ANNUAL REPORT 2016

BETTER SLEEP,
BETTER HEALTH
AND A BETTER LIFE

CONTENTS

WHO WE ARE

Oventus Medical is an Australian medical device company with a proprietary oral appliance for the treatment of snoring and obstructive sleep apnoea (OSA).

Our mission is to be a global leader in the treatment of snoring and OSA with an initial focus on those that cannot, or are not treated effectively with existing treatments.

OUR OPPORTUNITY

40% of the adult population snore regularly[1]

9% estimated percentage of **females** in the population aged 30-60 suffering from OSA[2]

24% estimated percentage of **males** in the population aged 30-60 suffering from OSA[2]

80% approximate % of OSA that is undiagnosed[3]

Untreated OSA is a potential risk factor contributing to:

- INCREASED BLOOD PRESSURE
- STROKE
- CORONARY ARTERY DISEASE
- DEPRESSION
- IMPOTENCE
- MOOD DISORDERS
- TYPE 2 DIABETES
- MOTOR VEHICLE AND WORKPLACE ACCIDENTS

[1] Ohayon MM et al. Snoring and breathing pauses during sleep: telephone interview survey of a United Kingdom population sample. BMJ. 1997;314:860–3

[2] Young, T, Palta, M, Dempsey, J, et al (1993) The occurrence of sleep-disordered breathing among middle-aged adults.N Engl J Med328,1230-1235.

[3] Won Lee, M.D., Swamy Nagubadi, M.D., Meir H. Kryger, M.D., and Babak Mokhlesi, M.D., M.Sc. Epidemiology of Obstructive Sleep Apnea: a Population-based Perspective. Expert Rev Respir Med. 2008 June 1; 2(3): 349–364. doi:10.1586/17476348.2.3.349

CHAIRMAN'S AND MANAGING DIRECTOR'S MESSAGE

Dear shareholder, it gives us great pleasure to present Oventus' first annual report and celebrate with you the significant achievements the company produced in the 12 months to June 30, 2016, and has continued to deliver.

L: Neil Anderson - CEO and Managing Director
R: Dr Mel Bridges – Chairman

Our innovative portfolio of O_2Vent™ oral appliances to treat obstructive sleep apnoea (OSA) and snoring are already changing lives and our plans to take our technology globally are well advanced and in motion.

Thanks to the "light bulb" moment of company founder Dr Chris Hart to create a mouthguard with an internal airway to treat OSA and snoring - bypassing nasal, soft palate and tongue obstructions - Oventus has produced the most significant advance the sector has seen for many years.

Our mission is to be a global leader in treating OSA and snoring. Our initial focus is on treating people who cannot be treated, or treated effectively, with existing therapies. Nasal obstruction is a key reason why other appliances don't work for some people while intolerance to Continuous Positive Airway Pressure (CPAP) therapy causes many others to not adhere to existing appliance treatment. These issues present Oventus with a significant pool of potential clients.

The global oral appliance market was estimated to be worth $124 million in 2015 (with a compound annual growth rate of 25.6% for the next five years) and the global CPAP mask market in the order of $666 million (CAGR 8.4% next five years).

It's estimated that at least 80% of the 100 million people globally with OSA are currently not being treated or are out of treatment. This represents an opportunity for Oventus to deliver our device as an answer to their issues.

In the 12 months to June 30 Oventus:

- Raised $4.13 million in our first, structured private capital raising;
- Completed a clinical trial on the first generation product O_2Vent™ Mono showing:
  - It can treat nasal obstructers as effectively as those with no nasal obstruction,
  - May be more effective in the moderate to severe range of sleep apnoea compared with other appliances,
  - May have higher disease alleviation,
  - Has a lower time under blood oxygen saturation of 90%,
  - Eliminated snoring in 82% of patients with remaining 18% experiencing reduced snoring,
- Established a titanium 3D printing facility at CSIRO in Melbourne and polymer insert manufacture and finished product dispatch in Brisbane;
- Produced more than 1000 O_2Vent™ Mono appliances;
- Trained numerous dentists around Australia to deliver Oventus' devices;
- Achieved 510k clearance from the US Food and Drug Administration (FDA) for the Mono device, providing a platform for subsequent approval for new devices;
- Secured intellectual property with patent protection;
- Launched the next generation titratable O_2Vent™ T device in Australia;
- Presented and exhibited at the world's leading sleep and dental sleep meetings in the US;
- Expanded Oventus' management team with key appointments.

In the period following June 30, Oventus:

- Successfully listed on the Australian Securities Exchange, raising $12 million;
- Submitted the O_2Vent™ T for FDA 510k clearance;
- Launched a clinical trial to further validate the Oventus airway;
- Formed an Australian Scientific Advisory Committee;
- Trained a growing number of dentists to deliver the O_2Vent™ appliances through their practices.

With the launch of our devices in Australia, and a pilot launch in the US, we are seeing sales grow. We expect sales will accelerate as we expand our distribution network through dentist clinics and word spreads about the effectiveness of our devices.

Oventus has an exciting set of objectives for the remainder of the 2017 financial year which we look forward to sharing with you.

These include launching the O_2Vent™ T in the US; advancing our manufacturing, clinical, distribution and strategic partnerships; introducing 3D printing of our polymer inserts; advancing development of new products; and beginning and completing clinical trials.

We are inspired and motivated every day by how we are changing the lives of people with OSA and snoring.
We are excited about the significant opportunities ahead for Oventus and on behalf of the board and management we appreciate your support.

Yours sincerely

Dr Mel Bridges
Chairman

Mr Neil Anderson
CEO and Managing Director

"It's estimated that at least 80% of the 100 million people globally with OSA are currently not being treated or are out of treatment. This represents an opportunity for Oventus."

2015 – 2016 HIGHLIGHTS

SEPTEMBER 2015
Dr Mel Bridges and Sue Macleman agree to become non – executive directors of Oventus Medical

OCTOBER 2015
Completion of first capital raising – private round raising $4.13 million

DECEMBER 2015
O_2Vent Mono clinical trial completion shows 63% reduction in AHI, significant reduction in snoring & time under 90% O_2 saturation

JANUARY 2016
Move to new manufacturing facility in Brisbane

MARCH 2016
Leased premises at CSIRO Clayton for appliance printing and polishing

MARCH 2016
FDA Clearance of O_2Vent Mono

MARCH 2016
Provisional patent lodged for the O_2Vent titratable

MARCH 2016
Platform patent of an oral appliance with an enclosed airway cleared by Australian Patent Office

JUNE 2016
Titanium 3D printer purchased and commissioned at Oventus facility at CSIRO

APRIL 2016
The 1000th O_2Vent Mono device delivered

MAY 2016
Elise Hogan joins the team in the key role of Vice President of Sales and Marketing

MAY 2016
Product development complete for O_2Vent titratable and pilot launch undertaken. Wider Australian launch initiated in July 2016

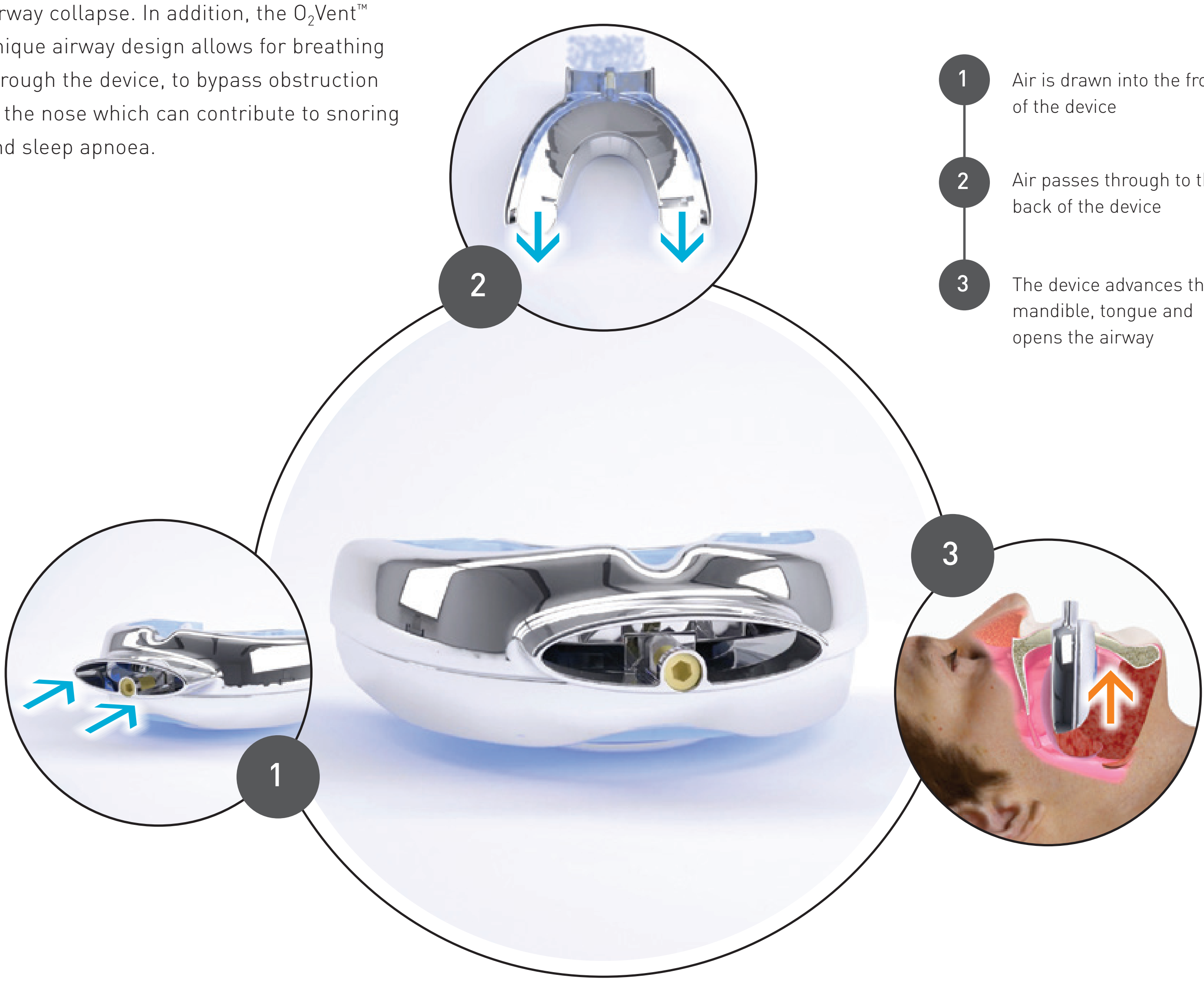
JUNE 2016
Presentation and exhibits at key American Sleep Dental and American Sleep Meetings in Denver creating significant interest

JUNE 2016
510k submission lodged with FDA for O_2Vent titratable. Clearance subsequently received in September 2016

JUNE 2016
Fully underwritten IPO - prospectus lodged to raise $12 million. Subsequent successful ASX listing in July 2016

HOW O_2VENT™ WORKS

Like all oral appliances that bring the jaw forward, the O_2Vent T stabilises jaw position and brings the tongue forward to reduce airway collapse. In addition, the O_2Vent™ unique airway design allows for breathing through the device, to bypass obstruction in the nose which can contribute to snoring and sleep apnoea.



