the Company's products include:

- ongoing successful clinical trials of the Company's products;
- maintenance of regulatory registrations required for the sale of the Company's products as medical devices;
- no major development or regulatory hurdles arising;
- ability to procure economical manufacture and supply of the Company's products by outsourced manufacturers, logistics providers and distributors;
- delivering the Company's products at a price that makes them attractive despite the current lack of reimbursement for them from government agencies and private medical funds;
- successfully ranging the Company's products with major healthcare retail operations, including pharmacies, grocery stores and other healthcare outlets;
- ongoing take-up of the Mute and Turbine devices by customers at commercially sufficient levels to support the ongoing operations of the Company and further product development and sales;
- the Company's ability to successfully merchandise its technology instore and online in its chosen distribution channels;
- gaining support for referral by key clinicians including dentists, GP's, sleep specialists and ENT's for use of the Company's products;
- continuing to develop, maintain and protect the Company's intellectual property portfolio in key jurisdictions;
- developing and retaining brand recognition;
- ability to deliver finished products in a timely manner to key accounts and customers.
- ability to source constituent materials in required quantities and to manufacture the Mute and Turbine devices at costs that make the commercial sale of its products feasible;
- maintenance of logistics and distribution channels; and
- keeping abreast of competition.

## 6.13 Key Milestones Delivered

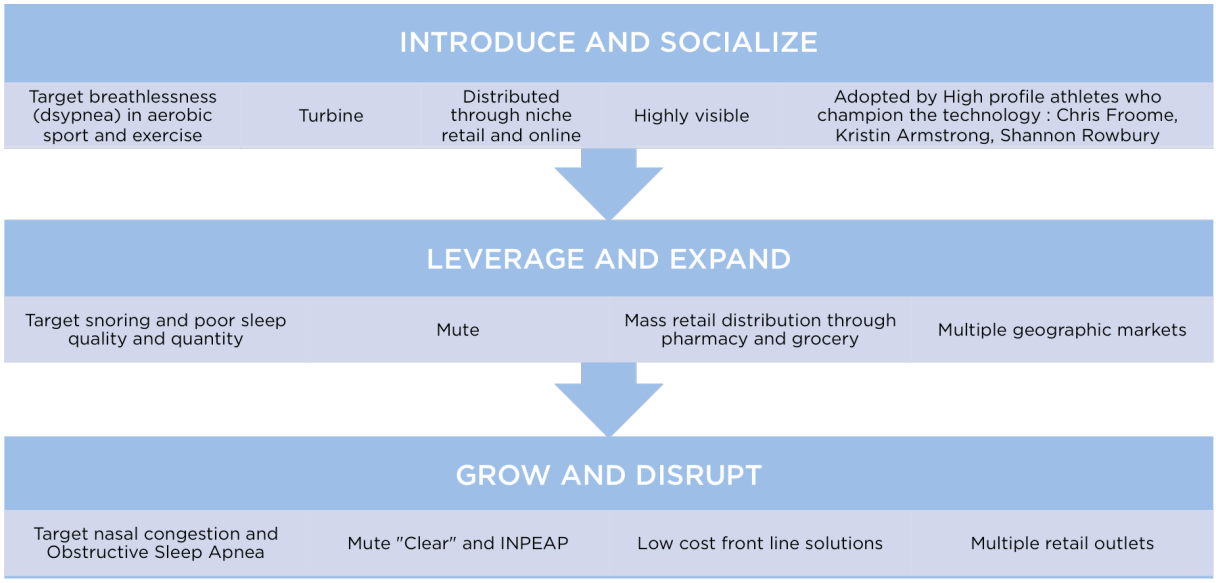
| 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|
| • IP Development<br>• Manufacturing agreement and ISO 13845 GMP facility<br>• Change name to Rhinomed | • Launch Turbine 1.0<br>• Continue IP development<br>• U.S. F.D.A. registration of Turbine<br>• Successfully register Mute with U.S. F.D.A., European Authority - CE Mark and Australian TGA | • Launch Mute in Australia<br>• Commence Phase 1 Clinical Trial for Obstructive Sleep Apnea device (INPEAP)<br>• Boots agree to stock Mute in the United Kingdom | • Sign on with McArthur Medical as Canadian Distributor of Mute<br>• Walgreens and Duane Reade agree to stock Mute in USA<br>• Completion of Phase 1 trial in Obstructive Sleep Apnea device (INPEAP)<br>• Expand Mute retail footprint in USA with CVS<br>• McKessons wholesale Mute in USA<br>• Appoint Vittoria industries to distribute Turbine in USA<br>• Appoint The Linde Group (BOC Limited) to distribute Mute in Australian and New Zealand |

## 6.14 The Company's Commercialisation Strategy

The Company believes that the introduction of an intranasal device is novel and will take some time for consumers and clinicians to accept. As a result, the Company has employed a strategy that seeks to initially socialise the concept and then build on early adopters' acceptance of its Technology in a way that:

- is sustainable;
- mitigates the risk of rejection;
- acts as a reference and then drives acceptance by a larger mass market;
- assists the Company to invest strategically; and
- ensures that both technology awareness and brand development are carried out in conjunction.

The strategy outlined below utilises the Company's Technology platform to grow this early adopter market and then expand this footprint through further testing and innovation. The Placement raised funds that will assist in the execution of this strategy.




## 6.15 The Company's Product Distribution Channels

The Company has developed distribution relationships through a number of geographic markets to get its Products to end customers. These fall across four major geographies, as outlined below. In addition, the Company also sells its Products through online channels, including Amazon, its own proprietary ecommerce websites and other retailer online e-commerce sites.

| GEOGRAPHY | COUNTRY DISTRIBUTOR | WHOLESALER | RETAILER |
|---|---|---|---|
| Australia | The Linde Group (BOC Limited (BOC)) | Sigma<br>Symbion, through BOC agreement with Rhinomed | Multiple pharmacies |
| Canada | McArthur Medical Supplies | | Multiple |
| United Kingdom | | Wallgreens Boots Alliance | Boots pharmacies |
| USA | Vittoria Industries | Wallgreens Boots Alliance<br>McKessons | Multiple Pharmacies including<br>Walgreens, Duane Reade<br>CVS |

## 6.16 The Company's Branding and Marketing

The Company aims to develop strong brands for each of its Products and products that follow and has adopted a strategy aimed at creating clear, distinct branding that communicates the benefits of its Technology. The creation of clear, highly valuable brands is a core element to the Company's commercialisation strategy.

mu:te
BREATHE MORE
SNORE LESS

TURBINE
SPORTS BREATHING TECHNOLOGY


## 6.17 The Company's Intellectual Property

The Company relies on the Technology and it therefore employs a strategy of seeking registration of its intellectual property, where appropriate. Where the Company's proprietary information is not suitable for patent protection or the Company elects not to disclose it through patent registration, it takes measure to protect the confidentiality of that information.

The Company's registered intellectual property portfolio is set out in Section 13.

## 6.18 Who Are the Company's Competitors?

Rhinomed operates within the highly competitive medical device and nasal snoring and nasal dilator market segments. Within the snoring market, the major competitors are nasal dilators/strips, nasal or throat sprays, oral devices and positional devices.

There are a number of nasal dilators, including internal nasal cones and external nasal strips. The Company is of the opinion that its largest competitor is the external nasal dilator - the Breathe Right strip.

The Company believes that its Mute and Turbine Technology offers several compelling benefits to customers:

a) Adjustable - the devices are available in three sizes - small, medium and large. This flexibility allows it to accommodate most noses and moreover, the adjustability of each side ensures users can adjust the device on each side to suit each nostril (left and right).

b) Low invasiveness - the devices are made from ultralight, flexible, soft polymer and is placed just inside the nasal valve - the start of the nostril - making it one of the least invasive devices on the market.

c) Comfortable - The devices includes design features that ensure it does not place much force on the septum and instead, uses the back of the nose to stent open and prevent valve collapse. The use of soft and flexible polymers provides a comfortable fit for most users.

d) Low cost - the devices are low cost.

e) Multiple applications - the Technology platform has applications across a range of conditions where nasal obstruction or congestion either directly or indirectly affects a patient.

f) Non-drug alternative - the Technology platform stents and opens the nose and achieves greater airflow through the nose mechanically, rather than using a drug to achieve the same outcome.

g) Accessible - the Technology can be sold online and through mass market retail and pharmacy - meaning a broader group of consumers can access the technology quickly and easily with little effort and cost.

h) Growing awareness of the nose - the role of the nose and the importance of nasal breathing is increasingly being recognised by clinicians.

i) The Technology has the ability to be a platform for a range additional technologies, be they drug, device or sensor related and as a result, in due course, could have a potential broader application than above.

Within the sleep apnea market, should the Company ultimately offer its INPEAP product, there are numerous potential competitors of varying sizes and resources, with many oral appliances in the market and multiple CPAP mask devices. In addition, new technology is constantly being developed, including negative air pressure devices (Sommetrics) and nasal EPAP (Provent). Major potential competitors include ResMed and SomnoMed, both well-established companies in the industry.

# 7. EFFECT OF THE OFFER

## 7.1 Proceeds of the Offer

If all the Offer Shares are issued, the Company will raise $10 that will be applied towards working capital. The primary purpose of the Offer is to facilitate secondary trading of the Placement Shares.

## 7.2 Effect of the Offer on the Capital Structure on Completion of the Offer

The capital structure of the Company, following completion of the Offer, is expected to be as follows:

| SHARES | NUMBER |
|---|---|
| Shares on issue at the date of this Prospectus (before the Placement) | 814,234,007 |
| Shares on issue at the date of this Prospectus (after the Placement) | 936,369,007 |
| To be issued pursuant to the Offer* | 100 |
| **Total Shares on issue at close of the Offer** | **936,369,107** |

* Assumes full subscription under the Offer. The Placement is not made under this Prospectus.

| OPTIONS | NUMBER |
|---|---|
| Options on issue at the date of this Prospectus* | 271,919,230 |
| **Total options on issue at close of the Offer** | **271,919,230** |

* Refer to Section 15.16 for further information on these Options. Additional Options are proposed to be issued (subject to approval at the General Meeting) as described in Section 1.3 and Annexure A.

### 7.3 Effect of the Offer on Control of the Company

The Offer will not have a material impact upon the control of the Company and any dilution effect on existing Shareholders is negligible.

### 7.4 Effect of the Offer on the Financial Position of the Company

After paying the expenses of the Offer of approximately $172,135, there will be no proceeds from the Offer. The cost of the Offer in excess of the aggregate subscription price of $10 for the Offer Shares will be paid by the Company from existing cash reserves and from the proceeds of the Placement. The Offer will therefore have the effect on the Company of a receipt of $10 less expenses of the Offer of approximately $172,135.

The Offer has been made to facilitate secondary trading of Shares issued pursuant to the Placement, which raised $2,198,430 before costs for the Company.

## 8. FINANCIAL INFORMATION

The financial information included in this Section 8 was prepared by Management and adopted by the Directors. The Directors are responsible for inclusion of all financial information in this Prospectus. The bases of preparation are identified in the relevant sections.

It must be noted that the past performance of the Company is not a guide to the future performance of the Company.

### 8.1 Reviewed Historical Financial Information

The ensuing section provides the historical financial information of Rhinomed Limited and controlled entities (the **Group**), as extracted from the audited financial statements of the years ended 30 June 2016 and 2015 (referred to as "**audited financial statements**") and the reviewed interim financial statements for the half year ended 31 December 2016 (referred to as "**reviewed interim accounts**"). The historical information has been prepared in accordance with applicable Australian Accounting Standards ("AAS"). The Group's auditors, HLB Mann Judd (VIC Partnership) issued an unmodified audit opinion containing an emphasis of matter paragraph in respect of going concern for the financial statements for both 30 June 2016 and 2015 and an unmodified review conclusion containing an emphasis of matter paragraph in respect of going concern for the interim financial statements for the half year ended 31 December 2016.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
**TABLE 1**

| AS AT | 30 JUNE 2015 (AUDITED) $ | 30 JUNE 2016 (AUDITED) $ | 31 DECEMBER 2016 (REVIEWED) $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 1,368,621 | 2,612,757 | 800,086 |
| Trade and other receivables | 120,477 | 510,645 | 1,187,307 |
| Inventories | 110,028 | 546,337 | 452,293 |
| Assets classified as held for sale | 93,848 | - | - |
| Other | 70,569 | 149,235 | 72,401 |
| **Total Current Assets** | **1,763,543** | **3,818,974** | **2,512,087** |
| **Non-Current Assets** | | | |
| Other financial assets | 378,063 | 103,775 | 104,538 |
| Property, plant and equipment | 272,503 | 127,811 | 43,500 |
| Intangible assets | 4,402,497 | 4,039,879 | 3,857,579 |
| **Total Non-Current Assets** | **5,053,063** | **4,271,465** | **4,005,617** |
| **TOTAL ASSETS** | **6,816,606** | **8,090,439** | **6,517,704** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 706,667 | 672,837 | 499,184 |
| Unearned income | 108,128 | 222,981 | 209,526 |
| Employee Entitlements | 34,332 | 79,251 | 46,976 |
| **Total Current Liabilities** | **849,127** | **975,069** | **755,686** |
| **TOTAL LIABILITIES** | **849,127** | **975,069** | **755,686** |
| **NET ASSETS** | **5,967,479** | **7,115,370** | **5,762,018** |
| **EQUITY** | | | |
| Issued capital | 41,927,021 | 48,919,157 | 48,919,157 |
| Reserves | (2,533,777) | (2,553,093) | (2,554,425) |
| Accumulated Losses | (33,425,765) | (39,250,694) | (40,602,714) |
| **TOTAL EQUITY** | **5,967,479** | **7,115,370** | **5,762,018** |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**TABLE 2**

| | FOR THE YEAR ENDED | | FOR THE HALF YEAR PERIOD ENDED |
|---|---|---|---|
| | 30 JUNE 2015 (AUDITED) $ | 30 JUNE 2016 (AUDITED) $ | 31 DECEMBER 2016 (REVIEWED) $ |
| **Revenue from continuing operations** | 432,460 | 1,012,433 | 1,214,453 |
| Other Income | 60,428 | 84,882 | 17,637 |
| Raw Materials and Consumables used | (217,281) | (312,375) | (258,755) |
| Employee Benefits & Directors Expense | (1,173,109) | (1,855,783) | (776,818) |
| Depreciation and Amortisation Expense | (451,021) | (527,315) | (266,613) |
| Impairment of Assets | (72,473) | (1,622) | - |
| Fair Value Adjustment of Investment | (50,000) | (25,000) | - |
| Administration | (1,579,889) | (1,412,979) | (620,872) |
| Marketing | (1,238,111) | (2,372,521) | (665,893) |
| Research & Development | (906,616) | (234,269) | (17,292) |
| Other Expenses | (691,717) | (791,437) | (256,867) |
| **(Loss) before income tax for the period** | **(5,887,329)** | **(6,435,986)** | **(1,631,020)** |
| Income Tax Benefit | 570,337 | 437,457 | 279,000 |
| **Net (loss) for the period** | **(5,316,992)** | **(5,998,529)** | **(1,352,020)** |
| **OTHER COMPREHENSIVE INCOME/(LOSS)** ***Items that may be reclassified to profit or loss when specific conditions are met*** | | | |
| Foreign Currency Translation | - | (24,024) | (1,332) |
| **Other comprehensive (loss) for the period** | **-** | **(24,024)** | **(1,332)** |
| **Total comprehensive (loss) after income tax for the period** | **(5,316,992)** | **(6,022,553)** | **(1,353,352)** |
| Other comprehensive (loss) attributable to non-controlling interest | - | - | - |
| Other comprehensive (loss) attributable to owners of the parent entity | (5,316,992) | (6,022,553) | (1,353,352) |

## CONSOLIDATED STATEMENT OF CASH FLOWS
**TABLE 3**

| | FOR THE YEAR ENDED | | FOR THE HALF YEAR ENDED |
|---|---|---|---|
| | 30 JUNE 2015 | 30 JUNE 2016 | 31 DECEMBER 2016 |
| | (AUDITED) | (AUDITED) | (REVIEWED) |
| | $ | $ | $ |
| ***Cash flows from operating activities*** | | | |
| Receipts from customers | 458,278 | 845,323 | 791,449 |
| Payments to suppliers and employees | (5,550,444) | (7,416,624) | (2,620,377) |
| Interest received | 54,858 | 23,605 | 17,637 |
| Interest and other costs of finance paid | (5,718) | (14,776) | (6,224) |
| Receipt of R&D tax refund | 570,337 | 437,457 | - |
| **Net cash flows (used in) operating activities** | **(4,472,689)** | **(6,125,015)** | **(1,817,515)** |
| ***Cash flows related to investing activities*** | | | |
| Payment for purchases of plant and equipment | (333,369) | (20,004) | - |
| Proceeds from sale of equity investments | - | 310,125 | - |
| Proceeds from the sale of intellectual property | - | 104,500 | - |
| **Net cash flows provided by/(used in) investing activities** | **(333,369)** | **394,621** | **-** |
| ***Cash flows related to financing activities*** | | | |
| Proceeds from issues of equity securities | 5,042,072 | 7,232,589 | - |
| Capital raising costs | (319,226) | (240,453) | - |
| **Net cash flows from financing activities** | **4,722,846** | **6,992,136** | **-** |
| **Net increase/(decrease) in cash and cash equivalents** | **(83,212)** | **1,261,742** | **(1,817,515)** |
| Cash and cash equivalents at the beginning of the period | 1,451,833 | 1,368,621 | 2,612,757 |
| Effects of exchange rate changes on cash and cash equivalents | - | (17,606) | 4,844 |
| **Cash and cash equivalents at the end of the period** | **1,368,621** | **2,612,757** | **800,086** |

## 8.2 Reviewed Historical Pro Forma Financial Information

Prior to lodgement of this Prospectus, the Company completed and announced the placement of 105,135,000 and 17,000,000 Shares at an issue price of $0.018 per Share to sophisticated investors residents outside Australia and exempt from prospectus disclosure pursuant to the Corporations Act (**Placement**).

The pro forma historical consolidated statement of financial position set out below has been prepared to illustrate the financial position of the Group, following completion of the Placement being the issue of 122,135,000 Shares at an issue price of $0.018 per Share, and the Offer being the issue of 100 Shares at an issue price of $0.10 per Share, respectively to raise $2,198,440 before costs. The impact of a material subsequent event, being the receipt of a $279,859 Research and Development Tax Incentive refund, has also been recognised as a pro forma adjustment. The expenses associated with the Placement and Offer have been estimated as $172,135 as outlined in Section 8.3 below.

This pro forma historical consolidated statement of financial position is intended to be illustrative only and will not reflect the actual position and balances as at the date of this Prospectus or at the conclusion of the Placement and Offer.

The Pro Forma Historical Financial Information has been reviewed by HLB Mann Judd Corporate Finance Pty Ltd as set out in the Investigating Accountant's Report (**IAR**) in Section 12. Investors should note the scope and limitations of the IAR.

## PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**TABLE 4**

| | 31 DECEMBER 2016 (REVIEWED) $ | PRO FORMA ADJUSTMENTS CAPITAL RAISING $ | 31 DECEMBER 2016 TOTAL PRO FORMA $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents (i) | 800,086 | 2,306,164 | 3,106,250 |
| Trade and other receivables | 1,187,307 | (279,859) | 907,448 |
| Inventories | 452,293 | - | 452,293 |
| Other | 72,401 | - | 72,401 |
| **Total Current Assets** | **2,512,087** | **2,026,305** | **4,538,392** |
| **Non-Current Assets** | | | |
| Other financial assets | 104,538 | - | 104,538 |
| Property, plant and equipment | 43,500 | - | 43,500 |
| Intangible assets | 3,857,579 | - | 3,857,579 |
| **Total Non-Current Assets** | **4,005,617** | **-** | **4,005,617** |
| **TOTAL ASSETS** | **6,517,704** | **2,026,305** | **8,544,009** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 499,184 | - | 499,184 |
| Unearned income | 209,526 | - | 209,526 |
| Employee Entitlements | 46,976 | - | 46,976 |
| **Total Current Liabilities** | **755,686** | **-** | **755,686** |
| **TOTAL LIABILITIES** | **755,686** | **-** | **755,686** |
| **NET ASSETS** | **5,762,018** | **2,026,305** | **7,788,323** |
| **EQUITY** | | | |
| Issued capital (ii) | 48,919,157 | 2,026,305 | 50,945,462 |
| Reserves | (2,554,425) | - | (2,554,425) |
| Accumulated Losses* | (40,602,714) | - | (40,602,714) |
| **TOTAL EQUITY** | **5,762,018** | **2,026,305** | **7,788,323** |

## NOTES TO THE HISTORICAL PRO FORMA FINANCIAL INFORMATION

### a) Cash and Cash Equivalents

| | $ |
|---|---|
| Per reviewed Consolidated Financial Statements at 31 December 2016: | 800,086 |
| *Impact of the following and pro forma adjustments:* | |
| 122,135,000 fully paid ordinary shares issued at $0.018 per share under the Placement | 2,198,430 |
| 100 fully paid ordinary shares issued at $0.100 per share under the Offer | 10 |
| Capital raising costs to be paid to service providers | (172,135) |
| Receipt of Research and Development Tax Incentive Refund | 279,859 |
| **Cash and Cash Equivalents - Pro Forma** | **3,106,250** |

### b) Issued Capital

The Pro forma Issued capital comprises of the issued capital balance and pro forma adjustments as at 31 December 2016 being the capital raising of $2,198,440 less costs:

| | NUMBER OF SHARES | $ |
|---|---|---|
| Per reviewed Consolidated Financial Statements at 31 December 2016: | 814,234,007 | 48,919,157 |
| *Impact of the following and pro forma adjustments:* | | |
| 122,135,000 fully paid ordinary shares issued at $0.018 per share under the Placement | 122,135,000 | 2,198,430 |
| 100 fully paid ordinary shares issued at $0.100 per share under the Offer | 100 | 10 |
| Costs in relation to the capital raising | - | (172,135) |
| Shares consolidation 10:1 | (842,732,196) | - |
| **Issued Capital - Pro Forma** | **93,636,911** | **50,945,462** |

## 8.3 Expenses of the Offer

The expenses of the offer are estimated below:

| COST | $ |
|---|---|
| ASIC fees | 2,350 |
| Investigating Accountant's Report | 20,000 |
| Accounting and other professionals | 29,785 |
| Legal fees | 150,000 |
| **Total** | **202,135** |

## 8.4 Summary of Significant Accounting Policies

### 1. Basis of Preparation

The reviewed historical and pro forma historical financial information has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act (as modified for inclusion in the Prospectus).

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board have concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The financial information presented in the Prospectus is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act. The pro forma historical consolidated statement of financial position has been prepared on the basis outlined in Section 8.2.

The reviewed historical and pro forma historical financial information has been prepared on an accrual basis and is based on historical costs.

The historical and pro forma historical financial information has been prepared for the Group comprising the Company and its controlled entities. The Company is a public company limited by shares incorporated and domiciled in Australia.

## 2. Going Concern

The financial information has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The Company's auditors have issued an emphasis of matter in respect of going concern for the financial statements of the years ended 30 June 2016 and 2015 as well as the reviewed interim financial statements of the half year ended 31 December 2016.

Investors are directed to the published 30 June 2015 and 2016 financial statements and the 31 December 2016 interim financial statements for further information.

## 3. Statement of Significant Policies

The Financial Information has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards, required for a for-profit entity.

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.

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

### a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of all subsidiaries of the Company.

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.

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 the Company.

**b) 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.

**c) 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.

**d) Borrowing Costs**

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

**e) 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.

**f) Cash and Cash Equivalents**

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

**g) 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.

**h) 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.

**i) 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.

**j) 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.

*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.

**k) 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.

**l) 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.

*Depreciation*

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

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

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

**m) Financial Assets**

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

*Financial Assets at Fair Value Through Profit or Loss*

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

*Held-to-Maturity Investments*

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

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

*Loans and Receivables*

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

*Impairment*

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

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.

**n) 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.

**o) Goodwill**

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

(i) the consideration transferred;

(ii) any non-controlling interest; and

(iii) the acquisition date fair value of any previously held equity interest;

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

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

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

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

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.

**p) Intangible Assets Other Than Goodwill**

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

(i) Intellectual Property

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

(ii) Patents and Trademarks

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

(iii) Research and Development

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

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

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

**q) Impairment of Non-Financial Assets**

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

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.

**r) 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.

**s) Employee Benefits**

*Short Term Employee Benefits*

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

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

**t) Retirement Benefit Obligations**

All employees of the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's consolidated statement of financial position.

**u) Share-based Payment Transactions**

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

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

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

(i) the extent to which the vesting period has expired, and;

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

**v) 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.

(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.

## 8.5 Subsequent Event After Reporting Period

On 30 January 2017, the Company entered into a working capital financing facility to the value of $2 million. The facility is provided from an entity related to the company's Chairman Ron Dewhurst. The facility is unsecured and can be drawn upon in multiples of $250,000. Interest is at commercial rates. The facility is repayable by 31 July 2018. The Company may elect to draw down from the facility from 30 January 2017 up to the date of this Prospectus.

On 15 March 2017, the Company received a Research and Development Tax Incentive refund of $279,859 as part of the Australian Government's Research and Development Incentive Program for the 2016 financial year.

Prior to lodgement of this Prospectus, the Company completed the Placement of 122,135,000 Shares at an issue price of $0.018 per Share to Mr W. Whitney George and another investor, both Sophisticated Investors resident outside Australia, raising $2,198,430 before costs.

## 9. RISK FACTORS

The Offer Shares offered under the Prospectus are considered highly speculative

An investment in the Company carries substantial risk and the Directors strongly urge potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult with their professional advisers before deciding whether to apply for Offer Shares pursuant to this Prospectus or to invest in the Company.

Prior to deciding whether to participate in the Offer or invest in the Company, investors should read the entire Prospectus in order to gain an appreciation of the Company, its activities, operations, financial position and prospects.

The Company's securities do not carry any guarantee with respect to the payment of any dividends, returns of capital, returns on investment or the market value of those securities.

There are a number of risks that, either individually or in combination, may materially and adversely affect the future operating and financial performance of the Company and the value of its Shares. Some of these risks may be mitigated by the Company's internal controls and processes, but many are outside the control of the Company, the Directors and management. There can be no assurance that the Company will achieve its stated objectives or that any forward-looking statements will eventuate.

Investors should have regard to their own investment objectives and financial circumstances, and should consider seeking professional guidance from their stockbroker, accountant, financial or other professional adviser before deciding whether to participate in the Offer or invest in the Company.

Investors should be aware that the performance of the Company may be affected and the value of its Shares may rise or fall over any given period. Some of the factors which investors should consider before they make a decision whether or not to apply for Shares or invest in the Company include, but are not limited to, the risks described in this Section.

### 9.1 Specific Risks

**a) Early Stage Business and Market Risks**

The Company's business and products are still at a very early stage of development. Investors should consider the inherent risks encountered by an emerging company with products only at the proof of concept stage of clinical trials, particularly in a fast-moving medical devices industry. With a limited trading and product sales history, there is low visibility on the future demand for the Company's products, within Australia or overseas.

The Company's business, in its current form, was established in February 2013 and is still at an early commercial stage. **A consolidated loss of $1,352 020 was incurred in the period from 1 July 2016 to 31 December 2016** (as set out in further detail in Section 8).

The sales potential of the Company's products is still at a relatively early commercial stage. The ongoing and future demand for Rhinomed products, in existing and target markets, is still being established and is uncertain. There is a risk that there may not be sufficient demand for the Company's products for their sustainable commercial exploitation.

**b) Clinical Trial Risk**

The successful commercialisation of the Company's products, (including the development of its INPEAP prototype product), which are very early stage, is dependent on the Company's ability to conduct further and more robust clinical trials and the results of those trials being positive. There is no guarantee these trials will return positive results.

