OVENTUS™

ANNUAL REPORT 2017

CHANGING TREATMENT

CHANGING LIVES

CONTENTS

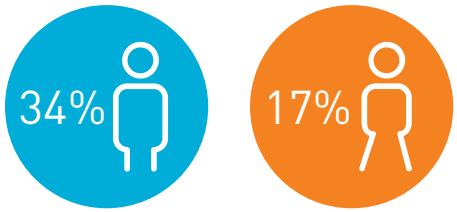
ABOUT OVENTUS MEDICAL LIMITED

Oventus Medical Limited (ASX: OVN) has commercialised a range of oral devices to provide clinically superior outcomes for patients in the fast-growing markets of obstructive sleep apnoea (OSA) and snoring. Additional complementary products are being developed that are designed to provide a viable alternative for people that are currently prescribed a mask connected to a Positive Airway Pressure (PAP) machine.

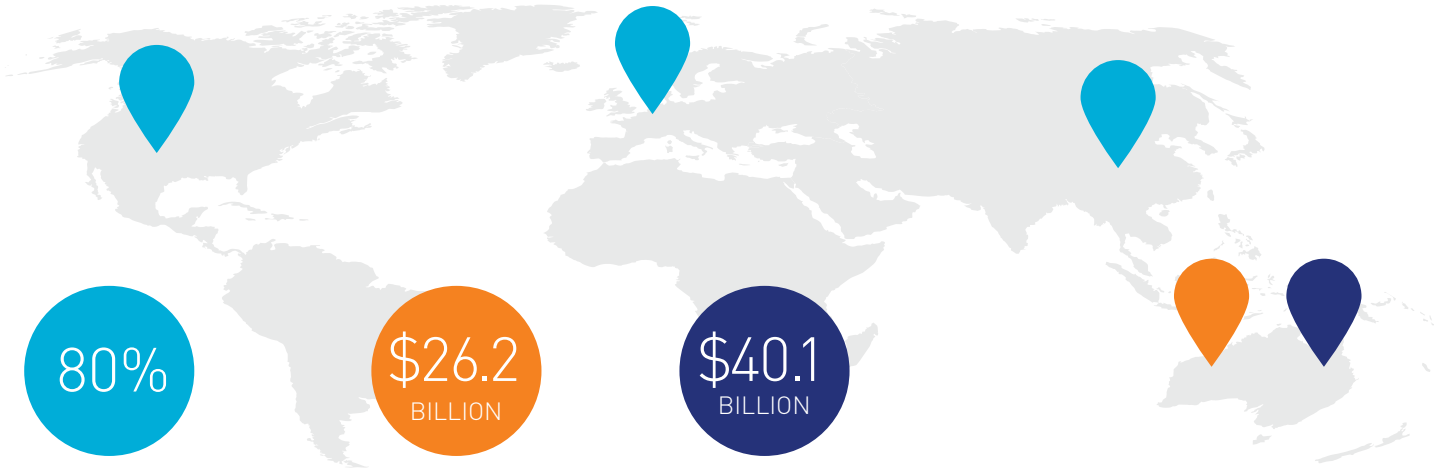
WHAT IS OBSTRUCTIVE SLEEP APNOEA?

Obstructive Sleep Apnoea – or OSA – is the most common type of 'sleep apnoea'. It affects around 34% of men and 17% of women[1].

OSA impacts the way people breathe when they are sleeping, where breathing is briefly interrupted or becomes very shallow during sleep. It occurs when the soft tissue in the back of the throat relaxes during sleep and blocks the airway, often causing snoring as well.



OSA IS A GLOBAL HEALTH AND ECONOMIC ISSUE[2,3]



80%

The number of sufferers which are out of care. Many people find it difficult to tolerate the current gold standard treatment – a mask connected to a positive airway (PAP) machine

$26.2 BILLION

Inadequate sleep imposed financial losses of $26.2 billion in Australia alone, in 2016-17

$40.1 BILLION

Inadequate sleep contributed to loss of wellbeing valued at $40.1 billion in Australia alone, in 2016-17

OSA IS A SERIOUS DISORDER WHICH CAN LEAD TO MUCH GREATER HEALTH IMPLICATIONS

Immediate OSA effects include:

- Fatigue
- Daytime sleepiness
- Lost productivity
- Occupational health and safety risk

Recognised longer term issues include:

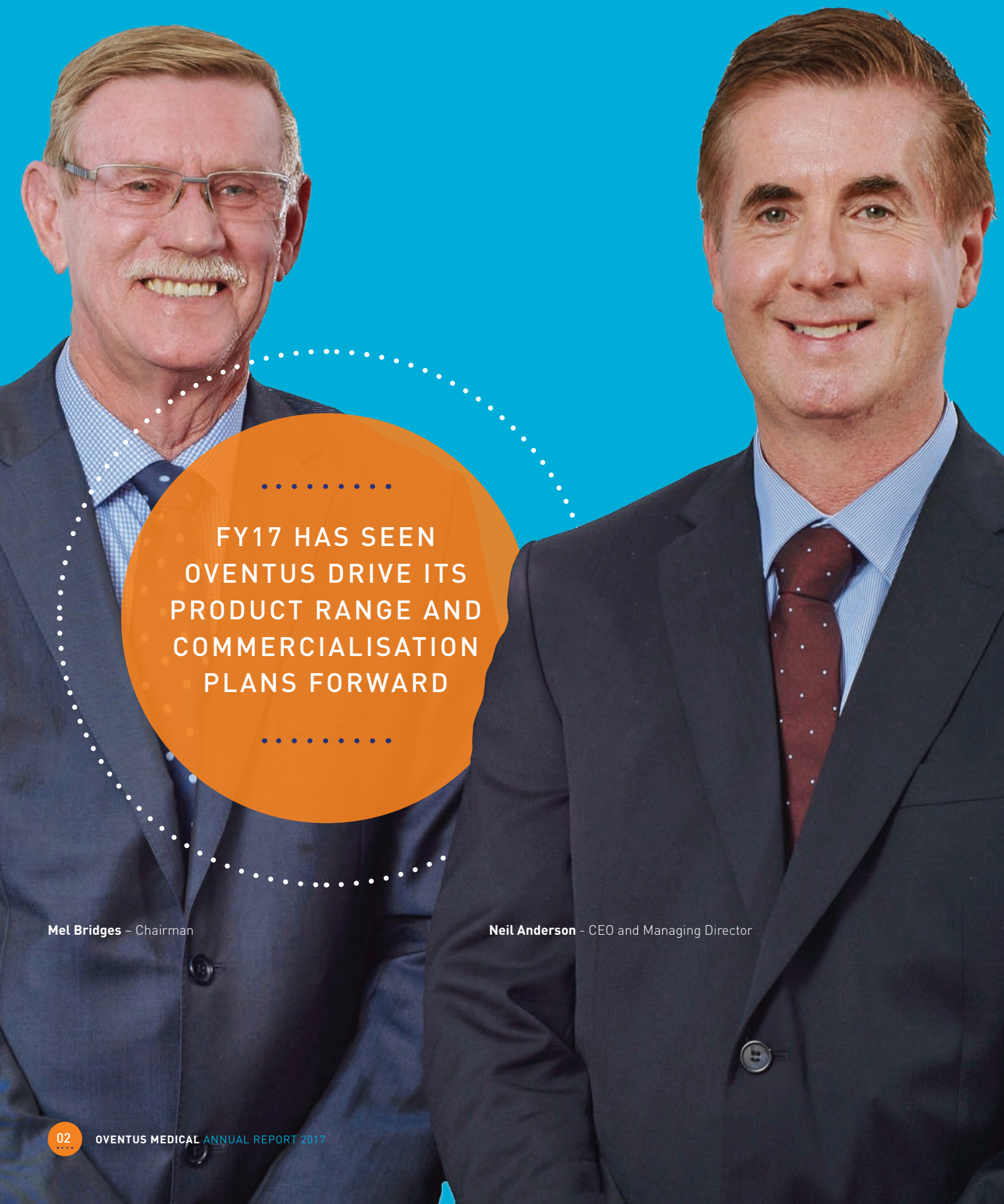
- Diabetes
- Strokes
- Heart Disease
- High blood pressure
- Heart failure
- Depression
- Increased incidence of accidents and workplace injuries

[1] Peppard PE, Young T, Barnet JH, Palta M, Hagen EW, Hla KM. Increased prevalence of sleep-disordered breathing in adults. American Journal of Epidemiology 2013; 177:1006-14

[2] Sleep Apnea Diagnostic & Therapeutic Devices Market report, Markets and Markets, page 40

[3] Asleep on the job Costs of inadequate sleep in Australia, Sleep Health Foundation, August 2017

CHAIRMAN'S AND MANAGING DIRECTOR'S MESSAGE



FY17 HAS SEEN OVENTUS DRIVE ITS PRODUCT RANGE AND COMMERCIALISATION PLANS FORWARD

Mel Bridges – Chairman

Neil Anderson - CEO and Managing Director

CHANGING TREATMENT

CHANGING LIVES

Dear Shareholders, we are delighted to present Oventus Medical's annual report for the 2017 financial year.

The theme of this year's report is *Changing Treatment, Changing Lives,* which speaks to the positive impact that the Oventus Airway range of oral appliances for Obstructive Sleep Apnoea (OSA) has made on patients using our O_2Vent appliances. During the year in review, we received consistent feedback from individual patients and via our clinical trials that these new treatments for OSA really do have the ability to significantly change lives.

Indeed on all fronts, it has been a productive and exciting year as we have worked to enhance and commercialise our proprietary product range. The year culminated with the signing of a key manufacturing and distribution agreement with the world-leading Modern Dental Group, designed to enable the treatment of patients through Modern's global dental channel and consequently ramp up Oventus' product sales.

Our technology is unique in what is already a large and lucrative market with just 20% of patients in care. Our O_2Vent oral appliances are the only technology on the market that address resistance and obstructions at all levels of the airway to enhance airflow and, as a solution that is well-tolerated by patients, improve treatment outcomes. As such, our O_2Vent oral appliance devices are distinct from our competitors in this large and lucrative field.

SLEEP – A LARGE AND GROWING MARKET

Sleep disorders are a large and often undiagnosed problem across the globe. We know that sleep apnoea affects between 4-9%[4] of the global population. In the USA alone, there were estimated to be 22 million[5] sleep apnoea sufferers in 2015. The global market is expected to be worth about US$5.61 billion by 2020[6] – and that is acknowledging that only 20% of sufferers are currently in care. On average, these numbers are growing by a 15-20% compound annual growth rate, making the market opportunity to assist patients enormous.