1. Air is drawn into the front of the device
2. Air passes through to the back of the device
3. The device advances the mandible, tongue and opens the airway

CLINICAL RESULTS WITH O_2VENT™*

100%
of patients experienced significant improvement in snoring using O_2Vent

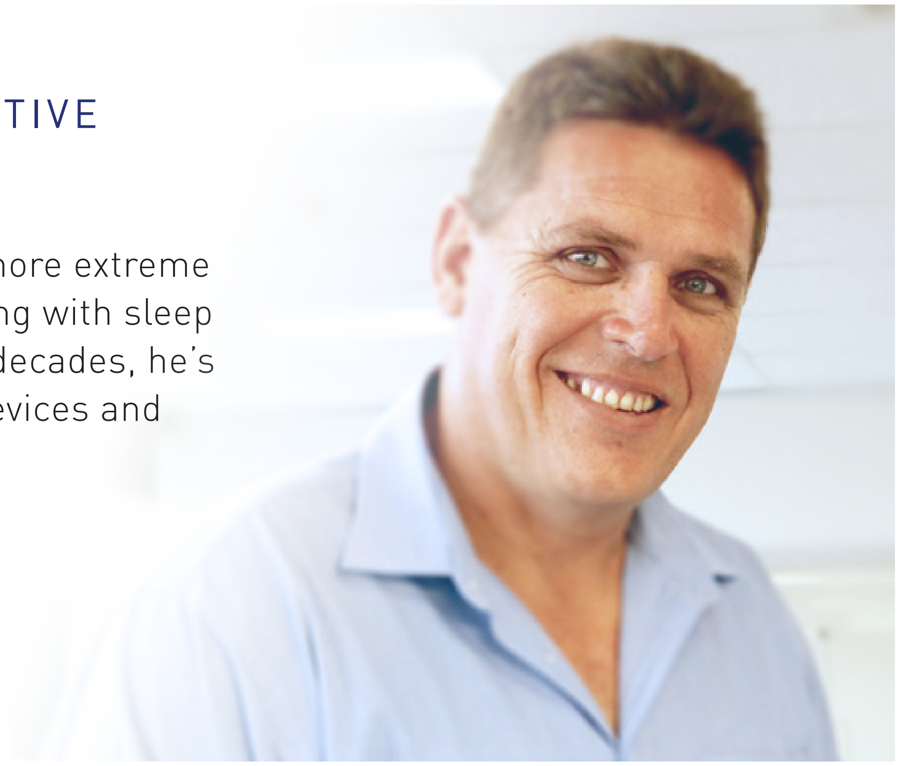
82%
of patients experienced complete elimination of snoring using O_2Vent

76%
of patients decreased their Apnoea–Hypopnoea Index (AHI) by more than 50%.

*Oventus Clinical Trial Report ANZCTR Registration number: ACTRN12615000028505 (O_2Vent™ Mono Device)

A PATIENT'S PERSPECTIVE

Stephen White is one of the more extreme examples of someone suffering with sleep apnoea. Over more than two decades, he's sought help with countless devices and even surgery.



Stephen White

Now, for the first time, there's real hope. Stephen is using Oventus' next generation O_2Vent™ device and the results are promising. This is Stephen's story.

"I've been snoring at least for the last 20 years and I'm a very loud snorer. I had laser surgery on my soft palate about 20 years ago. It worked for about three years and then it came back with a vengeance.

It has had a huge impact on my life. There were times I would wake up in the night gasping for breath. My wife would have to wake me.

The snoring was keeping her awake; she is now insomniac and struggles to get three hours sleep per night because of my snoring. There were times when I'd stop breathing for up to three minutes at a time before I'd gasp for breath.

I was tired, irritable and it was affecting everything.

I knew I was more tired than I should have been for that stage of my life – I'd easily sit in a meeting at work for one or two hours but there were times when I'd struggle to stay awake.

My wife knew it was more than snoring. She'd have to poke me in the ribs to make sure I was still breathing.

About 10 years ago I had sleep a test and it confirmed I had obstructive sleep apnoea.

I was prescribed CPAP (continuous positive airway pressure) and I used it for seven years with varying results.

I tried all manner of masks to find one I could tolerate – all with limited success. There were problems with breaking seals, blowing air out of my mouth and so on and it really impacted my relationship with my wife.

It's not very romantic wearing a mask but there weren't really many more options.

Then Chris Hart's Oventus device came on the market and that's when I jumped on board.

Generally, I stop snoring for first three weeks and then it starts again. That's when I need to have the device adjusted. It took three or four weeks to get used to having the device in my mouth but I persevered and now it doesn't bother me at all. Within two to three minutes, I'm dead to the world.

I still snore but it's definitely at much less volume. My wife says I still stop breathing at times but that's also much less.

There is definitely an improvement over where I was. I feel much better during the day and my concentration has improved.

Unfortunately, I'm one of the very few people who are struggling to get it right but Chris and I are persevering to find that right position and we are getting closer and closer every time. I can confidently say I feel 100% better than prior to using the Oventus device.

My quality of life has definitely improved, I sleep better than I did and I'm not as tired as I was."

A CLINICIAN'S PERSPECTIVE

Dr Alan Lim

Perth dentist Dr Alan Lim is encouraged by the results he's seeing in patients using Oventus' oral devices to treat sleep apnoea and snoring.

"Our patients find the O_2Vent comfortable and effective so far in early trials, and their response to it has been positive," he says.

Dr Lim sees a wide range of patients seeking treatment for sleep apnoea, from people who are overweight to fit people with narrow airways that cause the issue.

"It can be very debilitating and some of our patients are unable to maintain a normal working life. It can also affect their relationships with people because the lack of a good night's sleep impairs their thinking.

"By the time they come to us, they've tried almost everything to treat their snoring. They are well versed with every device and spray on the internet with almost no relief."

> "Our patients find the O_2Vent™ comfortable and effective so far in early trials, and their response to it has been positive."

Dr Lim says the O_2Vent's unique airway system that channels air to the back of the mouth and avoids oral obstructions is one of the features that enables it to help treat sleep apnoea and snoring.

"It allows for a more comfortable jaw position as the jaw does not have to be brought forward as much. It also closes the mouth and allows freedom of movement, reducing jaw discomfort.

"I have been fitting the O_2Vent for a while now and like the fact that I can customise the appliance for certain cases. It's less bulky and has a few more features, like the freedom of jaw movement."

Dr Lim says dental sleep medicine is a growing field for dentists and urges continuing education to keep abreast of the latest developments in the space.

THE BOARD AND MANAGEMENT

Oventus Medical Limited is led by an experienced and professional Board of Directors and Management team, all of whom bring a breadth and depth of professional experience and commercial acumen to the business.

L to R: Ms Sue MacLeman, Dr Mel Bridges, Mr Neil Anderson, Dr Chris Hart

DR MEL BRIDGES

Chairman and Non-Executive Director

Mel has over 35 years' experience founding and building international lifescience, diagnostic and medical device companies and commercialising a wide range of Australian technology. He is responsible for numerous commercial and M&A transactions and liquidity events, including listings on the ASX.

Mel has received national and state business awards including the 2005 AusBiotech Chairman's Industry Medal and 2004 Queensland Entrepreneur of the Year. Mel has founded and developed medical device and diagnostic companies, including Pacific Diagnostics (acquired by Baxter), PanBio Ltd (acquired by Inverness Medical), and ImpediMed Ltd (ASX: IPD).

Mel is currently a director of ASX 100 Company ALS Ltd, and co-founder and chairman of Anatara Lifesciences Ltd.

MR NEIL ANDERSON

Managing Director and Chief Executive Officer

An experienced company executive and biomaterial scientist, Neil started working with Dr Chris Hart three years ago, to develop and commercialise the O_2Vent™ and bring it to market. Neil has been responsible for managing the collaboration process with the CSIRO to develop a remotely-managed computer aided detection (CAD) imaging and 3D printing manufacturing platform, as well as the patent portfolio, quality systems and regulatory clearances for the product to date.

Neil has 30 years' experience in commercialising medical devices and managing the process from conception to market release including applied research, developing prototypes and testing, product development, manufacturing, regulatory submissions and clinical trials.

Prior to taking on the role with Oventus, Neil founded and held the role of Chief Executive Officer of CathRx for 10 years.

In this role, Neil managed the process from the invention of the company's technology through to commercialising a range of products leading to sales in Europe.

Neil has a Bachelor of Applied Science (Hons) and a Diploma of Management and is a Graduate of the Institute of Company Directors (GAICD).

