Oventus Medical Limited

Annual Report 2019

OVENTUS®

O2Vent® was designed to treat the 'many faces' of sleep disordered breathing and represents obstructive sleep apnoea (OSA) as a non-discriminatory condition.

These are the faces of our business and why we innovate.

Contents

Overview

FY2019 At A Glance

Who We Are:

Oventus is a Brisbane-based medical device company that is commercialising a unique platform for the treatment of obstructive sleep apnoea (**OSA**) and snoring. Our focus is on those patients that are not currently being treated or cannot be treated effectively with existing treatment modalities, such as the current standard of care, Continuous Positive Airway Pressure (**CPAP**) or standard oral devices.

What We Do:

Our Products – Oventus O2Vent® devices and accessories

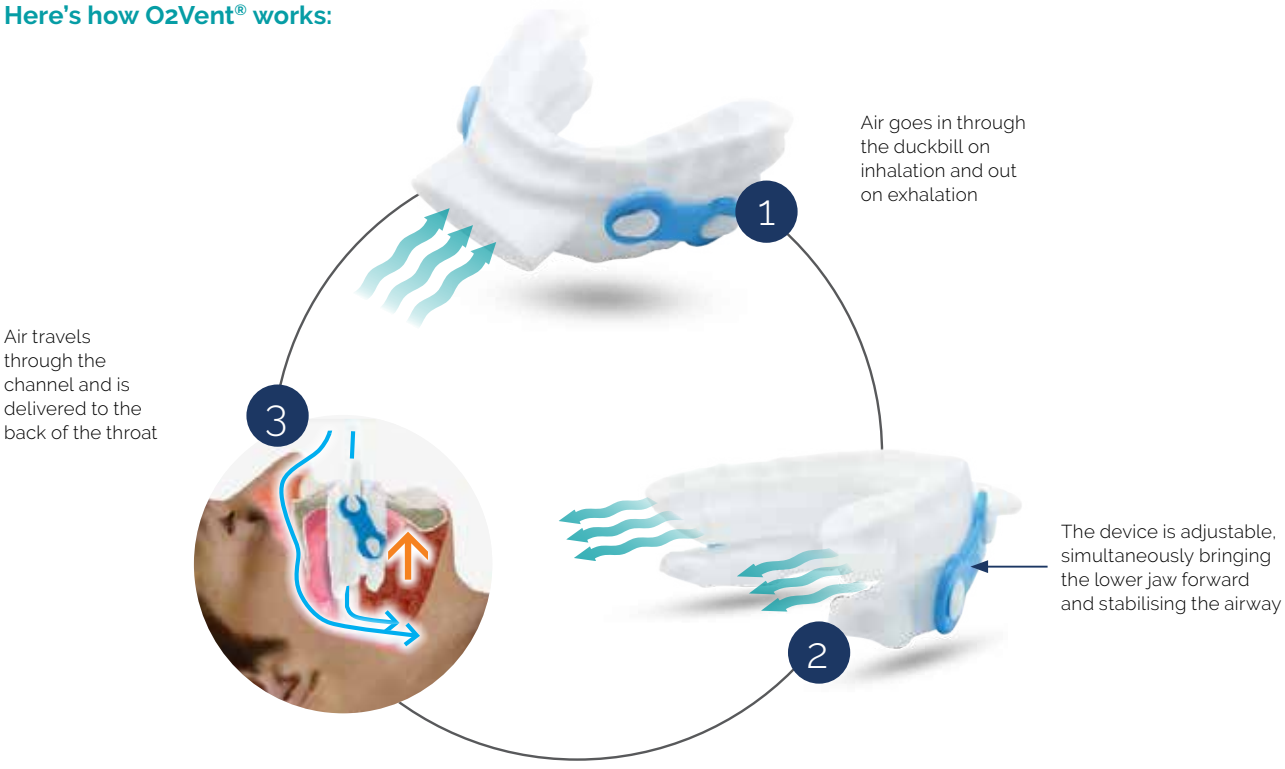
Our products provide a discreet and comfortable alternative to CPAP for the treatment of OSA.