THE PROBLEM WITH EXISTING TREATMENT OPTIONS

We know that around 80% of patients are out of care. While some are yet to be diagnosed, many sufferers have fallen out of care because of their inability to tolerate the existing standard of care treatment called CPAP – or Continuous Positive Airway Pressure. CPAP requires patients to wear a mask to bed which is designed to keep the airways open while they sleep, to prevent them from having "sleep events" (a phrase that refers to what happens when patients stop breathing whilst sleeping).

When used well, CPAP devices are tremendously effective. The trouble is that 50%[7] of patients find they can't tolerate them and they fall out of treatment after a year. The issue with CPAP occurs as patients can find it hard to adhere to wearing a facial mask, and have discomfort associated with high operating pressures which are necessary to keep the breathing airway open.

[4] https://www.nature.com/articles/srep28712

[5] https://www.sleepapnea.org/learn/sleep-apnea-information-clinicians/

[6] Sleep Apnoea Diagnostic & Therapeutic Devices Market, Global End-User Analysis, Competitive Landscape & Forecast to 2020, Markets and Markets 2015, Table 98, calculated using a conversion of US$1=Aust$1.30. China data – Anti-snoring Devices and Snoring Surgery Market: 2016-2024 p101. Excludes cost of CPAP machine.

[7] Ballard RD, Gay PC, Strollo PJ. Interventions to improve compliance in sleep apnoea patients previously non-compliant with continuous positive airway pressure (CPAP), JCSM 2007, Vol 3, No7, 706-12. Collen, J., Lettieri, C., Kelly, w., and Roop, S. Clinical and polysomnographic predictors of short-term continuous positive airway pressure (CPAP) compliance

CHAIRMAN'S AND MANAGING DIRECTOR'S

MESSAGE

OUR O_2VENT ORAL APPLIANCE

Our appliances are built with the patient in mind; each O_2Vent is custom fitted and 3D printed for the comfort of patients. This negates the need for surgical interventions and other less tolerable alternatives.

The O_2Vent incorporates Oventus' proprietary airway technology which allows patients to breathe through the device airway in the mouth, delivering air to the back of the tongue via a channel while also bringing forward the lower jaw to create space in the throat area. The appliance acts like a second nose and reduces negative pressure swings and addresses multiple levels of obstruction while breathing. Additionally the O_2Vent treatment platform is being adapted as a mask-less and ultralow pressure CPAP interface, making CPAP treatment more tolerable for those that require it. The O_2Vent is unlike other oral appliances which only bring the lower jaw forward and deal with tongue based obstructions.

The O_2Vent is a cost effective and patient-friendly solution which is relatively easy to access and can deliver immediate relief to patients. For many of our patients who have struggled for years to find an acceptable and tolerable treatment, the O_2Vent appliances have been life changing.

We believe our product range can deliver a superior solution for patients that are currently in care and, and those who are out of care. As we move into FY18, Oventus is positioning itself to begin capturing greater share of those two customer segments, with the support of strong distribution relationships and an expanded product range.

KEY AGREEMENTS TO LEAD GLOBAL GROWTH

While we announced several important agreements in FY17, key to accelerating sales in 2018 was the global distribution agreement we executed with Modern Dental Group right at the close of FY17 in June.

Modern is the world's largest dental prosthetic device provider. The company is based in Hong Kong and listed on the Hong Kong Stock Exchange, with over 70 sales and customer service centres across major markets such as North America, Europe, Australia and the Greater China regions. We are now preparing to launch our range with Modern Dental, and we believe our collaboration with this group will provide us with a strong foothold in the US, where it is our exclusive partner, as well as into other geographic markets including Australia.

The agreement between Oventus and Modern Dental is significant. Under the arrangement, Modern will take global ownership for distributing Oventus' oral devices through their dental channels. All sales, marketing and distribution of Oventus' devices will become the responsibility of Modern.

THE O_2VENT IS A COST EFFECTIVE SOLUTION WHICH IS EASY TO ACCESS AND CAN DELIVER IMMEDIATE RELIEF TO PATIENTS

CHANGING TREATMENT

CHANGING LIVES

For Oventus, this tremendous arrangement enables us to direct our limited resources towards supporting a large and very engaged channel partner. The Oventus team will supply Modern with training, marketing assistance, product and close support to facilitate the successful sale into Modern's global dental channel. We have also reached a cost effective co-manufacturing agreement with Modern.

We continue to develop in-house ways in which we can more quickly reach sufferers of OSA, and will have another innovation in market in 2018 through the development of a temporary 'boil and bite' O_2Vent device. This would see sufferers visit a sleep clinician or pharmacist and leave with a trial device. This could be while a custom-made, more expensive device is being manufactured or before committing to investing in a titanium custom-made version of the product. We expect this will translate to more sales of the full product over time, while providing an entry-level product for patients who need to be convinced of the merits of this new approach.

TAPPING INTO THE CPAP MARKET

Through another product innovation, our O_2Vent oral appliance range will importantly also have a role in the burgeoning CPAP market.

We are in the process of developing an Oventus branded "PAP connection", a device which can provide additional airway support when connected to one of our oral appliances. We are on track to file for regulatory clearance for this exciting product in the first half of calendar 2018.

Once in market, the Oventus CPAP device will enable patients to access the benefits of conventional CPAP technology without the need to wear a facial mask, by connecting the CPAP device to the O_2Vent. The CPAP connection is also able to operate at significantly lower pressure thereby creating a far more comfortable and tolerable experience for patients.

We believe the addition of a CPAP connector into our range places Oventus in a unique position to meet the needs of patients across the spectrum of oral appliances and existing CPAP devices who have mild to severe sleep apnoea.

MEETING REGULATORY AND CLINICAL MILESTONES

An important milestone was met immediately after the financial year end whereby the USA FDA cleared our O_2Vent winged device for sale and marketing approval in the US market. This device is also listed in Australia on the Australian Register of Therapeutic Goods (ARTG).

We continue to build clinical evidence to validate our O_2Vent device and CPAP interface. A number of studies are ongoing and we expect to release results later this year and early next year.

FUNDING ACTIVITIES AND INVESTOR RELATIONS

Oventus listed on the ASX in July 2016 with a fully subscribed initial public offering. We were pleased to have the opportunity to meet with investors in both 1:1 meeting settings and via conferences.

In June 2017, we announced a $7 million capital raise, and we are greatly appreciative to our shareholders for their support in this process. This capital will be used to accelerate sales alongside Modern Dental Group, complete R&D for key products, progress clinical trials and secure regulatory approvals. The culmination of our efforts throughout the year puts us in a strong position to achieve key milestones ahead of us, including becoming cash flow positive in 2019.

We would like to thank fellow Board members, our founder and Clinical Director, Dr Chris Hart, and the entire Oventus team for their dedication and hard work throughout the year. We would also like to thank our shareholders for their continued support, and we look forward to engaging with you in the year ahead while we continue along our path to changing treatments and changing lives for the patients we serve.

Yours sincerely,

Mel Bridges
Chairman

Mr Neil Anderson
CEO and Managing Director

OPERATIONS

OVERVIEW

Oventus commenced the year with a successful, fully subscribed Initial Public Offering on the Australian Securities Exchange, with listing complete on 19 July 2016.

In the months which followed listing, the Company made strong advancements with its plans to change the treatment landscape for patients suffering from Obstructive Sleep Apnoea (OSA) and disrupt the multi-billion dollar global sleep devices market.

Core operational activities were focused on bringing appliances to market during the period, and included the formation of partnership agreements; clinical validation trials of the O_2Vent range of oral appliances, product innovation - which included work on a trial oral appliance and the introduction of a CPAP connection device; obtaining regulatory clearances, grants and funding activities.

A top line summary of key announcements and activities from the year is presented on the following pages:

OVENTUS HAS SIGNED A NUMBER OF STRATEGIC PARTNERSHIPS TO SUPPORT THE GLOBAL ROLLOUT OF ITS O_2VENT PRODUCT RANGE

CHANGING TREATMENT

CHANGING LIVES

PARTNERSHIPS

Oventus signed a number of strategic partnerships to support the global rollout of its proprietary O_2Vent product range culminating in the world wide distribution agreement with Modern Dental Group to grow sales in the dentist channel.

- 28th October 2016 – Oventus announced a strategic collaboration agreement with 1300SMILES Ltd dental group, paving the way for Oventus to expand in Australia.
- 1st February 2017 – Oventus announced a strategic collaboration agreement with Zhuhai Blue Ocean Strategy, a Chinese company with over 600 hospitals in their network, many of which have Ear, Nose and Throat (ENT) sleep clinics.

  The agreement will allow Oventus to penetrate the growing problem of OSA in China. It is currently estimated that the Chinese market has in excess of 70 million OSA sufferers.
- 30th May 2017 – Oventus signed a manufacturing agreement with Modern Dental Group for the co-manufacture of the O_2Vent range of products. The agreement will see Oventus design and 3D print its proprietary titanium airway oral appliance, and Modern Dental will manufacture the polymer insert utilising traditional dental laboratory manufacturing methods.
- 20th June 2017 – Oventus expanded its partnership with Modern Dental with the signing of a world-wide distribution agreement. The agreement will see Modern Dental distribute the proprietary O_2Vent product range into its dentist channel globally.

Modern Dental is Hong Kong stock exchange-listed and has over 70 sale and customer service centres covering North America, Europe, Australia and the Greater China regions. In the United States, Modern Dental covers one quarter of local dentists (approximately 34,000 dental offices), in Europe holds top three positions in all major European countries by market share, and operates the largest dental network in Australia.

The agreement is a key milestone for Oventus as it scales up its global rollout in the dentist channel.

GRANTS

Oventus successfully pursued non-dilutive funding opportunities by way of grants during the year.

- 8th February 2017 – Oventus announced that its application under the government's Cooperative Research Centre (CRC) Program, totalling $2.95 million over three years, had been successful, with the goal to improve sleep apnoea monitoring and treatments.

  The grant will fund 180 patients in Oventus' "NeuRA" study, assessing its O_2Vent and strapless interface using CPAP technology.

Oventus is the lead participant in the CRC-P along with Medical Monitoring Solutions Pty Ltd, Neuroscience Research Australia (NeuRA), Western Sydney University and CSIRO.