DR CHRIS HART

Founder and Clinical Director

Chris is the founder of the Company and inventor of the O_2Vent™ design concept. Chris is overseeing the launch of the O_2Vent™ to patients and through clinicians by providing support and guidance to the management team in terms of patient management and clinician training.

Chris graduated from the University of Queensland in 1998 with a Bachelor of Dental Science with Honours and a Bachelor of Science in Biochemistry. He studied at Cambridge University where he graduated with a Master of Philosophy in Biomedical Science in 1999.

Prior to establishing Oventus, Chris owned and managed a multi-site national dental practice, training institute and management consultancy which he sold to private equity investors.

Chris also acts as an adviser to various bodies within the dental industry as well as the health care sector more broadly on the commercial aspects of health care delivery.

MS SUE MACLEMAN

Non-Executive Director

Sue is the CEO of the Medical Technology and Pharmaceutical Industry Innovation Growth Centre.

She is also a non-executive director at Reproductive Health Sciences Ltd. Previously she has served as Mesoblast Ltd Head of Commercial and Senior Vice President Corporate. She has more than 20 years' experience as a pharmaceutical executive with roles in corporate, medical, marketing, business development, and sales management at Schering-Plough Corporation (now Merck), Amgen and Bristol-Myers Squibb. Sue has also served as CEO and director of several ASX and NASDAQ listed companies.

MS ELISE HOGAN

Vice President of Global Sales, Marketing and Commercialisation

After a clinical role as a cardiovascular perfusionist, Elise commenced her commercial career in sales and marketing with Baxter Healthcare. Through roles of expanding responsibility and geographies, Elise lead the spin off of Edwards Lifesciences in Australia and established the local direct sales and marketing organisation.

Elise has over 20 years' experience as a medical device executive leading the sales, marketing and commercialisation teams in Australia, New Zealand, UK, and Asia.

Prior to joining the Oventus team, Elise held the position of Vice President, Oceania and Asia for LivaNova. In this position, Elise was responsible for the establishment and growth of the Australian subsidiary, and numerous product launches and geographical expansion throughout Asia and Australia/New Zealand.

Elise has a Bachelor of Science and an MBA (Advanced) from the University of Queensland, and is a Graduate of the Institute of Company Directors (GAICD).

MR STEPHEN DENARO

Company Secretary

Steve has extensive experience in mergers and acquisitions, business valuations, accountancy and income tax compliance services, as well as board corporate governance. Steve provides company secretary services for a number of biotech and software companies. Steve is also a member of the institute of Chartered Accountants in Australia, and the Australian Institute of Company Directors.

FINANCIAL REPORT

For the year ended 30 June 2016

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FINANCIAL REPORT

DIRECTORS' REPORT

For the financial year ended 30 June 2016

The directors present their report on the consolidated entity consisting of Oventus Medical Limited ('the Company') and the entities it controlled ('the Consolidated Entity') at the end of, or during, the year ended 30 June 2016.

DIRECTORS AND COMPANY SECRETARY

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

Melvyn John Bridges - Chairman	(appointed 23 September 2015)
Neil Anderson	(appointed 23 September 2015)
Christopher Hart	(appointed 23 September 2015)
Sue MacLeman	(appointed 27 November 2015)
Stephen Denaro - Company secretary	(appointed 14 October 2015)

PRINCIPAL ACTIVITIES

During the year the principal activities of the Company consisted of:

The commercialisation and distribution of the O_2Vent™ Mono, in Australia, as well as development of a pipeline or products to treat segments of the snoring and sleep and apnoea market. These segments include those that do not comply or adhere to existing treatment options due to nasal obstruction and/or inability to utilise the CPAP mask.

DIVIDENDS

There were no dividends to shareholders paid, recommended or declared during the current or previous financial year.

REVIEW OF OPERATIONS

The loss for the Consolidated Entity after providing for income tax amounted to $2,341,078 (30 June 2015: loss of $180,579)

During the 2015 and 2016 financial years the Consolidated Entity operated mainly as a research and development entity. During this pre-marketing phase the Consolidated Entity has been focused on the development of the O_2Vent™ device, ensuring it meets the relevant technical requirements for sale as a medical device in Australia and overseas, and can be manufactured in an efficient and quality assured manner while meeting the targeted gross profit margin.

The significant factors underlying the operating performance were as follows:

1. A new product - O_2Vent™ Titratable was developed and brought to market in Australia. Other proof of concept projects were advanced, including the Positive Airway Pressure Connection to an O_2Vent™ Titratable.
2. Pilot manufacturing has been established and is ready for expansion. This includes the following:
   a. Melbourne – the Company have leased space from the CSIRO, employed staff and acquired equipment including a 3D printer for printing titanium and polishing equipment;
   b. Brisbane – the Company has established its production setup for producing polymer inserts and packaging and dispatch of finished goods; and
   c. The development of the Company's Enterprise Resource Planning (ERP) system is underway and is due for completion to go live during the 2016 calendar year.
3. A pilot marketing launch has been completed on O_2Vent™ Mono. As a result, the Company earned $540,164 in revenue in 2016 from pilot sales of the O_2Vent™ Mono.

Development expenditure totalling $991,131 has been capitalised in the balance sheet. This amount is shown net of research and development tax concessions received or receivable totalling $730,037. Development expenditure is expected to increase in the 2017 year as a result of new products being developed, clinical trials for new products and the ongoing collection of clinical data on existing product use.

The Consolidated Entity had an excess of current liabilities over current assets of $664,213 at 30 June 2016. It had the following measures in place at 30 June 2016 to ensure it continued to meet its obligations:

1. The directors had agreed to provide loan funding to the Consolidated Entity and at 30 June 2016 had advanced $762,422, which was included in current liabilities; and
2. The Consolidated Entity had entered into an underwriting agreement at 30 June to raise $12 million.

Subsequent to the end of the financial year Oventus Medical Limited raised $12 million, less transaction costs of $1.04 million, by the issue of 24,000,000 fully paid ordinary shares at an issue price of $0.50 per share.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company was incorporated on 23 September 2015. At the same time Oventus CRM Pty Ltd was incorporated as a wholly owned subsidiary of the Company. On 28 September 2015, the Company acquired all the issued shares in Oventus Manufacturing Pty Ltd, the consideration being the issue of 74,375,000 fully paid shares in the Company (the Restructure).

On 28 September 2015, 625,000 fully paid ordinary shares were issued at a price of $0.16 per share.

On 30 November 2015, a further 20,650,000 fully paid ordinary shares were issued at a price of $0.20 per share.

On 19 May 2016, the Board resolved to consolidate the Company's issued shares and options on a 1 for an approximate 1.993 basis. The effect of the consolidation reduced the amount of current shares on issue (prior to the IPO) from 96,650,000 to 48,000,000 and reduced the options on issue from 6,700,000 to 3,362,258.

FINANCIAL REPORT

DIRECTORS' REPORT

For the year ended 30 June 2016

Equity - Share capital	30 June 2016 Number of Shares #	30 June 2016 Value of Shares $	30 June 2015 Number of Shares #	30 June 2015 Value of Shares $
Opening Balance	342,857	342,857	342,857	342,857
Issue of shares in Oventus Medical Limited on restructuring of company	(342,857)	-	-	-
Shares issued in consideration of initial investment in Oventus Manufacturing Pty Ltd	74,375,000	-	-	-
Ordinary shares issued: 28 September 2015	625,000	100,000	-	-
30 November 2015	20,650,000	4,130,000	-	-
Consolidation of shares	(47,650,000)	-		
Share issue costs	-	(146,154)	-	-
At reporting date	48,000,000	4,426,703	342,857	342,857

On 24 February 2016 and 14 April 2016 the Company issued 6,100,000 (Tranche 1) and 800,000 (Tranche 2) options respectively to certain employees in accordance with the terms of the Employee Share Option Plan. After issue, 200,000 Tranche 1 options were rescinded as a result of employees ceasing employment with the Company, leaving 5,900,000 Tranche 1 options on issue. The options were subsequently consolidated on a 1 for approximate 1.993 basis resulting in 2,960,794 Tranche 1 and 401,464 Tranche 2 options on issue. The total value of the options was calculated to be $306,800 for Tranche 1 and $56,606 for Tranche 2, as determined by an independent valuation. The value of the options will be brought to account over the vesting period, being three years for Tranche 1 and two years for Tranche 2.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to the end of the financial year Oventus Medical Limited raised $12 million, less transaction costs of $1.04 million, pursuant to its offer under a prospectus dated 8 June 2016 by the issue of 24,000,000 fully paid ordinary shares at an issue price of $0.50 per share. Oventus Medical Limited was admitted to the Official List of ASX limited on 18 July 2016 and official quotation of its securities commenced on 19 July 2016.

Trade and other payables as at 30 June 2016 includes $762,422 of loans from directors. These have been repaid in full subsequent to year end, following the share issue detailed above.

There have been no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

In the 2017 financial year it is planned that there will be continuing product developments, advances in product manufacturing and growth of sales in Australia, with a pilot product launch initiated in the US. Details of anticipated developments are set out below.

1. **Product developments**
   a. The launch of a titratable impression tray for easier and faster dental records from our clinical partners, leading to more efficient manufacturing;
   b. Development and manufacturing transfer of 3D printing of polymer inserts for easier and more efficient insert manufacture; and
   c. Advancing the development of combination therapy with Continuous Positive Airway Pressure (CPAP) to allow more severe sleep apnoeic patients to be treated with the company's oral appliances.
2. **Clinical evidence**
   a. Additional clinical trials to be initiated to provide more clinical evidence on current products; and
   b. Clinical trials to be performed on new product developments.
3. **Product sales**
   a. Continuing growth in sales in Australia from additional clinical partnerships and training; and
   b. Undertaking a pilot launch in the US of the company's initial products through clinical partners at various sites.