Unlike other oral appliances or CPAP interfaces, the Oventus O2Vent® device manages the entire upper airway via a unique and patented built-in air channel. O2Vent® devices allow for airflow to the back of the mouth while maintaining an oral seal and stable jaw position, bypassing multiple obstructions from the nose, soft palate and tongue. The devices reduce airway collapsibility and manage mouth breathing while keeping the airway stable.

O2Vent® devices are particularly designed for the many people that suffer from nasal obstruction. They allow nasal breathing when the nose is unobstructed, but when obstruction is present, breathing is supplemented via the airway in the appliance.

O2Vent® Optima is the only oral device treating the entire upper airway!

Here's how O2Vent® works:



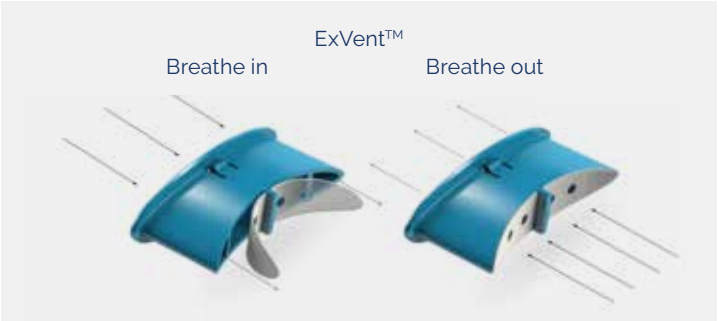
The duckbill acts as a "second nose". It is especially beneficial for patients with nasal blockages that force them to mouth breathe. An open mouth is undesirable when sleeping, as an open jaw can cause breathing obstruction in the throat.

Overview

continued

ExVent™

The ExVent™ is a valve accessory that fits into the open airway of the O2Vent® Optima device, to augment traditional oral appliance therapy by stabilising the airway. The ExVent™ valve contains air vents that open fully on inhalation for unobstructed airflow. The valve closes on exhalation, directing the air through the vents, creating the mild resistance or airway support required to keep the airway stable (known as PEEP, positive end expiratory pressure).



Oventus Bite Fork

The Oventus Bite Fork is a single use disposable bite registration tool that was developed to assist dentists with recording the required 5mm vertical bite clearance for ordering O2Vent® devices. This clearance is essential to allow for the proprietary airway. The flexible nylon lattice design is available in two variants, single sided to record the protrusive bite using a bite measurement tool or double sided to record an "edge to edge" bite. Each variant is available in two arch sizes.

Our Clinical Delivery Model: 'lab in lab'

The 'lab in lab' model is a collaborative sleep physician/dental strategy that streamlines patients' access to treatment. Under the model, Oventus employs its unique treatment platform and digital workflow to act as the conduit facilitating collaboration between various sleep physicians and dentists.

The model overcomes the fact that participation by both sleep physicians and dentists is required when it comes to managing OSA, but the two groups have traditionally operated separately due to their different areas of practice. Collaboration is needed because sleep physicians must prescribe an oral appliance under law, and a dentist scans and fits the device. The patient is followed up by the dentist to ensure comfort and fit of a device, and also by the physician to manage treatment of the OSA.

The 'lab in lab' clinical delivery model ensures both groups participate effectively in this process, enabling them to provide end-to-end treatment solutions to patients. It provides a seamless approach for patients to access the Oventus sleep treatment platform, irrespective of where the patient sought their treatment.