OPERATIONS

OVERVIEW

CLINICAL TRIALS AND PEER REVIEW

Significant clinical progress was made in validating the benefit of the Oventus Airway Technology and Continuous Positive Airway Pressure (CPAP) connection, with clinical trial sites set up in Brisbane, Perth and Sydney. These trials will assist Oventus' marketing efforts, particularly into the sleep clinician channel, and provide further clinical validation.

- 26th July 2016 – Oventus announced the recruitment of its first patient for its clinical trial for the O_2Vent T to assess comfort, safety and efficacy ("Brisbane study"). The trial will enrol 40 patients.
- 19th July 2016 – Oventus announced it had exhibited at the American Academy of Dental SLEEP and SLEEP medicine conference in Denver.
- 24th January 2017 – Oventus announced results of its pilot study for its O_2Vent and strapless interface using CPAP ("NeuRa study").

  A 78% reduction in respiratory events was found for the O_2Vent, treatment outcomes improved with the addition of the Oventus airway into an oral appliance and when connected with a CPAP device it was found that operating pressure could be reduced by 66%.
- 1st May 2017 – Oventus announced an expansion to its "NeuRA study".

  The study is funded via a grant under the government's CRC Program totalling $2.95 million. 180 patients will be recruited over three years into the trial. Interim results from the trial's first cohort will be released in the first half of calendar 2018.
- 3rd May 2017 – Oventus announced that a paper outlining the result of the pilot clinical trial was accepted as a peer reviewed article into the Journal of Dental Sleep Medicine (JDSM). It was also announced that two further clinical trials in Brisbane and Perth were progressing well.

The "Brisbane study" reached full recruitment of 40 patients. Results will be released in the first half of calendar 2018.

The "Perth study" opened for recruitment, targeting 30 patients to assess the impact on upper airway mechanics from various levels of lower jaw advancement. An abstract will be presented in Auckland at the ASA Conference in late October 2017. Results are due to be released in the first quarter of calendar 2018.

- 7th June 2017 – Oventus announced results of its positive pilot clinical data to the American Academy of Dental Sleep Medicine in Boston from its "NeuRA study".

Further interim results of the "NeuRA" expansion study were released at the World Sleep Congress in Prague in October 2017.

RESEARCH AND DEVELOPMENT

Significant advancement was made across a number of models in the proprietary O_2Vent appliance range and the Continuous Positive Airway Pressure (CPAP) connection. The O_2Vent appliance range includes the O_2Vent Mono, O_2Vent Titratable and O_2Vent Wings.

These appliances allow Oventus to bridge the gap between existing oral jaw advancement appliances for mild OSA, and CPAP machines with a mask for severe OSA.

A number of products are under development for release in 2018 including the O_2Vent trial device – a composite low cost entry device, Combibite - used by dentists to take an impression and bite record of patient's mouth and HME - a sponge for use inside the O_2Vent to control dry mouth.

CHANGING TREATMENT

CHANGING LIVES

REGULATORY CLEARANCES AND CERTIFICATIONS

Oventus received certification for a manufacturing facility equipped with 3D titanium printing and received additional regulatory clearances for the O_2Vent T and O_2Vent W devices in Australia and the US.

- 26th September 2016 – Oventus announced it received FDA clearance in the US for its O_2Vent model T (titratable device). The launch in the US of the O_2Vent model T was announced on 18th January 2017.
- 8th February 2017 – Oventus announced it had received Medical Device Single Audit Program (MDSAP) quality management certification across multiple geographies (Australia, Europe, USA, Canada, Japan and Brazil).

Certification is a key requirement for the design, development, manufacture and distribution in multiple geographies of Medical Devices and forms an important element of Oventus' global rollout plans. The certification followed granting of the ISO13485 best quality practice certification within the medical device industry.

- 5th May 2017 – Oventus announced the submission to the US 510K FDA for its O_2Vent W (winged or dorsal flex) appliance to be sold in the US. In addition, it was announced that the O_2Vent W was listed on the TGA's Australian Register of Therapeutic Goods (ARTG) in March 2017.
- 12th July 2017 – Oventus announced it had received US510K FDA clearance for its O_2Vent W. The device will be exclusively distributed through Modern Dental Group's US dental channel, and non-exclusively distributed throughout the rest of Modern's network.

FUNDING ACTIVITIES

Oventus listed via an initial public offering (IPO) on the Australian Securities Exchange (ASX) in July 2016. In line with the Company's strategy to ramp-up sales of its O_2Vent product range, a further capital raising was undertaken to bolster working capital in June 2017.

- 19th July 2016 – Oventus announced its fully subscribed listing on the ASX, raising $12 million at an offer price of $0.50 cents per share.
- 22nd June 2017 – Oventus announced a capital raising via a share placement of $7.0 million at $0.36 per share.

The proceeds were raised to increase working capital and build sales by co-marketing with distribution partners, in particular Modern Dental Group, complete R&D and regulatory approvals for current products under development, complete current clinical trials and scale production in collaboration with manufacturing partners.

CHANGING TREATMENT

CHANGING LIVES

For years, OSA has been difficult to treat, owing to the fact that many patients find it hard to tolerate the existing gold standard of treatment, called Continuous Positive Airway Pressure, or CPAP. In fact, 50% of patients do not adhere to proper use of their CPAP therapy within a year of trying it[8] due to discomfort associated with the high pressures, face mask and other factors.

Traditional CPAP technology pumps air into a patient's throat via a mask that is worn to bed and is designed to prevent the airway from collapsing, and causing 'sleep events', which disrupt the sleep cycle.

Oventus' O_2Vent technology is the first major innovation in the treatment of sleep apnoea for years, offering a unique alternative for snorers and sufferers of mild-to-moderate obstructive sleep apnoea (OSA). It also offers an alternative to those who cannot tolerate CPAP, the treatment for more severe cases.

[8] Ballard RD, Gay PC, Strollo PJ. Interventions to improve compliance in sleep apnoea patients previously non-compliant with continuous positive airway pressure (CPAP), JCSM 2007, Vol 3, No7, 706-12

Collen, J., Lettieri, C., Kelly, w., and Roop, S. Clinical and polysomnographic predictors of short-term continuous positive airway pressure (CPAP) compliance

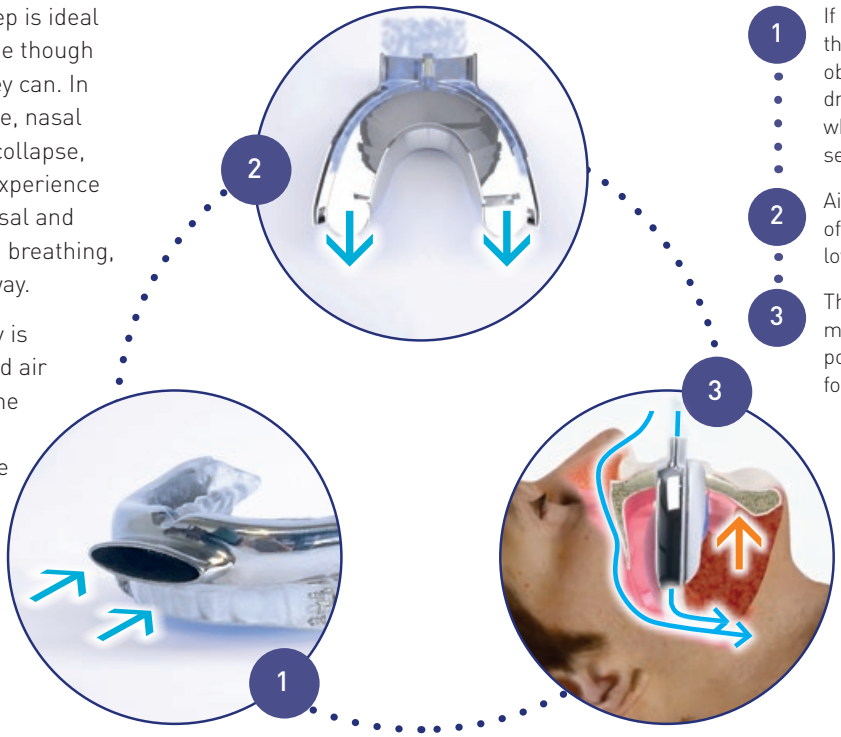
CHANGING TREATMENT

CHANGING LIVES

HOW OVENTUS AIRWAY TECHNOLOGY WORKS

Nose breathing during sleep is ideal and patients should breathe though their nose to the extent they can. In the case of nasal resistance, nasal obstruction or soft palate collapse, a patient would normally experience a respiratory event or arousal and may then convert to mouth breathing, leading to an unstable airway.

Oventus Airway Technology is designed to allow continued air flow to the oropharynx in the presence of nasal or soft palate obstruction. If device breathing is required during sleep, an oral seal is maintained and ventilation normalises.



1. If there is reduced flow through the nasal airway or a soft palate obstruction occurs, air can be drawn into the front of the device while the lips maintain an oral seal around the device extension
2. Air passes through to the back of the device in an enclosed, low resistance pathway
3. The device advances the lower mandible to stabilise jaw position, bringing the tongue forward and opening the airway.

RECENT CLINICAL TRIALS HIGHLIGHT HOW O_2VENT TECHNOLOGY CAN CHANGE LIVES

The O_2Vent oral devices enable patients to breathe better at night and thereby reduce sleep events' thanks to the proprietary Oventus Airway Technology's' ability to regulate breathing pressure between the nose and mouth.

Clinical results of the O_2Vent appliances are indicating that they are superior to any of the existing oral devices currently on the market. Trials are consistently demonstrating their ability to reduce snoring and decrease the patient's Apnoea-Hypopnoea Index (AHI - the main OSA measurement score) more than other oral appliances.

In clinical trials, we saw patients achieve the following outcomes:

- 100% of patients experienced significant improvement in snoring
- 82% of patients experienced complete elimination of snoring
- 76% of patients decreased their Apnoea-Hypopnoea Index (AHI) by more than 50%.

CLINICAL TRIALS ARE CONSISTENTLY DEMONSTRATING THE O_2VENT ORAL APPLIANCE'S ABILITY TO REDUCE SNORING AND DECREASE THE PATIENT'S MAIN OSA SCORE MORE THAN OTHER ORAL APPLIANCES.

"I HAVE USED THE OVENTUS DEVICE FOR 3 YEARS AND IT IS AMAZING.