ENVIRONMENTAL REGULATIONS

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a State or Territory.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

MELVYN JOHN BRIDGES

Chairman, Non-Executive Director

Qualifications

Bachelor Degree of Science (Chemistry), Honorary Doctorate from Queensland University of Technology and Fellow of the Australian Institute of Company Directors.

Experience

Melvyn has over 35 years' experience founding and building international lifescience, diagnostic and medical device companies and commercialising a wide range of Australian technology. He is responsible for numerous commercial and M&A transactions and liquidity events, including listings on the ASX.

Melvyn has received national and state business awards including the 2005 AusBiotech Chairman's Industry Medal and 2004 Queensland Entrepreneur of the Year. Melvyn has founded and developed medical device and diagnostic companies, including Pacific Diagnostics (acquired by Baxter), PanBio Ltd (acquired by Inverness Medical), and ImpediMed Ltd (ASX: IPD).

Other current directorships

Melvyn is currently a director of ASX 100 Company ALS Ltd, and co-founder and chairman of Anatara Lifesciences Ltd.

Former directorships (last 3 years)

Melvyn was director of Tissue Therapies Ltd (March 2009 to December 2015), Benitec BioPharma Limited (October 2007 to June 2014), ImpediMed Limited (September 1999 to November 2013), Alchemia Limited (October 2003 to July 2013), Genetic Technologies Limited (December 2011 to November 2012), and Leaf Energy Limited (August 2010 to September 2012).

Special responsibilities

Melvyn is the chair of the Remuneration Committee and serves on the Audit and Risk Management Committee.

Interest in shares

993,466 ordinary shares

Interest in options

200,732 options

NEIL ANDERSON

Managing Director, Chief Executive Officer

Qualifications

Bachelor of Applied Science (Hons), Diploma of Management, Graduate of the Institute of Company Directors (GAICD).

Experience

Neil has 30 years' experience in commercialising medical devices and managing the process from conception to market release including applied research, developing prototypes and testing, product development, manufacturing, regulatory submissions and clinical trials.

Prior to taking on the role with Oventus, Neil founded and held the role of chief executive officer of CathRx for 10 years. In this role, Neil managed the process from the invention of the company's technology through to commercialising a range of products leading to sales in Europe.

Other current directorships

None

Former directorships (last 3 years):

None

Interest in shares

5,698,477 ordinary shares

Interest in options

401,464 options

CHRISTOPHER HART

(Clinical Director) (Founder)

Qualifications

Bachelor of Dental Science with Honours, Bachelor of Science in Biochemistry, Master of Philosophy in Biomedical Science.

Experience

Prior to establishing Oventus, Chris owned and managed a multi-site national dental practice, training institute and management consultancy which he sold to private equity investors.

Chris also acts as an adviser to various bodies within the dental industry as well as the health care sector more broadly on the commercial aspects of health care delivery.

Other current directorships

None

Former directorships (last 3 years):

None

Interest in shares

26,126,513 ordinary shares

Interest in options

401,464 options

FINANCIAL REPORT

DIRECTORS' REPORT CONTINUED

For the year ended 30 June 2016

SUE MACLEMAN

Non-Executive Director

Qualifications

Bachelor of Pharmacy from the University of Queensland, Masters of Marketing at Melbourne University (Melbourne Business School), a Masters of Law degree (Deakin University), a Fellowship with the ACPP and is a Fellow of AICD.

Experience

Sue is the CEO of the Medical Technology and Pharmaceutical Industry Innovation Growth Centre.

She is also a non-executive director at Reproductive Health Sciences Ltd. Previously she has served as Mesoblast Ltd Head of Commercial and Senior Vice President Corporate. She has more than 20 years' experience as a pharmaceutical executive with roles in corporate, medical, marketing, business development, and sales management at Schering-Plough Corporation (now Merck), Amgen and BristolMyers Squibb. Sue has also served as CEO and director of several ASX and NASDAQ listed companies.

Other current directorships

Sue is currently a director of Reproductive Health Services Limited.

Former directorships (last 3 years):

None

Special responsibilities

Sue is the chair of the Audit and Risk Management Committee and serves on the Remuneration Committee.

Interest in options

200,732 options

STEPHEN DENARO

Company Secretary

Qualifications

Bachelor of Business, Chartered Accountant, a Member of AICD and a Graduate Diploma in Applied Corporate Governance.

Experience

Steve has extensive experience in mergers and acquisitions, business valuations, accountancy and income tax compliance services, as well as board corporate governance. Steve provides company secretary services for a number of biotech and software companies. Steve is also a member of the Institute of Chartered Accountants in Australia, and the Australian Institute of Company Directors.

MEETINGS OF DIRECTORS

During the financial year, twelve meetings of directors were held. Attendances were:

	Full Board	
	Number eligible to attend	Number attended
Melvyn John Bridges (Chairman)	11	11
Neil Anderson	12	12
Christopher Hart	12	12
Sue MacLeman	8	8

MEETINGS OF REMUNERATION COMMITTEE AND AUDIT AND RISK MANAGEMENT COMMITTEE

During the financial year, two meetings of the Remuneration and Nomination Committee were held and one meeting of the Audit and Risk Management Committee was held. Attendances were:

	Remuneration and Nomination		Audit and Risk Management	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Melvyn John Bridges (Chairman)	2	2	1	1
Sue MacLeman	2	2	1	1

REMUNERATION REPORT (AUDITED)

Key management personnel (KMP) covered in this report

The key management personnel of the Consolidated Entity consisted of the following directors of Oventus Medical Limited:

Melvyn John Bridges (Chairman)	(Chairman) (Non-Executive Director) (appointed 23 September 2015)
Neil Anderson	(Managing Director) (Chief Executive Officer) (appointed 23 September 2015)
Christopher Hart	(Clinical Director) (Founder) (appointed 23 September 2015)
Sue MacLeman	(Non-Executive Director) (appointed 27 November 2015)

And the following persons:

Elise Hogan	(Vice President of Global Sales, Marketing and Commercialisation)
Stephen Denaro	(Company Secretary)

Remuneration policy and link to performance

The Group's remuneration policy adopted has been designed to:

a. Align with shareholder and business objectives and expectations;
b. Attract and retain suitably qualified and experienced people;
c. Provide a level and composition of remuneration that is reasonable, fair and aligned to market;
d. Encourage directors and executives to pursue the long term growth and success of the Company, balanced against the need to also achieve critical short term business objectives;
e. Align corporate and individual performance;
f. Be internally consistent;
g. Be transparent with respect to setting performance goals and the measurement of performance against those goals; and
h. Align with regional and industry standards and regulatory requirements.

The remuneration policy links to the Group's long-term performance by providing incentives to key management personnel based upon milestones which need to be met in the short to medium term which but which are essential requirements for the Group's long term performance. The issue of options to key personnel aligns their compensation to increases in share prices and, accordingly, increases in shareholder wealth. The remuneration policy is not based on earnings as this is not seen as the appropriate indicator of performance for key management personnel at this stage of the Group's life cycle.

Elements of remuneration

Remuneration packages may consist of fixed remuneration, short-term incentives and long term equity-based benefits.

Remuneration packages can be tailored to an individual's requirements to maximize available salary packaging options.

Total fixed remuneration consist of base salary, non-cash benefits provided inclusive of FBT (Fringe Benefit Tax) costs, as well as employer contributions to superannuation.

Short-term incentives consist of cash bonuses payable under the Company's Employee Incentive Plan, and are paid on the basis of an individual's performance and contributions during the year.

The Employee Incentive Plan is managed by the Remuneration and Nomination Committee, which sets and reviews relevant performance targets against which an individual's and the Company's short-term performance are measured.

Long-term benefits are provided by way of equity based incentives under the Company's Employee Option Plan, and are granted based on an assessment made by the Remuneration and Nomination Committee taking account of an individual's position, service and market-based assessment and an individual's capacity to influence corporate value.

The Employee Option Plan is managed by the Remuneration and Nomination Committee who recommends grants to individuals and the terms and performance criteria applicable.

Responsibilities of Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for determining appropriate levels and structure of remuneration for executives.

The Remuneration and Nomination Committee is responsible for approving performance metrics for executives and measuring performance against those metrics.

The Remuneration and Nomination Committee will review the remuneration of executives annually, taking account of market movements, comparative remuneration information and individual performance.

Remuneration expenses for KMP

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary & fees $	Bonus $	Super $	Leave entitlements $	Equity-settled $	Total $
Non-executive directors						
Melvyn John Bridges	54,300	-	5,158	-	2,410	61,868
Sue MacLeman	32,083	-	-	-	2,410	34,493
	86,383	-	5,158	-	4,820	96,361
Executive directors						
Neil Anderson	170,472	-	16,195	-	4,821	191,488
Christopher Hart	170,472	-	16,195	-	4,821	191,488
	340,944	-	32,390	-	9,642	382,976
Other key management personnel						
Elise Hogan	36,705	-	3,487	-	5,975	46,167
Stephen Denaro	18,748	-	-	-	-	18,748
	55,453	-	3,487	-	5,975	64,915
	482,781	-	41,035	-	20,437	544,252

FINANCIAL REPORT

DIRECTORS' REPORT CONTINUED

For the year ended 30 June 2016

Contractual arrangements for executive KMP

Remuneration and employment terms for executive directors and other key management personnel are for the Managing Director, Clinical Director and the other key management personnel are detailed in employment agreements. The employment agreements do not have a fixed term. The Group may terminate the contracts immediately if the executive engages in serious misconduct, wilfully obeys a lawful and reasonable direction or becomes bankrupt. Otherwise, the Group or the executive may terminate the contracts by giving three months' notice.