Key Milestones

During FY2019

September 2018
Medical Technology Advisory Board Appointed

October 2018
New clinical data shows that Oventus' devices successfully treat more than 75% of OSA patients

January 2019
O2Vent® Optima oral device launched in Australia

February 2019
O2Vent® Optima oral device launched in Canada

May 2019
O2Vent® adopted by regional sleep group, SleepCues, and Lane Dental, the largest Dental Group in North Carolina

June 2019
Positive clinical data on O2Vent® and ExVent™ efficacy published in scientific journal, SLEEP®

First material agreements secured with Canadian sleep medicine groups in Canada for O2Vent® Sleep Treatment Platform

Post Financial Year end

July 2019
First agreements with American sleep medicine groups for adoption of O2Vent® Sleep Treatment Platform through the 'lab in lab' model

Material agreements secured to enable widespread adoption of 'lab in lab' model

Placement to institutional investors raises $7m

August 2019
Entitlement offer raises $2.3m taking total funds raised to $9.3m

Further material agreements secured with US sleep groups, Delaware Sleep Disorder Centres and Reliable Respiratory

September 2019
O2Vent® Optima oral device secures FDA clearance

October 2019
O2Vent® Optima launches in the US

First 'lab in lab' sites operational and first patients scheduled in Canada + US

Chairman's and CEO's Address

Left: Dr Mel Bridges, Chairman
Right: Dr Chris Hart, Managing Director, CEO

We are delighted to present Oventus Medical's (ASX: OVN) Annual Report for the 2019 financial year.

The past year has seen the Company make significant progress with efforts to commercialise its new treatment platform for Obstructive Sleep Apnoea (**OSA**).

This year saw the launch of our collaborative 'lab in lab' clinical delivery model, which has been key to enabling the early adoption of our Sleep Treatment Platform across both sleep and dental channels. At the same time, we successfully launched our newest product in the O2Vent® oral device range – the O2Vent® Optima – in the key markets of Australia and Canada. Post reporting period, the device was also launched in the US market, following clearance by the US Food and Drug Administration (FDA). This was a significant milestone and our final step for key regulatory clearance for the O2Vent® Optima.

Our commercial progress was underlined by new positive clinical data which reinforced the findings from earlier clinical studies, further demonstrating that the Oventus Sleep Treatment Platform delivers significantly improved treatment outcomes for OSA sufferers. This data was recognised in several prominent clinical conferences throughout the reporting period, and in June 2019, was published in SLEEP®, the official journal of the Sleep Research Society. Showcasing data through these channels is a core part of our strategy to highlight the benefits of our Sleep Treatment Platform within the sleep community.

We are focused on filling what remains a significant treatment void in the large and growing OSA market. Whilst Continuous Positive Airway Pressure (CPAP) has been the leading form of treatment for sleep apnoea over the last 30 years and has drastically improved the lives of millions around the world, many patients nevertheless cease treatment or never use the equipment due to the cumbersome set up of the machine and the discomfort of air pressure. In addition, for those patients who breathe with their mouths open, the treatment rarely works. The global need for our Sleep Treatment Platform has only strengthened during the year in a market which has been growing at a CAGR of 15-20% per annum.

There are two distinct industry initiatives that are promoting the adoption of oral appliance therapy (OAT). The first is reflected in a recent position paper that the American Academy of Dental Sleep Medicine (AADSM) posted following a taskforce and expert work group series of meetings, where the goal was to review evidence in favour of OAT reimbursement. The paper stated the AADSM's position that health insurance 'payers' should cover oral appliance therapy (OAT), provided by a qualified dentist after a physician has determined that the patient is intolerant to Continuous Positive Airway Pressure (CPAP).

Chairman and CEO's Address

continued

It is likely that more payers will recognise the benefits of OAT and this will lead to an ease of reimbursement and OAT uptake.

The second healthcare initiative gaining recognition and support from both Providers and Payers alike is that they favour offering '*patient preference*'. Studies are demonstrating that when an individual is provided a treatment choice, their adherence dramatically improves. In the near future, patients may be given the option to select CPAP or OAT when medically appropriate. Coupled with the AADSM position statement on reimbursement when CPAP fails, it is likely that adoption of OAT will increase for both new and failed CPAP treatment candidates.