No snoring and so easy to carry around. Used it right through Europe and did not have to worry about electricity or extra bags. Used a CPAP for 20 years. Now I am so free from all that. I love it!"

Jeanne Marshall

CHANGING TREATMENT

CHANGING LIVES

A RANGE OF TREATMENT OPTIONS TO SUIT PATIENT PREFERENCES

Our product range, which continues to grow and develop, delivers comprehensive treatment options for people suffering from OSA.

CURRENT RANGE

The range currently includes three oral devices – the O_2Vent Mono, O_2Vent Titratable and O_2Vent Wings,which provide patients and their dentists a range of fit-types to work with:

1

O_2Vent Mono

Original device. Delivers clinically superior OSA outcomes to competing oral devices.

2

O_2Vent T (Titratable)

Works in the same manner as Mono, but jaw position can be adjusted by patient at the front of the appliance.

3

O_2Vent W (Wings)

Works in the same manner as Mono, but jaw position can be adjusted by the patient – on each side of the appliance.

CHANGING TREATMENT

CHANGING LIVES

PRODUCT INNOVATIONS

Following further research and development during FY17, the below devices are expected to be in market in coming months.

4

O_2Vent trial device

A composite low cost entry device. The O_2Vent trial device will enable patients to try the Oventus airway technology at a significantly cheaper price point than with the current titanium models. This new product, to be sold over the counter at chemists, represents a low-cost, low risk option which allows Oventus to compete with the popular 'boil and bite' devices, typically sold as dental trial devices and through pharmacy channels.

5

Combibite

Used by dentists to take an impression and bite record of a patient's mouth so a personalised device can be created. The Combibite is an accessory that helps dentists take an accurate impression of a patient's mouth, to enable the O_2Vent titanium devices to be produced quickly and accurately.

6

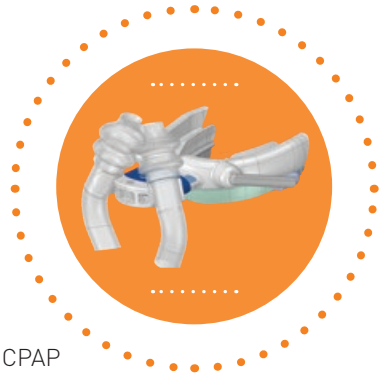
Heat Moisture Exchange (HME) sponge

Sponge for use inside appliance airway opening to control dry mouth. The HME is an innovation to make the O_2Vent oral device range more comfortable if patients are suffering from dry mouth.

PROVIDING TREATMENTS THAT PATIENTS CAN BOTH TOLERATE AND BENEFIT FROM CLINICALLY

Oventus' devices sit between the current 'oral jaw advancement' (for mild sleep apnoea) and 'CPAP' standards of care (for severe sleep apnoea), providing a new treatment platform for patients depending on their sleep apnoea severity.

A significant innovation in the Oventus range is the Oventus O_2Vent + CPAP Connector, which is currently under development.



CPAP CONNECTION (UNDER DEVELOPMENT)

The Oventus CPAP connection is under development, and will connect the Oventus' O_2Vent with 'airway technology' to existing CPAP devices (e.g. those supplied by ResMed). It will replace the traditional facial mask technology.

The connector is expected to provide traditional CPAP users with a major improvement in comfort and offer the potential to operate CPAP devices at significantly lower pressure, providing a more tolerable experience.

The connection will enable the use of smaller, lower pressure CPAP machines (currently in development), which can operate with minimum noise and are more portable for patients.

The CPAP connection is expected to be available through sleep clinicians and work is underway to prepare both the nasal only and nasal / oral CPAP connectors for regulatory clearance. Submissions for clearance are expected to be lodged in FY18.

OUR BUSINESS STRATEGY

OVERVIEW

OSA and snoring are primarily treated by two groups of practitioners – dentists and sleep clinicians. As such, Oventus has a dual-channel approach to driving its range of therapeutic devices into the market.

DENTIST CHANNEL

Modern Dental Group (leading global dental prosthetics group) will undertake marketing and sales leveraging their large network (agreement signed June 2017).

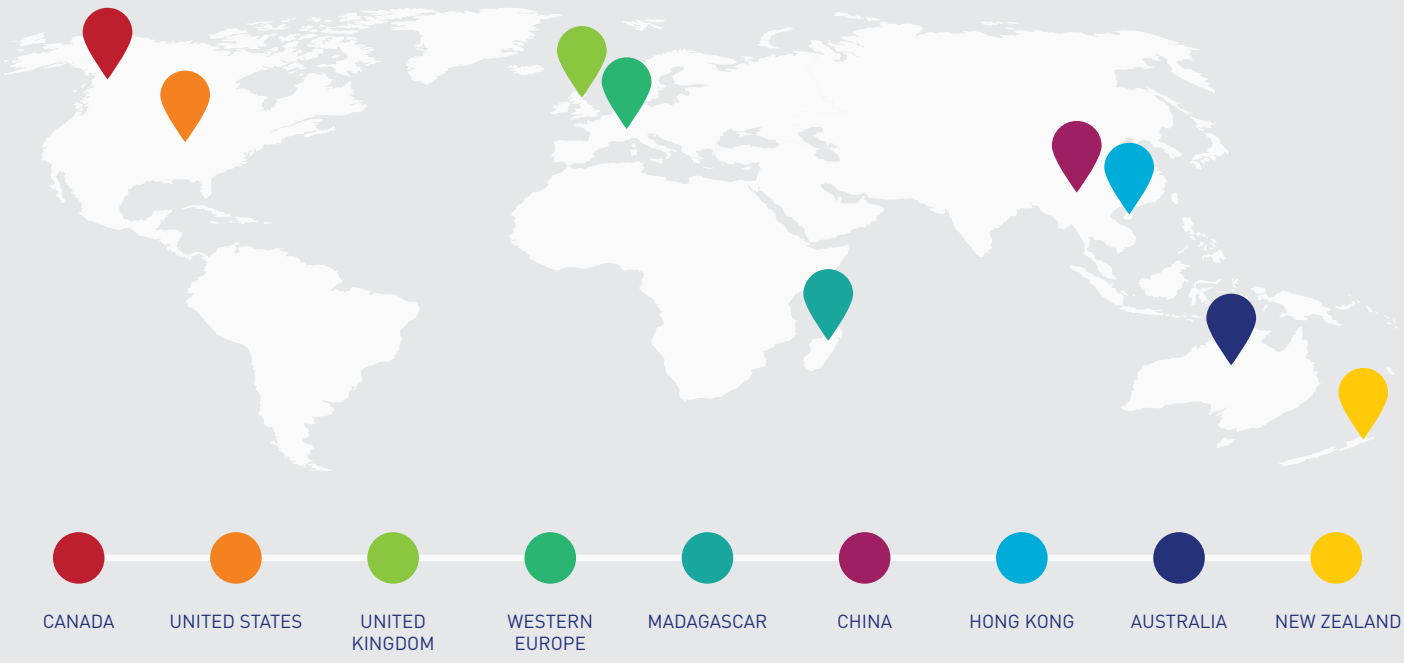
EXPLORING THE DENTAL CHANNEL

SIGNIFICANT PROGRESS MADE INTO THE DENTAL CHANNEL IN FY17

A major achievement was recorded at the end of FY17 when Oventus signed a co-manufacturing and distribution agreement with Modern Dental Group, the world's largest supplier of dental prosthetics, with a top three position in each of the world's major dental markets.

Through the agreement, Modern will assume responsibility for selling Oventus' oral appliance range into its global dental channels, with exclusivity in the USA and a non-exclusive agreement across the rest of the world.

MODERN DENTAL GROUP LOCATIONS



CHANGING TREATMENT

CHANGING LIVES

THE OVENTUS O_2VENT RANGE IS THE ONLY PREMIUM ORAL APPLIANCE RANGE THAT WILL BE SOLD BY MODERN DENTAL GLOBALLY.

Since signing the agreement with Modern in June 2017, work has commenced to prepare the Modern Dental team for a soft launch in October 2017, with key activities being:

- Training of sales and customer support teams launched in Australia and North America
- Development of "Modernised" marketing communications materials nearing completion
- Online training platform developed for Oventus-specific training
- Partnership with Tufts University Boston for dental sleep educational content and "independent" training
- Manufacturing and logistics partnership with Modern completed testing and ready for roll out from October

While Modern will be responsible for selling and marketing into its global channels, the Oventus team will closely support the roll-out, which is expected to occur in Australia and the United States from calendar Q4 2017 and in Europe later in CY18.

Revenues from the Modern agreement are expected to begin to make an impact in Q1 CY18.

A MAJOR MARKET OPPORTUNITY

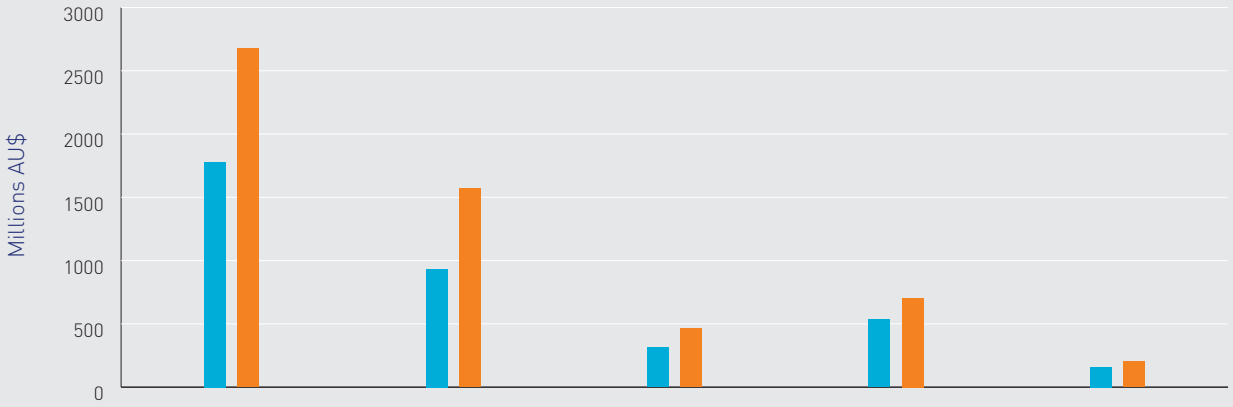
OSA is a massive market. Currently estimated to be valued at US$3.8 billion globally, the OSA market is growing at a compound annual growth rate of 15-20% with only 20% of sufferers in care.