The Company executed an executive contract with Neil Anderson as Chief Executive Officer on 15 February 2016, back-dated to 1 November 2015. Prior to the execution of the executive contract, remuneration paid to Neil Anderson as chief executive officer was through a consultancy agreement with NGCT Pty Ltd ("NGCT") a company controlled by Neil Anderson. For the year ended 30 June 2016 Oventus Manufacturing paid NGCT $59,000 (30 June 2015: $162,250) for services provided by Neil Anderson. A portion of these costs was capitalised as development costs. At 30 June 2016 amounts owed to NGCT was $Nil (30 June 2015: $Nil). In addition, Neil Anderson is reimbursed for out of pocket costs in the normal course of business.

Remuneration paid to Christopher Hart as Clinical Director is through an executive contract executed on 17 March 2016, back-dated to 1 November 2015. Prior to execution of the executive contract, remuneration paid to Christopher Hart as Chief Clinical Officer was through a consultancy agreement with Breathing Assist Solutions Pty Ltd. For the year 30 June 2016 Oventus Manufacturing paid Breathing Assist Solutions Pty Ltd $Nil (30 June 2015: $150,110) for services provided by Christopher Hart. These costs were capitalised as development costs. At 30 June 2016 amounts owed to Breathing Assist Solutions Pty Ltd was $Nil (included in payables) (30 June 2015: $44,898). In addition, Chris Hart is reimbursed for out of pocket costs in the normal course of business.

Non-executive director arrangements

The Board's policy is to remunerate non-executive Directors at market rates for comparable companies for the time, commitment and responsibilities undertaken by non- executive Directors.

Remuneration payable to non-executive Directors consists of fixed fees payable within the aggregate director fees approved by shareholders. In addition, statutory employer superannuation contributions are payable where relevant, as are non-cash benefits in lieu of fees.

Base fixed fees payable to non-executive Directors take account of work undertaken on Board committees. Additional fixed fees will be paid to directors who chair a Board committee.

In addition, non-executive Directors may participate under the terms of the Company's Employee Option Plan, subject to the relevant approval of shareholders.

Other than by way of payment of statutory employer superannuation contributions, retirement benefits are not granted to non-executive Directors.

The Remuneration and Nomination Committee reviews the remuneration of non-executive Directors annually. If considered necessary, the Remuneration and Nomination Committee will recommend that shareholders be asked to consider, and if considered appropriate, to approve any increase in the aggregate non-executive Director fees. The total amount of fixed fees paid to non-executive Directors must not exceed the maximum amount authorised by shareholders from time to time. As at 30 June 2016, maximum aggregate annual fees payable out of the funds of the Company to the Company's non executive directors for services as directors, including service on a committee of directors, be set at $400,000 (inclusive of superannuation guarantee charge (SGC) contributions), to be apportioned at the directors' discretion.

Where relevant, the Remuneration and Nomination Committee will seek advice from independent third parties to bench mark non-executive Director remuneration against relevant market practice.

SHARE-BASED COMPENSATION

Options

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

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
24 February 2016	17 February 2017	23 February 2021	$ 0.578	$ 0.1415
24 February 2016	17 February 2018	23 February 2021	$ 0.578	$ 0.1415
24 February 2016	17 February 2019	23 February 2021	$ 0.578	$ 0.1415
14 April 2016	14 April 2016	13 April 2021	$ 0.725	$ 0.1251
14 April 2016	14 April 2017	13 April 2021	$ 0.725	$ 0.1251
14 April 2016	14 April 2018	13 April 2021	$ 0.725	$ 0.1251

Options granted carry no dividend or voting rights.

Approval for the issue of these options was obtained pursuant to ASX Listing Rule 10.14.

Details of options over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

Name	Grant date	Vesting date	Number of options granted	Value of option granted $	Value of options vested $	Number of options lapsed	Value of options lapsed $
Melvyn John Bridges	24/02/2016	Various	200,732	28,404	-	-	-
Sue MacLeman	24/02/2016	Various	200,732	28,404	-	-	-
Neil Anderson	24/02/2016	Various	401,464	56,807	-	-	-
Christopher Hart	24/02/2016	Various	401,464	56,807	-	-	-
Elise Hogan	14/04/2016	Various	401,464	50,223	-	-	-

ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Melvyn John Bridges	-	-	936,266	-	936,266
Sue MacLeman	-	-	-	-	-
Neil Anderson	-	-	5,598,477	-	5,598,477
Christopher Hart	-	-	26,126,513	-	26,126,513
			32,661,256		32,661,256

Option holding

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Melvyn John Bridges		200,732	-	-	200,732
Sue MacLeman	-	200,732	-	-	200,732
Neil Anderson	-	401,464	-	-	401,464
Christopher Hart	-	401,464	-	-	401,464
Elise Hogan	-	401,464	-	-	401,464
		1,605,856	-	-	1,605,856

LOANS TO KMP AND THEIR RELATED PARTIES

No loans were made to directors of Oventus Medical Limited and other key management personnel of the group, including their close family members and entities related to them.

During the year, loans were provided by the directors to the Consolidated Entity and this is outlined in note 15.

This concludes the remuneration report, which has been audited.

FINANCIAL REPORT

DIRECTORS' REPORT CONTINUED

For the year ended 30 June 2016

SHARES UNDER OPTION

Unissued ordinary shares

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

Date options granted	Expiry date	Issue price of Shares	Number under option
24 February 2016	23 February 2021	$ 0 .578	2,960,794
14 April 2016	13 April 2021	$ 0 .725	401,464

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

Shares issued on the exercise of options

No options were exercised during the year ended 30 June 2016. No further shares have been issued since that date.

INSURANCE OF OFFICERS AND INDEMNITIES

During the financial year, Oventus Medical Limited paid a premium of $89,743 to insure the directors and secretaries of the Company and its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

The Company was not a party to any such proceedings during the period.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 17 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 17 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on the following page and forms part of the Directors' Report for the period ended 30 June 2016.

This report is made in accordance with a resolution of directors.

Mr Melvyn John Bridges
Director

28 September 2016
Brisbane

PKF Hacketts

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF OVENTUS MEDICAL LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF HACKETTS AUDIT

LIAM MURPHY
Partner

Brisbane, 28 September 2016

PKF Hacketts Audit
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FINANCIAL REPORT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Note	30 June 2016 $	30 June 2015 $
Sales revenue		540,164	56,303
Less: Expenses			
Manufacturing costs - Pilot phase		512,007	63,043
Marketing, website and logo expenses		341,266	34,961
Accounting and legal fees		195,774	29,702
Employee and contractors expense		1,033,863	28,121
Premises rental expense		85,620	6,383
Information technology costs		137,542	12,839
Insurance expense		26,297	12,086
Depreciation and amortisation		197,470	6,490
Administrative expenses		167,097	33,980
Other expenses		197,177	9,888
Total expenses		2,894,113	237,493
Loss before interest and income tax		(2,353,949)	(181,190)
Interest revenue		12,871	611
Loss before income tax expense		(2,341,078)	(180,579)
Income tax expense	13	-	-
Loss for the year		(2,341,078)	(180,579)
Other comprehensive income for the year		-	-
Total comprehensive loss		(2,341,078)	(180,579)

	Note	30 June 2016 $ Cents	30 June 2015 $ Cents
Earnings per share for profit/(loss) attributable to the owners of Oventus Medical Limited.			
Basic earnings per share	22	(5.37)	(0.39)
Diluted earnings per share	22	(5.37)	(0.39)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	30 June 2016 $	30 June 2015 $
Current assets			
Cash and cash equivalents	3	161,114	42,876
Trade and other receivables	4	124,145	57,108
Other current assets	5	744,507	3,060
Total current assets		1,029,766	103,044
Non-current assets			
Property, plant and equipment	6	1,427,298	3,616
Intangible assets	7	1,270,978	953,666
Total non-current assets		2,698,276	957,282
Total assets		3,728,042	1,060,326
Current liabilities			
Trade and other payables	8	1,655,614	830,132
Other liabilities	9	38,365	-
Total current liabilities		1,693,979	830,132
Non-current liabilities			
Other liabilities	9	97,724	78,156
Total non-current liabilities		97,724	78,156
Total liabilities		1,791,703	908,288
Net assets		1,936,339	152,038
Equity			
Share capital	10	4,426,703	342,857
Share based payment reserve	11	41,533	-
Accumulated losses	12	(2,531,897)	(190,819)
Total equity		1,936,339	152,038

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Contributed Equity $	Share Based Payments Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2014	342,857	-	(10,240)	332,617
Loss for the period	-	-	(180,579)	(180,579)
Total comprehensive income for the period	-	-	(180,579)	(180,579)
Balance at 30 June 2015	342,857	-	(190,819)	152,038
Balance at 1 July 2015	342,857	-	(190,819)	152,038
Loss for the year	-	-	(2,341,078)	(2,341,078)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(2,341,078)	(2,341,078)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs and tax	4,083,846	-	-	4,083,846
Share based payments reserve	-	41,533	-	41,533
Total transactions with owners in their capacity as owners:	4,083,846	41,533	-	4,125,379
Balance at 30 June 2016	4,426,703	41,533	(2,531,897)	1,936,339

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Note	30 June 2016 $	30 June 2015 $
Cash flows from operating activities			
Receipts from customers		509,373	39,473
Payments to suppliers and employees		(2,203,345)	(194,168)
Interest received		12,871	611
R&D tax concession received		177,453	78,156
Interest paid		(319)	-
Net cash outflow from operating activities	21	(1,503,967)	(75,928)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,529,706)	(2,987)
Payments for term deposits		(92,385)	-
Payments for intangible assets		(1,060,668)	(500,325)
Net cash outflow from investing activities		(2,682,759)	(503,312)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs	10	4,083,846	239,999
Proceeds from borrowings from directors and related entities		221,118	381,691
Net cash inflow from financing activities		4,304,964	621,690
Net increase in cash held		118,238	42,450
Cash and cash equivalents at the beginning of the financial year		42,876	426
Cash and cash equivalents at the end of the financial year		161,114	42,876

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

1. SIGNIFICANT ACCOUNTING POLICIES

These are the consolidated financial statements of Oventus Medical Limited (the "company" or "parent entity") and its controlled entities ("the Group" or "Consolidated Entity"). The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

These financial statements have been prepared under the historical cost convention on an accrual basis of accounting.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in note 18.