Moving from discovery to development and subsequent commercialisation of technology typically involves multiple and progressively larger and increasingly robust clinical trials. Such trials can be expensive, time consuming, may be delayed or may fail. Clinical trial success can be impacted by a number of factors, including obtaining ethics approval, incomplete or slower than expected recruitment of patients, failure to meet trial end points, lack of product effectiveness during the trial, safety issues and modifications to trial protocols or changes to regulatory requirements for trials. There is no guarantee that any future clinical trials will demonstrate that the Company's products are successful or useful. Failure or material delay at any point of the clinical trial process will reduce the Company's ability to commercialise its intellectual property and generate revenues and could materially adversely affect the Company.

**c) Inherent Risks in Medical Device Development**

The development and commercialisation of medical devices is subject to the inherent risk of failure, including the possibility that products may:

(i) be found to be unsafe or ineffective;

(ii) fail to demonstrate any material benefit or advancement in safety and/or efficacy of an existing product;

(iii) fail to receive necessary regulatory approvals;

(iv) be difficult or impossible to manufacture on the necessary scale;

(v) be uneconomical to market or otherwise not commercially exploitable;

(vi) fail to be developed prior to the successful marketing of a similar product by competitors;

(vii) compete with products marketed by third parties that are superior; and

(viii) fail to achieve the support or acceptance of medical practitioners, patients or the medical community.

All of the above factors could materially adversely affect the Company and impede the achievement of its commercialisation objectives.

**d) Product Liability Risk**

The Company may be adversely impacted by any manufacturing defects or unknown risks in its products. The Company's Products on sale have been registered with relevant authorities such as the Therapeutic Goods Administration and hence it believes that they meet basic safety standards. Despite this, there may still be risks inherent in or risks caused by defective manufacturing of the Company's Products. In the medical devices market, such defects may give rise to claims against the Company that could materially adversely affect its business to a degree that insurance may either not compensate or for which insurance is not economically available to the Company.

The Company intends to obtain and maintain insurance to cover product liability risks, but there is no guarantee that adequate insurance coverage will be available at an acceptable cost (or in adequate amounts), if at all, or that product liability or other claims will not materially and adversely affect the operations and condition of the Company. A product liability claim may give rise to significant liabilities as well as damage the Company's reputation.

**e) Regulatory Risk**

As the Company's Products are in some cases, medical devices, they are subject to strict regulation by the Therapeutic Goods Act 1989 (Cth) and associated legislation, and equivalent legislation in the overseas jurisdictions where the Products are sold. Any material changes in this legislation or relevant policies may have the potential to affect the viability, profitability and progress of the Company's business.

Data obtained from pre-clinical and clinical activities are susceptible to varying interpretations, which could delay, limit or prevent regulatory approval or clearance. Before the Company can market and sell its products, it must demonstrate that the products are safe and effective and must obtain necessary approvals from market regulators (for example, the Australian Therapeutic Goods Administration and the United States Food and Drug Administration). Such approval may take longer than anticipated, require additional trials to be undertaken or may not be provided at all. As a result, the Company may require additional funding to clear the regulatory pathway. No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company.

As a result, the Company's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Company from commercialising its intellectual property and generating revenues.

Further, should the Company's Products that must be registered as medical devices under regulatory regimes in the Company's markets cease to be registered for any reason, the Company's sales of those products may be materially reduced.

**f) Regulatory Changes**

The Company operates in an industry which is subject to laws, regulatory restrictions and certain government directives, recommendations and guidelines relating to, amongst others, occupational health and safety, laboratory practice, use and handling of hazardous materials, prevention of illness and injury and environmental protection. Any changes to the regulatory environment may increase the cost of compliance and may have an impact on the Company's profitability in the future.

**g) Regulatory Approval of Products Under Development**

The Company's INPEAP product is currently under development and early stage trials. It will need to be registered by the TGA and the other relevant overseas authorities before it is manufactured and sold in Australia and overseas markets. Under the TGA and overseas regulatory regimes, medical devices must undergo a comprehensive and highly regulated development and review process before receiving clearance for sale.

Any further medical devices developed by the Company will also need to obtain the requisite registrations before they can be sold to customers in Australia and overseas markets. There is no guarantee that such registrations will be obtained by INPEAP or future products developed by the Company.

**h) Commercial, Manufacturing and Distribution Risk**

Rhinomed's success is dependent upon its ability to manufacture its products on a commercial scale with outsourced manufacturers, with continuity of supply and in accordance with current good manufacturing practices prescribed by regulatory authorities. Any delays or difficulties in the future manufacture of products, including as a result of unexpected termination of key agreements with the Company's manufacturers, may have a material adverse effect on the Company.

Should the Company's outsourced manufacturing facilities be disrupted or agreements terminate unexpectedly, it may not be able to source alternate methods of creating its products within a reasonable time and could suffer reputational damage.

The Company's distribution arrangements may be terminated at the discretion of the counterparties, which could, in cases of material distribution agreements, materially adversely affect the Company.

**i) Competition**

The medical device industry is highly competitive and subject to rapid change. The Company competes or will in due course compete with other businesses. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Company will compete effectively with these companies, or with new companies that enter the industry. There is also a risk that the Company's competitors may develop a product that causes the Company's products to become obsolete or unattractive to its current customers or potential consumers, with adverse effects on the Company.

**j) Intellectual Property**

As the Company relies upon its own intellectual property to conduct its business it will need to protect its intellectual property. There may be circumstances where the Company's intellectual property cannot be protected or is subject to unauthorised disclosure, infringement or challenge by a third party. The Company may incur significant costs in asserting its rights in such circumstances.

Even a registered patent can be invalidated in certain circumstances.

Although the Company will seek to protect its intellectual property, there can be no assurance that these measures will be successful.

The Company relies on its ability to develop and commercialise intellectual property. A failure to protect its intellectual property successfully may lead to a loss of opportunities and adversely impact on the Company's operating results and financial position.

There can be no assurance that any patents the Company may own or control or licence now and in the future will afford the Company a competitive advantage, commercially significant protection of the intellectual property, or that any of the projects that may arise from the intellectual property will have commercial application. Any challenge to the Company's intellectual property position, including its patents, would divert the limited resources of the Company away from its primary development program and may result in the Company requiring additional funds to complete that program. It may also result in the Company being unable to fully utilise its intellectual property portfolio or being required to in-licence certain intellectual property in order to be able to conduct its development program in a manner which will allow commercialisation of its products, and which may reduce the profits available from such activities.

Any loss of key intellectual property of the Company will materially adversely the Company.

**k) Infringement of Intellectual Property**

There is always a risk of third parties claiming involvement in technological and medical discoveries. Further, competition in retaining and sustaining protection of intellectual property and the complex nature of intellectual property can lead to expensive and lengthy patents disputes, for which there can be no guaranteed outcome. Some parties may be able to utilise their greater financial resources to sustain the costs of litigation or proceedings.

Securing rights to intellectual property, and in particular patents, is an integral part of securing potential product value in the outcomes of medical device research and development.

The granting of a patent does not guarantee that the rights of others are not infringed or that a competitor will not develop competing intellectual property that circumvents such patents. The patent position of medical device companies can be highly uncertain and frequently involves complex legal and scientific evaluation. The breadth of claims allowed in medical device patents and their enforceability cannot be predicted.

**l) Australian Government R&D incentives May Change**

The Company's development program includes anticipated receipt of tax refunds based on the Company's actual research and development spending. If the status of the Company or its connected entities should change or the Australian Federal Government changes its R&D incentive program in a manner which adversely affects the amount of funds available or the timing of receipt of such funds, there is a risk that the Company may need to obtain additional funds to complete the program.

No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company. As a result, the Company's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Company from commercialising its intellectual property and generating revenues.

**m) R&D Claims**

In the last 3 years, the Company has received $1,565,829 in R&D refunds. While the Company believes that its claims are substantiated with appropriate evidence, the Company cannot guarantee that the Australian Taxation Office (ATO) or another governmental authority may not in the future take a different view on some or all of those claims, in which case the Company may be compelled to refund amounts received to the ATO.

The Company employed an accounting firm with specialist expertise to assist it in making its R&D claims and the process employed by those accountants was rigorous. However, the legislation is complex, the issues are technical and should some or all of the Company's previous R&D refunds may be clawed back, this may have a material adverse impact on the Company.

**n) Dependence on Key Personnel**

The success of the Company depends to a significant extent on the ability, performance and experience of its key personnel. The loss of key personnel or an inability to recruit or retain suitable replacement or additional personnel may impact the Company's ability to develop and implement its strategies, which may have an adverse effect on its future financial performance.

There can be no assurance that the Company will be able to attract or retain sufficiently qualified scientific and management personnel or maintain its relationship with key scientific organisations and contractors. The loss of key scientific and management personnel and the associated corporate knowledge of those people could have a detrimental impact on the Company and may adversely affect the Company by impeding the achievement of its research, product development and commercialisation objectives.

**o) Dependence on Key Relationships and Agreements**

The Company depends on the performance of its key commercial partners to successfully grow its business. The loss of any such relationships (including by termination of agreements between the Company and its key commercial partners such as manufacturers and suppliers) may have a material adverse effect on the Company.

The Company has engaged third parties to assist with the supply, sales and marketing of its products. Accordingly, the success of the Company may depend, in part, on the performance of these third parties. Poor performance or breakdown of the Company's relationships with these commercial partners may lead to loss of or poor production quality and customer dissatisfaction. The Company's distribution arrangements may be terminated at the discretion of the counterparties, which could, in cases of material distribution agreements, adversely affect the Company's ability to generate revenue.

**p) Development of New Markets**

The Company's ability to manufacture and sell its products in countries beyond those in which it is currently authorised, is dependent upon regulatory clearances in target markets. If and when the Company seeks to expand into additional markets, the Company may not obtain the regulatory clearances that it requires for sale of its products in those markets or such approvals may be subject to delay.

**q) Innovation Risk**

Should the Company fail to develop new technologies, or anticipate or react to changes in existing technologies, either within or outside of its industry, development of new products may be materially delayed, which could result in a reduction in net sales and a loss of market share, with materially adverse impacts on the Company.

**r) Currency Risk and Lack of Hedging**

The Company is exposed to foreign currency risk, mainly through its foreign currency cash balances, receivables and payables denominated in foreign currencies. The Group's exposures are mainly against the US dollar (USD) and Euro-Dollar (EUO) and are managed through continuous monitoring of movements in exchange rates, and by settling foreign currency purchases with proceeds from foreign currency income.

Currently, the Company does not have any currency hedging arrangements in place, but this may change if the Directors form the view that the cost of such arrangements is appropriate. This means the Company does not currently have measures in place to soften the adverse effect of currency movements.

**s) Healthcare Insurers and Reimbursement**

In many markets, volumes of sales of medical devices are likely to be influenced by the availability and amounts of reimbursement of patients' medical expenses by third party payer organisations, including government agencies, private health care insurers and other health care payers.

There is currently no reimbursement available for the Company's Products. Even if such reimbursement is provided, the approved reimbursement amounts may not be sufficient to enable the Company to sell future products on a profitable basis.

**t) Reputational Risk**

The Company's reputation and brand and its products are important to the Company's standing in its industry. Reputational damage could arise due to a number of circumstances, including:

(i) inadequate services or unsatisfactory clinical outcomes for patients;

(ii) error, malpractice or negligence of the Company's employees; or

(iii) error, malpractice or negligence of the licensed medical specialists recommending the Company's products.

Any reputational damage or negative publicity around the Company or its products could adversely impact its business, by preventing it from attracting and retaining high calibre professionals, reducing its attractiveness to licensing partners and adversely impacting on its ability to raise funds in the broader market, all of which would adversely affect the Company and impede the achievement of its commercialisation objectives.

**u) Liquidity and Realisation Risk**

There can be no guarantee that an active market in the Company's Shares will develop or continue and that the price of the Shares will not decrease. There may be relatively few potential buyers or sellers at any given time and this may increase the volatility of the market price of the Shares, making them illiquid and as a consequence, investors may be unable to readily exit or realise their investment in the Company.

**v) Management of Growth**

If the Company's business experiences rapid growth in the future, the Company may not be able to manage this growth effectively. There is no guarantee that, should demand for the Company's products reach a level where its current manufacturing is insufficient to meet demand, the Company will be able to expand or upgrade existing facilities, build or obtain access to new facilities or develop manufacturing technology to meet such demand.

**w) Additional Capital Requirements and Dilution Risk**

The Company is likely to raise additional equity capital in the future, which will dilute Shareholders. There is no assurance that the Company will be able to raise further capital when required or, if available, the terms may be unsatisfactory. If Rhinomed is unsuccessful in obtaining funds when they are required, it may need to delay or scale down its operations, with adverse impacts on the Company.

**x) Litigation and Counterparty Risks**

The Company is exposed to litigation risks, including contractual disputes and potential defaults by contract counterparties. In either case, the litigation may not yield the results or recovery hoped for. Such events may materially adversely affect the Company and its business. The Company is not currently engaged in any litigation.

**y) Strategy and Delay Risks**

The Company's strategies and milestones it sets may be affected by changes in market conditions and other circumstances, such as risks mentioned in this Section. In such circumstances, there is potential for the delay of strategic milestones set by the Company, which may result in failure to achieve anticipated revenue within anticipated timeframes or at all and potential cost overruns.

**z) Debt Collection Risk**

Customers may be slow, or fail, to pay the Company, impacting cash flow. Where a customer fails to pay, the Company may be required to engage in litigation to recover the funds due to it. As with any litigation, there can be no guarantee of success.

**aa) International Agreements**

The Company has entered, and may in future enter into, contractual relations with parties that are domiciled in foreign jurisdictions. Changes to laws or absence of legal remedies in those countries may adversely affect the Company's ability to carry on its business. It is costly for the Company to enforce compliance with contractual obligations in foreign jurisdictions and outcomes in those legal systems may differ from those in Australia.

**bb) Acquisition Risks**

As part of its business strategy, the Company may make acquisitions of, or significant investment in, complementary companies or prospects. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions. In many cases, acquisitions do not generate the value envisaged.

**cc) Market Failure**

The Company is dependent on commercially attractive markets remaining available to it. Commercial sales may not fund sufficient revenue for growth and potentially, continued operations, if it loses access to or its share of markets.

**dd) Uncertainty of Future Profitability or Dividends**

In light of nature of the Company's early stage business and the specific risks facing it as disclosed in this Section, the extent of future profits, if any, of the Company and the time required to achieve a sustained profitability, is necessarily uncertain. Moreover, the level of such profitability cannot be predicted.

If the Company is in the future in a position to pay dividends, the amount, timing and payment of future dividends is dependent on a range of factors including future capital and research and development requirements, as well as the overall financial position of the Company. The Directors are unable to give any assurance regarding the payment of dividends in the future, if at all.

**ee) Insurance**

The Company maintains insurance where it is considered appropriate for its needs. However, the Company is not be insured against all risks, either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue Accordingly, the Company may not be fully insured against all losses and liabilities that could unintentionally arise from its operations. If the Company incurs losses or liabilities for which it is uninsured, the value of the Company's assets may be at risk.

**ff) Legacy Business Risk**

The Company has previously carried on other businesses before focussing on commercialising its Technology. The Company is not aware of claims in relation to those businesses, but there is a risk that claims in relation to the Company's legacy business may arise in future. This risk is exacerbated by the changes of personnel that have occurred since the Company's registration, which can cause a break in its institutional memory.

## 9.2 General Risks

**a) Securities Investments and Share Market Conditions**

There are risks associated with any securities investment. The prices at which the securities trade may fluctuate in response to a number of factors.

Furthermore, the stock market may experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of companies. These factors may materially adversely affect the market price of the securities of the Company regardless of the Company's operational performance. Neither the Company nor the Directors warrant the future performance of the Company, or any return of an investment in the Company.

Share market conditions are affected by many factors, including:

(i) general economic outlook;

(ii) interest rates and inflation rates;

(iii) currency fluctuations;

(iv) changes in investor sentiment towards equities or particular market sectors;

(v) political instability;

(vi) short selling and other trading activities;

(vii) the demand for, and supply of, capital; and

(viii) force majeure events.

**b) Liquidity Risk**

The market for the Company's Shares may be illiquid. As a consequence investors may be unable to readily exit or realise their investment.

**c) Economic Risk**

Changes in both Australia and world economic conditions may adversely affect the financial performance of the Company. Factors such as inflation, currency fluctuations, interest rates, industrial disruption, general economic outlook and economic growth may impact on future operations and earnings.

**d) Government Policy or Regulatory Change**

Any material changes in government policies or relevant legislation of the countries in which the Company may operate have the potential to affect the viability, profitability and progress of the Company's business.

**e) Trade Policy**

Access to international markets may be limited in the future, depending on trade policy. The Company's performance may be adversely affected by such changes in trade policy and, in particular, the trade policies of Australia, the USA, European Union and Canada (being the main markets in which the Company currently sells its products).

**f) Unforeseen Risks**

There may be other risks which Directors or management are unaware of at the time of issuing this Prospectus which may impact on the Company, its operations and/or the valuation and performance of the Shares.

**g) Combination of Risks**

The Company may be subject to a combination of risks, including any of the risks outlined in this Section 9, which could affect the performance valuation, financial performance and prospects of the Company.

**h) Taxation**

There may be tax implications arising from applications for Offer Shares and on the future disposal of Shares. Potential investors should consult their professional tax adviser before deciding whether to apply for Offer Shares.

### 9.3 Speculative Investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above risk factors, and others not specifically referred to above, may materially affect the future financial and or operational performance of the Company and the value of the securities offered under this Prospectus.

There may be other risks which Directors are unaware of at the time of issuing this Prospectus which may impact on the Company, its business and/or the valuation and performance of the Company's Shares.

Therefore, the Offer Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or market value.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Offer Shares pursuant to this Prospectus.

## 10. BOARD AND MANAGEMENT

### 10.1 Board

The Board comprises:

a) **Mr Michael Johnson - Managing Director and Chief Executive Officer**
Over the last 20 years, Mr Johnson has been involved in 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 consulting firms where he advised on innovation and competing in heavily regulated industries. Mr Johnson holds a Master's degree in Entrepreneurship and Innovation from Swinburne University and a Bachelor's degree in Business from Monash University.

Mr Johnson is also a director of Cogentum, a strategic advisory firm based in Melbourne, Australia.

b) **Mr Ron Dewhurst – Non Executive Chairman**

Mr Dewhurst has spent 40 years working in the investment banking and asset management industries, covering Australia, Asia, Europe and America. In 1992 he joined J P Morgan where he ran the Asian and European equities divisions in Hong Kong and London, before being appointed Head of Americas for J P Morgan Asset Management. In 2004 he was CEO of IOOF Holdings Ltd and from 2008 until 2013, he was Senior Executive Vice President and Head of Global Investment Managers for Legg Mason Inc., based in the U.S.A. Previously, Mr Dewhurst worked for Melbourne-based broking firm McCaughan Dyson, going on to become CEO of what became ANZ McCaughan Ltd.

Mr Dewhurst is also a director of One Vue Holdings Limited (ASX:OVH) and Sprott Inc. Mr Dewhurst is not considered an independent Director because of his substantial shareholding in the Company.

c) **Mr Brent Scrimshaw - Non Executive Director**

Mr Scrimshaw spent 19 years with Nike Inc., where he became Vice President and Chief Executive of Western Europe and a member of the global corporate leadership team and was involved in many of Nike's major growth and brand strategies. Recently, Mr Scrimshaw founded and became chief executive officer of unscriptd.com, a digital media company focused on sport.

Mr Scrimshaw is also a director of Catapult Group International Limited (ASX: CAT). Mr Scrimshaw is an independent Director. He is chair of the Remuneration Committee.

d) **Dr Eric Knight - Non Executive Director**

Dr Knight 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 Company's internationalisation and commercialisation strategy. A former Boston Consulting Group consultant, 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 programme. Dr Knight is an independent Director. He is chair of the Audit Committee.

## 10.2 Management

The Company's senior management comprises:

a) **Mr Phillip Hains - Joint Company Secretary**

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.

b) **Mr Justyn Stedwell - Joint Company Secretary**

Mr Stedwell is a professional Company Secretary with over 8 years' experience as a Company Secretary in ASX listed companies within various industries including IT & telecommunications, biotechnology and mining. He has completed a Bachelor of Business & Commerce (Management & Economics) at Monash University, a Graduate Diploma of Accounting at Deakin University, a Graduate Diploma in Applied Corporate Governance from the Governance Institute and Graduate Certificate of Applied Finance from Kaplan Professional.

c) **Mr Shane Duncan, Vice President, Global Sales and Marketing**

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 is an Australian based medical education and healthcare advertising agency.

## 10.3 Directors' interests

As at the date of this Prospectus, the Directors have a relevant interest in securities of the Company detailed in the table below and receive remuneration as set out in Section 10.4.

In addition, Mr Johnson has an interest in the agreement with Smart Street Services described in Section 14.6 and Mr Dewhurst has an interest in the loan agreement described in Section 14.5.

| | PRE-CONSOLIDATION | | POST CONSOLIDATION AND GENERAL MEETING | |
|---|---|---|---|---|
| DIRECTOR | SHARES (DIRECTLY AND INDIRECTLY HELD) | OPTIONS (DIRECTLY AND INDIRECTLY HELD) | SHARES (DIRECTLY AND INDIRECTLY HELD) | OPTIONS (DIRECTLY AND INDIRECTLY HELD)[1] |
| Mr Ron Dewhurst | 71,000,000 | 10,000,000 | 7,100,000 | 1,000,000 |
| Mr Michael Johnson | 1,611,961 | 40,273,056 | 161,101 | 8,027,306 |
| Mr Brent Scrimshaw | 759,177 | 10,000,000 | 75,918 | 2,000,000 |
| Dr Eric Knight | 761,572 | 10,000,000 | 76,158 | 2,000,000 |

[1] Assumes the Director Options are issued after Shareholder approval at the proposed General Meeting.

## 10.4 Remuneration of Directors

### a) Remuneration

Mr Ron Dewhurst is paid $84,000 per annum (including statutory superannuation) as Non-Executive Chairman, with additional security-based remuneration at the discretion of the Board. In the two years prior to the date of this Prospectus, Mr Dewhurst received a total remuneration of $207,780 inclusive of superannuation and share-based payment.

Mr Michael Johnson is paid $250,000 per annum (including statutory superannuation) as an executive Director. In the two years prior to the date of this Prospectus, Mr Michael Johnson received a total remuneration of $500,000 including superannuation.

Mr Brent Scrimshaw is paid $60,000 per annum (including statutory superannuation) as an non-executive director. In the two years prior to the date of this Prospectus, Mr Scrimshaw received a total remuneration of $135,000 including superannuation.

Dr Eric Knight is paid $60,000 per annum (including statutory superannuation) as an non-executive director. In the two years prior to the date of this Prospectus, Dr Knight received a total remuneration of $135,000 including superannuation.

The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by Shareholders at a general meeting. The maximum aggregate amount which has been approved by Shareholders for payment to the Directors is $200,000 per annum. Fees for non-executive Directors are not linked to the performance of the economic entity.

### b) Deeds of Indemnity, Insurance and Access

The Company has entered into indemnity, insurance and access deeds with some Directors (**Deeds**), namely Dr Eric Knight and Brent Scrimshaw. Under the Deeds, the Company agrees to indemnify each of these Directors to the extent permitted by the Corporations Act against certain liabilities incurred by the Directors whilst acting as an officer of the Company and to insure each Director against certain risks to which the Company is exposed as an officer of the Company. The Deeds also grant each Director a right of access to certain records of the Company for a period of up to 7 years after the Director ceases to be an officer of the Company.

Directors are also entitled to be reimbursed for reasonable expenses incurred by them in providing their services to the Company. Non-executive directors are entitled to payment in addition to their director's fee if they undertake work in addition to their services as non-executive director. Payment for such additional work will be at agreed market rates.

The Deeds were entered into as part consideration for these Directors agreeing to hold office as directors of the Company.

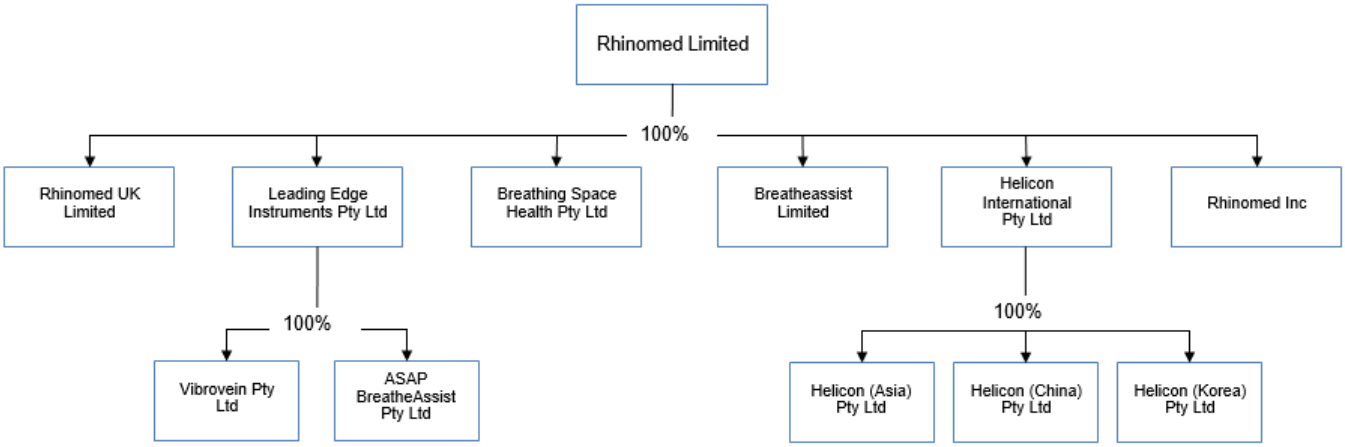
The Company also pays premiums to insure all of the Directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct whilst acting in the capacity as a Director of the Company.

## 10.5 Organisational Structure

Rhinomed was incorporated on 9 February 2004, converted to a public company on 17 June 2005 and listed on ASX on 21 September 2007.

## 10.6 Subsidiaries

The Company operates through a number of wholly owned subsidiaries, listed in the diagram below:




## 10.7 Corporate Governance

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity commensurate with the Company's needs.

Copies of the Company's corporate governance procedures, policies and practices including the Company's Corporate Governance Statement 2016 setting out information in respect of the Company's compliance with The Corporate Governance Principles and Recommendations (3rd Edition) as published by ASX Corporate Governance Council on 27 March 2014 (the **Guidelines**) are available at the Company's website www.rhinomed.global.

### a) Board of Directors

The Board is responsible for corporate governance of the Company. In accordance with the Board Charter, in addition to matters it is expressly required by law to approve, the Board is responsible for:

(i) the appointment of the Chief Executive Officer and other senior executives and the determination of their terms and conditions including remuneration and termination;

(ii) driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;

(iii) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;

(iv) approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;

(v) approving and monitoring the budget and the adequacy and integrity of financial and other reporting;

(vi) approving the annual, half yearly and quarterly accounts;

(vii) approving significant changes to the organisational structure;

(viii) approving the issue of any Shares, Options, equity instruments or other securities in the Company;

(ix) ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;

(x) recommending to Shareholders the appointment of the external auditor as and when their appointment or reappointment is required to be approved by them; and

(xi) meeting with the external auditor at their request, without management being present.

**b) Composition of the Board**

Election of Board members is substantially the province of the Shareholders in a general meeting. However, subject thereto, in accordance with the Board Charter, the Company is committed to the following principles:

(i) the composition of the Board is to be reviewed regularly to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction;

(ii) in appointing new members to the Board, consideration is given to the ability of the appointee to contribute to the ongoing effectiveness of the Board, to exercise sound business judgment, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction of the Company;

(iii) the majority of the Board is to be comprised of non-executive Directors;

(iv) where practical, at least 50% of the Board will be independent. An independent Director is one who is independent of management and free from any business or other relationship, which could, or could reasonably be perceived to, materially interfere with, the exercise of independent judgment. Independent Directors should meet the definition of what constitutes independence as set out in the Guidelines;

(v) Directors must disclose their interests. The independence of the Directors should be regularly assessed by the Board in light of the interests disclosed by them;

(vi) Directors are expected to bring their independent views and judgement to the Board and must declare immediately to the Board any potential or active conflicts of interest;

(vii) Directors must declare immediately to the Board, and the Board will determine whether to declare to the market, any loss of independence;

(viii) no member of the Board may serve for more than three years or past the third annual general meeting following their appointment, whichever is the longer, without being re-elected by the Shareholders;

(ix) prior to the Board proposing re-election of non-executive Directors, their performance will be evaluated by the Nomination Committee to ensure that they continue to contribute effectively to the Board; and

(x) the Board should comprise Directors with a mix of qualifications, experience and expertise which will assist the Board in fulfilling its responsibilities, as well as assisting the Company in achieving growth and delivering value to Shareholders.