Oventus' trial appliance and PAP connection which are currently under development are key to getting these patients into care.

CLINICAL TRIAL RESULTS SUPPORT MOVE INTO SLEEP CHANNEL

Clinical results for the Oventus Airway Technology have indicated that many patients that are currently prescribed CPAP therapy would benefit from the Oventus Airway Technology and the trial device and PAP connection will make it easier and more cost effective to convince both the sleep clinician and the patient that the Oventus Airway Technology is the best treatment option.

MARKET SIZE: ORAL APPLIANCE AND CPAP INTERFACE[9,10]



	USA	Europe	Asia Pacific	China	ROW
2015	1,780	933	311	535	159
2020	2,675	1,568	461	705	201

[9] Sleep Apnoea Diagnostic & Therapeutic Devices Market, Markets and Markets, Table 98. China data – Anti-snoring Devices and Snoring Surgery Market: 2016-2024 p101

[10] Excludes cost of CPAP machine

OUR BUSINESS STRATEGY

OVERVIEW

SPOTLIGHT ON THE AGREEMENT WITH MODERN DENTAL

The Modern Dental agreement announced in June 2017 sets Oventus up to fast-track global expansion.

- World-wide distribution and co-manufacturing agreement signed with HKSE-listed Modern Dental Group in June 2017
- World's largest dental prosthetic device provider
- US: cover ¼ of all dentists (approx. 34,000 dental offices with recent acquisition of Microdental)
- Europe: top 3 market share in all major countries
- Australia: largest dental laboratory network
- Listed on Hong Kong Stock Exchange (HKG:3600)
- 70+ sales and customer service centres overseas
- Focused on making custom-made prostheses, with Oventus' range being the only premium range that Modern will sell
- Global portfolio of brands
- Strong manufacturing capability
- Sales and customer support teams on the ground with sophisticated marketing systems
- Well-developed educational capability (currently delivering Invisalign training)
- Scalable on-boarding of "new" providers enabling Oventus to rapidly expand the oral appliance market

At the time of announcement, Mr Godfrey Ngai, Chief Executive Officer of Modern Dental said:

"With our recent acquisition of Microdental in the USA, we have an unmet need to supply an oral appliance for the treatment of sleep apnoea to our dentist customers.

We believe the Oventus O_2Vent range of devices provide the required features and benefits and clinical outcomes to meet the needs of our customers.

We have selected the O_2Vent range as the premium oral appliances that we take to market and distribute in the US."

Investors are invited to watch a video interview between Oventus' Founder and Clinical Director, Dr Chris Hart and CEO of Modern Dental Group in the US, Mike Girard in which the two discuss the work underway to prepare for a soft launch of the Modern agreement in the US and Australia in calendar Q4 2017.

To view the video, please visit the following link:
https://youtu.be/BHAZ-RdCXbY

"WE HAVE SELECTED THE O_2VENT RANGE AS THE PREMIUM ORAL APPLIANCES THAT WE TAKE TO MARKET AND DISTRIBUTE IN THE US."

Godfrey Ngai
CEO – Modern Dental Group

CHANGING TREATMENT

CHANGING LIVES

EXPLORING THE SLEEP PHYSICIAN CHANNEL

DIAGNOSING SLEEP APNOEA

The typical diagnosis process for sleep apnoea involves a patient visiting a sleep physician (usually referred by a GP) and then being prescribed a sleep test - either at home or in a specialist clinic. Based on the results of the test, the physician will then recommend the treatment that is believed to be best for that patient.

Currently this is often the "gold standard" CPAP therapy especially if the patient has moderate to severe obstructive sleep apnoea. This is despite the non-compliance rate of CPAP therapy being approximately 50% after one year. Oral appliance therapy is growing in acceptance; however uptake is limited as that these devices are delivered by a different specialist – a dentist, can take weeks to deliver; and the patient is unsure of how well the therapy will suit them.

ADDRESSING THE SLEEP CHANNEL THROUGH PRODUCT INNOVATION

To address these issues, Oventus is developing a suite of products that are specifically designed to be delivered by the sleep physician.

During the year, significant progress was made in the development of Oventus' trial, or 'boil and bite' device as well as the Oventus' proprietary CPAP connector, which will connect the O_2Vent appliance range (including the trial device) into conventional CPAP machines. Both these developments are important to progressing Oventus' products into the sleep clinician channel. It will mean that the sleep clinician can fit and trial the Oventus airway technology on the day of the patient's appointment – with or without a PAP connection. This is similar to the current trialling of PAP therapy with a mask. Once the trial period is successfully completed, the patient can either continue with a trial appliance or have a custom made O_2Vent device delivered by the dentist.

DISTRIBUTION CHANNELS KEY TO TAPPING THE MARKET

It is anticipated that once cleared by the FDA, both the O_2Vent trial device and the PAP connection will be reimbursed in the USA, and like PAP masks, will be available through Durable Medical Equipment (DME) suppliers. In addition, similar to the way Modern Dental has been signed for distribution into the dental channel, Oventus will aim to sign an agreement with a distributor that has sleep clinicians as existing customers and/or has products delivered into the growing home care market.

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

CHANGING TREATMENT

CHANGING LIVES

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.

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.

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.

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 2017

CONTENTS

FINANCIAL REPORT

DIRECTORS' REPORT

For the year ended 30 June 2017

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 2017.

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:

Mel Bridges – Chairman

Neil Anderson

Christopher Hart

Sue MacLeman

Stephen Denaro – Company secretary

PRINCIPAL ACTIVITIES

During the year the principal activities of the Company consisted of the commercialisation and distribution of the O_2Vent™ T, in Australia, as well as development of a pipeline of products to treat segments of the snoring and sleep 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 $6,510,114 (30 June 2016: loss of $2,341,078)

As planned, the Consolidated Entity has continued to operate mainly as a research and development (R&D) company while preparing for a launch into overseas jurisdictions which are large market opportunities for the company's innovative product range. Development expenditure totalling $2,068,457 has been capitalised in the consolidated statement of financial position for 2017. The Consolidated Entity received $457,383 from the Australian Federal Government in January 2017 as a credit for the company's 2016 financial year R&D spend.

The Consolidated Entity signed the Modern Dental Group (MDG) to a global distribution agreement for the Oventus proprietary O_2Vent product range which is exclusive for the USA and non-exclusive for the rest-of-the-world. MDG is the world's largest dental prosthetic device provider with over 70 sales and customer services centres covering North America, Europe, Australia, and the Greater China regions. It is planned that this distribution relationship will be the focus for appliance sales to dentists. Training and marketing activities are well advanced with a ramp up in sales planned from the end of 2017.

This followed the Consolidated Entity's launch of its initial product (O_2Vent T) into the USA in late January 2017 (announced 18 January 2017) through initial pilot sites. An additional product, the O_2Vent W was developed and subsequently cleared by the Food and Drug Administration (FDA) in July 2017.

The Company also signed a collaborative agreement in China with a large hospital service company (announced 1 February 2017). The collaboration includes clinician training, clinical trialling and regulatory approvals prior to a product launch in China.

The Consolidated Entity has completed two capital raisings in the year ended 30 June 2017. Oventus Medical listed on the ASX in July 2016 raising $12 million through the issue of 24,000,000 fully paid ordinary shares at an issue price of $0.50 per share. A further $6,480,000 was received during the year ended 30 June 2017.The total transaction costs for the two issues amounted to $1,176,971.

It is planned that over the next 6 to 12 months most of the Consolidated Entity's product portfolio will be developed and the 3 current clinical trials will be completed. Products being developed, especially for the sleep clinician channel, include a trial appliance for faster delivery and patient evaluation and a Continuous Positive Airway Pressure (CPAP) connection to the appliance airway for severe sleep apnoea patients.

The R&D focus has switched to the recently announced Cooperative Research Centre Program (CRCP) which will receive $2.95 million funding over the next 3 years from the Australian Federal government's Department of Industry, Innovation and Science (announced 8 February 2017). Oventus is the lead participant with Medical Monitoring Solutions Pty Ltd with Neuroscience Research Australia (NeuRA), Western Sydney University (WSU) and CSIRO as the other participants.

Once the company is at the point with a more expanded product range and with additional clinical evidence valuing the company's novel airway, the emphasis for the company will switch to a wider market penetration. In preparation, over the next 6 months the Company plans to form additional collaboration for both manufacturing and distribution.

The significant factors underlying the operating performance were as follows:

1. A pilot marketing launch has been initiated in Australia for the O_2Vent™ T. As a result the Consolidated Entity earned $447,994 in revenue in 2017.
2. Setup for the wider launch is now underway following the recent signing of the Modern Dental Group to a world-wide distribution agreement with an initial focus on USA, Australia and Europe.
3. The O_2Vent™ T was submitted to the FDA as a 510k and was subsequently cleared for market release (announced 26 September 2016). Initial appliances were delivered through pilot or Beta clinical sites.
4. An FDA 510k submission for the O_2Vent W was completed in May 2017 and the product was subsequently cleared for sale in July 2017. The O_2Vent T and O_2Vent W appliances will be the main products sold through the global distribution arrangement with the Modern Dental Group. A manufacturing agreement with Modern Dental has also been signed which allow the Consolidated Entity to supply appliances in the anticipated volumes as per the distribution agreement.