The 'lab in lab' model

The 'lab in lab' model we introduced this financial year complements identified market trends and initiatives, by providing a paradigm of care that is collaborative. The model de-fragments and streamlines the patient journey. The sleep physician and dentist collaborate in the care of the patient, promoting choice, early intervention and support throughout their treatment journey. Oventus combines its unique treatment platform and digital workflow to act as the conduit between various sleep channel providers (sleep physicians) and dentists.

In June, we announced agreements with two Canadian sleep medicine groups for adoption of the Platform which covered 7 clinical delivery sites. The primary supply agreements are tied to quotas of predictable volumes.

Post financial year end, we signed further material agreements with US channel stakeholders to enable widespread adoption of the technology in sleep and dental channels. Oventus signed an agreement with Carestream Dental, a supplier of digital scanning technology to supply high quality and well-priced scanning technology for Oventus' customers and to open up their installed customer base of over 15,000 scanner installations in North America.

In combination with Carestream Dental's network of scanners in North America, we also partnered with VirtuOx, a respiratory testing provider with diagnostics, monitoring services and telemedicine capabilities, that will enable end to end management of the patients' sleep apnoea under the clinical management of sleep physicians. In addition, an agreement with Lyon Dental, a provider of practice management and reimbursement solutions, will ensure that patients can access reimbursement for Oventus technology whether they are in the sleep or dental channel.

Product launches and adoption in key markets

Oventus is at a key point in its history. With regulatory approvals in place, strong data and a team experienced in sleep medicine, we have reduced our historic focus on research and development and turned our efforts to rapidly commercialising the O2Vent® technology. Importantly, during and after the reporting period, we secured a number of material agreements for the adoption of the Company's O2Vent® Sleep Treatment Platform across North America.

In July, we signed our first material contract with a US sleep group with locations across the Southwest. These locations have significant patient throughput. Due to the large volume of patients at each location, device orders are expected to ramp up quickly once the locations are fully operational and in light of the Company achieving US Food and Drug Administration (FDA) clearance in September.

In August we signed two further material agreements with US sleep medicine groups ahead of receiving FDA clearance. The locations will adopt the Company's O2Vent® Sleep Treatment Platform and implement the 'lab in lab' business model with a total of 10 clinical delivery sites across the Northeast.

In September, we received FDA regulatory clearance for the O2Vent® Optima oral device, enabling our Company to commence sales of the device in the US market and officially launch the material US agreements above.

The FDA clearance followed the launch of the O2Vent® Optima in Australia and Canada earlier in the calendar year and the successful completion of controlled market releases, with early results demonstrating strong patient acceptance.

The Oventus Sleep Treatment Platform bridges the gap between CPAP and traditional oral appliance therapy, meeting the needs of patients suffering symptoms associated with obstructive sleep apnoea. The Oventus O2Vent® devices manage the entire upper airway and allow for airflow to the back of the throat while maintaining an oral seal and stable jaw position, bypassing multiple obstructions from the nose, soft palate and tongue. Our devices are designed for any patient that is deemed appropriate for oral appliance therapy, but especially beneficial for the many people that suffer mouth breathing due to nasal congestion, restricted or obstructive nasal breathing.

The Oventus Sleep Treatment Platform encompasses the O2Vent® oral therapeutic device, and the unique valve accessories, ExVent™ and O2Vent® OnePAP™, with the latter product not yet in market.

Chairman and CEO's Address

continued

Positive clinical data

Our commercial success during the year was underpinned by new positive clinical data which showed that our Airway Technology alone, or in combination with ExVent™ valve technology, dramatically improves treatment outcomes for sufferers of obstructive sleep apnoea.

Team and advisors

Our Medical Technology Advisory Board remained very active throughout the reporting period. We have benefitted from the expertise of a strong and dedicated group of sleep physicians, attorneys and marketing advisors. Their accumulative experience has provided direction and support spanning business models, patient protocols and study design, and has been paramount in gaining market credibility and recognition.