**c) Board Charter**

The Board has adopted a Charter, which formally recognises its responsibilities functions, power and composition. This Charter sets out other things which are important for effective corporate governance including:

(i) the specific responsibilities of the Board;

(ii) a framework for the composition of the Board;

(iii) the role of the Chairman;

(iv) the role of Board committees;

(v) the role of the company secretary;

(vi) basic procedures for meetings of the Board and its committees including frequency, agenda, minutes and private discussion of management issues among non-executive directors;

(vii) access to advice, company records and management for Directors to enable them to discharge their duties; and

(viii) a framework for the Board's relationship with management.

**d) Independent Professional Advice**

Under the Board Charter, subject to approval from the Chairman, each Director has the right to seek independent legal or other professional advice at the Company's expense on all matters necessary for that Director to make fully informed and independent decisions.

**e) Remuneration Arrangements**

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee, in assuming the responsibilities of assessing remuneration to employees, links a proportion of executive directors' and officers' remuneration to the Company and consolidated entity's financial and operational performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of high quality management to the Company and consolidated entity; and
- performance incentives that allow executives to share in the success of the Company.

Non-Executive Directors receive fixed fees and may also receive options in the Company, subject to Shareholder approval.

The current remuneration of non-executive Directors is as set out in Section a).

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

From time to time employees and consultants may be offered options under the ESOP.

**f) Trading Policy**

The Company has a Securities Trading Policy on the sale and purchase of securities in Rhinomed by its Directors and employees. It provides that Directors or employees are not permitted to buy or sell Company securities during the following periods:

(i) from the time when the Company's Audit Committee papers in relation the Company's half year accounts are circulated to the Audit Committee until 1 hour following the release of the Company's half year accounts to ASX;

(ii) from the time when the Company's Audit Committee papers in relation to the Company's preliminary final report are circulated to the Audit Committee until 1 hour following the release of the Company's preliminary final report to ASX;

(iii) in the 24 hours prior to the release of the Company's Appendix 4C (Quarterly Cash Flow Report) to the ASX until 1 hour following the release of the Company's Appendix 4C; and

(iv) any other time the Board decides.

In addition, consistent with the law, Directors and employees are prohibited from trading in the Company's securities while in the possession of price sensitive information which is not generally available to the market.

The policy provides that the company secretary will notify all Directors and employees of the times when they are not permitted to buy or sell the Company's securities.

Prior to the trading in the Company's securities, Directors must obtain the prior clearance of the Chairman or Board. Any first or second line reports of the CEO must obtain the CEO's approval before trading. The completion of any trade in the Company's securities by a Director or employee must also be notified to the company secretary (who in turn advises ASX with respect to Directors' trades).

**g) External Audit**

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

**h) Audit Committee**

The Board has established an Audit Committee, which operates under a Charter approved by the Board. This responsibility of overseeing risk also falls within the Charter of the Audit Committee .

Due to the size of the Board and the Company, the Board has assumed the role of the Audit Committee. The Board has determined the presence of two independent directors on Board committees provides sufficient independent presence. The Audit Committee is chaired by Independent Director, Dr Eric Knight.

The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit Committee. The Audit Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The Audit Committee 's responsibilities include:

(i) assist the Board by its oversight and review of risk management, internal control, auditor independent and performance and compliance with laws and regulations;

(ii) review the half-year and annual financial reports prior to their consideration by the Board, including discussion with the auditors of any major transactions and accounting issues, accounting policies adopted and the proposed audit report;

(iii) assess any proposed changes in accounting practices or policies, prior to their consideration by the Board;

(iv) review any accruals, provisions, asset revaluations or estimates that significantly affect the financial report as well as other sensitive matters, such as disclosure of related party transactions;

(v) review jointly with management, the external auditors and, if necessary, legal counsel, any litigation, claim or other contingency, including tax assessments, which could have a material effect upon the financial position or operating results of the Company;

(vi) discuss with the external auditor the auditor's judgments about the quality and acceptability of the Company's accounting principles;

(vii) review with the external auditor issues such as the clarity of the Company's financial disclosures and other significant decisions made by management in preparing the financial report;

(viii) consider any other matter, which affects its recommendation to the Board concerning the adoption of the financial report;

(ix) monitor the standard of corporate conduct in transactions with related parties;

(x) monitor the adequacy of financial information provided to the Board.;

(xi) monitor processes to ensure compliance with ASX Listing Rules and principles for financial reporting; and

(xii) monitor updates from management and legal counsel regarding compliance matters that may have a material impact on the Company's external auditor independence.

**i) Risk Management**

This responsibility of overseeing risk also falls within the Charter of the Audit Committee.

The Audit Committee's Charter provides that the Audit Committee's responsibilities with respect to risk management include:

(i) satisfy itself that management is ensuring an appropriate organisational culture committed to ethical and lawful behaviour, internal control and risk management;

(ii) assess management's programs and policies that deal with the adequacy and effectiveness of internal controls over the Company's business processes;

(iii) evaluate the overall effectiveness of internal control and risk management framework;

(iv) assess the treatment of existing and emerging risks each quarter;

(v) annually review fraud risk in the Company;

(vi) monitor the adequacy of insurance coverage for the Company;

(vii) review the effectiveness of business continuity planning for the Company;

(viii) monitor:

(A) compliance with laws and regulations; and

(B) processes for the management and exercise of delegations.

In addition, the Company has a Risk Management Review Procedure and Internal Compliance and Control policy. This policy sets out the Company's process of risk management and internal compliance and control and is available at the Company's website.

**j) Remuneration Committee**

The Remuneration Committee operates under a Charter approved by the Board. Due to the size of the Board and the Company, the Board has assumed the role of the Remuneration Committee. The Remuneration Committee is chaired by independent director, Mr Brent Scrimshaw.

The purpose of the Remuneration Committee is to assist the Board by its oversight and review of employee remuneration. The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the Directors, the CEO and executive team.

The committee's functions include:

(i) determine the CEO's remuneration package;

(ii) identify and, where appropriate, engage a source of advice (independent from management) on remuneration matters; and

(iii) develop policies relating to significant terms and conditions of employment likely to have a substantial impact on the organisation and/or employees;

**k) Nomination Charter**

The Remuneration Committee is also responsible for the nomination of Directors.

A Nomination Charter has been adopted which sets out the functions of the committee with respect to nominations. These functions include:

(i) identify and recommend candidates for the Board after considering the necessary and desirable competencies of new Board members to ensure the appropriate mix of skills and experience and after assessment of how the candidates can contribute to the strategic direction of the Company;

(ii) approve and review induction procedures for new appointees of the Board to ensure that they can effectively discharge their responsibilities;

(iii) assess and consider the time required to be committed by a non- executive Director to properly fulfil their duty to the Company and advise the Board;

(iv) consider and recommend candidates for election or re-election to the Board at each AGM;

(v) review directorships in other public companies held by or offered to Directors and senior executives of the Company;

(vi) review succession plans for the Board will a view to maintaining an appropriate balance of skills and experience on the Board;

(vii) arrange a performance evaluation of the Board, its committees and individual Directors;

(viii) make recommendations on the appropriate size and composition of the Board; and

(ix) make recommendations on the terms and conditions of appointment to, and removal and retirement from, the Board.

**l) Diversity Policy**

The Board has adopted a diversity policy that outlines the processes through which the Company promotes diversity across its operations.

The Diversity Policy provides that:

(i) the Company is committed to promoting diversity among its employees, senior management and Board members. The Company aims to recruit staff at all levels from as diverse a pool of qualified candidates as reasonably possible based on their skills, qualifications and experience.

(ii) the Board will:

(A) aim to ensure that appropriate procedures and measures are introduced to ensure that the Company's diversity commitments are implemented appropriately; and

(B) seek to ensure that the Company's diversity profile is a factor that is taken into account in the selection and appointment of qualified employees, senior management and Board candidates.

(iii) strategies to help achieve the Company's diversity objectives include, but are not limited to:

(A) facilitating a corporate culture that embraces diversity; and

(B) recruiting from a diverse pool of candidates for all positions, including Board and senior management appointments.

**m) Continuous Disclosure**

In January 2017, the Board adopted a Disclosure Policy and ASC Communication Committee Charter. This document outlines the current policies, procedures and practices of the Company in relation to continuous disclosure and communication. A copy of the Charter is available on the Company's website.

Under this Charter, the Managing Director has established the Disclosure and Communication Committee as a standing committee authorised by the Board to assist the Company in meeting its disclosure obligations to ASX promptly and without delay.

This Disclosure and ASX Communication Committee provides assurance to the Board that all potentially market sensitive information has been considered for compliance with the Company's continuous disclosure obligations.

The purpose of the committee is to act on behalf of the Board to ensure compliance with the Disclosure and Communication Policy.

The committee will review the policy annually to ensure it reflects changes in the Company's business operations, the Corporations Act or the Listing Rules, and is effective in ensuring that the Company meets its disclosure obligations. The Committee will:

(i) recommend amendments to the Board;

(ii) oversee the effective disclosure of information subject to the policy;

(iii) promote the practices and procedures contained in the policy by raising awareness of the Company's continuous disclosure obligations;

(iv) ensure that the Company complies with its continuous disclosure obligations;

(v) ensure that full consideration is given to the appropriateness, quality and adequacy of material information that is proposed to be released to ASX by the Company;

(vi) appoint a Disclosure Officer who is responsible for communicating information to ASX;

(vii) create and maintain a disclosure register of relevant information that will be considered by the committee; and

(viii) make recommendations to the Board regarding the disclosure of information to ASX in relation to matters of significance to the Company.

The Disclosure and ASX Communication Committee is composed of a chairperson who is either a member of senior management or the Board, a staff liaison who is an employee of Rhinomed and the Company Secretary.

The Company's continuous disclosure announcements are available on the Company's website and on the ASX website (ASX:RNO).

## 10.8 Departures from Guidelines

The ASX document, 'Third Edition Principles of Good Corporate Governance and Best Practice Recommendations' (Guidelines) was published by the ASX Corporate Governance Council with the aim of enhancing the credibility and transparency of Australia's capital markets.

The Board has assessed the Company's current practice against the Guidelines and outlines its assessment below:

| PRINCIPLES AND RECOMMENDATIONS | | COMPLIANCE | COMPLY YES/NO |
|---|---|---|---|
| **PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT** | | | |
| 1.1 | Establish the functions expressly reserved to the Board and those delegated to management, and disclose those functions. | The Board is responsible for the overall corporate governance of the Company.<br>The Board has adopted a Board Charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management. | Complies |
| 1.2 | Undertake appropriate checks before appointing a person as a director, and provide shareholders with all material information relevant to a decision on whether or not to elect or re-elect a director. | The Company undertakes comprehensive reference checks prior to appointing a director, or putting that person forward as a candidate, to ensure that person is competent, experienced and would not be impaired in any way from undertaking the duties of a Director. The Company provides relevant information to Shareholders for their consideration about the attributes of candidates. | Complies |
| 1.3 | Have a written agreement with each director and senior executive setting out the terms of their appointment | The terms of the appointment of a non-executive Director, executive Directors and senior executives are agreed upon and set out in writing at the time of appointment. | Complies |
| 1.4 | The company secretary should be accountable directly to the board on all matters to do with the proper functioning of the board. | The joint company secretaries are accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its committees (as applicable) on governance matters, monitoring that the Board and committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings. | Complies |

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| 1.5 | Establish a diversity policy and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them, for reporting against in each reporting period. | The Board has adopted a diversity policy that outlines the processes through which the Company actively promotes diversity across its operations.<br><br>Specific measurable objectives in regards to gender diversity have not been set.<br><br>The proportion of women employees in the Group as at the date of this Prospectus are as follows:<br>• women on the Board – 0 of 4 (0%)<br>• women in Senior Executive positions – 0 of 1 (0%)<br>• women in the organisation: 8 of 13 (61%).<br><br>The Company's diversity policy is available on the Company's website. | Does not comply.<br><br>Given the size and stage of development of the Company, the Company is currently satisfied with the level of diversity within the organisation and in senior management positions and therefore has not set specific measurable objectives in regards to gender diversity. However, the Company does intend to maintain or increase the level of gender diversity within the organisation in the future. |
| 1.6 | Have a process for periodically evaluating the performance of the Board, its committees and individual directors, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period. | The Board has adopted an informal self-evaluation process to measure its own performance. The performance of the Board and individual Directors is reviewed at least every year by the Board as a whole. This process includes a review in relation to the composition and skills mix of the Directors of the Company. Performance reviews involve analysis based on key performance indicators aligned with the financial and non-financial objectives of the Company. A performance review in accordance with the processes disclosed occurred during the 2016 financial year.<br><br>A summary of the processes for performance evaluation of the Board and its individual Directors is available on the Company's website. | Complies |
| 1.7 | Have a process for periodically evaluating the performance of the Company's senior executives, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period. | On at least an annual basis, the Board conducts a performance review of the Chief Executive Officer and any other key management personnel (**KMP**). The Board assesses the performance of KMP against qualitative and quantitative key performance indicators relevant to each KMP. A performance review of KMP occurred during the 2016 financial year in accordance with this process. | Complies |

| PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE | | | |
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| 2.1 | The Company should have a nomination committee, which has at least three members, a majority of independent directors and is chaired by an independent director.<br><br>The functions and operations of the nomination committee should be disclosed. | The Company has established a Remuneration Committee, which is also responsible for the Nomination of Directors.<br><br>Due to the size of the Board and the Company, the Board has assumed the role of the Remuneration Committee.<br><br>Brent Scrimshaw (Independent Director) is the chair of the Remuneration Committee.<br><br>A Nomination Charter has been adopted which sets out the functions of the committee with respect to nominations. This Charter is available on the Company's website. | Does not comply.<br><br>The Board is equally weighted between independent and executive Directors. The size of the Company does not justify the cost of appointing additional independent Directors at this stage. |
| 2.2 | Have and disclose a board skills matrix, setting out what the board is looking to achieve in its membership. | The Board has a skills matrix covering the competencies and experience of each member. When the need for a new director is identified, the required experience and competencies of the new director are defined in the context of this matrix and any gaps that may exist. | Complies |
| 2.3 | Disclose the names of the directors that the Board considers to be independent directors, and an explanation of why the Board is of that opinion if a factor that impacts on independence applies to a director, and disclose the length of service of each director. | The Board considers Dr Eric Knight (appointed 12 February 2014) to be independent.<br><br>The Board also considers Mr Brent Scrimshaw (appointed 12 February 2014)) to be an Independent Director.<br><br>The Board notes the following Directors are deemed not Independent for the purposes of the Guidelines:<br><br>Mr Ron Dewhurst (appointed 1 December 2015) is a substantial Shareholder (see item 2.5 below)<br><br>Mr Michael Johnson (appointed 1 February 2013) is an executive Director of the Company. | Complies |
| 2.4 | A majority of the Board should be independent directors. | The Board currently comprises four Directors, of which two are independent non-executive Directors. | Does not comply.<br><br>The Board is equally weighted between independent and executive Directors. The size of the Company does not justify the cost of appointing an additional independent Directors at this stage. |

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| 2.5 | The chair of the Board should be an independent director and should not be the CEO. | The Company's Chairman, Ron Dewhurst does not meet all of the independence criteria set out in the Guidelines, as he is a substantial Shareholder of the Company.<br><br>Mr Dewhurst is a non-executive Director. | Does not comply.<br><br>The Chairman is not an independent Director as he is a substantial Shareholder. Mr Dewhurst does meet all other independence criteria and the Board considers that his substantial shareholding does not impact on his ability to exercise independent judgement. The Board has determined that Mr Dewhurst is the most appropriate Director to Chair the Company at this critical stage of the Company's development having regard to his significant relevant experience, expertise and his capacity to commit adequate time to the role. |
| 2.6 | There should be a program for inducting new directors and providing appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively. | A new Director induction program is in place and Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively. | Complies |
| **PRINCIPLE 3 - ACT ETHICALLY AND RESPONSIBLY** | | | |
| 3.1 | Have a code of conduct for the Board, senior executives and employees, and disclose that code or a summary of that code. | The Board has adopted a Code of Conduct. The Code of Conduct establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct.<br><br>The Code of Conduct is available on the Company's website. | Complies |
| **PRINCIPLE 4 - SAFEGUARD INTEGRITY IN CORPORATE REPORTING** | | | |
| 4.1 | The Company should have an audit committee, which consists of only non-executive directors, a majority of independent directors, is chaired by an independent chairman who is not chairman of the Board, and has at least three members.<br><br>The functions and operations of the audit committee should be disclosed. | The Board has established an Audit Committee, which operates under a Charter approved by the Board. Due to the size of the Board and the Company, the Board has assumed the role of the Audit Committee.<br><br>The Audit Committee is chaired by Independent Director, Dr Eric Knight.<br><br>The functions and operations of the Audit Committee are set out in its Charter, which is available on the Company's website. | Does not comply.<br><br>The Board has determined the presence of two independent directors on Board committees provides sufficient independent presence.<br><br>The size of the Company does not justify the cost of appointing additional independent Directors at this stage. |

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| 4.2 | The Board should, before approving financial statements for a financial period, receive a declaration from the CEO and CFO that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, formed on the basis of a sound system of risk management and internal controls, operating effectively. | This is consistent with the approach adopted by the Audit Committee and the Board. | Complies |
| 4.3 | The Company's auditor should attend the AGM and be available to answer questions from security holders relevant to the audit. | The Company's auditor attends each AGM and is available to answer any questions with regard to the conduct of the audit and their report. | Complies |
| **PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURES** | | | |
| 5.1 | Have a written policy for complying with continuous disclosure obligations under the Listing Rules, and disclose that policy or a summary of it. | The Company has adopted a disclosure and ASX communication committee Charter to assist the Company in meeting its disclosure obligations to the ASX promptly and without delay. A copy of this Charter is available on the Company's website. | Complies |
| **PRINCIPLE 6 - RESPECT THE RIGHTS OF SECURITY HOLDERS** | | | |
| 6.1 | Provide information about the Company and its governance to investors via its website. | The Board Charter and other applicable policies are available on the Company's website. | Complies |

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| 6.2 | Design and implement an investor relations program to facilitate effective two-way communication with investors. | The Company respects the rights of its Shareholders and to facilitate the effective exercise of those rights, the Company is committed to:<br>• communicating effectively with Shareholders through releases to the market via ASX, the Company's website, information mailed to Shareholders and the general meetings of the Company;<br>• giving Shareholders ready access to clear and understandable information about the Company; and<br>• making it easy for Shareholders to participate in general meetings of the Company.<br>The Company also makes available a telephone number and email address for Shareholders to make enquiries of the Company. These contact details are available on the "contact us" page of the Company's website. | Complies |
| 6.3 | Disclose the policies and processes in place to facilitate and encourage participation at meetings of security holders. | The Company seeks to facilitate effective participation in the AGM, as well as the ability to submit written questions ahead of the AGM. | Does not comply, as there isn't a formal policy at this stage. However, the Company's practices seek to facilitate Shareholder participation. |
| 6.4 | Give security holders the option to receive communications from, and send communications to, the Company and its share registry electronically. | Shareholders may elect to, and are encouraged to, receive communications from the Company and its securities registry electronically. | Complies |
| **PRINCIPLE 7 - RECOGNISE AND MANAGE RISK** | | | |
| 7.1 | The Board should have a risk committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members.<br>The functions and operations of the risk committee should be disclosed. | The responsibility of overseeing risk falls within the charter of the Audit Committee (see item 4.1).<br>The Company's Risk Management Review Procedure and Internal Compliance and Control policy sets out the Company's process of risk management and internal compliance and control. This policy and the Charter of the Audit Committee are available on the Company's website. | Does not comply.<br>The Board has determined the presence of two independent directors on Board committees provides sufficient independent presence.<br>The size of the Company does not justify the cost of appointing additional independent Directors at this stage. |

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| 7.2 | The Board or a committee of the Board should review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, and disclose, in relation to each reporting period, whether such a review has taken place. | The Board review's the entity's risk management framework at least annually to satisfy itself that it continues to be sound. A review of the Company's risk management framework was conducted during the 2016 financial year. | Complies.<br>The Company commenced a review of its risk management framework in January 2017 and that review is underway. |
| 7.3 | Disclose if the Company has an internal audit function, how the function is structured and what role it performs, or if it does not have an internal audit function, that fact and the processes the Company employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. | Due to the Company's limited number of employees and relative nature and scale of its operations, the costs of an independent internal audit function would be disproportionate. The Company has an external auditor and the Audit Committee will monitor the Company's internal control processes and evaluate material or systemic issues. | Does not comply due to the nature and scale of operations, however the Board believes it, together with senior management, has adequate oversight of the existing operations and associated risk involved. |
| 7.4 | Disclose whether the Company has any material exposure to economic, environmental and social sustainability risks and, if so, how it manages those risks. | The Board does not consider that the Company currently has any material exposure to environmental or social sustainability risks. | Complies |
| **PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY** | | | |
| 8.1 | The Board should have a remuneration committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members.<br>The functions and operations of the remuneration committee should be disclosed | The Remuneration Committee operates under a charter approved by the Board. Due to the size of the Board and the Company, the Board has assumed the role of the Remuneration Committee.<br>The Remuneration Committee is chaired by independent Director, Brent Scrimshaw.<br>The functions and operations of the Remuneration Committee are set out in a Charter, available on the Company's website. | Does not comply.<br>The Board has determined the presence of two independent directors on Board committees provides sufficient independent presence.<br>The Board is equally weighted between independent and executive Directors. The size of the Company does not justify the cost of appointing an additional independent Directors at this stage. |
| 8.2 | The policies and practices regarding the remuneration of non-executive directors, and the remuneration of executive directors and other senior executives, should be separately disclosed. | The Remuneration Committee's Charter is available on the Company's website.<br>Remuneration policies and practices are disclosed in the Company's Remuneration Report (including in the Annual Report available on the Company's website). | Complies |

| | | | |
|---|---|---|---|
| 8.3 | If the Company has equity-based remuneration scheme, it should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and disclose that policy or a summary of it. | The Company operates an employee share option plan, however, it does not have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in ESOP.<br><br>The Company's security trading policy applies to the sale of Shares acquired following the exercise of an Option granted under the ESOP. | Does not comply. While the Company's security trading policy applies to the sale of Shares acquired following the exercise of an Option granted under the ESOP, this does not include a policy about entering into transactions which limit the economic risk of participating in the ESOP. |

# 11. DETAILS OF THE OFFER

## 11.1 The Offer

In order to ensure that Shares that may be issued pursuant to the Placement are capable of secondary trading after their issue, the Company makes the Offer.

By the Offer, the Company is offering 100 Shares (**Offer Shares**) at an issue price of $0.10 per Offer Share to investors to be identified exclusively by the Directors.

While the Offer is not primarily directed to raising capital, but rather to enable the secondary trading of any Shares issued pursuant to the Placement, any funds raised under the Offer will be applied as working capital.

The Offer Shares are Shares that rank equally with all existing Shares on issue in the Company. Details of the rights and liabilities attaching to the Company's Shares are set out in section 15.10.

## 11.2 Minimum Subscription

There is no minimum subscription under the Offer.

## 11.3 Offer Not Underwritten

The Offer is not underwritten.

## 11.4 Opening and Closing Dates

The Opening Date of the Offer will be 28 March 2017 and the Closing Date will be 28 March 2017. The Directors reserve the right to close the Offer early or to extend the Closing Date, should they consider it necessary, subject to the Corporations Act and Listing Rules.

## 11.5 Application for Shares under the Offer

The Offer is being extended to unrelated persons who are invited by the Company to subscribe for Offer Shares and is not open to the general public.

Applications for Offer Shares must be made using the relevant Application Form attached to this Prospectus. To the maximum extent permitted by law, the Directors will have discretion over which Applications to accept.

Applicants must follow the procedures advised to them by the Company for Applications under the Offer.

## 11.6 Application Money Held in Trust

All Application Moneys will be deposited into a separate bank account of the Company and held in trust for Applicants until the Offer Shares are issued or Application Moneys returned. Any interest that accrues will be retained by the Company and will not be paid to Applicants.

## 11.7 Allocation and Allotment of Offer Shares

To the maximum extent permitted by law, the Company reserves the right to reject any Application or to allocate to any Applicant fewer Offer Shares than the number applied for. The Company also reserves the right to reject or aggregate multiple applications in determining final allocations.

In the event an Application is not accepted or accepted in part only, the relevant portion of the Application Moneys will be returned to Applicants, without interest.

The Company reserves the right not to proceed with the Offer at any time before the allocation of the Offer Shares to Applicants. If the Offer is cancelled, all Application Moneys will be refunded without interest.

The Company also reserves the right to close the Offer early, or extend the Offer, or accept late Applications Forms either generally or in particular cases.

The allotment of Offer Shares to Applicants will occur as soon as practicable after Application Forms and Application Moneys have been received for the Offer Shares being offered, following which statements of shareholding will be dispatched. It is the responsibility of Applicants to determine their allocation prior to trading in the Offer Shares. Applicants who sell Offer Shares before they receive their statement of holding will do so at their own risk.

## 11.8 Quotation

The Company will apply to ASX within 7 days after the date of this Prospectus for quotation of the Offer Shares offered by this Prospectus, on ASX. If ASX does not grant permission for the quotation of those Offer Shares within 3 months after the date of this Prospectus, or such longer period as modified by ASIC, none of the Offer Shares offered by this Prospectus will be allotted or issued. In these circumstances, all Applications will be dealt with in accordance with the Corporations Act, including the return of all Application Moneys without interest. A decision by ASX to grant official quotation of the Offer Shares is not to be taken in any way as an indication of ASX's view as to the merits of the Company or of the Offer Shares.

Quotation, if granted, of the Offer Shares offered by this Prospectus will commence as soon as practicable after statements of holdings of the Offer Shares are dispatched.

## 11.9 CHESS

The Company participates in the Clearing House Electronic Subregister System (**CHESS**). CHESS is operated by ASX Settlement, a wholly owned subsidiary of ASX. Under CHESS, the Company will not issue certificates to investors. Instead, security holders will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASX Settlement will send a CHESS statement.

## 11.10 Expenses of the Offer

The estimated expenses of this Prospectus are the following:

| COST | $ |
|---|---|
| ASIC fees | 2,350 |
| Investigating Accountant's Report | 20,000 |
| Accounting and other professionals | 29,785 |
| Legal fees | 150,000 |
| **Total** | **202,135** |

These expenses have been or will be paid by the Company.

## 11.11 Risks of the Offer

An investment in securities of the Company should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company, which are described in Section 9.

## 11.12 Market Prices of Existing Shares on ASX

The highest and lowest market sale price of the Company's Shares, which are on the same terms and conditions as the Offer Shares, during the 3 months immediately preceding the lodgement of this Prospectus with ASIC and the last market sale price on the date before the lodgement date of this Prospectus, are set out below.

| 3 MONTH HIGH | 3 MONTH LOW | LAST MARKET PRICE |
|---|---|---|
| $0.02<br>28/12/2016 | $0.014<br>07/03/2017 | $0.019<br>20/03/2017 |

## 11.13 Residents Outside Australia

This Prospectus and any accompanying Application Form, do not, and are not intended to, constitute an offer of securities in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus or the Offer Shares. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

## 11.14 Taxation implications

The Directors do not consider it appropriate to give Applicants advice regarding the taxation consequences of subscribing for Offer Shares under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Applicants. As a result, Applicants should consult their professional tax adviser in connection with subscribing for Shares under this Prospectus.