Principles of consolidation

The Statement of Comprehensive Income and Statement of Financial Position as at 30 June 2016 incorporates the assets, liabilities and results of the Company and its controlled entities. A subsidiary is any entity over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

All intercompany balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of controlled entities are consistent with the policies adopted by the parent unless otherwise stated below.

The Company was incorporated on 23 September 2015. At the same time Oventus CRM Pty Ltd was incorporated as a wholly owned subsidiary of the Company. On 28 September 2015, the Company acquired all the issued shares in Oventus Manufacturing Pty Ltd, the consideration being the issue of 74,375,000 fully paid shares in the Company (the Restructure). Oventus Manufacturing Pty Ltd is the operating company in the consolidated entity. Oventus Medical Limited and Oventus CRM Pty Ltd have not traded during the year.

As the shareholders of Oventus Manufacturing Pty Ltd prior to the Restructure were the same as the shareholders of the Company on completion of the Restructure, the Restructure has been treated as a "common control transaction" which does not meet the requirements of a "business combination" as set out in AASB 3 Business Combinations. Accordingly, no additional intangible assets (including any goodwill) have been recognised on completion of the Restructure.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Comparative information

These financial statements have been prepared to reflect the on-going results of Oventus Manufacturing Pty Ltd for the year ended 30 June 2016 on a pooling-of- interests method. The comparative information represents the financial results as though the Restructure had occurred as at 1 July 2014.

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

Revenue recognition

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest revenue is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

Government grants

Grants from government, including Australian Research and Development tax offsets, are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Where a grant is received relating to research and development costs that have been expensed, the grant is recognised as other income when the grant becomes receivable.

When the grant relates to an asset, the cost of the asset is shown net of the grant or receivable. This is a change in accounting policy, as In the Group's financial statements for the year ended 30 June 2015 the development costs were shown gross and the amounts received subject to the tax concession were shown as deferred income in liabilities. There is no impact of the change on the profit or loss for each period.

Income tax

The income tax expense or benefit for the period is the tax payable on that year's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Manufacturing costs - Pilot phase

Manufacturing costs incurred during the pilot phase of manufacturing have been expensed as incurred.

Expenses

All expenses are recognised in the Statement of Comprehensive Income on an accrual basis. Amounts disclosed as expenses are net of taxes paid except where the amount of goods and services tax incurred is not recoverable from the taxation authority. In these circumstances, the tax is recognised as part of the expense.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently shown net of provision for bad debts. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short- term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent year, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2016

Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Plant and equipment is measured on a cost basis.

Depreciation

The depreciable amount of all property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Land and the land component of any class of property, plant and equipment is not depreciated.

Class of fixed asset	Depreciation rates
Office equipment	20%
Computer equipment	33%
Sleep and production equipment	20-33%

Intangible assets

Patents, trademarks and licences

Patents, trademarks and licences are recognised at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The Group's estimate of the useful lives of its patents and trademarks is 20 years.

Research and development expenditure

Expenditure on research activities is recognised as an expense when incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over their estimated useful lives (5 years). The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Financial instruments

Classification

The Company classifies its financial assets into the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

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

Impairment of financial assets

The carrying amount of financial assets is reviewed annually by directors to assess whether there is any objective evidence that a financial asset is impaired.

Where such objective evidence exists, the company recognises impairment losses.

Trade and other payables

Trade payables represent liabilities for goods and services provided to the Company prior to the end of financial period, which are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Impairment of non-financial assets

Goodwill, intangible assets not yet ready for use and intangible assets that have an indefinite useful life are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

For an asset measured at cost, an impairment loss is recognised in profit or loss where the carrying amount of the asset exceeds its recoverable amount.

Reversal of impairment loss for an asset measured at cost other than goodwill is recognised immediately in profit or loss.

Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount has been reliably estimated.

Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight-line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Employee entitlements

Liabilities for salaries including annual leave and accumulating sick leave expected to be settled within 12 months of reporting date are recognised in current employee entitlements in respect of employee services up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. The liability for long service leave is based on current salary levels, years of completed service and the estimated probability that the employee will remain with the Company.

The liability to make bonus payments is recognised in the provision for employee entitlements when a constructive obligation to make such payments is created during the period in which the relevant profit is earned. Bonus payments payable at the end of the 2015 financial year assume all staff with bonus entitlements remain with the Company. No bonus amounts have been deferred relating to the 2015 financial year.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as a part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Contributed equity

Ordinary shares are classified as equity; incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividend

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Going concern

The financial statements have been prepared on a going concern basis that presumes the realisation of assets and the discharge of liabilities in the normal course of operations for the foreseeable future.

During the year, the Consolidated Entity made a loss before tax of $2,353,949 (2015: $181,190) and, as at 30 June 2016, current liabilities exceeded its current assets by $664,213.

As at 30 June 2016, the Consolidated Entity had loan funding agreements with the Chairman and clinical director and had entered into an underwriting agreement to raise $12m through an Initial Public Offering ("IPO"). Subsequent to year end, the Consolidated Entity raised $12m (less transaction costs of $1.04m) by way of an IPO with the issue of 24,000,000 fully paid ordinary shares at an issue price of $0.50 per share.

The ability of the Consolidated Entity to continue on a going concern basis is dependent upon the following:

- The successful development of the Consolidated Entity's product
- Success in achieving budgeted sales and positive cash flow from operations, and
- The ability to raise further capital as required.

The directors believe that the Consolidated Entity will be successful in achieving the above and, accordingly, have prepared the financial statements on a going concern basis.

2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2016

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Development costs

The Group capitalises development costs for a project in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 30 June 2016, the carrying amount of capitalised development costs was $920,768 (2015: $842,563).

3. CASH AND CASH EQUIVALENTS

	30 June 2016 $	30 June 2015 $
Cash on hand	233	1
Cash at bank	160,881	42,875
	161,114	42,876

4. TRADE AND OTHER RECEIVABLES

Trade debtors	47,621	16,830
GST receivable	75,657	40,278
Other debtors	867	-
	124,145	57,108

As at 30 June 2016, trade receivables of $12,180 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

5. OTHER CURRENT ASSETS

Prepayments	157,478	-
Term deposits	91,518	-
Rental bond paid	3,051	3,060
Accrued research & development tax credit	396,301	-
Other assets	96,159	-
	744,507	3,060

6. PROPERTY, PLANT AND EQUIPMENT

	Furniture $	Computer and office equipment $	Sleep and production equipment $	Property improvements $	Total $
At 1 July 2014					
Cost	-	1,801	-	-	1,801
Accumulated depreciation	-	(17)	-	-	(17)
Net book amount	-	1,784	-	-	1,784
Year ended 30 June 2015					
Opening net book amount	-	1,784	-	-	1,784
Additions	-	2,987	-	-	2,987
Depreciation charge	-	(1,155)	-	-	(1,155)
Closing net book amount	-	3,616	-	-	3,616
At 30 June 2015					
Cost	-	4,788	-	-	4,788
Accumulated depreciation	-	(1,172)	-	-	(1,172)
Net book amount	-	3,616	-	-	3,616
Year ended 30 June 2016					
Opening net book amount	-	3,616	-	-	3,616
Additions	8,329	21,065	1,261,804	271,523	1,562,721
Tax concession received	-	-	(33,016)	-	(33,016)
Depreciation charge	(862)	(4,310)	(57,908)	(42,943)	(106,023)
Closing net book amount	7 ,467	20,371	1,170,880	228,580	1,427,298
At 30 June 2016					
Cost	8,329	25,853	1,261,804	271,523	1,567,509
Accumulated depreciation	(862)	(5,482)	(90,924)	(42,943)	(140,211)
Net book amount	7,467	20,371	1,170,880	228,580	1,427,298

Sleep and production equipment is shown net of amounts received or receivable subject to the research and development tax concession.

FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2016

7. INTANGIBLE ASSETS

	Patents, trademarks and licenses $	Software $	Development costs $	Total $
At 1 July 2014				
Cost	70,615	-	-	70,615
Accumulated amortisation	-	-	-	-
Net book amount	70,615	-	-	70,615
Year ended 30 June 2015				
Opening net book amount	70,615	-	-	70,615
Additions	42,468	3,355	920,719	966,542
Tax concession received	-	-	(78,156)	(78,156)
Amortisation expense	(4,496)	(839)	-	(5,335)
Closing net book amount	108,587	2,516	842,563	953,666
At 30 June 2015				
Cost	113,083	3,355	842,563	959,001
Accumulated amortisation	(4,496)	(839)	-	(5,335)
Net book amount	108,587	2,516	842,563	953,666
Year ended 30 June 2016				
Opening net book amount	108,587	2,516	842,563	953,666
Additions	95,512	164,678	800,478	1,060,668
Tax concession received	-	-	(255,609)	(255,609)
Tax concession receivable (note 5)	-	-	(396,301)	(396,301)
Amortisation expense	(5,306)	(15,777)	(70,363)	(91,446)
Closing net book amount	198,793	151,417	920,768	1,270,978
At 30 June 2016				
Cost	208,595	168,033	991,131	1,367,759
Accumulated amortisation	(9,802)	(16,616)	(70,363)	(96,781)
Net book amount	198,793	151,417	920,768	1,270,978

Development costs are shown net of amounts received or receivable subject to the research and development tax concession.