5. The Consolidated Entity announced the completion of the first detailed physiological pilot study (24 January 2017) into the effect of the O_2Vent T on pharyngeal pressure swings, which cause the airway to collapse in Obstructive Sleep Apnoea and as a Continuous Positive Airway Pressure (CPAP) interface. The study resulted in encouraging data in a small sample size (n=4) which supports the benefit of the airway in reducing pressure swings, collapsibility and CPAP pressure requirements. This indicates the use of the O_2Vent T as a CPAP alternative either as a standalone appliance, or in combination with CPAP using it as a strapless CPAP interface. The trial will progress to the next stage to confirm initial findings in a larger cohort and will be mainly funded by the CRC-P.
6. The Consolidated Entity has implemented a state of the art cloud-based Enterprise Resource Planning (ERP) system which links the Consolidated Entity's current and future operational subsidiaries to the Oventus Medical financial management system. The ERP system includes manufacturing, patient and customer management modules.
7. The Consolidated Entity's Quality Management System has received both ISO13485 and MDSAP (Medical Device Single Audit Program) accreditation (announced on 10 January 2017 and 8 February 2017 respectively). ISO13485 is recognised globally as the best quality practice within the medical device industry. These certifications are a key requirement for major markets including Europe, the United States of America, Canada, Japan and Australia.
8. A new machine for polishing appliances has now been received and installed – it is currently being commissioned. Once commissioned its use is expected to increase the efficiency of production.
9. The Consolidated Entity announced (1 February 2017) a product correction recall for 191 O_2Vent T appliances manufactured between 1 September 2016 and 30 November 2016. The correction was related to the Adjuster Assembly component of the device that allows adjustment of the screw and hook for appropriate titration. The correction was identified through post-market surveillance data after 12 devices were returned to the Consolidated Entity (representing 6% of the devices manufactured during the period). These devices were recalled as a precautionary measure, to be checked and if necessary, reworked in production with an improved manufacturing process. The manufacturing process that contributed to the correction has now been addressed, and all devices manufactured after 30 November 2016 have been checked and verified as safe and in full working order. The checking and correction of the 191 devices has been completed. The recall was not material to revenue or cash flow.
10. A number of new products have advanced through the R&D process. All are anticipated to be completed and transferred to manufacturing for regulatory clearance over the next 6 to 12 months. These include new appliance designs including a trial version for a faster delivery and lower cost evaluation of the Oventus airway technology and a connector system to allow combination therapy with CPAP. A research and development project for the 3D printing of inserts is progressing with a focus on developing end to end digital workflow and suitable materials printed by state of the art equipment. When implemented this is anticipated to lead to a significant reduction in production costs compared to the current manufacturing process.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 19 July 2016, the Company raised approximately $12 million pursuant to the offer under the 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.

On 29 June 2017, 17,916,660 fully paid ordinary shares were issued at a price of $0.36 per share.

On 30 June 2017, a further 83,340 fully paid ordinary shares were issued at a price of $0.36 per share.

Equity - Share capital	30 June 2017 Number of Shares #	30 June 2017 Value of Shares $	30 June 2016 Number of Shares #	30 June 2016 Value of Shares $
Opening Balance	48,000,000	4,426,703	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
19 July 2016	24,000,000	12,000,000	-	-
29 June 2017	17,916,660	6,449,998	-	-
30 June 2017	83,340	30,002	-	-
Consolidation of shares	-	-	(47,650,000)	
Share issue costs	-	(1,176,971)	-	(146,154)
At reporting date	90,000,000	21,729,732	48,000,000	4,426,703

A share purchase plan to raise additional capital of $7 million was announced to the market on 22 June 2017 at an issue price of $0.36 per share. An initial placement of 18,000,000 shares (First Tranche Shares) was issued to Institutional Investors on 29 June 2017 and 30 June 2017. A subsequent placement of an additional 1,444,444 shares (Second Tranche Shares) was completed on 9 August 2017.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to the end of the financial year Oventus Medical Limited raised $519,843 by issue of 1,444,009 shares (Second Tranche Shares) at $0.36 per share by way of a placement to Institutional Investors. This is in accordance with the share purchase plan announced to the market on 22 June 2017 which has been undertaken to raise overall additional capital of $7 million.

On 12 July 2017 the Company received FDA clearance for the O_2Vent W - winged or dorsal flex appliance - to allow for the sale of the appliance in the US. This is a significant milestone for entry into the US market as the Company now has O_2Vent appliances with the two most popular mandibular advancement mechanisms. Initial sales are anticipated for the October 2017 quarter with a growth expected for future periods.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The following factors are likely to affect the results of the Consolidated Entity in the future:

1. Successful training and marketing activities by Modern Dental Group with their customers
2. Uptake and acceptance of the O_2Vent range of products by patients and clinicians in various geographical locations.
3. Additional partnerships for clinical delivery and distribution in various geographies.
4. Additional clinical evidence/clinical trial results which highlight the benefit of the airway for a range of products and patients.
5. Being able to scale manufacturing to meet demand.
6. Additional products developed and cleared by regulators that can treat a wider range of patients including those that are intolerant of CPAP masks or in the future, as a first line of treatment for specific severe sleep apnoea patients.

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

MEL 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

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).

Other current directorships

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

Former directorships (last 3 years)

Mel was director of Tissue Therapies Ltd (March 2009 to December 2015), Benitec BioPharma Limited (October 2007 to June 2014).

Special responsibilities

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

Interest in shares

1,062,924 ordinary shares

Interest in options

200,732 options

DIRECTORS' REPORT (continued)

For the year ended 30 June 2017

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 at 30 June 2017. This has increased to 5,837,365 subsequent to year end.

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

26,167,513 ordinary shares at 30 June 2017. This has increased to 26,542,513 subsequent to year end.

Interest in options

401,464 options

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 RHS Ltd.

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 shares

20,000 ordinary shares

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, ten meetings of directors were held. Attendances were:

	Full Board	
	Number eligible to attend	Number attended
Mel Bridges (Chairman)	10	10
Neil Anderson	10	10
Christopher Hart	10	7
Sue MacLeman	10	9

MEETINGS OF REMUNERATION COMMITTEE AND AUDIT AND RISK MANAGEMENT COMMITTEE

During the financial year, three meetings of the Remuneration and Nomination Committee were held and three meetings 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
Mel Bridges (Chairman)	3	3	3	3
Sue MacLeman	3	3	3	3

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:

- Mel Bridges (Chairman)
- Neil Anderson
- Christopher Hart
- Sue MacLeman

And the following persons:

- Elise Hogan (Vice President of Global Sales, Marketing and Commercialisation, ceased 28 June 2017)
- 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.

DIRECTORS' REPORT (continued)

For the year ended 30 June 2017

Remuneration expenses for KMP

	Short-term benefits		Post-employment benefits		Share-based payments	
	Cash salary & fees $	Bonus $	Super $	Termination benefits $	Equity-settled $	Total $
For the year ended 30 June 2017						
Non-executive directors						
Mel Bridges	74,583	-	7,085	-	6,933	88,601
Sue MacLeman	55,228	-	4,771	-	6,933	66,932
Executive directors						
Neil Anderson	300,070	-	28,507		13,867	342,444
Christopher Hart	300,070	-	28,507		13,867	342,444
Other key management personnel						
Elise Hogan (ceased 28 June 2017)	301,370	-	35,788	108,381	28,303	473,842
For the year ended 30 June 2016						
Non-executive directors						
Mel Bridges	54,300	-	5,158	-	2,410	61,868
Sue MacLeman	32,083	-	-	-	2,410	34,493
Executive directors						
Neil Anderson	170,472	-	16,195	-	4,821	191,488
Christopher Hart	170,472	-	16,195	-	4,821	191,488
Other key management personnel						
Elise Hogan	36,705	-	3,487	-	5,975	46,167

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.

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 2017, the Consolidated Entity was a listed entity and the requirement to have non-executive director remuneration authorised is subject to approval at the Company's annual general meeting.

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.

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	Exercise price	Number under option
24 February 2016	23 February 2021	$0.578	2,258,601
1 December 2016	1 December 2022	$1.055	500,000
23 May 2017	12 December 2022	$0.961	700,000
23 May 2017	24 February 2022	$0.940	150,000

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

It is noted that options of 401,464 granted on 14 April 2016 at an issue price of $0.725 to KMPs were forfeited subsequent to the end of the year.

Shares issued on the exercise of options

No options were exercised during the year ended 30 June 2017.

INSURANCE OF OFFICERS AND INDEMNITIES

During the financial year, Oventus Medical Limited paid a premium of $109,273 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 2017.

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

Mel Bridges
Director

Brisbane
Dated: 31 August 2017

AUDITOR'S INDEPENDENCE DECLARATION

For the year ended 30 June 2017

PKF Hacketts

PKF

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 2017, 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

Cameron Bradley
Partner

Brisbane, 31 August 2017

PKF Hacketts Audit
ABN 33 873 151 348

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Note	30 June 2017 $	30 June 2016 $
Sales revenue		447,994	540,164
Other income		51,213	-
Less: Expenses			
Manufacturing costs - Pilot phase		582,431	512,007
Marketing, website and logo expenses		852,419	341,266
Accounting and legal fees		463,335	195,774
Employee and contractors expense		2,569,138	1,033,863
Premises rental expense		174,265	85,620
Information technology costs		473,082	137,542
Insurance expense		142,308	26,297
Depreciation and amortisation		615,621	197,470
Administrative expenses		331,644	167,097
Research and development expenses		239,977	-
International travel expenses		297,348	55,150
Other expenses		356,414	142,027
Total expenses		7,097,982	2,894,113
Loss before interest and income tax		(6,598,775)	(2,353,949)
Interest revenue		88,661	12,871
Loss before income tax expense		(6,510,114)	(2,341,078)
Income tax expense	13	-	-
Loss for the year attributable to members of the company		(6,510,114)	(2,341,078)
Other comprehensive income for the year		-	-
Total comprehensive loss attributable to members of the company		(6,510,114)	(2,341,078)

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 2017

	Note	30 June 2017 $	30 June 2016 $
Current assets			
Cash and cash equivalents	3	8,648,099	161,114
Trade and other receivables	4	420,092	124,145
Other current assets	5	1,225,385	744,507
Total current assets		10,293,576	1,029,766
Non-current assets			
Property, plant and equipment	6	1,314,290	1,427,298
Intangible assets	7	2,420,447	1,270,978
Deposits		91,518	-
Total non-current assets		3,826,255	2,698,276
Total assets		14,119,831	3,728,042
Current liabilities			
Trade and other payables	8	1,089,043	1,655,614
Other liabilities	9	127,473	78,822
Total current liabilities		1,216,516	1,734,436
Non-current liabilities			
Other liabilities	9	14,283	57,267
Total non-current liabilities		14,283	57,267
Total liabilities		1,230,799	1,791,703
Net assets		12,889,032	1,936,339
Equity			
Share capital	10	21,729,732	4,426,703
Share based payment reserve	11	201,311	41,533
Accumulated losses	12	(9,042,011)	(2,531,897)
Total equity		12,889,032	1,936,339