## 11.15 Governing Law

The Offer, and the contracts formed on acceptance of an Application, are governed by the laws applicable in Victoria, Australia. Each person who applies for Offer Shares pursuant to this Prospectus submits to the non-exclusive jurisdiction of the courts of Victoria, Australia, and the relevant appellate courts.

## 11.16 Enquiries

Any queries regarding the Offer should be directed to Mr Michael Johnson, Chief Executive Officer on +61 3 9824 5254.

## 11.17 Corporate Governance

The Directors monitor business affairs of the Company on behalf of the Shareholders. The Board has formally adopted corporate governance policies which are designed to encourage Directors and management to focus their attention on accountability, risk management and ethical conduct. Discussion about the Company's corporate governance is set out in Section 10.7

Copies of the Company's corporate governance policies and charters are also available on the Company's website.

## 12. INVESTIGATING ACCOUNTANT'S REPORT

HLB Mann Judd Corporate Finance

20 March 2017

The Board of Directors
Rhinomed Limited
Level 1, 4-10 Amsterdam Street
**Richmond, VIC 3121**

Dear Members of the Board,

**Independent Limited Assurance Report on Rhinomed Limited's Historical Financial Information and Pro Forma Historical Financial Information**

We have been engaged by Rhinomed Limited ("the Company") to report on the historical financial information and pro forma historical financial information of the Company and its controlled entities ("the Group") for inclusion in the public document dated on or about 20 March 2017 and relating to the issue of 100 shares at an issue price of $0.10 per share to raise $10 before costs ("the Offer") in order to remove any trading restrictions on shares issued pursuant to the Placement announced immediately before lodgement of the Prospectus.

Expressions and terms defined in the document have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services License under the *Corporations Act 2001*. HLB Mann Judd Corporate Finance Pty Ltd ("HLB Mann Judd") holds an appropriate Australian Financial Services License (AFS License Number 240988) under the *Corporations Act 2001*. Refer to our Financial Services Guide included as part 2 of this report.

**Scope**

**Historical Financial Information**

You have requested HLB Mann Judd to review the following historical financial information of the Group included in the Prospectus:

- the Consolidated Statement of Financial Position as at 31 December 2016, 30 June 2016 and 2015;
- the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 December 2016 and for the years ended 30 June 2015 and 2016; and
- the Consolidated Statement of Cash Flows for the period ended 31 December 2016 and for the years ended 30 June 2015 and 2016.

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Group's adopted accounting policies. The historical financial information has been extracted from the general purpose financial statements of the Company for the years ended 30 June 2015 and 2016 and the interim financial report for the period ended 31 December 2016. The general purpose financial statements and the interim financial report were audited and reviewed, respectively, by HLB Mann Judd (VIC Partnership).

HLB Mann Judd (VIC Partnership) issued an unmodified audit opinions on the general purpose financial statements for the years ended 30 June 2015 and 2016 and an unmodified review conclusion on the interim financial report, all of which contained an emphasis of matter paragraph in respect of going concern basis. The historical financial information is presented in the Prospectus in

**HLB Mann Judd Corporate Finance Pty Ltd ABN 49 097 176 139** Australian Financial Services Licence No 240988
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
Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees
HLB Mann Judd Corporate Finance Pty Ltd is a member of HLB International, A world-wide network of independent accounting firms and business advisers.

HLB Mann Judd Corporate Finance

an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

**Pro Forma historical financial information**

You have requested HLB Mann Judd to review the pro forma historical Statement of Financial Position as at 31 December 2016 referred to as "the pro forma historical financial information".

The pro forma historical financial information has been derived from the historical financial information of the Group as at 31 December 2016, after adjusting for the effects of pro forma adjustments described in section 8.2 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 8.4 of the Prospectus, as if those event(s) or transaction(s) had occurred as at 31 December 2016. Due to its nature, the pro forma historical financial information does not represent the Group's actual or prospective financial position.

**Directors' responsibility**

The directors of the Company are responsible for the preparation of the historical financial information, and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

**Our responsibility**

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the *Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

**Conclusions**

**Historical financial information**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information, as described in section 8.1 of the Prospectus, comprising

- the Consolidated Statement of Financial Position as at 31 December 2016, 30 June 2016 and 2015;
- the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 December 2016 and for the years ended 30 June 2015 and 2016; and

HLB Mann Judd Corporate Finance

- the Consolidated Statement of Cash Flows for the period ended 31 December 2016 and for the years ended 30 June 2015 and 2016

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in sections 8.1 and 8.4 of the document.

**Pro Forma historical financial information**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information being the Pro Forma Consolidated Statement of Financial Position as at 31 December 2016 is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in sections 8.2 and 8.4 of the document.

**Restriction on Use**

Without modifying our conclusions, we draw attention to section 8.4 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

**Subsequent Events**

Apart from the matters dealt with in this report and the Prospectus, and having regard to the Scope of our report, to the best of our knowledge and belief no other material transactions or events outside of the ordinary business of the Group have come to our attention that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

**Sources of Information**

We have made enquiries of the Directors of the Company and other parties, as considered necessary during the course of our analysis. We have also referred to the Prospectus and material documents which relate to the operations of the Group. We have no reason to believe the information supplied is not reliable.

**Legal Proceedings**

To the best of our knowledge and belief, we are not aware of any material legal proceeding outstanding or currently being undertaken, not otherwise disclosed in this report, which could cause the information included in this report to be misleading.

**Consent**

HLB Mann Judd has consented to the inclusion of this assurance report in the Prospectus in the form and context which it is included. At the date of this report, this consent has not been withdrawn.

**Independence and Disclosure of Interests**

HLB Mann Judd has no financial or other interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion on the matters that are subject of this report for which normal professional fees will be received.

No director of HLB Mann Judd or any individuals involved with the preparation of this report have any interest in the outcome of the Offer other than the preparation of this report for which normal professional fees will be received.

Our associated partnership, HLB Mann Judd (Vic Partnership) is the auditor of the Company. HLB Mann Judd (Vic Partnership) receives normal professional fees for performing audit and review services.

HLB Mann Judd Corporate Finance

**Liability**

The liability of HLB Mann Judd is limited to the inclusion of this report in the Prospectus. Unless specifically referred to in this Report, or elsewhere in the Prospectus, HLB Mann Judd was not involved in the preparation of any other part of the Prospectus and did not cause the issue of any other part of the Prospectus. Accordingly, HLB Mann Judd makes no representations or warranties as to the completeness or accuracy of the information contained in any other part of the Prospectus.

**Financial Services Guide**

We have included our Financial Services Guide as part 2 of this report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully
**HLB Mann Judd Corporate Finance Pty Ltd**

**Jude Lau**
Director

HLB Mann Judd Corporate Finance

## Part 2 Financial Services Guide

**What is the purpose of this Financial Services Guide?**
This Financial Services Guide (FSG) provides you with information about us to help you decided whether to use the services that we offer.
It explains:

- The services offered by us;
- How instructions may be provided to us;
- How we are remunerated; and
- The details of our internal and external complaints handling procedures and how you can access them.

This FSG is provided by HLB Mann Judd Corporate Finance Pty Ltd (AFSL: 240988). In this FSG, each of the companies is referred to as "we", "our" or "us", and collectively referred to as "HLB Mann Judd"

***What Services can we provide?***
Under our AFS licence authorisation, we may carry on a financial services business to provide:

- financial product advice on basic deposit products, securities, derivatives limited to old law securities options contracts and warrants, and
- dealing services in respect of the above financial products.

Collectively these are referred to as "Services". HLB Mann Judd provides corporate finance services including valuations and merger and acquisition advice. This includes capital raising, strategic option analysis and financial modelling.

***Will you provide me with advice which is suitable to my needs and financial circumstances?***
**We provide general financial product advice only,** not personal financial product advice because the advice has been prepared without taking into consideration your personal objectives, financial situation or needs. You should consider the appropriateness of the advice, having regards to your objectives, financial situation and needs before acting on the advice.

We are authorised to provide you with personal advice in relation to basic deposit products, securities and derivatives limited to old law securities options contracts and warrants. We may not provide advice of any kind in relation to any other interest, financial products or other investments.

Generally if personal advice is given – that is, the advice that takes into account your particular circumstances, financial situation and needs, you would be provided with a Statement of Advice (SOA) / Statement of Additional Advice (SOAA) in accordance with the requirements of the Corporations Act. The SOA/SOAA would contain the advice, the basis on which it is given and the information about fees, commissions and associations which may have influenced the provision of the advice.

In some circumstances, SOA or SOAA is not required to be given. In this case, a Record of Advice (ROA) documenting the personal advice is to be given. You may request a copy of the ROA from your adviser up to 7 years after the advice has been given.

If a recommendation to acquire a particular financial product is made, you would be provided with a Product Disclosure Statement containing information about the particular product, which will enable you to make an informed decision in relation to purchasing that product.

***How do I give information to HLB Mann Judd?***
You can give us information by telephone, post, fax or email, using the details provided below. In some cases, however, you will need to complete and return certain documents, such as application form and client identification form.

***How does HLB Mann Judd get paid for its Services?***
HLB Mann Judd payments come from fees generated from the provision of Services.

The fees will vary depending on the services provided, the complexity and nature of the services and other factors such as the size of the transaction. The fees will be negotiated on a case by case basis and will be clearly disclosed to you in our engagement letter.

Our staff are paid a salary and may be entitled to receive bonuses or non-monetary benefits. These bonus payments are not an additional cost to you.

The fees and charges that you pay to us may ultimately benefit our employees, directors or other associates of our authorising licensee or its authorised representatives.

***What fee does the person who referred me receive?***
We do not currently pay a fee to any person who refers you to use our Services. However, we may enter into referral arrangements with such parties in the future. Any fees or commissions payable for the referral will be disclosed to you. Furthermore, we may receive payments for referring you to other service providers or product issuers.

***Disclosure of Interest***
We may provide services in relation to products and services provided by other product issuers or invest in those products ourselves. To the extent permitted by law, we may receive fees and other benefits from these product issuers as a result of you investing in one of their products or using one of their services. We may pay to, or receive fees or commissions from, third parties to the extent permitted by law.

Except as disclosed in this FSG, we do not have any relationships or associations which might reasonably be expected to be capable of influencing the way we provide our Services to you.

***Compensation Arrangements***
We are covered by our professional indemnity insurance in place that complies with section 912B of the *Corporations Act* and ASIC Regulatory Guide 126.

***Who can I complain to if I have a complaint about the Services provided to me?***
If you have a complaint about the Services provided to you, you should take the following steps:

1. Contact us and tell us your complaint.
   If you complaint is not satisfactorily resolved within seven days, please call our complaints Manager on (03) 9606 3888.
2. Alternatively, you can put your complaint in writing and forward it to:
   The Complaints Manager
   HLB Mann Judd Corporate Finance
   Level 9, 575 Bourke Street, Melbourne VIC 3000
   Tel: (03) 9606 3888
   Fax: (03) 9606 3800
   Email: jreidy@hlbvic.com.au
3. We will endeavour to investigate and resolve your complaint and communicate our decision to you within 45 days. If you still do not get a satisfactory outcome, you may be able to lodge a complaint with The Financial Ombudsman Service (FOS). You can write to FOS at GPO Box 3, Melbourne VIC 3001 or call them on **1300 780 808** or visit **www.fos.or.au**

HLB Mann Judd Corporate Finance Pty Ltd (AFS Licence 240988)
Level 9, 575 Bourke Street, Melbourne VIC 3000
Tel: (03) 9606 3888
Fax: (03) 9606 3800
Email: jreidy@hlbvic.com.au

**Date Issued: 20 March 2017**

## 13. INTELLECTUAL PROPERTY REPORT

FB RICE

The IP Navigators

# INTELLECTUAL PROPERTY REPORT

14 MARCH 2017

Patent and Trade Mark Attorneys

FB Rice ABN 53 487 267 594

Level 14
90 Collins Street
Melbourne VIC 3000
Australia

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VIC 3001
Australia

Tel +61 3 8618 4100
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www.fbrice.com.au

FB RICE

The IP Navigators

14 February 2017
Our Ref: CM691661

## 1 Executive Summary

Set out below is our report (the "Report") detailing the current status of intellectual property being handled by FB Rice on behalf of Rhinomed Ltd for inclusion in a Prospectus to be issued by Rhinomed Ltd. For completeness, the Report also includes details regarding the current status, to the best of our knowledge, of intellectual property being handled by Wrays on behalf of Rhinomed Ltd.

The Report summarises the details and status of the patents and patent applications in Schedule 1, the registered designs and design applications in Schedule 2, and the registered trade marks and trade mark applications in Schedule 3. To the best of our knowledge the Report is accurate as at its date, subject to the limitations and qualifications set out in Section 6 (in particular, subject to the sources of information described in Section 6.1). FB Rice is not aware of any material changes expected to occur to the status of the matters outlined below, except where indicated.

## 2 FB Rice

FB Rice is a firm of patent and trade mark attorneys specialising in the law and practices relating to intellectual property and, more particularly, patents, trade marks, industrial designs and plant breeders rights. The patent attorneys of FB Rice are specialists in the technology areas of electrical and mechanical engineering, electronics, chemistry, biotechnology, medical devices, computers, information technology and communication technology. Each of the professional staff members in the patent department of FB Rice holds tertiary qualifications in the technology area in which that person practises. Many professional staff members of FB Rice in the patent department also hold postgraduate qualifications.

## 3 Intellectual Property

### 3.1 Meaning of Intellectual Property

The term "intellectual property" refers to a group of registrable and non-registrable rights, including rights in patents, designs, trade marks, plant varieties, copyright, confidential information and trade secrets. Intellectual property has many of the characteristics possessed by real and personal property. In particular, intellectual property is an asset, which may be bought, sold, licensed, exchanged, or otherwise transferred as other forms of property. Accordingly, an intellectual property owner has the right to prevent the unauthorised use or sale of its property.

This Report is only directed to intellectual property which is in the form of patents, patent applications, design registrations, design applications, registered trade marks and trade mark applications.

### 3.2 Patents

Patents cover inventions and provide a monopoly in exchange for an inventor's full disclosure of the invention to the public. A patent provides protection for novel (new), inventive (non-obvious) and useful inventions for a fixed period, which is typically up to twenty (20) years. For certain inventions, this period may be extended. In addition, to maintain a pending application or patent in force, it is necessary to pay renewal fees, usually on an annual basis. Patents may be granted in relation to a wide range of subject matter, such as new or improved products, new uses for products and methods for doing things. Such subject matter must, however, be industrially applicable.

A patent cannot be granted on a worldwide basis. Rather, patents must be obtained in every country where protection is required. Although there is a certain amount of harmonization between the patent granting procedures and standards throughout the world, there are differences regarding the test for patentability. Accordingly, the scope of a patent may vary from

country to country and indeed a patent may not be granted in a particular country for failure to comply with the relevant standards.

### 3.2.1 Patenting Process

In most countries of the world the process of protecting patent rights begins with the submission of a patent application comprising a patent specification describing the invention. Filing an Australian patent application (provisional or complete) or other initial patent application in a foreign country, which permits such a filing, satisfies this requirement.

A fundamental requirement of the patent system is that the invention is novel and inventive at the time of filing, relative to what was publicly known or used at the date of the application. Accordingly, it is imperative that the specification contains a full disclosure of the invention. A patent specification generally consists of a description of the invention and so-called claims, which define the scope of the invention.

Once the initial application has been filed, further applications in foreign countries must be filed within twelve (12) months, pursuant to an International Treaty called the Paris Convention, otherwise rights to the invention may be lost in those countries. In this regard, the Paris Convention provides that the filing of an initial patent application establishes a priority date for the invention in all other countries which are party to this Convention, including countries such as the United States, Japan and Australia, as well as jurisdictions such as the European Union and Eurasia.

The filing of further patent applications in foreign countries may be pursued individually or in some instances by filing an application with a regional patent office that does the work for a number of countries, such as the European Patent Office and the African Regional Industrial Property Organisation. Under such regional systems, an applicant requests protection for the invention in one or more countries, and each country decides as to whether to offer patent protection within its borders.

The WIPO-administered Patent Cooperation Treaty ("PCT") provides for the filing of a single international patent application, which has the same effect as national applications filed in the designated countries. An applicant seeking protection may file one application and request protection in as many signatory states as needed. It should be noted that at present there are only 151 countries that are party to the PCT and if patent protection is required in a country that is not party to the PCT then individual applications must be filed in these countries by the twelve (12) month anniversary of the initially filed application. An example of a country that is not a party to the PCT is Taiwan. Applications filed individually in countries rather than via the PCT are examined under the national laws of those countries. However, a PCT application is considered under the terms of the PCT.

Once a PCT application has been filed it is subjected to what is called an "international search", carried out by one of the major patent offices. The search results are then communicated to the patent applicant in an "international search report", which is a listing of published documents that might affect the patentability of the invention claimed in the international application. On the basis of the international search report the applicant may decide to withdraw the application. However, if the PCT application is not withdrawn, it is, together with the international search report, published by the International Bureau.

If the applicant decides to continue with the international application, then within thirty (30) months of the provisional patent application filing date, national patent applications need to be filed. In some countries such as Australia and regions such as Europe, the deadline is thirty-one (31) months.

Once the PCT process has been completed then the national or regional phase is undertaken, as the PCT application itself does not mature into patents. The standard documentation and fee requirements will need to be satisfied in each country, and in non-English speaking countries that will include translating the PCT specification into the language of the relevant country. Failure to enter the national phase within the thirty (30) month period or thirty-one (31) month period, as appropriate, will result in abandonment of the ability to secure patent protection in most PCT countries.

The national or regional applications progress under the jurisprudence and legislation of each country or region. In most jurisdictions, such as Australia, Europe, United States and Japan, examination by the relevant patent office comprises an examination of the art to which the invention pertains as it existed at the priority date of the application. Examination establishes what is referred to as the "state of the art". The patent application is measured against the state of the art and an assessment is made regarding whether the invention described in the application is novel, inventive, useful and relates to patentable subject matter in that jurisdiction. Therefore, the time required to complete the process of examination differs from country-to-country and the scope of protection may differ depending upon the law of each country. In general, it will take several years from the date of application until the patent is actually granted. With respect to regional applications, like the European application, this involves filing a single application designating any of the countries that are signatories to the Convention covering that region. The single application is subjected to examination, and assuming that the application is allowed, it will proceed to the grant phase. The applicant can then elect to have patents validated in all or some of the originally designated countries, and the individual patents then function as though they were patents granted under standard national procedures.

In some jurisdictions, such as Europe, renewal fees need to be paid in respect of patent applications, otherwise the patent applications may be deemed to be abandoned.

**3.2.2 Granted Patents: Renewal Fees, Exploitation and Enforcement**

Once a patent has been granted renewal fees will need to be paid, otherwise the patent will cease.

FB Rice is not responsible for the monitoring or payment of renewal fees in respect of the patents and patent applications set out in Schedule 1.

It should also be noted that grant of a patent does not guarantee that the patent is valid or enforceable. FB Rice provides no assurance that the pending patent applications of Schedule 1 will be granted or will be held valid and enforceable following grant or that the granted patents of Schedule 1 will be held valid and enforceable.

Notwithstanding the issue regarding guaranteed enforceability, once a patent has been granted, the owner has the exclusive rights to use the patented technology throughout the lifetime of a patent. This means that the owner can decide to exclusively use it for their own benefit and prevent others from using it. Alternatively, they can allow others to use it under the terms of a license agreement. The terms of the license agreement generally define the limited scope of the use of the patent and the consideration to be paid for the use of it.

Once a patent has been granted, the patent owner may enforce their rights by initiating infringement proceedings against an alleged infringer of the property. It is important to note that infringement proceedings cannot be initiated on the basis of a pending application. Enforcement of patent rights varies from country-to-country. The remedies for unauthorised use (patent

infringement) available to the patent owner often include an injunction, which effectively stops further infringement of the patent, damages or account of profits, and costs.

### 3.3 Designs

A registered design gives to the owner of the design a monopoly right in respect of the appearance of a product embodying that design. The appearance is defined by visual features, such as shape, configuration, pattern and/or ornamentation.

There is a clear distinction between the protection afforded by a registered design and by a patent. Design protection is given only in respect of the appearance of an article, whereas the article itself, its functionality or the manner in which it operates may be protected by a patent. It is, of course possible, and, sometimes highly desirable, to have both design and patent protection for the same "invention". In other words, it may be possible to have a registered design in respect of the appearance of a product and a patent in respect of the manner in which it functions.

A registered design cannot be granted on a worldwide basis. Rather, registered designs must be obtained in every country where protection is required. Although there is a certain amount of harmonization between the design registration procedures and standards throughout the world, there are differences regarding the test for registrability. Accordingly, a design may not be granted in a particular country for failure to comply with the relevant standards.

#### 3.3.1 Design Registration Process in Australia

In Australia, a design is registrable if it is new and distinctive when compared with the prior art base. The prior art base includes:

- designs publicly used in Australia,
- designs which have been published in a document either in Australia or elsewhere, and
- designs which have been disclosed in earlier design applications.

A design is distinctive unless it is substantially similar in overall impression to a design that forms part of the prior art base. When making a judgement as to whether or not a design is substantially similar in overall impression to another design, more weight is given to similarities between the designs than to differences. The same test applies when assessing design infringement.

The registration process for a design begins with filing a design application at the Designs Office. The application must include at least one representation of the design. Representations take the form of drawings or photographs which clearly depict the article to which the design is applied. After the application has been made, a formalities check is carried out. If there are any deficiencies in the application, a notice issues allowing two months to correct the deficiencies. If the formalities check is satisfied, the Registrar of Designs must register the design. The design application is not examined for newness and distinctiveness prior to registration.

Design registration or similar protection is available in many foreign countries. Once the initial application has been filed, further applications in foreign countries must be filed within six (6) months, pursuant to the Paris Convention, otherwise rights to the design may be lost in those countries. In this regard, the Paris Convention provides that the filing of an initial design application establishes a priority date for the design in all other countries which are party to this Convention, including countries such as the United States, Japan and Australia, as well as jurisdictions such as the European Union.

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### 3.3.2 Australian Registered Designs: Examination and certification, Renewal fees, Exploitation and Enforcement

Examination of a registered design for newness and distinctiveness is optional. However, a registered design is not enforceable unless it has been examined and certified. Therefore, the value of an unexamined design application is limited. Upon examination, the Designs Examiner may issue a notice raising objections to the certification of the design, allowing six (6) months to overcome those objections. For example, the Examiner may object that the design is not new and/or distinctive in the light of one or a number of earlier design applications or registrations. In many instances, the objections may be overcome by filing suitable submissions. Notices will continue to issue until the Examiner is satisfied that all objections to certification of the design have been overcome or withdrawn. Once all the objections have been overcome, a certificate of examination is issued and the registered design is then enforceable. If the objections are not overcome, the registration may be revoked, subject to an appeal.

It should also be noted that certification of a registered design does not guarantee that the registered design is valid or enforceable. FB Rice provides no assurance that the pending design applications of Schedule 2 will be registered or will be held valid and enforceable following registration and/or certification or that the registered and/or certified designs of Schedule 2 will be held valid and enforceable.

The initial term of a registered design in Australia is five years from the filing date. The registration may then be extended to ten (10) years from the filing date by paying a renewal fee. No further extension of the term beyond ten years (10) is currently possible. Terms of registered designs and renewal fee requirements vary from country to country. For example, although the initial term for an EU registered design is five (5) years, the registration may be extended up to twenty-five (25) years from the filing date by paying a renewal fee every five (5) years. FB Rice is not responsible for the monitoring or payment of renewal fees in respect of the registered designs and design applications set out in Schedule 2.

Once a design has been registered, the owner has the exclusive rights to use the registered design throughout the term of the registered design. This means that the owner can decide to exclusively use it for their own benefit and prevent others from using it. Alternatively, they can allow others to use it under the terms of a license agreement.

Once a design has been certified, the design owner may enforce their rights by initiating infringement proceedings against an alleged infringer of the property. Enforcement of design rights varies from country-to-country. The remedies for unauthorised use (design infringement) available to the registered design owner often include an injunction, which effectively stops further infringement of the registered design, damages or account of profits, and costs.

### 3.4 Trade Marks

A trade mark may be a word, device, packaging get-up, product shape, combinations of these, or indeed, almost any aspect of branding that serves to differentiate the owner's products and services from those of competitors. A trade mark distinguishes the owner's products and services from those of competitors and is an indicator of the source of the products and services.

Rights granted by registration of a trade mark registration gives the owner or its authorised users the right to exclusive use the trade mark in those countries where registration is achieved, and precludes others from using or registering the same or similar trade mark in the same field of business. It also provides an enforceable right against misuse by competitors, and is an asset and property right which may be licensed or sold.

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### 3.4.1 Registration of Trade Marks Internationally

It is possible to file applications in foreign countries using a number of systems and it is a matter of deciding, in each case, which system is preferable, but the rights granted by registration are the same irrespective of the system used. The three systems are:

1. International registration under the Madrid Protocol system - This is an "international registration" allowing the filing of a single application designating the country or countries of interest. There are over 50 countries in the Madrid Protocol system and we can provide a list of current member countries on request. The whole of the EU can be designated as a single region. To file an international application, the trade mark owner must have either a trade mark registration or a pending application in the home country of the business entity. The international filing undergoes preliminary examination for formalities at the central office called the International Bureau in Geneva and then undergoes examination based on the law of each designated country.

2. European Community Trade Mark - The CTM regime is a single registration covering all member countries of the EU. This is a valuable mechanism for European trade mark protection.

3. National Registrations – In most countries it is possible to register a trade mark directly in the country of interest and for those countries that are not members of the Madrid Protocol or are not part of the EU, such as Canada, South Africa, some Asian countries, and the South American countries, national registration is the only option currently available.

### 3.4.2 Maintenance of Trade Mark Registrations

In some countries, such as Canada, it is necessary to prove use of a trade mark before registration is granted. In other countries, such as USA it is necessary to prove use of a trade mark after registration so as to maintain a valid registration, and if proof of use is not provided the registration is deemed to be abandoned.

In most countries, a registered trade mark is vulnerable to cancellation by application by a third party if it is unused during the life of the registration. The non-use period which will trigger the risk of cancellation proceedings varies from country to country, but is usually a three or five year period during which there has been no commercial use of the trade mark for the goods or services of the registration, in which the trade mark is registered.

There is also the requirement to maintain the registration by paying registration fees by the relevant date, usually every ten years after registration. FB Rice is not responsible for the monitoring or payment of registration fees in respect of the registered trade marks set out in Schedule 3.

## 4 Rhinomed Ltd Intellectual Property Portfolio

Patent, design and trade mark protection has been secured or is being pursued for Rhinomed Ltd in the name of ASAP BreatheAssist Pty Ltd. We understand that ASAP BreatheAssist Pty Ltd is owned by Rhinomed Ltd.

Trade mark protection has also been secured or is also being pursued for Rhinomed Ltd in the name of Consegna Group Limited. We understand that Consegna Group Limited is owned by Rhinomed Ltd.

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Trade mark protection has also been secured or is also being pursued for Rhinomed Ltd in the name of Rhinomed Ltd.

The patents and patent applications owned by ASAP BreatheAssist Pty Ltd are set out in Schedule 1.

The registered designs and design applications owned by ASAP BreatheAssist Pty Ltd are set out in Schedule 2.

The registered trade marks and trade mark applications owned by ASAP BreatheAssist Pty Ltd, Consegna Group Limited and Rhinomed Ltd are set out in Schedule 3.

## 5 Other Matters

### 5.1 Proprietorship

Typically, a patent for an invention may only be granted to the inventor(s) or to a person who has entitlement to the invention by way of assignment, employment contract or other means. Similarly, a registered design for a design may only be granted to the designer(s) or to a person who has entitlement to the design by way of assignment, employment contract or other means.

FB Rice understands that ASAP BreatheAssist Ltd is entitled to be recorded as the owner of the patents and patent applications listed in Schedule 1 and the registered designs and design applications listed in Schedule 2.