This expert leadership has augmented our own strong team, which was rounded out further with additional North American appointments during the period to support our commercial roll out.

Financial strength

Post reporting period, we announced the completion of a placement to new and existing institutional and sophisticated investors, and the successful close of an entitlement offer to existing shareholders. Combined, the offers raised $9.3 million.

These funds will be critical as we scale up our team and resources to support the fast-growing demand for our Sleep Treatment Platform across North America. We were humbled by the amount of support that there was for Oventus through the capital raise and thank all those investors who participated.

Outlook

With key regulatory clearances now in place and a robust cash balance following the recent capital raising, we are in a strong position to scale sales substantially across our key markets of Australia, Canada and the US. We expect to secure further agreements across these markets over the next 12-24 months, with a view to significant scaling through to the end of CY2020.

This is an exciting time for Oventus and we again thank shareholders for their ongoing support. We look forward to regularly reporting on progress as we drive forward our commercialisation efforts.

Yours sincerely,

Dr Mel Bridges
Chairman

Dr Chris Hart
Chief Executive Officer
and Managing Director

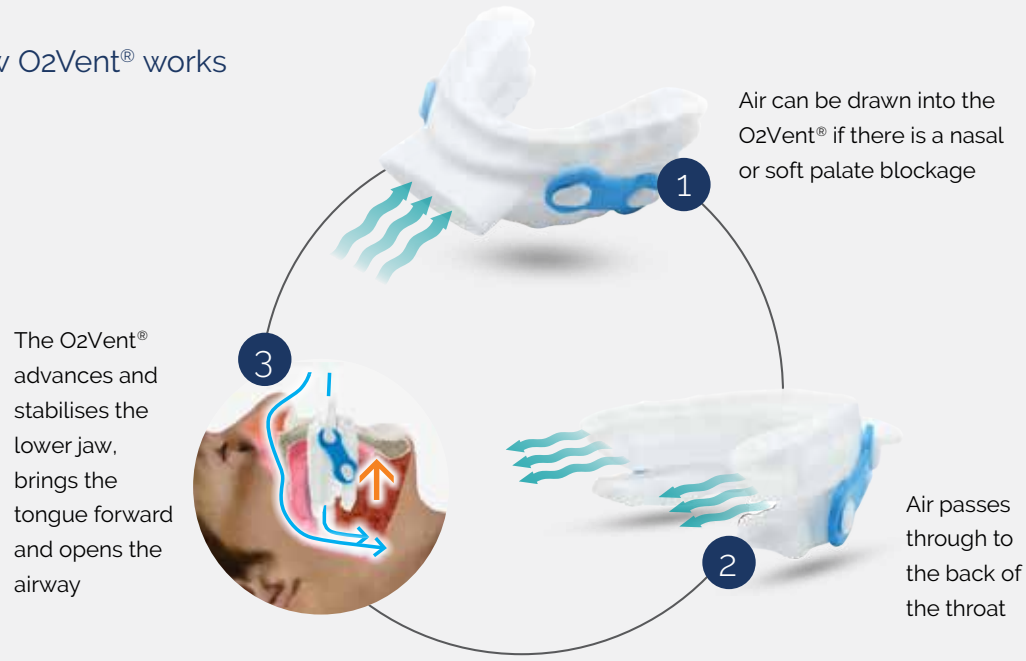
Products in Market

O2Vent® Optima

The O2Vent® Optima is an oral device for patients diagnosed with obstructive sleep apnoea (OSA) and who are seeking alternatives to CPAP therapy. It is a custom fit mouthpiece (oral appliance) that is small, discreet and comfortable. This new modality of sleep apnoea treatment has taken traditional oral appliances to the next level.