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Contributed Equity $	Share Based Payments Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2015	342,857	-	(190,819)	152,038
Loss for the year	-	-	(2,341,078)	(2,341,078)
Total comprehensive income for the period	-	-	(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	-	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
Balance at 1 July 2016	4,426,703	41,533	(2,531,897)	1,936,339
Loss for the year	-	-	(6,510,114)	(6,510,114)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(6,510,114)	(6,510,114)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs and tax	17,303,029	-	-	17,303,029
Share based payments	-	159,778	-	159,778
Total transactions with owners in their capacity as owners:	17,303,029	159,778	-	17,462,807
Balance at 30 June 2017	21,729,732	201,311	(9,042,011)	12,889,032

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 2017

	Note	30 June 2017 $	30 June 2016 $
Cash flows from operating activities			
Receipts from customers		398,056	509,373
Payments to suppliers and employees		(6,630,595)	(2,203,345)
Interest received		85,260	12,871
R&D grants and concessions received		629,899	177,453
Interest and other finance costs paid		(12,696)	(319)
Net cash outflow from operating activities	21	(5,530,076)	(1,503,967)
Cash flows from investing activities			
Payments for property, plant and equipment		(249,959)	(1,529,706)
Payments for term deposits		-	(92,385)
Payments for intangible assets		(2,251,874)	(1,060,668)
Net cash outflow from investing activities		(2,501,833)	(2,682,759)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs	10	17,303,029	4,083,846
(Repayments of) / proceeds from borrowings from directors and related entities		(767,999)	221,118
Net cash inflow from financing activities		16,535,030	4,304,964
Net increase in cash held		8,503,121	118,238
Cash and cash equivalents at the beginning of the financial year		161,114	42,876
Effects of exchange rate changes on cash and cash equivalents		(16,136)	-
Cash and cash equivalents at the end of the financial year		8,648,099	161,114

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

1. SIGNIFICANT ACCOUNTING POLICIES

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 and a going concern assumption.

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 2017 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

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

Segment Reporting

The Consolidated Entity is a medical device developer operating within a sole industry, being the development of oral appliances for sleep disorders. The company operates predominantly in Australia. Operations commenced in the United States of America in January 2017, however the effect and size of the operation outside of Australia is not yet material.

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).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

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.

Income tax

The income tax expense or benefit for the period is the tax payable on that period'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. When the Consolidated Entity expands its manufacturing and distribution, expected in the year ended 30 June 2019, it will commence recognising cost of sales. All costs directly associated with generating revenue, including direct materials and labour and indirect costs will be allocated to cost of goods for sale.

Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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.

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, trademarks and licenses 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. Any research and development tax offsets or grants received relating to development costs are deducted from the total development cost. 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 the estimated useful life of 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

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 expected to be settled within 12 months of the 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.

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.

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.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Consolidated entity. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments

AASB 9 Financial Instruments and applicable amendments, effective from 1 January 2018, addresses the classification, measurement and derecognition of financial assets and financial liabilities. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. It has now also introduced revised rules around hedge accounting and impairment. The Consolidated Entity will adopt this standard and the amendments from 1 July 2017 and it does not expect this to have a significant impact on the recognition and measurement of the Consolidated Entity's financial instruments. The derecognition rules have not been changed from

the previous requirements and the Consolidated Entity does not apply hedge accounting.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for its adoption. The standard will require contracts to be identified, together with the separate performance obligations within the contract. The transaction price will be determined adjusted for the time value of money. Revenue is recognised when each performance obligation is satisfied. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. The Consolidated Entity will adopt this standard from 1 July 2018 and is assessing the impact of its adoption.

AASB 16 Leases

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16. AASB 16 will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. The accounting by lessors, however, will not significantly change. The Consolidated Entity has not elected early adoption and is assessing the impact of its adoption.

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.

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.

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 as per note 1. 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 and the expected period of benefits. At 30 June 2017, the carrying amount of capitalised development costs was $1,847,478 (2016: $920,768).

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.

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.

During the year, the Consolidated Entity made a loss before tax of $6,510,114 (30 June 2016: loss of $2,341,078) and has accumulated losses of $9,042,011. However, as at 30 June 2017, the current assets exceed its current liabilities by $9,077,060. Thus the directors have a reasonable expectation that the Consolidated Entity has adequate resources to continue in operational existence in the foreseeable future. However, additional capital raising may be required in the future to meet expansionary and long term goals.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

3. CASH AND CASH EQUIVALENTS

	30 June 2017 $	30 June 2016 $
Cash on hand	324	233
Cash at bank	8,647,775	160,881
	8,648,099	161,114

4. TRADE AND OTHER RECEIVABLES

Trade debtors	107,567	47,621
GST receivable	250,029	75,657
Other debtors	62,496	867
	420,092	124,145

As at 30 June 2017, trade receivables of $72,440 (2016: $26,280) 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

	30 June 2017 $	30 June 2016 $
Prepayments	220,523	157,478
Term deposits	-	91,518
Rental bond paid	3,051	3,051
Accrued research & development tax credit	848,567	396,301
Inventory	85,497	-
Other assets	67,747	96,159
	1,225,385	744,507

6. PROPERTY, PLANT AND EQUIPMENT

	Furniture $	Computer and office equipment $	Sleep and production equipment $	Property improvements $	Total $
At 1 July 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 or receivable	-	-	(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
Year ended 30 June 2017					
Opening net book amount	7,467	20,371	1,170,880	228,580	1,427,298
Additions	-	18,046	231,913	-	249,959
Disposals	-	(784)	(400)	-	(1,184)
Depreciation charge	(2,489)	(10,025)	(274,630)	(74,639)	(361,783)
Closing net book amount	4,978	27,608	1,127,763	153,941	1,314,290
At 30 June 2017					
Cost	8,329	42,691	1,493,256	271,523	1,815,799
Accumulated depreciation	(3,351)	(15,083)	(365,493)	(117,582)	(501,509)
Net book amount	4,978	27,608	1,127,763	153,941	1,314,290

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

7. INTANGIBLE ASSETS

	Patents, trademarks and licenses $	Software $	Development costs $	Total $
At 1 July 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 or receivable	-	-	(651,910)	(651,910)
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
Year ended 30 June 2017				
Opening net book amount	198,793	151,417	920,768	1,270,978
Additions	192,656	133,325	1,925,893	2,251,874
Tax concession received or receivable	-	-	(848,567)	(848,567)
Amortisation expense	(21,459)	(81,763)	(150,616)	(253,838)
Closing net book amount	369,990	202,979	1,847,478	2,420,447
At 30 June 2017				
Cost	401,251	301,358	2,068,457	2,771,066
Accumulated amortisation	(31,261)	(98,379)	(220,979)	(350,619)
Net book amount	369,990	202,979	1,847,478	2,420,447

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 2017 $	30 June 2016 $
Trade creditors	367,800	468,854
Other creditors	453,198	129,168
GST payable	1,122	12,107
PAYG Withholding payable	237,048	283,063
Employee benefits payable	29,875	-
Payable to related party - director loans	-	762,422
	1,089,043	1,655,614

9. OTHER LIABILITIES

Current

Employee benefits - annual leave	84,489	38,365
Deferred lease incentive	42,984	40,457
	127,473	78,822

Non-current

Deferred lease incentive	14,283	57,267
	14,283	57,267

10. EQUITY - SHARE CAPITAL

	30 June 2017 Number of shares #	30 June 2017 Value of shares $	30 June 2016 Number of shares #	30 June 2016 Value of shares $
Opening Balance	48,000,000	4,426,703	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
19 July 2016	24,000,000	12,000,000	-	-
29 June 2017	17,916,660	6,449,998	-	-
30 June 2017	83,340	30,002	-	-
Consolidation of shares	-	-	(47,650,000)	-
Share issue costs	-	(1,176,971)	-	(146,154)
At reporting date	90,000,000	21,729,732	48,000,000	4,426,703

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

11. EQUITY - SHARE BASED PAYMENT RESERVE

	30 June 2017 $	30 June 2016 $
Share based payment reserve	201,311	41,533
	201,311	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

Accumulated losses at beginning of year	(2,531,897)	(190,819)
Current period loss	(6,510,114)	(2,341,078)
	(9,042,011)	(2,531,897)

13. INCOME TAX EXPENSE

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	(6,510,114)	(2,341,078)
Tax at the statutory tax rate of 27.5% (2016: rate of 30%)	(1,790,281)	(702,323)
Tax effect amounts which are not deductible in calculating taxable income: Non-assessable or deductible items	57,558	454
	(1,732,723)	(701,870)
Unused tax losses for which no deferred tax asset has been recognised	1,732,723	701,870
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.

14. FINANCIAL INSTRUMENTS (CONTINUED)

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

Consolidated	2017		2016	
	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Cash on hand and short term deposits	nil	324	nil	233
Cash at bank	nil	8,647,775	0.62%	160,881
Term deposits	2.77%	91,518	2.77%	91,518
Net exposure to cash flow interest rate risk		8,739,617		252,632

Subsequent to 30 June 2017, on 3 July 2017 $6,000,000 was transferred to a term deposit, earning interest at 2.16% p.a.

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 2017 and 30 June 2016:

Consolidated	30 June 2017 $	30 June 2016 $
Financial assets at amortised cost:		
Trade and other receivables	420,092	124,145
Total	420,092	124,145

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	30 June 2017		30 June 2016	
	Weighted average interest rate %	1 year or less $	Weighted average interest rate %	1 year or less $
Non-derivatives				
Non-interest bearing				
Trade and other payables	nil	1,089,043	nil	893,192
Loans from directors	nil	-	nil	237,422
Interest-bearing - fixed				
Loans from directors	nil	-	11.43%	525,000
Total non-derivatives		1,089,043		1,655,614

Fair value of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

15. RELATED PARTY TRANSACTIONS

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

(a) Product sales

A total of $128,000 in sales 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 2017, amounts owed by Breathing Assist Solutions Pty Ltd was $50,587 (30 June 2016: $17,062) (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 2017 Oventus Manufacturing paid NGCT $Nil (30 June 2016: $59,000) for services provided by Neil Anderson. A portion of these costs was capitalised as development costs. No amounts were owed to NGCT at year end (2016: Nil).

(c) 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 2017, the amount owed to Christopher Hart under the facility agreement was $Nil (30 June 2016: $682,202). All amounts advanced up to completion of the capital raising, were repaid by proceeds received under the Offer, on 10 August 2016.

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. Rent was received of $9,990 for the year ended 30 June 2017.