It is important to note that there are legal mechanisms by which third parties can bring evidence that they have sole or joint entitlement to an invention and any patent application or patent obtained for that invention or a design and any design application or design registration obtained for that design. We are not aware of any issues regarding the ownership or entitlement with respect to the patents and patent applications listed in Schedule 1 and the registered designs and design applications listed in Schedule 2.

### 5.2 Third Party Rights

Filing a patent application or a design application does not mean that the applicant is free to commercially use an invention or design, as it is possible that the intellectual property rights of another party may be infringed by doing so. Typically, third party rights are identified by conducting a Freedom to Operate (FTO) search in the country or counties it is proposed to commercialise an invention.

### 5.3 Validity of Patents and Registered Designs

The ultimate validity of the claims of a patent cannot be guaranteed. Various legal mechanisms exist to challenge the validity of patents and patent applications. For example, validity may be challenged in the following ways:

a) during examination;
b) in opposition proceedings once the application has been examined and found allowable;
c) in court during revocation proceedings brought by a third party; or
d) during infringement proceedings initiated against an alleged infringer.

Similarly, the validity of registered designs cannot be guaranteed. Various legal mechanisms exist to challenge the validity of registered designs and design applications. For example, validity may be challenged in the following ways:

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a) during examination;
b) in court during revocation proceedings brought by a third party; or
c) during infringement proceedings initiated against an alleged infringer.

As at the date of this Report, we are not aware of any litigation being commenced in respect to any patent, patent application, registered design or design registration referred to in this Report.

As some of the patent rights set out in this Report are still pending patent applications and will undergo examination, it cannot be assumed that these applications (or any applications stemming from them) will proceed to grant or, if grant is achieved, that the claims will remain in their present form. It is possible, for example, that the scope of the claims of these patent applications may be restricted during examination of the applications. Similarly, as some of the design rights set out in this Report are still pending design applications and will undergo examination, it cannot be assumed that these applications (or any applications stemming from them) will proceed to registration.

## 6. Limitations and qualifications

### 6.1 Information Sources

In preparing this Report, in addition to reviewing our internal databases, we relied upon information contained in relevant publicly available databases and the searches conducted by the appropriate national and international patent offices with respect to the patents and patent applications in Schedule 1, the registered designs and design applications in Schedule 2 and the registered trade marks and trade mark applications in Schedule 3. FB Rice is not responsible for the accuracy of the information available in public databases and accordingly cannot guarantee the accuracy of this information.

### 6.2 Jurisdictional Requirements

Each jurisdiction has its own laws and particular requirements that need to be met for the grant and maintenance of a patent and the registration, certification and maintenance of a registered design. Accordingly, the assessment of patentability of inventions and registrability and/or certification of designs varies from jurisdiction-to-jurisdiction. Inventions which may be patentable in one jurisdiction, may be excluded from grant in another. Similarly, designs, which may be registrable and/or certified in one jurisdiction, may be excluded from registration and/or certification in another Moreover, the different jurisdictional requirements may result in variation of the scope of patent or design protection obtained for the same patent or design in different jurisdictions. The outcome of examination of the patent application, design application or registered design by the office of one jurisdiction is not binding on the office of any other jurisdiction. Similarly, in respect of patent applications, international PCT searches and examination reports are not binding on national patent applications during examination in the national phase.

In some jurisdictions there is a duty to disclose certain information to the relevant patent office. This information can include relevant prior art information known to the applicant or its agents or search results issued in respect of corresponding foreign applications. Failure to disclose such information may adversely affect the validity and/or enforceability of the patent or registered design.

We further note that there may be changes to patent law, design law, and/or trade mark law or its interpretation by the courts in a particular jurisdiction from time-to-time, which may have an impact on patents and/or designs in the relevant country. For example, in 2012, the Australian Government enacted the Intellectual Property Law Amendments (Raising the Bar) Act 2012 (Cth), which represents a significant amendment to Australian patent law. In particular, the Act raises the requirement for patentability and the description requirements for patent

specifications. It applies to all Australian patent applications for which a request for examination was filed on or after 15 April 2013. Other examples include relatively recent decisions of the US Supreme Court which have increased the threshold for what constitutes patentable subject matter in the USA.

### 6.3 Search Limitations

A patentability search, such as international searches carried out by various patent offices under the PCT procedure, cannot be guaranteed to locate all prior art that may exist which is potentially relevant to the assessment of novelty and inventive step of a claimed invention. Similarly, a prior art search for designs cannot be guaranteed to locate all prior art that may exist which is potentially relevant to the assessment of newness and distinctiveness of a design. Such searches are generally computer-based searches and are dependent on the database search strategy and the coverage provided by the databases used. For example, the databases may not cover older published documents and/or certain jurisdictions. Further, all such searches are subject to the accuracy of records, as well as the indexing and classification of the subject matter comprising the records. The scope of each search is also dependent on the search strategy utilised and, for example, the keyword(s) selected for the search.

Besides documentary prior art, commercialisation or secret use of an invention or design by, or with the authority of, an applicant (or their predecessor in title), public use of an invention or design and non-confidential oral disclosures before the priority date of a patent application or design application may also be relevant to the assessment of patentability or newness and distinctiveness, respectively. As such searches are conducted on published documents, they would not locate such other forms of prior art disclosures.

Accordingly, although such searches provide a reasonable indication of patentability and/or newness and distinctiveness, it is not possible to guarantee that every relevant prior art record has been located and considered. As a result, any conclusions regarding the validity of the claims of a particular patent or the validity of a registered design based on patent office searches should be regarded as indicative rather than conclusive.

Further, non-provisional patent applications are not normally published until at least eighteen (18) months from the earliest acceptable priority date. Accordingly, a patentability search would not normally identify any third party patent application that is potentially relevant to the assessment of patentability that have a priority date which is less than eighteen (18) months prior to the date of the patentability search.

Similarly, design applications are not normally published until registration. Accordingly, a prior art design search would not normally identify any third party design application that is potentially relevant to the assessment of newness and distinctiveness that have not yet been registered.

Delays between official publication and the incorporation of information into the relevant database can also occur, which means that some documents may not be located in a search.

### 6.4 Freedom to Operate

There is no guarantee that the patent and design rights referred to in this Report comprise all of the rights that are required for Rhinomed Ltd to be entitled to freely use and commercialise its products. If Rhinomed Ltd infringes any third party patents or registered designs, and those third party patents or registered designs are valid, Rhinomed Ltd may be unable to obtain licenses to the patents or registered designs at a reasonable cost, if at all, and may also be unable to develop or obtain alternative technology. If such licenses cannot be obtained at a reasonable cost, the business could be significantly impacted.

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### 6.5 Entitlement to Claimed Priority Date

In Australia, for subject matter contained in a non-provisional patent application to be entitled to the priority date established by a corresponding priority patent application or provisional patent application there must be a "real and reasonably clear disclosure" of the subject matter in the priority application. Similar provisions apply in other jurisdictions. Subject matter disclosed in a non-provisional patent application that is not contained in a corresponding priority application is generally only entitled to the filing date of the non-provisional application as a priority date.

## 7 Statement of Independence

FB Rice has extensive experience protecting and defending intellectual property rights and commercializing products and services. FB Rice provides a comprehensive intellectual property service through its patent and trade mark attorney practices, consultancy arm and through its partnership with a major international renewal service.

FB Rice has no interest in Rhinomed Ltd, ASAP BreatheAssist Pty Ltd or Consegna Group Ltd other than fees for professional work done.

FB Rice has no involvement in the preparation of the Prospectus by Rhinomed Ltd, other than the preparation of this Report. FB Rice is therefore considered independent of Rhinomed Ltd for the purpose of preparing this Report and gives its consent for inclusion of this Report in the Prospectus.

The people responsible for preparing this Report are Madeleine Kelly, partner in FB Rice, and Joanne Martin, partner in FB Rice.


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# SCHEDULE 1

PATENT FAMILY
OWNER: ASAP BREATHEASSIST PTY LTD

## PATENT FAMILY: A NASAL CAVITY DILATOR ("CAGE")

| COUNTRY | OFFICIAL NO. | FILING DATE | CASE STATUS | EXPIRY DATE |
|---|---|---|---|---|
| International | PCT/AU2003/000504 | 30 April 2003 | Completed | N/A |
| Australia | 2003227108 | 30 April 2003 | Granted | 30 April 2023 |
| Australia | 2007202425 | 30 April 2003 | Granted | 30 April 2023 |
| Australia | 2011200652 | 30 April 2003 | Granted | 30 April 2023 |
| United States | 7,105,008 | 30 April 2003 | Granted | 30 April 2023 (est.) |
| United States | 7,727,252 | 27 February 2006 | Granted | 27 February 2026 (est.) |
| United States | 7,740,643 | 30 April 2003 | Granted | 30 April 2023 (est.) |
| United States | 12/154,868 | 30 April 2003 | Abandoned | N/A |
| United States | 14/506,425 | 30 April 2003 | Granted | 30 April 2023 |
| New Zealand | 539496 | 30 April 2003 | Granted | 30 April 2023 |
| Japan | 4582518B | 30 April 2003 | Granted | 30 April 2023 |
| China | 1729029B | 30 April 2003 | Granted | 30 April 2023 |
| Mexico | MXPA05003044 | 30 April 2003 | Granted | 30 April 2023 |
| Europe | 1549379 | 30 April 2003 | Granted | 30 April 2023 |
| Austria | E637138 | 30 April 2003 | Validated | 30 April 2023 |

| | | | | |
|---|---|---|---|---|
| Belgium | 1549379 | 30 April 2003 | Validated | 30 April 2023 |
| Czech Republic | 1549379 | 30 April 2003 | Validated | 30 April 2023 |
| Denmark | 1549379 | 30 April 2003 | Validated | 30 April 2023 |
| Finland | 1549379 | 30 April 2003 | Validated | 30 April 2023 |
| France | 1549379 | 30 April 2003 | Validated | 30 April 2023 |
| Germany | 603 45 163.2 | 30 April 2003 | Validated | 30 April 2023 |
| Greece | 1549379 | 30 April 2003 | Validated | 30 April 2023 |
| Hungary | 1549379 | 30 April 2003 | Validated | 30 April 2023 |
| Ireland | 1549379 | 30 April 2003 | Validated | 30 April 2023 |
| Italy | 1549379 | 30 April 2003 | Validated | 30 April 2023 |
| Portugal | 1549379 | 30 April 2003 | Validated | 30 April 2023 |
| Spain | 2450925 | 30 April 2003 | Validated | 30 April 2023 |
| Sweden | 1549379 | 30 April 2003 | Validated | 30 April 2023 |
| Switzerland | 1549379 | 30 April 2003 | Validated | 30 April 2023 |
| The Netherlands | 1549379 | 30 April 2003 | Validated | 30 April 2023 |
| United Kingdom | 1549379 | 30 April 2003 | Validated | 30 April 2023 |

## PATENT FAMILY: A DEVICE FOR IMPROVING AIRFLOW THROUGH A NASAL CAVITY DURING PHYSICAL ACTIVITY SUCH AS SPORTING PURSUITS ("BELT")

| COUNTRY | OFFICIAL NO. | CASE STATUS | EXPIRY DATE |
|---|---|---|---|
| International | PCT/AU2012/000898 | Completed | N/A |
| Australia | 2012386483 | Granted | 27 July 2032 |
| New Zealand | 623029 | Granted | 27 July 2032 |
| Europe | 12881710.3 | Accepted (in principle) | 27 July 2032 |
| China | 201280074886.3 | Abandoned | N/A |
| United States of America | 14/417421 | Abandoned | N/A |
| Hong Kong | 15105871.6 | Abandoned | N/A |

## PATENT FAMILY: IMPROVEMENTS RELATING TO NASAL DILATION DEVICES ("BOLT")

| COUNTRY | OFFICIAL NO. | CASE STATUS | EXPIRY DATE |
|---|---|---|---|
| International | PCT/AU2013/000043 | Completed | N/A |
| Australia | 2013204827 | Granted | 21 January 2033 |
| Australia | 2013205674 (Divisional) | Abandoned | N/A |
| Australia | 2013205673 (Divisional) | Abandoned | N/A |
| Australia | 2013205667 (Divisional) | Abandoned | N/A |
| Australia | 2013205665 (Divisional) | Abandoned | N/A |
| New Zealand | 625373 | Granted | 21 January 2033 |
| Europe | 13822563.6 | Abandoned | N/A |
| China | 201380039290.4 | Abandoned | N/A |

| | | | |
|---|---|---|---|
| United States of America | 14/417,451 | Abandoned | N/A |

## PATENT FAMILY: NASAL DILATOR DEVICES (“MUTE”)

| COUNTRY | OFFICIAL NO. | CASE STATUS | EXPIRY DATE |
|---|---|---|---|
| International | PCT/AU2014/000649 | Completed* | N/A |
| Australia | 2014398172 | Pending* | 20 June 2034 |
| Canada | 2952261 | Pending* | 20 June 2034 |
| Europe | 14895038.9 | Pending* | 20 June 2034 |
| New Zealand | 629495 | Pending | 20 June 2034 |
| Argentina | AR 2150101974 | Abandoned | N/A |
| Taiwan | 104119729 | Pending | 20 June 2034 |

*Cases being handled by Wrays

## PATENT FAMILY: NASAL DILATOR DEVICES ("TURBINE3")

| COUNTRY | OFFICIAL NO. | CASE STATUS | EXPIRY DATE |
|---|---|---|---|
| International (PCT) | PCT/AU2015/050032 | Completed* | N/A |
| Australia | 2015278239 | Pending * | 30 January 2035 |
| Canada | 2952265 | Pending* | 30 January 2035 |
| Europe | 15809245.2 | Pending* | 30 January 2035 |
| Argentina | AR 20150101990 | Abandoned | N/A |
| Taiwan | 104119734 | Pending | 30 January 2035 |

*Cases being handled by Wrays

## PATENT FAMILY: NASAL DILATORS ("INPEAP/CPAP")

| COUNTRY | OFFICIAL NO. | CASE STATUS | EXPIRY DATE |
|---|---|---|---|
| International (PCT) | PCT/AU2015/050314 | Pending | N/A |

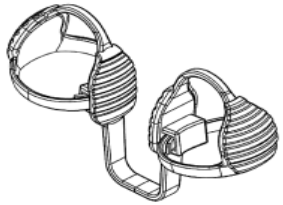
## PATENT FAMILY: NASAL DEVICES ("CLINICAL INPEAP")

| COUNTRY | OFFICIAL NO. | CASE STATUS | EXPIRY DATE |
|---|---|---|---|
| Australia | 2015903056 | Completed | N/A |
| International | PCT/AU2016/050621 | Pending | N/A |

# SCHEDULE 2

DESIGN FAMILY
OWNER: ASAP BREATHEASSIST PTY LTD

## DESIGN FAMILY: "BELT"



| COUNTRY | OFFICIAL NO. | FILING DATE | CASE STATUS | EXPIRY DATE |
|---|---|---|---|---|
| Australia | 350709 (10288/2013) | 21 January 2013 | Registered | 21 January 2023 |
| Brazil | BR302013003518.2 | 19 July 2013 | Registered | 19 July 2038 |
| India | 31166 (255356) | 19 July 2013 | Registered | 21 January 2023 (extendible by 5 years) |
| Japan | 1506055 (D2013-016585) | 22 July 2013 | Registered | 1 August 2034 |
| Mexico | 44170 (MX/f/2013/002100) | 19 July 2013 | Registered | 19 July 2028 |
| European Union | 002277434-0001 | 19 July 2013 | Registered | 19 July 2038 |
| Argentina | 85.804 | 19 July 2013 | Registered | 19 July 2028 |
| China | 201330341154.3 | 19 July 2013 | Registered | 19 July 2023 |
| New Zealand | 417812 | 19 July 2013 | Registered | 21 January 2028 |
| United States | D726,312 (29/461217) | 19 July 2013 | Registered | 7 April 2029 |
| Canada | 152145 | 19 July 2013 | Registered | 21 July 2024 |

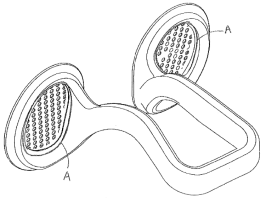
## DESIGN FAMILY: "TURBINE I"

| COUNTRY | OFFICIAL NO. | FILING DATE | CASE STATUS | EXPIRY DATE |
|---|---|---|---|---|
| Australia | 352915 (13438/2013) | 18 July 2013 | Registered | 18 July 2023 |
| Canada | 154473 | 23 December 2013 | Registered | 4 March 2025 |
| China | 201430013176.1 | 17 January 2014 | Registered | 17 January 2024 |
| European Union | 002376400-0001 | 23 December 2013 | Registered | 23 December 2038 |
| Japan | 1508832 (2013-030505) | 26 December 2013 | Registered | 12 September 2034 |
| United States | D774,648 (29/479,493) | 16 January 2014 | Accepted | 14 years from date of grant |

# DESIGN FAMILY: "TURBINE II"

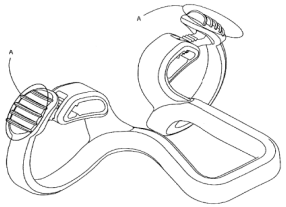
| COUNTRY | OFFICIAL NO. | FILING DATE | CASE STATUS | EXPIRY DATE |
|---|---|---|---|---|
| Australia | 352986 (16408/2013) | 6 December 2013 | Registered | 6 December 2023 |
| European Union | 002444562-0001 | 10 April 2014 | Registered | 10 April 2039 |
| India | 261822 | 17 April 2014 | Registered | 6 December 2023 (extendible by 5 years) |
| China | 201430089717.9 | 15 April 2014 | Registered | 15 April 2024 |
| United States of America | D759,239 (29/493,060) | 5 June 2014 | Registered | 14 June 2030 |
| South Africa | F2014/00909 | 4 June 2014 | Registered | 6 December 2023 |
| Japan | 1517723 (2014-012345) | 6 June 2014 | Registered | 16 January 2035 |
| Korea | 30- 0796767 (30-2014-0027588) | 5 June 2014 | Registered | 12 May 2030 |
| Russia | 95209 (2014502234) | 5 June 2014 | Registered | 6 December 2028 (extendible by 10 years) |
| New Zealand | 418886 | 5 June 2014 | Registered | 6 December 2028 |

# DESIGN FAMILY: "DILATOR - FILTER"



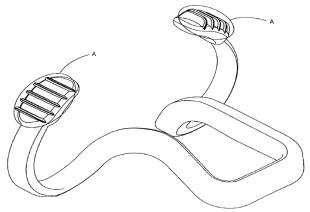
| COUNTRY | OFFICIAL NO. | FILING DATE | CASE STATUS | EXPIRY DATE |
|---|---|---|---|---|
| Australia | 356549 (13058/2014) | 20 June 2014 | Certified | 20 June 2024 |
| European Union | 002601088-0001 | 18 December 2014 | Registered | 18 December 2039 |
| United States of America | D754,851 (29/512,496) | 19 December 2014 | Registered | 26 April 2030 |
| Japan | 1538412 (2014-028705) | 22 December 2014 | Registered | 20 years from registration |
| China | 201430539148.3 | 19 December 2014 | Registered | 19 December 2024 |
| Canada | 160233 | 18 December 2014 | Registered | 11 December 2025 |
| Russia | 95885 (2014505033) | 19 December 2014 | Registered | 19 December 2029 (extendible by 10 years) |
| India | 268145 | 12 December 2014 | Registered | 20 June 2024 (extendible by 5 years) |

# DESIGN FAMILY: "DILATOR – WITH RATCHET"



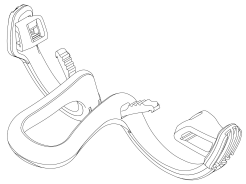
| COUNTRY | OFFICIAL NO. | FILING DATE | CASE STATUS | EXPIRY DATE |
|---|---|---|---|---|
| Australia | 356550 (13059/2014) | 20 June 2014 | Certified | 20 June 2024 |
| European Union | 002601088-0002 | 18 December 2014 | Registered | 18 December 2039 |
| United States of America | D754,850 (29/512,482) | 20 December 2014 | Registered | 26 April 2030 |
| Japan | 1533418 (2014-028703) | 22 December 2014 | Registered | 22 December 2024 |
| China | 201430539174.6 | 19 December 2014 | Registered | 19 December 2024 |
| Canada | 160231 | 18 December 2014 | Registered | 11 December 2025 |
| Russia | 95879 (2014505035) | 19 December 2014 | Registered | 19 December 2029 (extendible by 10 years) |
| India | 268146 | 12 December 2014 | Registered | 20 June 2024 (extendible by 5 years) |

# DESIGN FAMILY: "DILATOR – WITHOUT RATCHET"



| COUNTRY | OFFICIAL NO. | FILING DATE | CASE STATUS | EXPIRY DATE |
|---|---|---|---|---|
| Australia | 356551 (13060/2014) | 20 June 2014 | Certified | 20 June 2024 |
| European Union | 002601088-0003 | 18 December 2014 | Registered | 18 December 2039 |
| United States of America | D753,821 (29/512,492) | 19 December 2014 | Registered | 12 April 2030 |
| Japan | 1533419 (2014-28704) | 22 December 2014 | Registered | 22 December 2024 |
| China | 201430539868.X | 19 December 2014 | Registered | 19 December 2024 |
| Canada | 160232 | 18 December 2014 | Registered | 11 December 2025 |
| Russia | 95573 (2014505034) | 19 December 2014 | Registered | 19 December 2029<br>(extendible by 10 years) |
| India | 268144 | 12 December 2014 | Registered | 20 June 2024<br>(extendible by 5 years) |

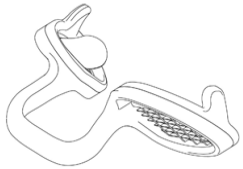
# DESIGN FAMILY: "TURBINE 3.0"



FRONT PERSPECTIVE (OPEN)

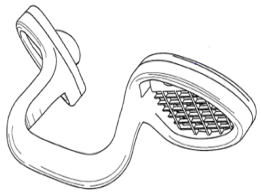
| COUNTRY | OFFICIAL NO. | FILING DATE | CASE STATUS | EXPIRY DATE |
|---|---|---|---|---|
| Australia | 360484 (201510495) | 30 January 2015 | Registered | 30 January 2025 |
| Canada | 162563 | 21 May 2015 | Registered | 11 December 2025 |
| China | 201530173446.X | 1 June 2015 | Registered | 1 June 2025 |
| European Union | 00271324-0001 | 4 June 2015 | Registered | 4 June 2040 |
| India | 43596 (272761) | 16 June 2015 | Registered | 30 January 2025<br>(extendible by 5 years) |
| Japan | 1545481 (D2015-013540) | 18 June 2015 | Registered | 12 February 2036 |
| Russia | 97785 (2015501656) | 19 May 2015 | Registered | 19 May 2030<br>(extendible by 10 years) |
| United States of America | 29/531,291 | 24 June 2015 | Pending | 14 years from Registration |

# DESIGN FAMILY: "INPEAP/CPAP DESIGN"



| COUNTRY | OFFICIAL NO. | FILING DATE | CASE STATUS | EXPIRY DATE |
|---|---|---|---|---|
| Australia | 363373 (201512973) | 5 June 2015 | Certified | 5 June 2025 |
| Canada | 165428 | 11 November 2015 | Registered | 14 June 2026 |
| China | 201530448184.3 | 11 November 2015 | Registered | 11 November 2025 |
| European Union | 002870683-001 | 19 November 2015 | Registered | 19 November 2040 |
| India | 277845 | 26 November 2015 | Registered | 5 June 2025<br>(extendible by 5 years) |
| Japan | 1559032 (2015-27358) | 7 December 2015 | Registered | 19 August 2036 |
| Russia | 2015504306 | 5 December 2015 | Decision to Grant issued | 5 December 2030<br>(extendible by 10 years) |
| United States of America | 29/547,579 | 5 December 2015 | Pending | 14 years from Registration |

# FAMILY: "INPEAP NO ARM DESIGN"



| COUNTRY | OFFICIAL NO. | FILING DATE | CASE STATUS | EXPIRY DATE |
|---|---|---|---|---|
| Australia | 201517103 | 24 December 2015 | Registered | 24 December 2025 |
| European Union | 003237924-0001 | 24 June 2016 | Registered | 24 June 2041 |
| Japan | D2016-013473 | 24 June 2016 | Pending | 20 years from registration |
| United States of America | 29/569,108 | 23 June 2016 | Pending | 14 years from registration |

# SCHEDULE 3

TRADEMARKS
OWNER: ASAP BREATHEASSIST PTY LTD

## OWNER: ASAP BREATHEASSIST PTY LTD
## TRADE MARK: BREATHEASSIST

| COUNTRY | OFFICIAL NO. | FILING DATE | CASE STATUS | EXPIRY DATE |
|---|---|---|---|---|
| United States of America | 1111756 | 9 December 2011 | Registered | 9 December 2021 |

## OWNER: ASAP BREATHEASSIST PTY LTD
## TRADE MARK: BREATHE ASSIST
## BREATHEASSIST
## Breathe Assist
## Breatheassist

| COUNTRY | OFFICIAL NO. | FILING DATE | CASE STATUS | EXPIRY DATE |
|---|---|---|---|---|
| Australia | 958713 | 20 June 2003 | Registered | 20 June 2023 |

FB RICE
The IP Navigators

## OWNER: ASAP BREATHEASSIST PTY LTD
## TRADE MARK: TURBINE

| COUNTRY | OFFICIAL NO. | FILING DATE | CASE STATUS | EXPIRY DATE |
|---|---|---|---|---|
| Argentina | 3369154 | 19 November 2014 | Registered | 16 October 2025 |
| Australia | 1568756 | 15 July 2013 | Registered | 15 July 2023 |
| Brazil | 908.545.436 | 4 November 2014 | Accepted | |
| Canada | 913866 | 16 October 2013 | Registered | 14 September 2030 |
| Colombia | 1191436 | 21 October 2014 | Protected | 16 October 2023 |
| Europe (EUIPO) | 1191436 | 16 October 2013 | Protected | 16 October 2023 |
| Hong Kong | 303173896 | 22 October 2014 | Registered | 21 October 2024 |
| India | 1191436 | 29 January 2014 | Under Examination | |
| Indonesia | D002014050422 | 4 November 2014 | Filed, Not Examined | |
| Japan | 1191436 | 29 January 2014 | Protected | 16 October 2023 |

| COUNTRY | OFFICIAL NO. | FILING DATE | CASE STATUS | EXPIRY DATE |
|---|---|---|---|---|
| Malaysia | 3369154 | 19 November 2014 | Registered | 16 October 2025 |
| Mexico | 1191436 | 21 October 2014 | Protected | 16 October 2023 |
| New Zealand | 1024018 | 22 July 2015 | Registered | 22 July 2025 |
| Norway | 1191436 | 16 October 2013 | Protected | 16 October 2023 |
| People's Republic of China | 1191436 | 29 January 2014 | Protected | 15 October 2023 |
| Republic of Korea | 1191436 | 21 October 2014 | Protected | 16 October 2023 |
| South Africa | 2014/28750 | 21 October 2014 | Accepted | |
| Switzerland | 1191436 | 16 October 2013 | Protected | 16 October 2023 |
| Taiwan | 01707054 | 31 October 2014 | Registered | 15 May 2025 |
| United States of America | 1191436 | 16 October 2013 | Protected | 16 October 2023 |

## OWNER: CONSEGNA GROUP LIMITED
## TRADE MARK:

$BO_2LT$

| COUNTRY | OFFICIAL NO. | FILING DATE | CASE STATUS | EXPIRY DATE |
|---|---|---|---|---|
| Australia | 1517641 | 2 October 2012 | Registered | 2 October 2022 |

# 14. MATERIAL CONTRACTS

The Board considers that certain agreements relating to the Company are significant to the Offer, the business of the Company or may be relevant to investors. A description of material agreements or arrangements, together with a summary of the more important details of each of these agreements, is set out below.