8. TRADE AND OTHER PAYABLES

	30 June 2016 $	30 June 2015 $
Trade creditors	468,854	281,875
Other creditors	129,168	1,376
GST payable	12,107	-
PAYG Withholding payable	283,063	-
Payable to related party - director loans	762,422	546,881
	1 ,655,614	830,132

9. OTHER LIABILITIES

	30 June 2016 $	30 June 2015 $
Current		
Employee benefits - annual leave	38,365	-
	38,365	-
Non-current		
Deferred lease incentive	97,724	-
Deferred income - R&D tax concession	-	78,156
	97,724	78,156

10. EQUITY - SHARE CAPITAL

	30 June 2016 Number of shares #	30 June 2016 Value of shares $	30 June 2015 Number of shares #	30 June 2015 Value of shares $
Opening Balance	342,857	342,857	342,857	342,857
Issue of shares in Oventus Medical Limited on restructuring of company	(342,857)	-	-	-
Shares issued in consideration of initial investment in Oventus Manufacturing Pty Ltd	74,375,000	-	-	-
Ordinary shares issued: 28 September 2015	625,000	100,000	-	-
30 November 2015	20,650,000	4,130,000	-	
Consolidation of shares	(47,650,000)	-		
Share issue costs	-	(146,154)	-	
Movement for the year	47,657,143	4,083,846	-	-
At reporting date	48,000,000	4,426,703	342,857	342,857

Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2016

11. EQUITY - SHARE BASED PAYMENT RESERVE

	30 June 2016 $	30 June 2015 $
Share based payment reserve	41,533	-
	41,533	-

The share based payment reserve is used to recognise the value of equity-settled share based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 23 for further details.

12. ACCUMULATED LOSSES

	30 June 2016 $	30 June 2015 $
Accumulated losses at beginning of year	(190,819)	(10,240)
Current period loss	(2,341,078)	(180,579)
	(2,531,897)	(190,819)

13. INCOME TAX EXPENSE

	30 June 2016 $	30 June 2015 $
Income tax expense		
Current tax	-	-
Aggregate income tax expense	-	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense from continuing operations	(2,341,078)	(180,579)
Tax at the statutory tax rate of 28.5% (2015: 30%)	(667,207)	(54,174)
Tax effect amounts which are not deductible in calculating taxable income:		
Non-assessable or deductible items	431	-
	(666,776)	(54,174)
Unused tax losses for which no deferred tax asset has been recognised	666,776	54,174
Income tax expense	-	-

14. FINANCIAL INSTRUMENTS

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (which includes foreign currency risk), interest rate risk, credit risk and liquidity risk. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates and foreign exchange risk and aging analysis for credit risk.

Risk management is carried out by the chief executive officer under policies approved by the directors. These policies include identification and analysis of risks and appropriate procedures to address these and report to the board of directors annually as to the effectiveness of the Consolidated Entity's management of its key business risks.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Consolidated Entity's income.

Foreign currency risk

The Consolidated Entity is exposed to foreign exchange fluctuations in relation to expenditures denominated in foreign currencies.

Interest rate risk

The Consolidated Entity's main interest rate risk arises from cash and cash equivalents.

The Consolidated Entity has reviewed its sensitivity to market, foreign currency and interest rate risks and determined that this is not material.

As at the reporting date, the consolidated entity had the following cash and cash equivalents:

Consolidated	2016		2015	
	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Cash on hand and short term deposits	nil	233	nil	1
Cash at bank	0.62%	160,881	0.01%	42,875
Term deposits	2.77%	91,518	-	-
Net exposure to cash flow interest rate risk		252,632		42,876

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The management assess the credit quality of its customers taking into account their financial position and past experience. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Consolidated Entity does not hold any collateral.

Financial assets

Set out below is an overview of financial assets, other than cash and short term deposits, held by the Consolidated Entity as at 30 June 2016 and 30 June 2015:

Consolidated	30 June 2016 $	30 June 2015 $
Financial assets at amortised cost:		
Trade and other receivables	124,145	57,108
Total	124,145	57,108

Remaining contractual maturities

The following tables detail the Consolidated Entity's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2016	Weighted average interest rate %	1 year or less $
Non-derivatives		
Non-interest bearing		
Trade and other payables	nil	893,192
Loans from directors	nil	237,422
Interest-bearing - fixed		
Loans from directors	11.43%	525,000
Total non-derivatives		1,655,614

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2016

15. RELATED PARTY TRANSACTIONS

The Consolidated Entity entered into the following related party transactions during the year:

(a) Product sales

Certain sales to date by Oventus Manufacturing have been to Breathing Assist Solutions Pty Ltd (formerly known as Oventus Clinical Pty Ltd), a company controlled by Christopher Hart and owned by entities associated with Christopher Hart and Neil Anderson. At 30 June 2016 amounts owed by Breathing Assist Solutions Pty Ltd was $17,062 (30 June 2015: $16,830) (included in trade and other receivables).

(b) Executive contract with Neil Anderson

The Company executed an executive contract with Neil Anderson as Chief Executive Officer on 15 February 2016, back-dated to 1 November 2015. Prior to the execution of the executive contract, remuneration paid to Neil Anderson as chief executive officer was through a consultancy agreement with NGCT Pty Ltd ("NGCT") a company controlled by Neil Anderson. For the year ended 30 June 2016 Oventus Manufacturing paid NGCT $59,000 (30 June 2015: $162,250) for services provided by Neil Anderson. A portion of these costs was capitalised as development costs. At 30 June 2016 amounts owed to NGCT was $Nil (30 June 2015: $Nil). In addition, Neil Anderson is reimbursed for out of pocket costs in the normal course of business.

(c) Executive contracts with Christopher Hart

Remuneration paid to Christopher Hart as Clinical Director is through an executive contract executed on 17 March 2016, back-dated to 1 November 2015. Prior to execution of the executive contract, remuneration paid to Christopher Hart as Chief Clinical Officer was through a consultancy agreement with Breathing Assist Solutions Pty Ltd. For the year 30 June 2016 Oventus Manufacturing paid Breathing Assist Solutions Pty Ltd $Nil (30 June 2015: $150,110) for services provided by Christopher Hart. These costs were capitalised as development costs. At 30 June 2016 amounts owed to Breathing Assist Solutions Pty Ltd was $Nil (included in payables) (30 June 2015: $44,898). In addition, Chris Hart is reimbursed for out of pocket costs in the normal course of business.

(d) Share based payment to Neil Anderson

At 30 June 2014 Oventus Manufacturing paid Neil Anderson $51,428, by the issue of 51,428 fully paid ordinary shares at $1 each, for services provided in connection with the development of the company's intellectual property. These shares have subsequently been converted into shares in Oventus Medical Limited.

(e) Loan facility - Christopher Hart

On 30 June 2014 Oventus Manufacturing entered into a facility agreement with Christopher Hart to provide a funding facility for Oventus Manufacturing. Interest accrued on the principal balance after 12 months from the date of the agreement and can be added to the principal. The interest rate is to be no more than the rate borrowed by the lender on similar loans. The debt is unsecured and the repayment date is to be agreed by the parties. At 30 June 2016 the amount owed to Christopher Hart under the facility agreement was $682,202 (30 June 2015: $501,982). This amount, and any further advances up to completion of the capital raising, were repaid from proceeds received under the Offer, on 10 August 2016.

(f) Loan facility - Neil Anderson

Neil Anderson advanced funding to the Consolidated Entity during the year ended 30 June 2016. The debt is unsecured and the interest rate on the loan is nil. As at 30 June 2016, the amount owed to Neil Anderson was $80,220 (30 June 2015:$Nil). This amount was repaid from proceeds received under the Offer, on 10 August 2016.

(g) Shared resources

For the year ended 30 June 2015 Breathing Assist Solutions Pty Ltd employed a quality control manager whose employment costs were shared with Oventus Manufacturing on a 50/50 basis. For the year ended 30 June 2015 Oventus Manufacturing paid Breathing Assist Solutions Pty Ltd $36,144 which was allocated 70% to development and 30% to manufacturing expenses. This arrangement ceased 1 July 2015 when Oventus Manufacturing employed the quality control manager directly.

During the year ended 30 June 2016 Oventus Manufacturing occupied premises leased by Breathing Assist Solutions Pty Ltd, to which it contributed 50% of the premises costs. This arrangement ceased in January 2016 when Oventus entered into a lease at new premises. As at the date of this report, Breathing Assist Solutions sublets premises leased by Oventus at commercial rates.

16. KEY MANAGEMENT PERSONNEL

Directors

The following persons were directors of Oventus Medical Limited during the financial year:

Melvyn John Bridges	(Chairman) (Non-Executive Director)
Neil Anderson	(Managing Director) (Chief Executive Officer)
Christopher Hart	(Clinical Director) (Founder)
Sue MacLeman	(Non-Executive Director)

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity, directly or indirectly, during the financial year:

Elise Hogan	(Vice President of Global Sales, Marketing and Commercialisation)
Stephen Denaro	(Company Secretary)

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Consolidated Entity is set out below:

	30 June 2016 $	30 June 2015 $
Short-term employee benefits	910,108	312,360
Post-employment benefits	78,582	-
Share-based payments	34,900	-
	1,023,590	312,360

17. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by PKF Hacketts Audit the auditor of the company:

Audit services - PKF Hacketts Audit (2015: Pitcher Partners)		
Audit or review of the financial statements	42,440	19,485
Other services - PKF Hacketts Audit		
Investigating accountant services	22,000	-
	64,440	19,485

The Consolidated Entity retains PKF Hacketts Audit to provide services in addition to their statutory audit requirements where PKF Hacketts Audit expertise and experience with the Consolidated Entity are important. In 2016, these services comprised investigating accountant services in connection the listing of the Company on the ASX.

FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2016

18. PARENT ENTITY INFORMATION

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

Statement of profit or loss and other comprehensive income

	30 June 2016 $	30 June 2015* $
Loss after income tax	(159,697)	-
Total comprehensive income	(159,697)	-
Statement of financial position		
Total current assets	584,121	-
Total assets	4,312,989	-
Total current liabilities	45,984	-
Total liabilities	45,984	-
Equity		
Issued capital	4,426,703	-
Accumulated losses	(159,697)	-
Total equity	4,267,005	-

* The parent entity was incorporated on 23 September 2015, and therefore comparatives are nil.