16. KEY MANAGEMENT PERSONNEL

Directors

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

Mel 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 (ceased 28 June 2017)	(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 2017 $	30 June 2016 $
Short-term employee benefits	1,056,321	482,780
Post-employment benefits	104,658	41,035
Share-based payments	69,903	20,438
Termination payments	108,381	-
	1,339,263	544,253

17. REMUNERATION OF AUDITORS

	30 June 2017 $	30 June 2016 $
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		
Audit or review of the financial statements	43,500	42,440
Other services - PKF Hacketts		
Investigating accountant services	-	22,000
	43,500	64,440

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

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 2017 $	30 June 2016 $
Loss after income tax	(760,992)	(159,697)
Total comprehensive income	(760,992)	(159,697)
Statement of financial position		
Total current assets	8,554,784	584,121
Total assets	20,968,314	4,312,989
Total current liabilities	159,271	45,984
Total liabilities	159,271	45,984
Equity		
Issued capital	21,570,035	4,426,703
Accumulated losses	(760,992)	(159,697)
Total equity	20,809,043	4,267,005

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 2017 and 30 June 2016.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2017 and 30 June 2016.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

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 2017	Ownership interest 2016
Oventus CRM Pty Ltd	Australia	-	100%	100%
Oventus Manufacturing Pty Ltd	Australia	342,857	100%	100%
Oventus Medical USA, Inc.	United States	-	100%	100%

Oventus Medical USA was incorporated as a wholly owned subsidiary of the Company on 13 January 2017 in the state of Delaware. O_2Vent™ was officially launched at G'day USA event in San Francisco on 21 January 2017 and records for the first saleable product have been received. The purpose of this entity is to market and distribute the Consolidated Entity's devices in the USA.

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 Consolidated Entity's devices.

20. SUBSEQUENT EVENTS

Subsequent to the end of the financial year Oventus Medical Limited raised $519,843 by issue of 1,444,009 shares (Second Tranche Shares) at $0.36 per share by way of a placement to Institutional Investors. This is in accordance with the share purchase plan announced to the market on 22 June 2017 which has been undertaken to raise overall additional capital of $7 million.

On 12 July 2017 the Company received FDA clearance for the O_2Vent W - winged or dorsal flex appliance - to allow for the sale of the appliance in the US. This is a significant milestone for entry into the US market as the Company now has O_2Vent appliances with the two most popular mandibular advancement mechanisms. Initial sales are anticipated for the October 2017 quarter with a growth expected for future periods.

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

	30 June 2017 $	30 June 2016 $
Loss after income tax expense for the year	(6,510,114)	(2,341,078)
Adjustments for:		
Depreciation and amortisation	615,621	197,470
Net loss on disposal of non-current assets	11,096	-
Share-based payments	159,778	41,533
Research and development tax concession	396,301	651,910
Foreign exchange fluctuations	16,136	-
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	(277,448)	(162,329)
(Increase) in other assets	(148,542)	(553,771)
Increase in trade and other payables	201,429	604,364
Increase in employee benefits	46,124	38,365
(Decrease) / Increase in other liabilities	(40,457)	19,569
Net cash outflow from operating activities	(5,530,076)	(1,503,967)

22. EARNINGS PER SHARE

	30 June 2017 $	30 June 2016 $
Earnings per share for profit/(loss) from continuing operations		
Loss after income tax	(6,510,114)	(2,341,078)
Loss after income tax attributable to the owners of Oventus Medical Limited	(6,510,114)	(2,341,078)
	Numbers	Numbers
Weighted average number of ordinary shares used in calculating basic earnings per share	70,914,840	43,590,892
Weighted average number of ordinary shares used in calculating diluted earnings per share	70,914,840	43,590,892
	Cents	Cents
Basic earnings per share	(9.18)	(5.37)
Diluted earnings per share	(9.18)	(5.37)

23. SHARE-BASED PAYMENTS

Employee option

Under the Consolidated Entity's Employee Share Option Plan, the Company has 2,609,882 (Tranche 1) options and 401,464 (Tranche 2) options outstanding as at 30 June 2017. The first tranche of options were issued to the Consolidated Entity'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. Subsequent issues were made in the year ended 30 June 2017 to the Consolidated Entity's employees under the Oventus Employee Option Plan.

Set out below are summaries of options granted 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
As at 30 June 2017							
24/2/16	23/2/21	$0.578	2,960,794	50,183	-	(401,095)	2,609,882
14/4/16	14/4/21	$0.725	401,464	-	-	-	401,464
1/12/16	1/12/21	$1.055	-	550,000	-	-	550,000
23/5/17	12/12/22	$0.961	-	700,000	-	-	700,000
23/5/17	24/2/22	$0.940	-	100,000	-	-	100,000
				1,400,183	-	(401,095)	3,561,346
As at 30 June 2016							
24/2/16	23/2/21	$0.578	-	3,061,160	-	(100,366)	2,960,794
14/4/16	13/4/21	$0.725	-	401,464	-	-	401,464
				3,462,624	-	(100,366)	3,362,258

No options were exercised during the year ended 30 June 2017 under the Oventus Employee Option Plan.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

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 2017 $	30 June 2016 $
Not later than 1 year	195,286	228,238
Later than 1 but not later than 5 years	49,252	244,538
Total	244,538	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.

DIRECTORS' DECLARATION

For the year ended 30 June 2017

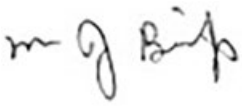
In the directors' opinion

- 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 2017 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



Mel Bridges
Director

Brisbane
Dated: 31 August 2017

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

PKF Hacketts

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF OVENTUS MEDICAL LIMITED

Report on the Financial Report

Opinion

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 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and 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.

In our opinion, 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 2017 and of its performance for the year ended on that date; and

ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

Independence

We are independent of the consolidated entity in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. This matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For each matter below, our description of how our audit addressed the matter is provided in that context.

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1. Capitalisation and Valuation of Internal Development Costs

Why significant	How our audit addressed the key audit matter

The Group's intangible assets as at 30 June 2017 include capitalised development costs with a carrying value of $1,847,478 (2016: $920,768), as disclosed in Note 7.
 	
The Group's accounting policy in respect of development costs are outlined in Note 1 and Note 2.
 	
Capitalised development costs are significant to the audit due to the amount of expenditure being capitalised and the specific criteria that have to be met for capitalisation
 	
We note significant judgement is required:
 	
• in determining the treatment of development expenditure in accordance with AASB 138, and the Group's accounting policy. In particular:
  ○ whether project costs in the design and development of a potential product meet the recognition conditions for an asset
  ○ whether a product development project is technically and economically feasible
  ○ in making assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.
 	
• in determining that capitalised development costs have useful lives of 5 years which determines the amortisation rate
 	
• in determining whether facts and circumstances indicate that development costs capitalised should be tested for impairment in accordance with Australian Accounting Standard AASB 136 Impairment of Assets.
	Our work included, but was not limited to, the following procedures:
	
	• testing, on a sample basis, development expenditure incurred during the year for compliance with AASB 138 and the Group's accounting policy
	
	• review the reasonableness of estimated useful life and amortisation method and check on a sample basis whether they are properly calculated and disclosed in the financial statements
	
	• to assess whether there are indicators of impairment:
	  ○ obtaining and assessing evidence of external changes within the Group's market or internal changes such as the sales performance of existing products
	  ○ holding discussions with the directors and management as to the status of project developments as well as assessing if there was evidence that a product has been discontinued
	  ○ obtaining and assessing evidence of the Group's future intention for the products, including reviewing future budgeted expenditure and sales forecasts.
	
	• assessing the appropriateness of the related disclosures in Notes 1, 2 and 7.

Other Information

Other information is financial and non-financial information in the annual report of the Group which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

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

PKF Hacketts

The Other Information we obtained prior to the date of this Auditor's Report was the Director's report. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.

Directors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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 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 entity's preparation of the financial report that gives a true and 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 entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

Opinion

In our opinion, the Remuneration Report of Oventus Medical Limited for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

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

PKF Hacketts

Responsibilities

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

PKF Hacketts

PKF HACKETTS AUDIT

C Bradley

CAMERON BRADLEY
PARTNER

31 AUGUST 2017
BRISBANE

SHAREHOLDER INFORMATION

30 June 2017

The shareholder information set out below was applicable as at 18 August 2017.

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	61	47,511	0.05
1,001 to 5,000	175	538,834	0.58
5,001 to 10,000	156	1,342,339	1.46
10,001 to 100,000	360	12,366,069	13.42
100,001 and over	91	77,844,512	84.49
	843	92,139,265	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	28.36
UBS NOMINEES PTY LTD	9,958,614	10.81
NEIL ANDERSON	5,837,365	6.34
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,342,386	4.71
MOBIUS MEDICAL INVESTMENTS PTY LTD <MOBIUS MEDICAL INV UNIT A/C>	3,732,390	4.05
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	2,055,723	2.23
NEW HIGHLAND PTY LTD <KING FAMILY A/C>	2,048,984	2.22
CERALIUS PTY LTD <BRIDGES A/C>	1,866,195	2.03
MR GREGORY WAYNE BROWN + MRS STEFANIE BROWN <GW BROWN FAMILY S/FUND A/C>	1,432,020	1.55
PARMA CORPORATION PTY LTD	1,368,471	1.49
BOND STREET CUSTODIANS LIMITED <LAM1 - D08047 A/C>	1,200,000	1.30
BOND STREET CUSTODIANS LIMITED <LAM1 - D08059 A/C>	1,200,000	1.30
DIXSON TRUST PTY LTD	1,117,500	1.21
BOND STREET CUSTODIANS LIMITED <LAM1 - D08017 A/C>	1,000,000	1.09
CHEN DENTAL HOLDINGS PTY LTD	794,410	0.86
JASFORCE PTY LTD	617,000	0.67
J P MORGAN NOMINEES AUSTRALIA LIMITED	470,750	0.51
CCBS LIEW PTY LTD <CHRISTOPHER LIEW S/FUND A/C>	400,000	0.43
DR RUSSELL KAY HANCOCK	400,000	0.43
MRS LARISSA DIANE HART <SQUIRREL A/C>	376,000	0.41
	66,344,321	72.00

SHAREHOLDER INFORMATION (continued)

30 June 2017

Unquoted equity securities

	2017 Number
Employee options	3,608,601

SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below:

	Ordinary Shares	
	Number held	% of total shares issued
Christopher Hart	26,542,513	28.81
Tiga Trading Pty Ltd	13,929,019	15.12
Neil Anderson	5,837,365	6.34

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

Mel 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
Friday, 17 November 2017
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™