## 14.1 Distribution Agreements

The Company or its subsidiaries are party to a number of distribution agreements (some formal and others represented by distributor terms of trade or supplier accounts) and arrangements for the distribution of one or both the Company's Products through different sales channels. These include Amazon (online), BOC (Australia), McArthur Medical Services (Canada), Boots (UK) and Walgreens (USA).

These agreements:

a) have varying terms, some of which are due for renewal or extension;

b) have, in some cases, options to renew, but not in others;

c) generally, grant non-exclusive rights to distribute the Products, although in some cases, the Company maintains informal arrangements granting exclusivity in some cases either by territory or by product, to be maintained while the Company considers it beneficial and the counterparty complies;

d) in most cases, do not require the distributors to purchase any minimum volume of the Company's Products, in other cases minimum purchase volume requirements are stipulated but are not currently being enforced;

e) do not generally impose limits on the sales channels through which the distributors can sell the products in the relevant geographic markets (subject to some exceptions where the sales channels are restricted);

f) in some cases (but not in all) provide that the Company has retention of title over products until they are paid for by the distributors;

g) impose obligations on the Company to buy back unsold stock in certain circumstances;

h) include warranties and indemnities in favour of the distributors (including with respect to defective products and product liability);

i) do not prevent the distributor from distributing the same or similar products from other suppliers; and

j) may be terminated by the distributor in circumstances such as:

   (i) unremedied breach by the Company;

   (ii) insolvency of the Company;

   (iii) change of control of the Company; or

   (iv) the giving of notice of termination for convenience by the distributor at any time.

The agreements do not currently guarantee any volumes of sales for the Company.

In addition to existing distribution arrangements, the Company continues to investigate a range of potential relationships and conduct dialogues with potential partners. Recent visits to the US have also helped build conversation at the corporate, clinical and distribution level. These discussions remain incomplete and confidential at this stage. The Company will update Shareholders in relation to these relationships if they progress.

## 14.2 Expired Distribution Arrangements

The Company's distribution agreements for Turbine in Taiwan, Hong Kong, Indonesia, Malaysia and Singapore have expired.

## 14.3 Manufacturing Agreement

ASAP BreatheAssist Pty Ltd (a wholly owned subsidiary of the Company) (**BreatheAssist**) has entered into a manufacturing agreement (**Manufacturing Agreement**) with ChinaMed Products (China) Ltd (**ChinaMed**), pursuant to which ChinaMed agrees to manufacture the Company's Mute and Turbine products (the **Products**). ChinaMed is a company situated in the city of Jiaotang, Gaoyao, Zhaoqing in Guangdong, China. This arrangement commenced in 2013 and was replaced by the current agreement in 2015.

The Manufacturing Agreement is material to the Company as ChinaMed currently manufactures all of the Company's Products.

Under the Manufacturing Agreement, ChinaMed agrees to manufacture the Products according to the specifications agreed by the parties. BreatheAssist may agree to purchase certain minimum quantities of Products from ChinaMed from time to time.

BreatheAssist must purchase the Products exclusively from ChinaMed, except:

a) with the prior written approval of ChinaMed, which approval must not be unreasonably withheld;
b) for any Products in excess of any agreed minimum quantity;
c) to the extent that ChinaMed is unable to supply and deliver the Products in accordance with the requirements of the Manufacturing Agreement for any reason.

The Manufacturing Agreement expires in January 2018, but may be renewed by mutual agreement of the parties for a further period of between 1 to 5 years. While discussions for the renewal of this agreement have not yet commenced, Rhinomed currently has no reason to expect this agreement will not be renewed.

The pricing set in the agreement is in US currency, but prices may be amended where there are sustained unfavourable changes in the USD / CNY exchange rate and in certain other circumstances.

The Manufacturing Agreement contains confidentiality, intellectual property protection and insurance provisions in favour of BreatheAssist. It also includes warranties and indemnities in favour of BreatheAssist. BreatheAssist also provides certain standard warranties and indemnities in favour of ChinaMed.

The agreement is governed by the laws of Victoria, Australia, with disputes to be resolved by international arbitration in Singapore.

## 14.4 Logistics Agreements

Key logistics agreements entered into by the Group include agreements with the following parties:

**a) Direct Link, a subsidiary of Norde Post**

Pursuant to an agreement dated 16 July 2015, the Company (through its wholly owned subsidiary ASAP BreatheAssist Pty Ltd) has engaged Direct Link to store and ship stock from Direct Link's Hong Kong, Australian and US warehouses to Rhinomed's customers and wholesale suppliers. Direct Link picks, packs and ships the orders and also manages returns. While the prices charged by Direct Link to the Group for its services are specified in US or Hong Kong currency, the payments to be made by the Group to Direct Link are to be made in Australian currency (or British currency in the case of VAT payments). There is no specified term for this agreement.

**b) McKesson Corporation**

Pursuant to an agreement dated 1 April 2016, the Company (through its wholly owned subsidiary Rhinomed, Inc.) has engaged McKesson Corporation (**McKesson**) as a pharmaceutical distributor of Rhinomed's products in the USA. McKesson picks, packs and ships orders and manages returns to McKesson's US national distribution customer base. There is no specified term for this agreement.

**c) Crest Logistics**

The Company has an agreement with Crest logistics dated 1 August 2015 under which Crest Logistics provides logistics services in the UK (including inventory management, order picking, order packing, dispatch and invoicing) to Rhinomed. Rhinomed can exit the agreement at any time. Crest Logistics delivers Products to Boots in the UK.

These logistics agreement are material to the Company as they are key agreements with respect to the wholesale distribution of the Company's products.

## 14.5 Loan Agreement with Company Controlled by Mr Ron Dewhurst

On 31 January 2017, a loan agreement was entered into between the Company and Kroy Wren Pty Ltd ACN 007 016 865 (Kroy Wren), an entity controlled by Mr Ron Dewhurst (the Chairman of the Company). Under this agreement, Kroy Wren has provided the Company with a $2 million working capital facility, repayable within 7 days of the earlier of:

a) by 31 July 2018;

b) upon the Company (or related entity) receiving proceeds of a commercial transaction of an amount more than $5 million; or

c) such later event or time as agreed by both parties.

Under the terms of the facility, interest is chargeable on the outstanding loan balance at 10% per annum, compounded monthly and payable in arrears by the Company. The loan is unsecured and the Company must draw down on the facility in multiples of $250,000. There is no establishment fee or draw down fee as at the date of this Prospectus. The Company has not drawn down any funds under the facility as at the date of this Prospectus.

This agreement is a related party agreement as Mr Dewhurst is a Director. The Directors' consider the terms of the loan agreement to be arm's length terms.

## 14.6 Consulting Agreement with Smart Street Solutions

This consulting agreement is between the Company and Smart Street Solutions, a business associated with Michael Johnson (the CEO and Managing Director of the Company). Under this agreement, Smart Street Solutions provides marketing, sales, account management and business development (20 to 25 hours per week) services to the Company in exchange for payment of a consulting rate of $80 an hour plus GST. The agreement expires on 30 June 2017 (with provision for review in May 2017). Services are provided by Mandy Johnson (the CEO's partner) on behalf of Smart Street Solutions. Mrs Johnson is an experienced Sales and Training manager whose previous experience includes State and Territory management roles at GSK Australia.

Smart Street Solutions was paid $50,572 in consulting fees for the provision of sales and territory account management services in the 2015/2016 financial year.

## 14.7 Clinical Trial Research Agreements

From time to time, the Company enters into clinical trial research agreements with Monash Lung and Sleep (the Institution) with respect to clinical trials to be conducted in respect of the Company's products. These are typically in the Medicines Australia standard form for clinical trial research agreements. Under these agreements, the Company is responsible for the initiation, management and financing of the study, while the Institution (through its principal investigator) is responsible for the conduct of the study at the study site which is under the control of the Institution. These agreements set out the protocol to be followed in conducting the study (together with any conditions of the Human Research Ethics Committee (HREC) reviewing the study on behalf of the Institution). They include confidentiality obligations on both parties, intellectual property protection provisions in favour of the Company and an indemnity from the Company to the Institution and members of the reviewing HREC against claims arising from the study.

## 14.8 Leases

The Company currently occupies premises at Level 1, 4-12 Amsterdam Street, Richmond, Victoria and is proposing to commence a new lease of premises at 97 Green Street, Cremorne, Victoria on 1 April 2017. Possible material exposures of the Company under the proposed lease of the Green Street premises include:

a) **Building Outgoings**: being a "whole-of-land" lease, the Company as tenant is liable to all charges and expenses (including but not limited to rates, land tax, cost of maintenance and repair, insurance premiums, costs of services, accounting and audit fees) which may arise in respect of the premises.

b) **Permitted Use**: the landlord does not warrant the fitness or suitability of the premises for use as an office. The Company is liable for the costs of all applications for permits to enable the use of the premises for the permitted use.

c) **Repair & Maintenance Obligations**: under the lease, the Company is required to comply with numerous repair and maintenance obligations.

d) **Mortgagee's Consent**: the landlord is not required to seek the mortgagee's consent or acknowledgement of the lease to the Company, which may leave the Company exposed to having the lease disclaimed in the event that the landlord is in default under its mortgage and a receiver has been appointed to sell the premises.

e) **Notice to Remedy Breach**: in the event of non-payment of rent, the landlord may terminate, re-enter or forfeit the lease immediately without first being required to give a 14 days' notice to remedy.

f) **Damage or Destruction**: in the event of any damage or destruction to part or whole of the premises which renders the Company unable to continue to occupy the premises, the Company must still continue to pay rent and not seek a termination of the lease until and unless the landlord does not commence and complete its reinstatement works within 6 months and 12 months, respectively.

g) **Make-Good**: undertaking of make-good works is likely to be a significant cost to the Company, and is most likely to be a material liability of the Company.

h) **Tenant's Works**: any structural alterations or alterations to mechanical plant and equipment must be performed by a contractor nominated by the landlord, at the Company's cost.

Possible material exposures of the Company under the proposed lease of the Amsterdam Street premises include:

a) **Permitted Use**: the landlord does not warrant the fitness or suitability of the premises for use as an office. The Company is liable for the costs of all applications for permits to enable the use of the premises for the permitted use;

b) **Repair & Maintenance Obligations**: under the lease, the Company is required to comply with numerous repair and maintenance obligations;

c) **Make-Good**: undertaking of make-good works is likely to be a significant cost to the Company, and is most likely to be a material liability of the Company.

## 14.9 Executive Employment Contract Between the Company and Key Management Personnel

The remuneration and terms of employment for key management personnel (KMP) are set out in service agreements.

Mr Michael Johnson was appointed as an executive Director of the Company on 1 February 2013. The employment conditions of Michael Johnson are set out in an employment contract. This contract includes a termination notice period of nine months. As a KMP, Mr Johnson is entitled to participate in the Group's ESOP.

Mr Shane Duncan was appointed by the Company as Vice President Global Sales and Marketing on 23 August 2015. The employment conditions of Shane Duncan are formalised in an employment contract. This contract does not specify any termination notice period other than what is required by law. As a KMP, Mr Duncan is entitled to participate in the Group's ESOP.

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

## 14.10 Engagement Agreements with Non-Executive Directors

All non-executive Directors have an agreement for service with the Company that is ongoing. Each non-executive Director may resign by giving one month's notice. There is no entitlement of the non-executive Directors to any termination payment on ceasing to be a Director in excess of any statutory benefits.

## 14.11 Deeds of Access, Insurance and Indemnity

The Company has entered a Deed of Access, Insurance and Indemnity (**Deed of Indemnity**) with Dr Eric Knight and Brent Scrimshaw. Each Deed of Indemnity has effect from its execution and ceases upon the latter of 7 years after the Director ceases to act as a director of the Company or any subsidiary or the period (if any) during any threatened or commenced proceeding during the period which is 7 years after the date the Director cease act.

Under the Deeds of Indemnity, the Company has indemnified the Directors for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, to the extent permitted by law.

Where the Company indemnifies the Director, the Company will be entitled to conduct the defence of any claim under its sole management and control and at its sole cost. Where the Company conducts a defence, the Director must promptly render all reasonable assistance and co-operate with the Company. The Director may engage separate representation and participate in the defence of any claim made against them in their capacity as a Director of the Company.

The Deeds of Indemnity otherwise contains provisions typical for arrangements of this kind, including the Director's entitlement to obtain Board papers, the Company taking out directors and officers insurance, the Company notifying the Director of any claims and/or potential claims, confidentiality of information and the Deeds of Indemnity applying to the extent permitted by law.

## 14.12 Directors' and Officers' Insurance

The Company has entered into a contract of insurance with Chubb Specialty Insurance to insure the Directors and executives of the Company against liability to the extent permitted by the Corporations Act. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium paid by the Company under this contract.

## 14.13 Agreement for Company Secretarial Services

In 2015, the Company engaged The CFO Solution (a company controlled by Mr Phillip Hains, the company secretary of the Company) to provide company secretarial, ASX compliance and accounting services to the Company pursuant to the terms of a service agreement (the **Service Agreement**). This replaced a contract that had be in place between the parties since 2012. The Service Agreement remains in force until terminated by either party giving the other party 3 months' notice in writing (or, if the Company is terminating, by the payment of 3 months' standard monthly fees in lieu of notice.

Under the terms of the Service Agreement, The CFO Solution is to provide accounting, company secretarial and ASX compliance services including preparation of financial reports, submission of reports and announcements on ASX and preparation, attendance and follow-up at Board and committee meetings.

The CFO Solution is to be paid project fees of $10,500 and $16,500 (both excluding GST) for the preparation of the half year report and annual report (respectively), a

standard monthly fee of $4,500 (excluding GST) for accounting, company secretary and ASX compliance services, plus hourly rates for work outside the agreed scope. The CFO Solution is also to be reimbursed for reasonable out-of-pocket expenses incurred, provided the Company has given prior approval for any individual expense above $250 or aggregate expenses above $500 per month. The CFO Solution may withhold services or terminate the Service Agreement where outstanding fees exceed 60 days, provided 48 hours written notice is given to the Company. The standard monthly fee and project fees may be adjusted by The CFO Solution for movements in the CPI and may be reviewed and re-negotiated at regular intervals.

Either party may also terminate the Service Agreement upon written notice where the other party becomes insolvent, commits a breach of the Service Agreement that is incapable of remedy or fails to remedy a breach within 14 days of notice.

The Company agrees to provide The CFO Solution with reasonable access to all documents and other information reasonably required to complete the services under the Service Agreement. The Company also agrees to indemnify The CFO Solution for all loss incurred other than loss arising from the negligent or intentional misconduct of The CFO Solution or its officers, directors, employees and agents.

The Service Agreement otherwise contains terms consistent with similar arrangements, including provisions in respect of confidentiality, intellectual property, the non-solicitation of staff and acknowledgements by the Company as to the use to which The CFO Solution may put the information provided to it pursuant to the Service Agreement.

### 14.14 Sponsorship Agreement

The Company has entered into a sponsorship agreement with a company controlled by Christopher Froome, which expires on 31 July 2017. Under this agreement, Froome is to promote and use Rhinomed's Turbine product in exchange for payment by way of Options (described in Section 15.16) and cash payments. This agreement includes an option to renew at the Company's election, unless Mr Froome gives notice that he wishes to terminate the agreement.

### 14.15 IP Management Agreement

The Company has entered into a consultancy agreement with Ashley Turner pursuant to which Mr Turner provides services to the Company relating to:

a) managing the Company's external patent attorneys, lawyers and their date reminder systems;
b) management of prosecution of patent applications via external patent attorneys;
c) assisting with preparation of new draft patent, design and trademark applications;
d) liaising with the Company's executive, team members and consultants;
e) reporting to the Company's executives regarding intellectual property matters;
f) assisting with assessing preliminary patentability and searching;
g) assisting with innovation development; and
h) preparing basic legal documents and agreements.

as agreed to from time to time.

Mr Turner receives an hourly fee for his services.

### 14.16 Constitution

A summary of the key terms of the Constitution is set out in Section 15.11.

# 15. ADDITIONAL INFORMATION

## 15.1 Registration and Listing on ASX

Rhinomed was incorporated on 9 February 2004 and converted to a public company on 17 June 2005 and listed on ASX on 21 September 2007.

## 15.2 Disclosing Entity

The Company is a "disclosing entity" (as defined in section 111AC of the *Corporations Act*) and is subject to the regime of continuous disclosure and periodic reporting requirements. Specifically as a listed company, the Company is subject to the Listing Rules which require continuous disclosure to the market of any information possessed by the Company which a reasonable person would expect to have a material effect on the price or value of its securities, subject to certain exceptions.

The Board of Directors have adopted a policy on compliance with the Listing Rules which sets out the obligations of the Directors, officers and employees to ensure the Company satisfies the continuous disclosure obligations imposed by the Listing Rules and the Corporations Act. The policy provides information as to what a person should do when they become aware of information which could have material effect on the Company's securities and the consequences of non-compliance. In this regard, refer to Section 10.7.

## 15.3 Legal Framework for this Prospectus

Section 710 of the Corporations Act sets out the fullest disclosure test for use in a "fully fledged" prospectus. Section 713 of the Corporations Act provides an alternative disclosure test, which is less onerous than the higher disclosure test under section 710 of the Corporations Act. Usually, in relation to a capital raising such as the Placement, which is made to investors except from prospectus disclosure under various provisions of section 708 of the Corporations Act, no prospectus would be required and the Shares issued pursuant to the Placement would be "cleansed" to facilitate secondary trading in them by the Company issuing a "Cleansing Notice" under section 705A(5)(e) of the Corporations Act.

However, it is a term of the Enforceable Undertaking described in Section 15.6 that the Company cannot, until the compliance programme contemplated in the Enforceable Undertaking is completed to ASIC's satisfaction, rely either on section 713 of the Corporations Act or on the issue of "Cleansing Notices" under section 708A(5)(e) of the Corporations Act.

As such, the Company was not eligible for the reduced disclosure in section 713 of the Corporations Act and cannot "cleanse" Shares issued pursuant to the Placement by using a "Cleansing Notice".

As a result, this Prospectus has been prepared in accordance with section 710 of the Corporations Act. Section 710 of the Corporations Act provides that a prospectus must contain all information that investors (and their professional advisers) would reasonably require, and reasonably expect to find in the prospectus, to make an informed assessment of material matters relating to the Company including:

a) the assets and liabilities, financial position, profits and losses and prospects of the Company; and

b) the rights attaching to the securities being offered.

The Prospectus must contain this information:

a) only to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in the Prospectus; and

b) only if a person whose knowledge is relevant actually knows the information or in the circumstances ought reasonably to have obtained the information by making enquiries.

## 15.4 Information Available to Shareholders

The following documents are available for inspection during normal business hours at the registered office of the Company:

a) this Prospectus;

b) the Constitution; and

c) the consents referred to in Section 15.22.

## 15.5 Employee Share Option Plan

The Company has adopted an Employee Share Option Plan (**ESOP**).

As at the date of this Prospectus, 18,000,000 Options have been offered or issued under the ESOP, with an exercise price of $0.065 and exercisable until 11 April 2019.

The ESOP provides that the Board may, from time to time, at its absolute discretion, make offers of Options to eligible employees and/or other persons who the Board has declared to be eligible. In making a decision to offer Options. the Board may take into account the actual and potential contribution of the eligible employee, or other person declared by the Board to be eligible, to the growth of the Company or one of its subsidiaries.

Eligible employees are employees or executives (including directors employed in an executive capacity) of the Company or its subsidiaries who are declared by the Board to be an eligible employee for the purposes of the plan. Participants in the ESOP, the number, exercise price and terms of any Options offered or issued, and the terms of any invitation, offer or issue are determined by the Board with the advice of the remuneration committee, if any. Directors and related parties of the Company may only participate if Shareholder approval is obtained in accordance with the ASX Listing Rules.

The Company must take reasonable steps to ensure:

a) the total number of Shares which are the subject of unexercised Options granted under the ESOP, when aggregated with the Shares which have been issued on exercise of the Options granted under the ESOP, during the three years preceding the date on which an Option is issued, do not exceed 10% (ten percent) of the number of Shares on issue at the time of issue of any Option; and

b) the number of Shares which are the subject of unexercised Options granted under the ESOP when aggregated with the number of Shares which are the subject of unexercised Options granted under the ESOP in the previous five years and the number of Shares that would be issued if each unexercised Option granted under the Plan were to be exercised or accepted, does not exceed 5% of the total number of Shares on issue at the time of the Offer (but disregarding any offer of Shares or Options that can be disregarded pursuant to ASIC Class Order 03/184).

Any person may request a copy of the ESOP terms (free of charge) during the Offer Period by contacting the Company.

## 15.6 Enforceable Undertaking and Infringement Notices

On 10 June 2015, ASIC issued a press release concerning payment by Rhinomed of a $33,000 penalty after issue by ASIC of an infringement notice to the Company for an alleged failure to comply with its continuous disclosure obligations. A copy of that press release can be downloaded from ASIC's website.

On 9 June 2016, ASIC released another media statement concerning Rhinomed paying another $33,000 penalty after the issue by ASIC of an Infringement Notice for an alleged failure by Rhinomed to comply with its continuous disclosure obligations. At the same time, ASIC accepted an Enforceable Undertaking from Rhinomed, a copy of which can be downloaded from ASIC's website by using this link: **http://asic.gov.au/online-services/search-asics-registers/additional-searches/enforceable-undertakings-register/.**

The payment of the penalties referred to above was without admission by Rhinomed. Pursuant to the Enforceable Undertaking, Rhinomed committed to engage an independent expert to review and make recommendations in relation to the Company's disclosure practices and certain restrictions have been imposed on the Company's ability to raise capital without using a full-form prospectus until the expert's recommendations have been effectively implemented by the company. Some of these restrictions are referred to in Section 15.3. The process envisaged by the Enforceable Undertaking is underway.

## 15.7 Dividend Policy

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

## 15.8 Litigation

As at the date of this Prospectus, the Company and its subsidiaries are not involved in any legal proceedings of a material nature and the Directors are not aware of any other legal proceedings pending or threatened against the Company and its subsidiaries.

## 15.9 Expiry Date

No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

## 15.10 Rights and Liabilities Attaching to the Offer Shares

The rights and liabilities attaching to Shares (including the Offer Shares) are set out in the Constitution and summarised in Section 15.11.

## 15.11 Constitution

Resolution 6 of the Notice of General Meeting seeks, if approved by Special Resolution, to add a new provision as article 8A to the Company's Constitution. This provision will permit the Company to conduct sales of unmarketable parcels of its Shares. In this regard, please refer to the Explanatory Statement forming part of the Notice of General Meeting attached as Annexure A to this Prospectus, for more information.

Below is a summary of the key provisions of the Company' Constitution. This summary is not exhaustive, nor does it constitute a definitive statement of a Shareholder's rights, liabilities and obligations.

**a) Voting Rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a general meeting of members every member has one vote on a show of hands and one vote per Share on a poll. Voting may be in person or by proxy, attorney or representative.

**b) Dividends**

Subject to the rights of holders of shares issued with any special rights (at present there are none), the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to Shareholders of such a dividend.

The Directors may authorise the payment or crediting by the Company to the Shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company.

Subject to the rights of persons (if any) entitled to shares with special rights as to dividend, all dividends are to be declared and paid according to the amounts paid or credited as paid on the shares in respect of which the dividends are paid.

**c) Capitalisation of Profits**

Subject to the Listing Rules, the Company may capitalise profits. The capitalisation need not be accompanied by the issue of Shares.

**d) Future Issues of Securities**

Subject to the Corporations Act and the Listing Rules, the Directors may issue, grant options over, or otherwise dispose of unissued shares in the Company at the times and on the terms that the Directors think proper and a share may be issued with preferential or special rights.

**e) Transfer of Shares**

A Shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by the Listing Rules or the Corporations Act for the purpose of facilitating dealings in Shares or by an instrument in writing in a form approved by ASX, a form approved by the Board or any other usual or common form. The Directors may decline to register a transfer of Shares (other than a market transfer) where the Listing Rules or ASX Settlement Operating Rules permit or require the Company to do so.

**f) Share Certificates**

The Directors may determine not to issue a share certificate or may determine to cancel such a certificate without issue any certificate in its place, if that determination is not contrary to the Corporations Act or the Listing Rules.

**g) Variation of Rights**

The rights attaching to Shares may only be varied or cancelled by the sanction of a special resolution passed at a meeting of Shareholders or with the written consent of holders of three-quarters of all Shares on issue. A special resolution is passed only where approved by at least 75% of all votes cast (and entitled to be cast) on the resolution at the meeting.

If at any time the share capital is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of the share of that class), whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

**h) Calls**

The Directors may, from time to time, call upon shareholders for unpaid monies on their shares. The Directors must give shareholders notice of a call at least 15 business days (or such longer period as required by the Listing Rules) before the amount called is due, specifying the time and place of payment. If a call is made, shareholders are liable to pay the amount of each call by the time and at the place specified.

A call is taken to have been made when a Directors' resolution passing the call is made or on any later date fixed by the Board. A call may be revoked or postponed at the discretion of the Directors.

**i) Forfeiture and Lien**

The Company may forfeit shares to cover any call or instalment payable in respect of shares, which remains unpaid following any notice to that effect sent to a shareholder. Forfeited shares become the property of the Company and the Directors may sell, reissue or otherwise dispose of the shares as they think fit.

A person whose shares have been forfeited may still be required to pay the Company all calls and other amounts owing in respect of the forfeited shares (including interest) if the Directors so determine.

The Company has a first and paramount lien on every share (other than a fully paid share) for all money called or payable at a fixed time in respect of that share and such lien extends to all dividends, rights and other distributions from time to time declared paid or made in respect of that share.

The Company's lien over shares will be released if it registers a transfer of the shares without giving the transferee notice of its claim.

**j) General Meetings and Notices**

Each Shareholder, Director and auditor is entitled to receive notice of, and to attend, general meetings for the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the Listing Rules. Subject to the Listing Rules and the provisions of the Corporations Act relating to special resolutions and agreements for shorter notice, Shareholders will be entitled to receive at least 28 days' prior written notice of any proposed general meeting.

Three Shareholders must be present to constitute a quorum for a general meeting and no business may be transaction at any meeting unless a quorum is present.

Shareholders may requisition meetings in accordance with the Corporations Act.

**k) Election and Retirement of Directors**

There must be a minimum of 3 Directors and a maximum of 10 Directors (or such lesser number as the Directors determine provided that the number so determined must not be less than the number of Directors when their determination takes effect).

At every annual general meeting one third of the Directors or, if their number is not 3 nor a multiple of 3, then the number nearest one-third, and any other Director not in such one-third who has held office for 3 years or more, must retire from office. A retiring Director is eligible for re-election. These retirement rules do not apply to the managing director.

The Company in general meeting may be resolution and the Directors may at any time appoint any person to be a director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors does not exceed the maximum number permitted, Any Director so appointed holds office until the next annual general meeting and is then eligible for re-election but is not to be taken into account in determining the Directors who are to retire by rotation at that meeting.

**l) Remuneration of Directors**

Each Director is entitled to remuneration from the Company for his or her services as decided by the Directors but the total amount provided to all Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting (currently $200,000). The remuneration of a Director must not include a commission on, or a percentage of, profits or operating revenue.

There is also provision for Directors to be paid extra remuneration (as determined by the Directors) if they perform extra services or make any special exertions in going or residing abroad or otherwise for the Company.

Directors are also entitled to be paid all travelling and other expenses they incur in attending to the Company' affairs, including attending, participating in and returning from general meetings or Board meetings, or meetings of any committee engaged in The Company' business.

**(f) Interests of Directors**

A Director who has a material personal interest in a matter that relates to the affairs of the Company must give notice to the other Directors (unless the Corporations Act allows otherwise).

**(g) Indemnity**

Except as prohibited by law, every officer, auditor or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by that person as an officer, auditor or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal liability.

**(h) Winding Up**

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Shareholders:

(i) divide the assets of the Company among the members in kind;

(ii) for that purpose, fix the value of assets and decide how the division is to be carried out as between the members and different class of members; and

(iii) If members approve by special resolution, vest assets of the Company in trustees on any trusts for the benefit of the members as the liquidator thinks appropriate, but members may not be compelled to accept any securities in respect of which the member incurs any liability.