Unlike other oral appliances that only advance the jaw forward, the O2Vent® Optima is designed with a unique airway channel that bypasses common areas of obstruction such as the nose, tongue and upper airway. This product was specifically crafted to meet the unmet needs of individuals diagnosed with sleep apnoea and who have difficulty using CPAP. O2Vent® Optima is a simple and effective alternative to CPAP treatment.

How O2Vent® works



ExVent™

ExVent™ is an optional valve accessory which is inserted into the front oral airway of the O2Vent® Optima. It is designed to enhance the effects of oral appliance therapy, used for the treatment of snoring and mild to moderate sleep apnoea. ExVent™ valves have air vents that open and close as you breathe. When you breathe out, the valve closes, prolonging your outward breath. This increases the level of upper airway support (referred to as positive end expiratory pressure or PEEP).

The ExVent™ is available in three strengths for improved airway support and is currently in market within Australia and Canada. It is yet to proceed through the FDA application process in the US.

Products at Development Stage

O2Vent® ONEPAP™

The O2Vent® ONEPAP™ is a titratable oro-nasal valve accessory for O2Vent® devices. Clinical trials have shown that the O2Vent® ONEPAP™ further increases efficacy of the O2Vent® for patients suffering from hard-to-treat OSA. It regulates nasal and mouth exhalation simultaneously, which effectively keeps the patient's airway open longer, enabling better breathing.

Product Innovations

O2Vent® Connect™

The O2Vent® Connect™ is an add-on accessory for the O2Vent® which connects to a CPAP machine. Clinical trials have shown the O2Vent® Connect™ further increases the efficacy of the O2Vent® in patients suffering from more severe OSA. It allows patients to use their CPAP machines without the need for a mask or straps and also enables CPAP to be delivered at much lower pressures, making it more tolerable.

Business Strategy and Operations

1. Strategic shift to 'lab in lab' model
2. Educating physicians
3. Educating consumers
4. Publication and presentation of clinical data
5. Capital raising completed to maintain a strong balance sheet and support sales growth

1. Strategic shift to 'lab in lab' model

During the year we introduced our new 'lab in lab' model which is designed to simplify the patient experience and build value for all stakeholders.

The main features of the model are:

- It provides support, training and the resources required to manage a professional dental-sleep medicine collaborative care location
- It utilises Oventus' O2Vent® Sleep Treatment Platform and digital solutions, streamlining workflows and simplifying the patient journey
- It requires minimal capital expenditure with the supply of a desktop scanner and web-based Electronic Medical Records (EMR)

The model overcomes the fact that participation by both sleep physicians and dentists is required when it comes to managing OSA. The two groups have traditionally operated separately due to their different areas of practice.

Our approach creates a conduit where both the Sleep Channel and Dentist can care for a patient at a point of service already established, providing sleep physician or dentist support where required and enhancing the flow of information to overcome this segregation.

Collaboration between the channels is needed because sleep physicians must prescribe an oral appliance under law, and a dentist scans and fits the device. The patient is followed up by the dentist to ensure comfort and fit of a device, and also by the physician to manage treatment of the OSA.

The 'lab in lab' collaborative clinical model ensures both groups participate effectively in this process, enabling them to provide end-to-end treatment solutions to patients. It also provides a seamless treatment platform for patients to access Oventus Airway Technology, irrespective of where the patient sought their treatment.

The demand for this model is large and growing quickly with the first material agreements in Canada and the US signed during the financial year and more signed and announced post year end. There is a large and growing pipeline of sleep groups in discussion and negotiations to adopt Oventus technology and the 'lab in lab' clinical delivery model. Many of these are expected to be finalised and announced in FY2020 and beyond. The fact that many of these agreements were executed before the O2Vent® Optima received FDA clearance is testament to the technology and the clinical delivery model.

What is driving adoption of the 'lab in lab 'model?