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2016 and 30 June 2015.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2016 and 30 June 2015.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity.

19. INTEREST IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / country of incorporation	Consideration for acquisition	Ownership interest 2016 %	Ownership interest 2015 %
Oventus CRM Pty Ltd	Australia	-	100%	0%
Oventus Manufacturing Pty Ltd	Australia	342,857	100%	0%

Oventus CRM Pty Ltd was incorporated as a wholly owned subsidiary of the Company. On 28 September 2015, the Company acquired all the issued shares in Oventus Manufacturing Pty Ltd, the consideration being the issue of 74,375,000 fully paid shares in the Company, valued at $342,857.

The principal activities of each subsidiary are:

Oventus CRM Pty Ltd - holds patient and clinical data

Oventus Manufacturing Pty Ltd - operating entity responsible for the development and manufacture of the Company's devices.

20. SUBSEQUENT EVENTS

Subsequent to the end of the financial year Oventus Medical Limited raised $12 million, less transaction costs of $1.04 million, pursuant to its offer under a prospectus dated 8 June 2016 by the issue of 24,000,000 fully paid ordinary shares at an issue price of $0.50 per share. Oventus Medical Limited was admitted to the Official List of ASX limited on 18 July 2016 and official quotation of its securities commenced on 19 July 2016.

Trade and other payables as at 30 June 2016 includes $762,422 of loans from directors. These have been repaid in full subsequent to year end, following the share issue detailed above.

There have been no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operation of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

21. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	30 June 2016 $	30 June 2015 $
Loss after income tax expense for the year	(2,341,078)	(180,579)
Adjustments for:		
Depreciation and amortisation	197,470	6,490
Share-based payments	41,533	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(162,329)	(35,843)
Increase in other assets	(553,771)	(3,060)
Increase in trade and other payables	604,364	137,064
Increase in employee benefits	38,365	-
Increase in other liabilities	19,568	-
Increase in research and development tax concession receivable	651,910	-
Net cash outflow from operating activities	(1,503,967)	(75,928)

22. EARNINGS PER SHARE

Earnings per share for profit/(loss) from continuing operations

Loss after income tax	(2,341,078)	(180,579)
Loss after income tax attributable to the owners of Oventus Medical Limited	(2,341,078)	(180,579)

	Numbers	Numbers
Weighted average number of ordinary shares used in calculating basic earnings per share	43,590,892	37,323,576
Weighted average number of ordinary shares used in calculating diluted earnings per share	43,590,892	37,323,576

	Cents	Cents
Basic earnings per share	(5.37)	(0.39)
Diluted earnings per share	(5.37)	(0.39)

3,362,258 options were issued during the year ended 30 June 2016 and could potentially dilute basic earnings per share in the future. However, they were not included in the calculation of diluted earnings per share as they are anti-dilutive for the year ended 30 June 2016.

FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2016

23. SHARE-BASED PAYMENTS

Employee option

Under the Consolidated Entity's Employee Share Option Plan, the Company has 2,960,794 (Tranche 1) options and 401,464 (Tranche 2) options outstanding as at 30 June 2016. The first tranche of options were issued to the Company's directors, employees and contractors under the Executive Share Option Plan and the second tranche of options was issued to the Company's Sales and Marketing Vice President under the Executive Share Option Plan.

Set out below are summaries of options granted during FY16 under the plan:

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Tranche 1							
24/02/2016	23/02/2021	$0.578	-	3,061,145	-	(100,351)	2,960,794
Tranche 2							
14/04/2016	13/04/2021	$0.725	-	401,464	-	-	401,464
				3,462,609	-	(100,351)	3,362,258

No options were exercised during the year ended 30 June 2016. No further shares have been issued since that date.

24. COMMITMENTS FOR EXPENDITURE

The Company has entered into two non-cancellable operating property leases and one licencing arrangement for the use of property. Minimum lease payments contracted for but not recognised in the financial information are payable as follows:

	30 June 2016 $	30 June 2015 $
Not later than 1 year	228,238	-
Later than 1 but not later than 5 years	244,538	-
Total	472,776	-

The Taringa office property lease is a non-cancellable lease with a 3-year term. Minimum lease payments shall be increased by fixed rate of 4% per annum.

The Sydney office property lease is a non-cancellable lease with a 2-year term. Minimum lease payments shall be increased by fixed rate of 4% per annum.

The licence agreement with Commonwealth Scientific and Industrial Research Organisation (CSIRO) is for the use of property and is for a licence period of 2 years, with licence and service fees payable monthly in advance. Contingent provisions within the licence agreement require that the licence and services fees shall be increased by the consumer price index (CPI) per annum.

There were no capital expenditure commitments contracted for as at 30 June 2016.

DIRECTORS' DECLARATION

For the year ended 30 June 2016

In the directors' opinion

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Mr Melvyn John Bridges
Director

28 September 2016
Brisbane

FINANCIAL REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OVENTUS MEDICAL LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Oventus Medical Limited ("the company") which comprises the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

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

AUDITOR'S RESPONSIBILITY

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

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

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

INDEPENDENCE

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

OPINION

In our opinion:

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

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii. complying with Australian Standards and the Corporations Regulations 2001; and

b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 7 to 9 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

OPINION

In our opinion the Remuneration Report of Oventus Medical Limited for the year ended 30 June 2016 complies with s 300A of the Corporations Act 2001.

PKF Hacketts

PKF Hacketts Audit

Liam Murphy
Partner
Brisbane, 28 September 2016

SHAREHOLDER INFORMATION

30 June 2016

The shareholder information set out below was applicable as at 31 August 2016.

DISTRIBUTION OF EQUITABLE SECURITIES

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Units	% of total shares issued
1 to 1,000	77	62,717	0.09
1,001 to 5,000	189	576,465	0.80
5,001 to 10,000	138	1,216,876	1.69
10,001 to 100,000	285	10,233,408	14.21
100,001 and over	50	59,910,534	83.21
	739	72,000,000	100.00
Holding less than a marketable parcel	-	-	

EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary Shares	
	Number held	% of total shares issued
CHRISTOPHER PATRICK HART <CHD IP ACCOUNT>	26,126,513	36.29
NEIL LAWRENCE ANDERSON <ANDERSON FAMILY A/C>	5,698,477	7.91
UBS NOMINEES PTY LTD	4,466,214	6.20
MOBIUS MEDICAL INVESTMENTS PTY LTD <MOBIUS MEDICAL INV UNIT A/C>	3,732,390	5.18
NEW HIGHLAND PTY LTD <KING FAMILY A/C>	2,007,318	2.79
CERALIUS PTY LTD <BRIDGES A/C>	1,866,195	2.59
TIGA TRADING PTY LTD	1,254,574	1.74
BOND STREET CUSTODIANS LIMITED <LAM1 - D08047 A/C>	1,200,000	1.67
BOND STREET CUSTODIANS LIMITED <LAM1 - D08059 A/C>	1,200,000	1.67
BRISBANE ANGELS NOMINEES PTY LTD <BRISBANE ANGELS A/C>	1,053,842	1.46
BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	1,003,659	1.39
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>	828,774	1.15
NATIONAL NOMINEES LIMITED	817,953	1.14
CHEN DENTAL HOLDINGS PTY LTD	752,744	1.05
J P MORGAN NOMINEES AUSTRALIA LIMITED	710,917	0.99
PARMA CORPORATION PTY LTD	696,300	0.97
CITICORP NOMINEES PTY LIMITED	650,553	0.90
MR GREGORY WAYNE BROWN + MRS STEFANIE BROWN <GW BROWN FAMILY S/FUND A/C>	465,000	0.65
DIXSON TRUST PTY LTD	450,000	0.63
BRIAN T DONNELLAN PTY LTD <BT DONNELLAN SUPER FUND A/C>	371,354	0.52
	55,352,777	76.88

FINANCIAL REPORT

SHAREHOLDER INFORMATION CONTINUED

30 June 2016

Unquoted equity securities

	2016 Number
Employee options	3,362,258

SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below:

	Ordinary Shares	
	Number held	% of total shares issued
Christopher Hart	26,126,513	36.29
Neil Anderson	5,698,477	7.91
TIGA Trading Pty Ltd	4,880,031	6.78
Mobius Medical Investments Pty Ltd	3,732,390	5.18

VOTING RIGHTS

The voting rights attached to ordinary shares and options are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

There are no voting rights attached to options. Upon exercise of the option, the issued shares will confer full voting rights.

Warrants

There are no voting rights attached to warrants. Upon conversion of the warrant, the issued shares will confer full voting rights.

There are no other classes of equity securities.

CORPORATE DIRECTORY

DIRECTORS

Melvyn John Bridges - Chairman
Neil Anderson - Managing Director and CEO
Christopher Hart - Clinical Director and Founder
Sue MacLeman - Non-Executive Director

COMPANY SECRETARY

Stephen Denaro

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Oventus Medical Limited will be held at:

McCullough Robertson
Level 11
66 Eagle St Brisbane QLD 4000
Monday, 21 November 2016
1:00pm

REGISTERED OFFICE

Suite 1
1 Swann Road
Indooroopilly QLD 4068
Telephone: (07) 3831 8866

PRINCIPAL PLACE OF BUSINESS

Suite 1
1 Swann Road
Indooroopilly QLD 4068

SHARE REGISTER

Computershare Investor Services Pty Limited
117 Victoria Street
West End QLD 4101
Telephone: 1300 787 272

AUDITOR

PKF Hacketts Audit
Level 6
10 Eagle Street
Brisbane QLD 4000

STOCK EXCHANGE LISTING

Oventus Medical Limited shares are listed on the Australian Securities Exchange (ASX code: OVN)

WEBSITE

www.oventus.com.au

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement of Oventus Medical Limited is available from our website www.oventus.com.au via the tab headed "Investor Centre".

OVENTUS™

BETTER SLEEP, BETTER HEALTH AND A BETTER LIFE