**(i) Shareholder Liability**

As the Offer Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

**(j) Alteration to the Constitution**

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

**(k) Listing Rules**

If the Company is admitted to trading on the Official List of ASX (as it currently is), then despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision and it does not contain such a provision, the Constitution is deemed to contain that provision. If the Listing Rules require the Constitution not to contain a provision and it contains such a provision, the Constitution is deemed not to contain that provision. If a provision of the Constitution is inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

## 15.12 No Prospective Financial Forecasts

The Directors have considered the matters outlined in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings, because the proposed future operations of the Company do not have an operating history from which reliable forecasts can be made. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

Notwithstanding the above, this Prospectus includes, or may include, forward looking statements including, without limitation, forward looking statements regarding the Company's financial position, business strategy, and plans and objectives for its business and future operations (including development plans and objectives), which have been based on the Company's current expectations. These forward-looking statements are, however, subject to known and unknown risks, uncertainties and assumptions that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward looking statements are based on numerous assumptions regarding the Company's present and future business strategies and environment in which the Company will operate in the future.

Matters not yet known to the Company or not currently considered material to the Company may impact on these forward looking statements. These statements reflect views held only as at the date of this Prospectus. In light of these risks, uncertainties and assumptions, the forward-looking statements in this Prospectus might not occur. Investors are therefore cautioned not to place undue reliance on these statements.

## 15.13 Electronic Prospectus

The Prospectus is available in electronic form at **www.rhinomed.global.** Any person receiving the Prospectus electronically will, on request, be set a paper copy by the Company free of charge during the Offer Period.

The Application Form may only be distribution attached to a complete and unaltered copy of the Prospectus. The Application Form included with this Prospectus contains a declaration that the investor has personally received the complete and unaltered Prospectus before completing the Application Form.

The Company will not accept a completed Application Form if it has reason to believe that the Applicant has not received a complete paper copy or electronic copy of the Prospectus or if it has reasonable to believe that the Application Form or electronic copy of the Prospectus has been altered or tampered with in any way.

While the Company believes it is extremely unlikely that during the period of the Offer the electronic version of the Prospectus will be tampered with or altered in any way, The Company cannot give any absolute assurance that this will not occur. Any investor in doubt about the validity or integrity of an electronic copy of the Prospectus should immediately request a paper copy of the Prospectus directly from the Company or a financial adviser.

## 15.14 Privacy

The Company collects information about each Applicant provided on an Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related body corporates, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public register. The information contained in the Company's public register must remain there, even if that person ceases to be a Shareholder. Information contained in the Company's register is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application. An Applicant has the right to gain access to the information that the Company holds about that person, subject to certain exceptions under law. A fee may be charged for access. Such requests must be made in writing to the Company's registered office.

## 15.15 Shareholding Qualifications

Directors are not required under the Constitution to hold any Shares.

## 15.16 Options

The Options on issue as at the date of this Prospectus are as set out in the following table:

| CATEGORY | EXERCISE PRICE | EXERCISE DATE | QUANTITY |
|---|---|---|---|
| Listed | $0.060 | 30/4/17 | 203,150,000 |
| Unlisted | $0.065 | 30/4/19 | 769,230* |
| Unlisted | $0.065 | 30/4/17 | 40,000,000 |
| Unlisted | $0.0674 | 30/4/19 | 10,000,000 |
| Unlisted | $0.065 | 11/4/19 | 18,000,000** |

* Options held by Christopher Froome pursuant to sponsorship agreement. A further 769,230 Options with an exercise price of $0.04 and expiry date of 30 December 2020 are issuable but have not yet been issued to Christopher Froome under sponsorship agreement dated 24 January 2017.

**As at the date of this Prospectus, 18,000,000 Options have been offered to Company employees under the ESOP, with an exercise price of $0.065 and expiring on 11 April 2019.

## 15.17 Substantial Shareholders

The particulars of the Company's substantial Shareholders as at the date of this Prospectus (after the Placement) are set out below:

| SHAREHOLDER | % HOLDING |
|---|---|
| W. Whitney George | 17.73% |
| Kroy Wren Pty Ltd (a company controlled by Mr Dewhurst) | 7.58% |

## 15.18 Top 20 Shareholders

A list of the Company's top 20 Shareholders before and immediately after the Placement and illustrating the effect of the proposed Consolidation, is set out below:

| | | PRE-PLACEMENT | | POST PLACEMENT | |
|---|---|---|---|---|---|
| POSITION | HOLDER | HOLDING | VOTING POWER | HOLDING | VOTING POWER |
| 1 | MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 60,916,205 | 7.48% | 166,051,205* | 17.73% |
| 2 | KROY WEN PTY LTD | 38,000,000 | 4.67% | 38,000,000 | 4.06% |
| 3 | KROY WEN PTY LTD <DEWHURST SUPER FUND A/C> | 33,000,000 | 4.05% | 33,000,000 | 3.52% |
| 4 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA | 29,139,477 | 3.58% | 46,139,477 | 4.93% |
| 5 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 24,933,362 | 3.06% | 24,933,362 | 2.66% |
| 6 | ABINGDON NOMINEES PTY LTD <ABINGDON NOMS INVEST A/C> | 21,875,000 | 2.69% | 21,875,000 | 2.34% |
| 7 | FIFTY SECOND CELEBRATION PTY LTD <MCBAIN FAMILY A/C> | 15,312,500 | 1.88% | 15,312,500 | 1.64% |
| 8 | KENSINGTON CAPITAL MANAGEMENT PTY LTD | 15,125,000 | 1.86% | 15,125,000 | 1.62% |
| 9 | THIRTY-FIFTH CELEBRATION PTY LTD <JC MCBAIN SUPER FUND A/C> | 15,000,000 | 1.84% | 15,000,000 | 1.60% |
| 10 | CITICORP NOMINEES PTY LIMITED | 12,723,321 | 1.56% | 12,723,321 | 1.36% |
| 11 | ELITE4FITNESS PTY LTD | 9,704,923 | 1.19% | 9,704,923 | 1.04% |
| 12 | MR YI LU | 8,500,000 | 1.04% | 8,500,000 | 0.91% |
| 13 | ARGUS NOMINEES PTY LTD <THE HALSTEAD SUPER FUND A/C> | 8,333,335 | 1.02% | 8,333,335 | 0.89% |
| 13 | JASFORCE PTY LTD | 8,333,335 | 1.02% | 8,333,335 | 0.89% |
| 14 | MHBIAT PTY LTD <JASON WALLS DISC A/C> | 6,700,000 | 0.82% | 6,700,000 | 0.72% |
| 15 | AJG PTY LTD | 6,632,645 | 0.81% | 6,632,645 | 0.71% |
| 16 | SHARED OFFICE SERVICES PTY LTD <PHILANNE SUPER FUND A/C> | 5,862,500 | 0.72% | 5,862,500 | 0.63% |
| 17 | MS GWENETH JOY MCINTYRE & MS GLENICE KAY GRONOW <GJ MCINTYRE PENSION A/C> | 5,584,487 | 0.69% | 5,584,487 | 0.60% |
| 18 | STRUCTURE INVESTMENTS PTY LTD <ROGERS FAMILY A/C> | 5,180,286 | 0.64% | 5,180,286 | 0.55% |
| 19 | OZPHARMA PTY LTD | 5,000,000 | 0.61% | 5,000,000 | 0.53% |
| 20 | MR WILLIAM HENRY HERNSTADT | 4,800,000 | 0.59% | 4,800,000 | 0.51% |
| | **Total Top 20** | **340,656,376** | **41.84%** | **462,791,376** | **49.42%** |
| | **Other holdings** | **473,577,631** | **58.16%** | **473,577,633** | **50.58%** |
| | **TOTAL** | **814,234,007** | **100%** | **936,369,007** | **100%** |

*Includes the Shares issued pursuant to the Placement.

## 15.19 No Other Directors' interests

Other than as set out in this Prospectus, no Director or proposed Director holds at the date of this Prospectus, or held at any time during the last 2 years before the date of lodgement of this Prospectus with ASIC, any interest in:

a) the formation or promotion of the Company; or

b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Company or the Offer; or

c) the Offer,

and no amounts have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person:

a) to a Director or proposed Director to induce him or her to become, or to qualify as, a Director; or

b) for services provided by a Director or proposed Director in connection with the formation or promotion of the Company or the Offer.

## 15.20 Transactions with Related Parties

A summary of the arrangements between the Company and its Directors, or other related parties, is as follows):

**(a) Loan Agreement with company controlled by Mr Ron Dewhurst**

On 31 January 2017, a loan agreement was entered into between the Company and Kroy Wren Pty Ltd ACN 007 016 865, an entity controlled by Mr Ron Dewhurst (the Chairman of the Company). More information about this agreement is set out in Section 14.5.

**(b) Consulting agreement with Smart Street Solutions**

This consulting agreement is between the Company and Smart Street Solutions, a business associated with Michael Johnson (the CEO and Managing Director of the Company). More information about this agreement, and the payments made to Smart Street Solutions under it, is set out in Section 14.6.

**(c) Executive employment contract between the Company and Michael Johnson**

Mr Michael Johnson was appointed as an executive Director of the Company on 1 February 2013. The employment conditions of Michael Johnson are formalised in an employment contract. More information about this agreement is set out in Section 14.9.

**(d) Engagement agreements with non-executive Directors**

All non-executive Directors have an agreement for service with the Company that is ongoing. More information about these agreements is set out in Section 14.10.

**(e) Deeds of Access, Insurance and Indemnity**

The Company has entered a Deed of Access, Insurance and Indemnity with Dr Eric Knight and Mr Brent Scrimshaw. More information about these agreements is set out in Section 14.11.

The Board considers that each of the arrangements listed above are on arm's length terms or represent reasonable remuneration of the Company's Directors. Accordingly, Shareholder approval has not previously been sought for the Company's entry into these arrangements.

Given that the arrangements are on arm's length terms, each of the arrangements are subject to the usual risks associated with contracts that the Company enters into with other third parties.

## 15.21 Interests of Experts and Advisers

Except as set out in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

a) the formation or promotion of the Company; or

b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Company or the Offer; or

c) the Offer.

Colin Biggers & Paisley Lawyers has acted as legal adviser to the Company in relation to the Offer and the Placement and has been involved in undertaking due diligence enquiries and providing legal advice to the Offer. Colin Biggers & Paisley Lawyers will be paid an estimated fee of $120,000 (GST exclusive) for these services.

HLB Mann Judd has acted as Investigating Accountant to the Offer and has prepared the Investigating Accountant's Report in Section 12 and performed work on due diligence enquiries. HLB Mann Judd will be paid an estimated fee of $15 – 20,000 (GST exclusive) for these services. HLB Mann Judd is associated with HLB Mann Judd (VIC Partnership) (see below).

HLB Mann Judd (VIC Partnership) has acted as auditor to the Company. HLB Mann Judd (VIC Partnership) is associated with HLB Mann Judd, the Investigating Accountant (see above). HLB Mann Judd (VIC Partnership) will be paid an estimated fee of $54,000 (GST exclusive) for review of the interim financial report for the half-year ended 31 December 2016 and audit of financial report for the years ending 30 June 2017. In addition, the Company has paid approximately $80,750 (excluding disbursements and GST) to HLB Mann Judd (VIC Partnership) in the two years prior to the date of this Prospectus.

FB Rice has prepared the Intellectual Property Report in Section 13 on behalf of the Company. FB Rice will be paid an estimated fee of $10,000 (GST exclusive) for its work in connection with the Intellectual Property Report.

## 15.22 Consents

Each of the persons referred to in this section:

a) has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn their written consent:

   (i) to be named in the Prospectus in the form and context which it is named; and

   (ii) where applicable, to the inclusion in this Prospectus of the statement(s) and/or reports (if any) by that person in the form and context in which it appears in this Prospectus;

b) has not caused or authorised the issue of this Prospectus;

c) has not made any statement in this Prospectus or any statement on which a statement in this Prospectus is based, other than specified below;

d) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of

this Prospectus, other than the references to their name and the statement(s) and/or report(s) (if any) specified below and included in this Prospectus with the consent of that person.

| NAME | ROLE |
|---|---|
| HLB Mann Judd | Investigating Accountant and the inclusion of its Investigating Accountant's Report in this Prospectus |
| HLB Mann Judd (VIC Partnership) | Auditor of the Group and in relation to its audit of the financial statements for the years ended 30 June 2015 and 2016 and review of the interim financial statements for the period ended 31 December 2016 as set out in Section 8. |
| Colin Biggers & Paisley Lawyers | Legal adviser in relation to the Offer |
| FB Rice | Intellectual property adviser and the inclusion of its Intellectual Property Report in this Prospectus |
| Automic Pty Ltd | Share Registry |

## 16. DIRECTORS' RESPONSIBILITY AND CONSENT

This Prospectus is issued by the Company. Each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Dated: 21 March 2017

**MR RON DEWHURST**
CHAIRMAN

## 17. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

| | |
|---|---|
| **A$ or $** | Australian dollars unless otherwise stated. |
| **AASB** | Australian Accounting Standards Board. |
| **AEDT** | Australian Eastern Daylight Time. |
| **Applicant** | a person or entity who submits a valid Application Form pursuant to this Prospectus. |
| **Application** | a valid application made on an Application Form to subscribe for Offer Shares pursuant to this Prospectus. |
| **Application Form** | an application form attached to this Prospectus. |
| **Application Money** | money received by the Company under the Offer, being the Offer Price multiplied by the number of Offer Shares applied for. |
| **ASIC** | the Australian Securities and Investments Commission. |
| **ASX** | the ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires). |
| **ASX Settlement** | ASX Settlement Pty Ltd ACN 008 504 532. |
| **ASX Settlement Operating Rules** | the ASX Settlement Operating Rules, being the operating rules of the settlement facility provided by ASX Settlement. |
| **Board** | the board of directors of the Company. |
| **CAGR** | compound annual growth rate. |
| **CE Mark** | the mandatory conformity marking for certain products sold within Europe declaring that the product complies with the essential requirements of the relevant health, safety and environmental protection legislation. |
| **Closing Date** | 5.00pm AEDT on 28 March 2017 or an amended date or time as determined by the Board. |
| **Company** | Rhinomed Limited (ABN 12 107 903 159). |
| **Constitution** | the constitution of the Company. |
| **Consolidation** | the consolidation of the Company's securities referred to in Section 1.5. |
| **Corporations Act** | the Corporations Act 2001 (Cth). |
| **CPAP** | continuous positive airway pressure. |
| **Director** | a director of the Company. |
| **EBIT** | earning before interests and taxation. |
| **ESOP** | the Company's Employee Security Option Plan. |
| **FDA** | the US Food and Drug Administration. |
| **FY** | financial year. |
| **General Meeting** | means the general meeting of the Company to be convened and contemplated in the draft Notice of General Meeting exhibited in Annexure A to this Prospectus. |
| **Group** | the Company and its wholly owned and controlled subsidiaries. |
| **HLB Mann Judd** | HLB Mann Judd Corporate Finance Pty Ltd ACN 097 176 139. |
| **IAR** | the investigating accountant's report prepared by HLB Mann Judd. |

| | |
|---|---|
| **Independent** | means and Independent Director as defined in the ASX Corporate Governance Principles and Recommendations, 3rd Edition. |
| **INPEAP** | inta-nasal positive expiratory air pressure. |
| **Intellectual Property Report** | the intellectual property report prepared by FB Rice set out in Section 13. |
| **Listing Rules** | the listing rules of ASX. |
| **Notice of General Meeting** | the draft notice of general meeting exhibited in Annexure A to this Prospectus. |
| **Offer** | the offer of Offer Shares made under this Prospectus. |
| **Offer Period** | the period between 28 March 2017 and 28 March 2017, unless changed by the Directors. |
| **Offer Price** | $0.01 per Offer Share. |
| **Offer Shares** | Shares offered pursuant to the Offer. |
| **Opening Date** | 28 March 2017. |
| **Option** | an option to subscribe for, and be issued, a Share. |
| **OSA** | obstructive sleep apnea. |
| **Placement** | the proposed placement of Shares announced by the Company on 21 March 2017 to Sophisticated and other investors exempt from disclosure under Part 6D.2 of the Corporations Act, by virtue of section 708 of the Act. See Section 1.3. |
| **Placement Shares** | Shares the Company issued pursuant to the Placement (which do NOT form part of the Offer Shares and are not offered under this Prospectus). |
| **Product** | means the Company's Mute or Turbine products |
| **Prospectus** | this Prospectus and includes the electronic prospectus. |
| **R&D** | research and development. |
| **Rhinomed** | Rhinomed Limited (ABN 12 107 903 159). |
| **Share** | a fully paid ordinary share in the Company. |
| **Shareholder** | a registered holder of Shares in the Company. |
| **Share Registry** | Automic Pty Ltd ACN 152 260 814. |
| **Sophisticated Investor** | has the meaning given to the term in section 708 of the Corporations Act. |
| **Technology** | means the Company's technology described in Section 6. |
| **TGA** | Therapeutic Goods Administration |
| **The CFO Solution** | CFO Solution HQ Pty Ltd ACN 054 583 612. |
| **VWAP** | Volume weighted average price (of Shares). |
| **You** | the investors under the Offer under this Prospectus. |

## 18. CORPORATE DIRECTORY

**COMPANY**

**RHINOMED LIMITED**

ABN 12 107 903 159

**ASX CODE** RNO

**DIRECTORS**
Mr Ron Dewhurst
(Chairman)

Mr Michael Johnson
(Managing Director and Chief Executive Officer)

Mr Brent Scrimshaw
(Non-Executive Director)

Dr Eric Knight
(Non-Executive Director)

**COMPANY SECRETARY**
Mr Phillip Hains

**REGISTERED OFFICE**
c/o The CFO Solution
Suite 1, 1233 High Street
Armadale VIC 3142

**COMPANY CONTACT DETAILS**
Contact: Mr Michael Johnson
Tel: +61 3 9824 5254

**WEBSITE**
www.rhinomed.global

**SHARE REGISTRY**
**Automic Pty Ltd**
Level 12, 575 Bourke Street
Melbourne VIC 3000
Tel: 1300 288 664 (within Australia)
or +61 2 9698 5141 (outside Australia)
www.automic.com.au

**INVESTIGATING ACCOUNTANT**
HLB Mann Judd Corporate Finance Pty Ltd
ACN 097 176 139
Level 9, 575 Bourke Street
Melbourne VIC 3000
www.hlb.com.au

**LEGAL ADVISER**
Colin Biggers & Paisley Lawyers
Level 35, 1 Eagle Street
Brisbane QLD 4000
www.cbp.com.au

**INTELLECTUAL PROPERTY ADVISER**
**FB Rice**
Level 14, 90 Collins Street
Melbourne VIC 3000
www.fbrice.com.au

ANNEXURE A

# NOTICE OF EXTRAORDINARY GENERAL MEETING

Date: (insert)

Time: (insert)

Location: (insert)



**This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.**

# RHINOMED LIMITED
**ACN: 107 903 159**
# NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Rhinomed Limited ACN 107 903 159 will be held at (insert) at (insert) AEST.

The attached Explanatory Statement is provided to supply Shareholders with information to enable them to make an informed decision regarding the Resolutions set out in this Notice of Meeting. The Explanatory Statement is to be read in conjunction with this Notice of Meeting.

## 1. Resolutions

### Resolution 1 – Ratification of prior placement of Shares

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 7.4 and all other purposes, Shareholders ratify the previous issue of 122,135,000 Shares to sophisticated investors, as referred to in the Explanatory Statement."

Voting exclusion statement: The Company will disregard any votes cast on this Resolution by any person who participated in the issues of Shares and any of their associates. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

### Resolution 2 – Approval of issue of 40,000,000 Options to Michael Johnson

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue of up to 40,000,000 Options in the Company, to Michael Johnson, a director of the Company, or his nominee, on the terms described in the Explanatory Statement."

Voting exclusion statement: The Company will disregard any votes cast on Resolution by Michael Johnson and any of his associates. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

### Resolution 3 – Approval of issue of 10,000,000 Options to Brent Scrimshaw

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue of up to 10,000,000 Options in the Company, to Brent Scrimshaw, a director of the Company, or his nominee, on the terms described in the Explanatory Statement."

Voting exclusion statement: The Company will disregard any votes cast on Resolution by Brent Scrimshaw and any of his associates. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

### Resolution 4 – Approval of issue of 10,000,000 Options to Dr. Eric Knight

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue of up to 10,000,000 Options in the Company, to Dr. Eric Knight, a director of the Company, or his nominee, on the terms described in the Explanatory Statement."

Voting exclusion statement: The Company will disregard any votes cast on Resolution by Dr Eric Knight and any of his associates. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

### Resolution 5 - Consolidation of Capital

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That with effect from 28 April 2017 (or such other subsequent date that is notified to ASX by the Company), the share capital of the Company be consolidated through the conversion of every ten (10) Shares into one (1) Share, and that any resulting fractions of Shares be rounded up to the nearest whole number of Shares."

### Resolution 6 - Change to the Constitution (Unmarketable Parcels)

To consider, and if thought fit, to pass, with or without amendment, the following resolution as a special resolution:

"To amend the constitution of the Company by inserting a new clause 8A into the Constitution immediately following existing clause 8, as set out in Annexure B to this Notice of Meeting."

## 2. Determination of voting entitlement

For the purpose of determining a person's entitlement to vote at the Meeting, a person will be recognised as a Shareholder and the holder of Shares if that person is registered as a holder of those Shares at 7:00 p.m. AEST on (insert).

## 3. Votes

Unless a poll is demanded in advance of voting on a resolution, voting on each resolution will initially be by way of a show of hands. On a show of hands, each member present in person or by proxy or, in the case of a body corporate, by a representative, will have one vote.

On a poll, every member present in person or by attorney or by proxy or, in the case of a body corporate, by a representative, will have one vote for each share held by him, her or it.

## 4. Proxies

A Shareholder entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of the Shareholder.

Where the Shareholder is entitled to cast two or more votes, the Shareholder may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes. A proxy need not be a Shareholder.

To be effective, the instrument of appointment of a proxy (and power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority) must be received by the Company not less than 48 hours prior to commencement of the Meeting:

- by mail to the Company at PO Box 8694, Armadale, VIC, 3143;
- personally to the Company at Suite 1, 1233 High St, Armadale, VIC, 3143; or
- by facsimile to +61 (03) 9822 7735.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on each Resolution by marking either "For", "Against" or "Abstain" on the form of proxy for that item of business.

Subject to the voting restrictions set out in the Voting Exclusion Statement, the Chairperson will vote undirected proxies on, and in favour of all Resolutions.

If the proxy is the Chairman, the Chairman can also vote undirected proxies on Resolutions 2 to 4 provided that the proxy form authorises the Chairman to vote even though Resolutions 2 to 4 relate to the issue of Options to Company Directors.

A form of proxy accompanies this Notice. Further instructions are on the Proxy Form.

**Phillip Hains**
**Company Secretary**
**On behalf of the Board of Directors**
**Rhinomed Limited**
(insert) March 2017

# EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in this Notice of Meeting.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

## Resolution 1: Ratification of prior placement of Shares

### Background

In March 2017, the Company completed a placement of 122,135,000 Shares, at $0.018 per Share to sophisticated investors raising $2,198,430 before costs. The Shares were issued without prior Shareholder approval and in accordance with ASX Listing Rule 7.1.

ASX Listing Rule 7.1 & 7.4

ASX Listing Rule 7.1 allows the Company to issue new securities up to 15% of the existing capital of the Company in any 12 month period without the prior approval of Shareholders.

ASX Listing Rule 7.4 provides that an issue of shares made without approval under Listing Rule 7.1 is treated as having been made with approval if the issue did not breach Listing Rule 7.1, and the shareholders of ordinary securities subsequently approve the issue. The issue of 122,135,000 Shares in March 2017 did not breach ASX Listing Rule 7.1 and the Company now seeks Shareholder ratification of the issue of those 122,135,000 Shares pursuant to ASX Listing Rule 7.4.

If Resolution 1 is approved, the prior issue of 122,135,000 Shares may be treated by the Company as having been made with approval under ASX Listing Rule 7.1. The Company will therefore be able to issue additional equity securities, without the Shares counting towards the 15% threshold for the purposes of ASX Listing Rule 7.1.

### Information required by ASX Listing Rule 7.5

In compliance with the information requirements of ASX Listing Rule 7.5, Shareholders are advised of the following particulars on the allotment and issue:

| | |
|---|---|
| NUMBER OF SECURITIES ISSUED | 122,135,000 Shares. |
| THE ISSUE PRICE OF SECURITIES | $0.018 per Share raising $2,198,430 before costs. |
| TERMS OF ISSUE | The Shares issued were all fully paid ordinary Shares in the capital of the Company and rank equally with all existing Shares on issue. |
| NAME OF ALLOTTEES OR BASIS ON WHICH ALLOTTEES WERE DETERMINED | The Shares were allotted to W. Whitney George (105,135,000 Shares) and Paul Stephens (17,000,000 Shares). |
| USE OF FUNDS | Working capital and further product development and commercialization. |

## Director's recommendation

All of the Directors recommend that Shareholders vote in favour of Resolution 1.

## Resolution 2: Approval of issue of 40,000,000 Options to Michael Johnson

The Company proposes to issue 40,000,000 Options on to Michael Johnson and/or his nominee on the terms and conditions set out below. The issue of options to directors as a form of incentive based remuneration is common practice in listed companies and further encourages and rewards efforts by directors to improve the performance of the Company to the commercial benefit of all Shareholders.

The Board believes it is important to offer these Options to continue to attract and maintain highly experienced and qualified Board members in a competitive market. In addition, the Options may provide the Company with additional funding (if the Options are exercised).

If the consolidation of the Company's Share capital is approved by shareholders under Resolution 5 and any of Options the subject of this Resolution 2 are issued on or after the date the consolidation takes effect, then the number of Options to be issued under this Resolution will be reduced in the same proportion as the consolidation ratio and the exercise price of the Options will be amended in inverse proportion to the consolidation ratio.

## Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give financial benefit to a related party of the public company, the public company or entity must:

- obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

The issue of options to Michael Johnson constitutes giving a financial benefit and Michael Johnson is a related party by virtue of being a Director.

The Directors (other than Michael Johnson who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of Options to Michael Johnson because the Options form part of Michael's remuneration as an officer of the Company and the remuneration is reasonable given Michael's circumstances and the circumstances of the Company.

Accordingly, approval will not be sought under Chapter 2E for the issue of these Options to Michael Johnson.

## ASX Listing Rule 10.11

Under ASX Listing Rule 10.11, Shareholder approval is required for the issue of equity securities to a related party of a listed company. Once approval is obtained pursuant to Listing Rule 10.11, the Company is entitled to rely on Listing Rule 7.2, Exception 14 as an exception to any requirement that may otherwise apply requiring Shareholder approval under Listing Rule 7.1.

It is proposed that Options be issued to Michael Johnson as part of his remuneration as an officer of the Company.

As mentioned above, the Board has formed the view that the issue of Options to Michael Johnson does not require Shareholder approval under section 208 of the Corporations Act, as the Options form part of Michael's remuneration as an officer of the Company.

### Information required by ASX Listing Rule 10.13

In compliance with the information requirements of ASX Listing Rule 10.13, Shareholders are advised of the following particulars on the allotment and issue:

| | |
|---|---|
| MAXIMUM NUMBER OF SECURITIES TO BE ISSUED | 40,000,000 Options (pre-consolidation) |
| DATE OF ISSUE | If Shareholder approval is obtained, the issue of the Options will occur no later than one month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules). |
| ISSUE PRICE PER SECURITY | Options will be issued for nil consideration. |
| TERMS OF ISSUE | Each Option will entitle the holder to subscribe for one Share in the Company and will expire on 30 April 2020. The Options will be exercisable at an exercise price of $0.025 per Option, and will otherwise be issued on the terms and conditions set out in Annexure A. |
| PERSONS TO WHOM SECURITIES WILL BE ISSUED | Michael Johnson, a director of the Company, or his nominee. |
| INTENDED USE OF FUNDS | No funds will be raised from the issue of Options. |

### Directors' recommendation

The Directors (with Michael Johnson abstaining) recommend you vote for this resolution.

### Resolution 3: Approval of issue of 10,000,000 Options to Brent Scrimshaw

The Company proposes to issue 10,000,000 Options to Brent Scrimshaw basis and/or his nominee on the terms and conditions set out below. The issue of options to directors as a form of incentive based remuneration is common practice in listed companies and further encourages and rewards efforts by directors to improve the performance of the Company to the commercial benefit of all Shareholders.

The Board believes it is important to offer these Options to continue to attract and maintain highly experienced and qualified Board members in a competitive market. In addition, the Options may provide the Company with additional funding (if the Options are exercised).

If the consolidation of the Company's Share capital is approved by shareholders under Resolution 5 and any of the Options the subject of this Resolution 3 are issued on or after the date the consolidation takes effect, then the number of Options to be issued under this Resolution will be reduced in the same proportion as the consolidation ratio and the exercise price of the Options will be amended in inverse proportion to the consolidation ratio.

## Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give financial benefit to a related party of the public company, the public company or entity must:

- obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

The issue of options to Brent Scrimshaw constitutes giving a financial benefit and Brent Scrimshaw is a related party by virtue of being a Director.

The Directors (other than Brent Scrimshaw who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of Options to Brent Scrimshaw because the Options form part of Brent's remuneration as an officer of the Company and the remuneration is reasonable given Brent's circumstances and the circumstances of the Company.

Accordingly, approval will not be sought under Chapter 2E for the issue of these Options to Brent Scrimshaw.

## ASX Listing Rule 10.11

Under ASX Listing Rule 10.11, Shareholder approval is required for the issue of equity securities to a related party of a listed company. Once approval is obtained pursuant to Listing Rule 10.11, the Company is entitled to rely on Listing Rule 7.2, Exception 14 as an exception to any requirement that may otherwise apply requiring Shareholder approval under Listing Rule 7.1.

It is proposed that Options be issued to Brent Scrimshaw as part of his remuneration as an officer of the Company.

As mentioned above, the Board has formed the view that the issue of Options to Brent Scrimshaw does not require Shareholder approval under section 208 of the Corporations Act, as the Options form part of Brent's remuneration as an officer of the Company.

## Information required by ASX Listing Rule 10.13

In compliance with the information requirements of ASX Listing Rule 10.13, Shareholders are advised of the following particulars on the allotment and issue:

| | |
|---|---|
| MAXIMUM NUMBER OF SECURITIES TO BE ISSUED | 10,000,000 Options (pre-consolidation) |
| DATE OF ISSUE | If Shareholder approval is obtained, the issue of the Options will occur no later than one month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules). |
| ISSUE PRICE PER SECURITY | Options will be issued for nil consideration. |

| | |
|---|---|
| TERMS OF ISSUE | Each Option will entitle the holder to subscribe for one Share in the Company and will expire on 30 April 2020. The Options will be exercisable at an exercise price of $0.025 per Option, and will otherwise be issued on the terms and conditions set out in Annexure A. |
| PERSONS TO WHOM SECURITIES WILL BE ISSUED | Brent Scrimshaw, a director of the Company, or his nominee. |
| INTENDED USE OF FUNDS | No funds will be raised from the issue of Options. |

### Directors' recommendation

The Directors (with Brent Scrimshaw abstaining) recommend you vote for this resolution.

### Resolution 4: Approval of issue of 10,000,000 Options to Eric Knight

The Company proposes to issue 10,000,000 Options to Eric Knight and/or his nominee on the terms and conditions set out below. The issue of options to directors as a form of incentive based remuneration is common practice in listed companies and further encourages and rewards efforts by directors to improve the performance of the Company to the commercial benefit of all Shareholders.

The Board believes it is important to offer these Options to continue to attract and maintain highly experienced and qualified Board members in a competitive market. In addition, the Options may provide the Company with additional funding (if the Options are exercised).

If the consolidation of the Company's Share capital is approved by shareholders under Resolution 5 and any of the Shares the subject of this Resolution 4 are issued on or after the date the consolidation takes effect, then the number of Options to be issued under this Resolution will be reduced in the same proportion as the consolidation ratio and the exercise price of the Options will be amended in inverse proportion to the consolidation ratio.

### Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give financial benefit to a related party of the public company, the public company or entity must:

- obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

The issue of options to Eric Knight constitutes giving a financial benefit and Eric Knight is a related party by virtue of being a Director.

The Directors (other than Eric Knight who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of Options to Eric Knight because the Options form part of Eric's remuneration as an officer of the Company and the remuneration is reasonable given Eric's circumstances and the circumstances of the Company.

Accordingly, approval will not be sought under Chapter 2E for the issue of these Options to Eric Knight.

### ASX Listing Rule 10.11

Under ASX Listing Rule 10.11, Shareholder approval is required for the issue of equity securities to a related party of a listed company. Once approval is obtained pursuant to Listing Rule 10.11, the Company is entitled to rely on Listing Rule 7.2, Exception 14 as an exception to any requirement that may otherwise apply requiring Shareholder approval under Listing Rule 7.1.

It is proposed that Options be issued to Eric Knight as part of his remuneration as an officer of the Company.

As mentioned above, the Board has formed the view that the issue of Options to Eric Knight does not require Shareholder approval under section 208 of the Corporations Act, as the Options form part of Eric's remuneration as an officer of the Company.

### Information required by ASX Listing Rule 10.13

In compliance with the information requirements of ASX Listing Rule 10.13, Shareholders are advised of the following particulars on the allotment and issue:

| | |
|---|---|
| MAXIMUM NUMBER OF SECURITIES TO BE ISSUED | 10,000,000 Options (pre-consolidation) |
| DATE OF ISSUE | If Shareholder approval is obtained, the issue of the Options will occur no later than one month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules). |
| ISSUE PRICE PER SECURITY | Options will be issued for nil consideration. |
| TERMS OF ISSUE | Each Option will entitle the holder to subscribe for one Share in the Company and will expire on 30 April 2020. The Options will be exercisable at an exercise price of $0.025 per Option, and will otherwise be issued on the terms and conditions set out in Annexure A. |
| PERSONS TO WHOM SECURITIES WILL BE ISSUED | Eric Knight, a director of the Company, or his nominee. |
| INTENDED USE OF FUNDS | No funds will be raised from the issue of Options. |

### Directors' recommendation

The Directors (with Eric Knight abstaining) recommend you vote for this resolution.

## Resolution 5: Consolidation of Capital

### General

The Company proposes to consolidate its share capital through the conversion of every 10 Shares to one Share. Under section 254H of the Corporations Act, a company may consolidate its shares if the consolidation is approved by an ordinary resolution of shareholders at a general meeting.

The primary reason for the proposed consolidation is that the Company has a very large number of Shares on issue due to numerous equity-based capital raisings and capital transactions. The number of Shares is disproportionate to the Company's peers, so the Company proposes to reduce this number by way of this share consolidation.

If the consolidation is approved, it is anticipated that the consolidation will take effect on 28 April 2017 (or such other subsequent date notified by the Company to ASX) in accordance with the timetable that will be announced to ASX closer to that date.

### Effect on Shareholdings and proposed issues of capital

If the proposed Share consolidation is approved by the shareholders, the number of Shares on issue will be reduced from 936,369,009 Shares to approximately 93,636,900 Shares.

As the consolidation applies equally to all shareholders, individual shareholdings will be reduced in the same ratio as the total number of Shares (subject only to the rounding of fractions). It follows that the percentage interest of each shareholder in the Company will not materially change as a result of the proposed consolidation.
Similarly, the aggregate value of each shareholder's holding (and the Company's market capitalisation) should not materially change – other than minor changes as a result of rounding – as a result of the share consolidation alone (and assuming that no other market movements or impacts occur). However, the price per Share can be expected to increase to reflect the reduced number of Shares on issue.

### Effect on Options

The Company has listed and unlisted Options on issue. In accordance with the Option terms and ASX Listing Rule 7.22, these Options will be consolidated on the same basis as the Shares. That is, every 10 Options will be consolidated into one Option, and their exercise price amended in inverse proportion to the consolidation ratio. Any fractional entitlements will be rounded up to the nearest whole number.

If the proposed consolidation is approved by the shareholders, the effect of the consolidation on the number and exercise price of Options (assuming all Resolutions in relation to the issue of Options under this Notice were approved and all Options are issued prior to the consolidation taking effect is set out below:

| OPTIONS | PRE-CONSOLIDATION | | POST-CONSOLIDATION | |
|---|---|---|---|---|
| EXPIRY DATE | EXERCISE PRICE | NUMBER | EXERCISE PRICE | NUMBER |
| 30 April 2017 | $0.065 | 203,150,000 | Not applicable, will expire on 30 April 2017. | |
| 30 April 2017 | $0.065 | 40,000,000 | | |
| 30 April 2019 | $0.065 | 796,230 | $0.65 | 79,623 |
| 30 April 2019 | $0.0674 | 10,000,000 | $0.674 | 1,000,000 |
| 11 April 2019 | $0.065 | 18,000,000 | $0.65 | 1,800,000 |
| 30 April 2020 | $0.025 | 60,000,000* | $0.25 | 6,000,000 |

*Options to be issued subject to the passing of resolutions 2, 3 and 4

## Holding Statements

From the date of the consolidation all holding statements for Shares and Options will cease to have any effect, except as evidence of entitlement to a certain number of Shares and Options on a post-consolidation basis. After the consolidation becomes effective, the Company will arrange for new holding statements to be issued to shareholders. It is the responsibility of each shareholder to check the number of Shares and Options held prior to disposal.

## Taxation implications

Shareholders are encouraged to seek and rely on their own professional advice in relation to their tax position. Neither the Company nor any of its officers, employees or advisors assumes any liability or responsibility for advising shareholders about the tax consequences for them from the proposed Share consolidation.

It is the understanding of the Company that no capital gains tax event will occur as a result of the consolidation and therefore there should be no taxation implications arising for shareholders.

## Other information

Where the consolidation of a shareholder's holding results in a fraction of a Share, the fraction will be rounded up to the nearest whole number of Shares.

Other than as set out in this Notice and information previously disclosed to the shareholders of the Company, there is no other information that is known to the Board which may reasonably be expected to be material to the making of a decision by the shareholders whether or not to vote in favour of the Share consolidation.

## Indicative timetable for consolidation

| EVENT | DATE |
|---|---|
| Date of Meeting. | TBA |
| Notification to ASX of results of Meeting. | TBA |
| Last day for trading in Securities on a pre- Consolidation basis. | 27 April 2017 |
| First day of trading in consolidated Securities on a deferred settlement basis. | 28 April 2017 |
| Record Date. | 1 May 2017 |
| First day to send notices to security holders of the change in the number of securities they hold. First day for entity to register securities on a post-reorganised basis. | 2 May 2017 |
| Deferred settlement market ends. Last day for entity to send notices to security holder of the change in the number of securities they hold. Last day for entity to register securities on a post-reorganised basis. | 8 May 2017 |
| Trading starts on a normal T+2 basis. | 9 May 2017 |
| First settlement of trades conducted on a +deferred settlement basis and on a normal T+2 basis. | 11 May 2017 |

The above dates are indicative only and may be subject to change by the Company. Any changes to the above dates will be announced to ASX.

## Director's recommendation

All of the Directors recommend that shareholders vote in favour of Resolution 5.

## Resolution 6: Change to the Constitution (Unmarketable Parcels)

In order to reduce the costs associated with maintaining the share register, the Company proposes to use provisions permitted by the Listing Rules which allow a company to include provisions in its constitution entitling the company to sell small shareholdings (also known as 'Unmarketable Parcels'). A small shareholder (or Unmarketable Parcel) is one that has a value of less than $500. The Company had 566 such shareholdings on its register as at 9 March 2017.

The proposal, if approved, will be implemented by inserting a new clause 8A into the Company's constitution. The Listing Rules provide various safeguards for existing shareholders who may be affected by the change including the ability of those shareholders to 'opt out' of the sale process. Listing Rule safeguards for existing shareholders have been incorporated into the proposed clause 8A including:

- the Company may only seek to sell a small shareholding once in a 12monthperiod;
- the Company must notify the holder of the small shareholding in writing of its intention to sell that small shareholding;
- the holder of the small shareholding must be given not less than 6 weeks from the date of the Company's notice, in which to inform the Company that they wish to retain their small shareholding i.e. to 'opt out' of the sale process;
- only the Unmarketable Parcels held by Shareholders who do not respond in writing to the Company during the notice period or who expressly state that they want their Unmarketable Parcel sold, may be sold by the Company;

- The costs of selling the shares (apart from income tax, capital gains tax or other personal taxes of the former holder) will be borne by the Company; and
- the power to sell a small shareholding lapses once the announcement of a takeover bid for the Company is made, but can be started again once offers under the takeover bid have been closed.

If an existing holder of a small shareholding fails to provide the Company with written notice of their intention to retain their small shareholding after receiving notice of the Company's intention to sell those shares (or the holder fails to respond within the time frame specified in the notice), the Company is entitled to sell the shares. Positive action is therefore required by existing small shareholdings in order to retain their shareholdings.

The Board believes this provision strikes an appropriate balance between the rights of shareholders and seeking to control the significant costs associated with a large share register with a high level of shareholders holding Unmarketable Parcels.

For Shareholders with an Unmarketable Parcel, the option of sale through the Company by way of the procedure set out in clause 8A is a very efficient and cheap means of sale of their Shareholding as it will not involve them in payment of the brokerage or other costs of sale which, in the case of very small shareholdings, will often be a significant percentage (or all) of the total proceeds of sale.

A copy of proposed clause 8A is set out in Annexure B to this Explanatory Statement.

Shareholders should consider clause 8A carefully. There may be taxation or social security implications of sale of an Unmarketable Parcel under the proposed clause 8A. Those implications will be dependent on your personal circumstances. If you are in doubt as to the effect of the clause or its possible impact on you, you should consult your financial or other professional adviser.

## GLOSSARY

In the Notice of Meeting and Explanatory Statement the following terms have the following meanings:

**AEDT** means Australian Eastern Daylight Savings Time.

**ASX** means ASX Limited.

**ASX Listing Rules** means the listing rules of ASX.

**Board** means the board of directors of the Company.

**Company or Rhinomed** means Rhinomed Limited (ACN 107 903 159).

**Corporations Act** means Corporations Act 2001 (Cth).

**Director** means a current director of the Company.

**Expiry Date** means 5pm (AEST) on 30 April 2020.

**Explanatory Statement** means the explanatory statement to this Notice of Meeting.

**Meeting** means the Extraordinary General Meeting of the Shareholders of the Company to be held on (insert) 2017, to which the Notice of Meeting and Explanatory Statement relate.

**Notice of Meeting** means this notice of meeting of the Company dated (insert) 2017.

**Option** means an option to subscribe for one Share.

**Resolution** means a resolution referred to in the Notice of Meeting.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of Shares.

**Words** importing the singular include the plural and vice versa.

All references to currency are in Australian dollars.

## ANNEXURE A
## TERMS AND CONDITIONS OF OPTIONS EXPIRING ON 30 APRIL 2020

a) Each Option entitles its holder to subscribe in cash for one Share.

b) Each Option is exercisable at an exercise price of $0.025 per Option, at any time prior to the Expiry Date by completing an option exercise form and delivering it, together with payment for the number of Shares in respect of which the Option is exercised, to the registered office of the Company. Any Option that has not been exercised prior to the Expiry Date automatically lapses.

c) An Option automatically lapses without any claim against the Company on the occurrence of any of the following events:

   a. upon the bankruptcy, liquidation or winding up of the holder or the happening of any other event that results in the holder being deprived of the legal or beneficial ownership of the Option; or

   b. upon the liquidation or winding up of the Company for any reason other than by the way of members'' voluntary winding up.

d) The Company will not apply for official quotation by ASX of the Options.

e) Subject to the Corporations Act, the ASX Listing Rules, and the constitution of the Company, each Option is freely transferable.

f) Shares issued upon the exercise of the Options will rank pari passu with the Company's existing Shares.

g) The Company will apply for official quotation by ASX of the Shares issued upon exercise of Options, subject to any restriction obligations imposed by ASX.

h) The Options will not give any right to participate in dividends unless and until Shares are issued upon exercise of the relevant Options.

i) There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the life of the Option. The Company will ensure that holders will be given at least seven business days' notice to allow for the exercise of Options prior to the record date in relation to any offers of securities made to Shareholders.

j) In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the Expiry Date, the number of Options or the rights attaching to the Options or both will be reconstructed in accordance with the ASX Listing Rules applying to a reorganisation of capital at the time of the reconstruction.

k) If there is any inconsistency between any of the preceding terms and conditions and the ASX Listing Rules, then the ASX Listing Rules prevail to the extent of the inconsistency.

## ANNEXURE B – PROPOSED CLAUSE 8A

### 8A Unmarketable Parcels

### 8A.1 Definitions

In this article 8A:

**Authorised Price** means the price per Share equal to the average of the last sale price of the Shares of the Company quoted on the Ordinary List for each of the 10 days on which trading has taken place on the Ordinary List immediately preceding the date of any offer to purchase Unmarketable Parcels accepted by the Company pursuant to this article 8A;

**Effective Date** means the date immediately following the expiry of the period referred to in the notice given by the Company to Unmarketable Parcel Holders in accordance with this article 8A;

**Marketable Parcel** means a number of Shares equal to a marketable parcel as defined in the Listing Rules;

**Unmarketable Parcel** means a number of Shares which is less than a Marketable Parcel; and

**Unmarketable Parcel Holder** means a Member holding an Unmarketable Parcel calculated on the day before the Company gives notice under article 8A.2.

### 8A.2 Notice to Unmarketable Parcel Holder

(a) Once in any 12 month period, the Directors may decide to give written notice to a Member who holds an Unmarketable Parcel. If they do so, the notice must:

(i) state that the Company intends to sell the Unmarketable Parcel; and

(ii) specify a date at least six weeks (or any lesser period permitted under the Corporations Act or the Listing Rules) after the notice is given by which the Member may give the Company written notice that the Member wishes to retain the holding.

(b) If the Directors' power to sell lapses under article 8A.13, any notice given by the Directors under this rule is taken never to have been given and the Directors may give a new notice after the close of the offers made under the takeover.

### 8A.3 Revocation or withdrawal of notice

If an Unmarketable Parcel Holder has given written notice to the Company that it wishes its Shares to be exempted from this article 8A, it may at any time prior to the Effective Date revoke or withdraw that notice and the provisions of this article 8A will then apply to the Shares held by that Unmarketable Parcel Holder.

### 8A.4 Sale of Unmarketable Parcels

Subject to article 8A.2, on and from the Effective Date, the Company may sell or otherwise dispose of the Shares held by any Unmarketable Parcel Holder (excluding those that have provided notice under clause 8A.2(a)(ii) on any terms and in any manner and at those times that the Directors so determine. For the purpose of selling or disposing of those Shares, each Unmarketable Parcel Holder irrevocably:

(a) appoints the Company as its agent to sell all the Shares held by it at a price not less than the Authorised Price;

(b) appoints the Company and each Director and Secretary from time to time jointly and severally as its attorney in its name and on its behalf to effect a transfer document for its Shares and to otherwise act to effect a transfer of its Shares; and

(c) appoints the Company as its agent to deal with the proceeds of sale of those Shares in accordance with this article 8A.

### 8A.5 Company may not sell below Authorised Price

The Company may only sell the Shares of an Unmarketable Parcel Holder if the Company has received offers for all the Shares constituting Unmarketable Parcels at the same price, which may not be less than the Authorised Price.

### 8A.6 Company to pay all costs

The Company will pay all costs and expenses of the sale and disposal of Unmarketable Parcels under this article 8A.

### 8A.7 Title of purchaser of Unmarketable Parcel

Once the name of the purchaser of the Shares sold or disposed of in accordance with this article 8A is entered in the Register for those Shares, the title of the purchaser to those Shares is not affected by any irregularity or invalidity in connection with the sale or disposal of those Shares and the validity of the sale may not be impeached by any person.

### 8A.8 Remedy of Unmarketable Parcel Holder

The remedy of any Unmarketable Parcel Holder who is aggrieved by the sale or disposal of its Shares under this article 8A is limited to a right of action in damages against the Company to the exclusion of any other right, remedy or relief against any other person.

### 8A.9 Evidence of sale in accordance with this article

A statement in writing declaring that the person making the statement is a Director or Secretary of the Company and that the Shares of an Unmarketable Parcel Holder have been dealt with in accordance with this article 8A, is conclusive evidence of the facts stated in the statement as against all persons claiming to be entitled to those Shares.

### 8A.10 Receipt of proceeds of sale

The receipt by the Company of the proceeds of sale of the Shares of an Unmarketable Parcel Holder is a good discharge to the purchaser of all liability in respect of the purchase of those Shares and the purchaser will not be bound to see to the application of the money paid as consideration.

### 8A.11 Company to deal with proceeds of sale

The Company will receive the proceeds of sale of the Shares of each Unmarketable Parcel Holder and will deal with those proceeds as follows:

(d) the proceeds must be paid into a separate bank account opened and maintained by the Company for that purpose;

(e) the proceeds must be held in trust for the Unmarketable Parcel Holder;

(f) the Company must, immediately following a receipt of the proceeds, notify the Unmarketable Parcel Holder in writing that the proceeds of the sale of those Shares have been received by the Company and are being held by the Company pending receipt of the certificate for the Shares sold or disposed of and seeking instructions from the Unmarketable Parcel Holder as to how the proceeds are to be dealt with;

(g) the Company must deal with the sale proceeds as instructed by the Unmarketable Parcel Holder on whose behalf they are held if the Member provides to the Company the certificate for those Shares or, if that certificate has been lost or destroyed, a statement and undertaking in accordance with the Corporations Act is provided to the Company; and

(h) if the whereabouts of the Unmarketable Parcel Holder are unknown or no instructions are received from the Unmarketable Parcel Holder within 2 years of the proceeds being received by the Company, the Company may deal with those proceeds according to the applicable provisions of the Corporations Act dealing with unclaimed monies.

### 8A.12 Overriding effect of this article

Subject to article 8A.13 and 8A.4, the provisions of this article 8A have effect despite any other provision of this Constitution.

### 8A.13 Article ceases to have effect following announcement of takeover bid or takeover announcement

This article 8A ceases to have effect following the announcement of a takeover bid or takeover announcement but, notwithstanding article 8A.4, the procedures set out in this article 8A may be started again after the close of the offers made under the takeover bid or takeover announcement.

### 8A.14 Invocation of article

The provisions of this article 8A may be invoked only once in any 12 month period.

RHINOMED

**RHINOMED LIMITED**
ABN 12 107 903 159

## Offer Application Form:

Enter your details below, attach your cheque and forward your application in accordance with the instructions on the reverse.

PLEASE FOLLOW THE INSTRUCTIONS TO COMPLETE THIS APPLICATION FORM (SEE REVERSE) AND PRINT CLEARLY IN CAPITAL LETTERS USING BLACK OR BLUE PEN.

**1.** **Number of Shares applied for**

**Application payment (multiply box 1 by $0.10 per share)**

**2.** **Applicant name(s) and postal address - refer to naming standards for correct form of registrable title(s) (See overleaf)**

Name of Applicant 1

Name of Applicant 2 or <Account Designation>

Name of Applicant 3 or <Account Designation>

<Account Designation>

**Postal address**

Unit / Street Number / Street name or PO Box

Suburb/Town

State

Postcode

Country and ZIP Code (if outside Australia)

**3.** **Contact details**

Telephone Number

( )

Contact Name (PLEASE PRINT)

Email Address

**By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible).**

**4.** **CHESS Holders Only – Holder Identification Number (HIN)**

X

**Note:** if the name and address details in sections 2 do not match exactly with your registration details held at CHESS, any Shares issued as a result of your Application will be held on the Issuer

**5.** **TFN/ABN/Exemption Code**

Applicant #1

Applicant #2

Applicant #3

If NOT an individual TFN/ABN, please note the type in the box
C = Company; P = Partnership; T = Trust; S = Super Fund

**Privacy Clause**: Automic Pty Ltd (ACN 152 260 814) trading as Automic Registry Services (Automic) advises that Chapter 2C of the *Corporation Act 2001* requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Primarily, your personal information is used in order to provide a service to you. We may also disclose the information that is related to the primary purpose and it is reasonable for you to expect the information to be disclosed. You have a right to access your personal information, subject to certain exceptions allowed by law and we ask that you provide your request for access in writing (for security reasons). Our privacy policy is available on our website – www.automic.com.au

## CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person.

| Type of Investor | Correct Form of Registration | Incorrect Form of Registration |
|---|---|---|
| Trusts | Mr John Richard Sample<br><Sample Family A/C> | John Sample Family Trust |
| Superannuation Funds | Mr John Sample & Mrs Anne Sample<br><Sample Family Super A/C> | John & Anne Superannuation Fund |
| Partnerships | Mr John Sample &<br>Mr Richard Sample<br><Sample & Son A/C> | John Sample & Son |
| Clubs/Unincorporated Bodies | Mr John Sample<br>< Food Help Club A/C> | Food Help Club |
| Deceased Estates | Mr John Sample<br><Estate Late Anne Sample A/C> | Anne Sample (Deceased) |

## INSTRUCTIONS FOR COMPLETING THE FORM

This is an Application Form for Ordinary Fully Paid Shares ('Shares') in Rhinomed Limited (ABN 12 107 903 159) ('Company'), made under the terms set out in the Prospectus dated 20 March 2017.

**The Prospectus contains important information relevant to your decision to invest and you should read the entire Prospectus before applying for Shares. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus.**

1 **Shares applied for -** Enter the number of Shares you wish to apply. There is no minimum subscription under this offer. The maximum number of Shares offered under this Prospectus is for a total of 100 Shares. Enter the amount of the Application Monies. To calculate this amount, multiply the number of Shares applied for by the offer price which is A$0.10.

2 **Applicant name(s) and postal address -** Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person. You should refer to the table for the correct forms of registrable title(s). Applicants using the wrong form of names may be rejected. Enter your postal address for all correspondence. Only one address can be recorded against a holding. With exception to annual reports, all communications to you from the Company will be mailed to the person(s) and address shown. Annual reports will be made available online when they are released.

3 **Contact Details –** Enter a contact telephone number and email address. By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible).

4 **CHESS Holders -** If you are sponsored by a stockbroker or other participant and you wish to hold shares allotted to you under this Application on the CHESS subregister, enter your CHESS HIN. Otherwise leave the section blank and on allotment you will be sponsored by the Company and a "Securityholder Reference Number" (SRN) will be allocated to you.

5 **TFN/ABN/Exemption** - If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details. Collection of TFN's is authorised by taxation laws but quotation is not compulsory and it will not affect your Application Form.

## PAYMENT INSTRUCTIONS

Applicants under the Offer must lodge their Application Form and Application Monies with Rhinomed Limited by 5.00pm (AEDT) on the Closing Date.

All cheques should be made payable to "Rhinomed Limited – Application Offer" and drawn on an Australian bank and expressed in Australian currency and crossed "Not Negotiable".

Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid. Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured.

Do not forward cash as receipts will not be issued.

## LODGEMENT INSTRUCTIONS

There is no minimum value of Shares that may be applied for under the Offer. The Company may determine a person to be eligible to participate in the Offer.

The Offer opens at 9.00am (AEDT) on 27 March 2017 and is expected to close at 5.00pm (AEDT) on 27 March 2017. The Company and the Lead Manager may elect to extend the Offer or any part of it, may be closed at any earlier date and time, without further notice. Applicants are therefore encouraged to submit their Applications as early as possible.

Completed Application Forms and cheques must be:

**Posted to:**

Rhinomed Limited
C/- The CFO Solution
Suite 1, 1233 High Street, Armadale VIC 3142

**Enquiries in respect of this Share Application Form should be addressed to Mr Michael Johnson, of Rhinomed Limited on + 61 3 9824 5254.**

**Share Application Forms must be received no later than 5.00pm (AEDT) 27 March 2017**