- It can increase revenue and profit for both the dentist and sleep groups and improve clinical outcomes for patients
- Sleep networks prefer prescribing an Oventus device over traditional treatments due to improved treatment outcomes and improved profitability
- Dentists prefer working with Oventus due to more predictable treatment outcomes, sleep channel support for the patient journey and improved profitability

To support the introduction of the 'lab in lab' model and our US sales strategy, we established a small office in Irvine, California to house our US head office and supporting infrastructure. We also set up the AwakeXpress consumer website to facilitate the customer experience. Through the site, consumers can educate themselves on Oventus products, find out if the O2Vent® Optima is right for them and also find an accredited provider.

Business Strategy and Operations

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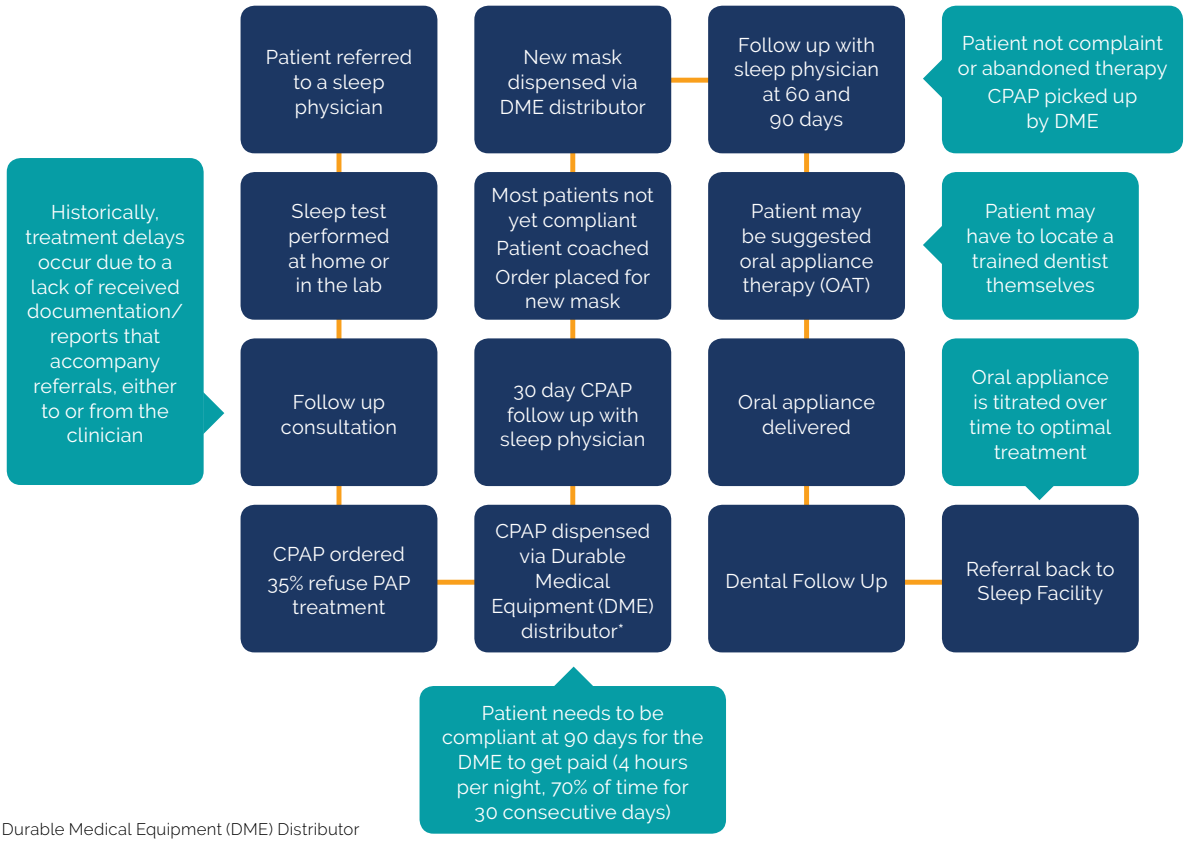
The traditional patient journey is lengthy and problematic:

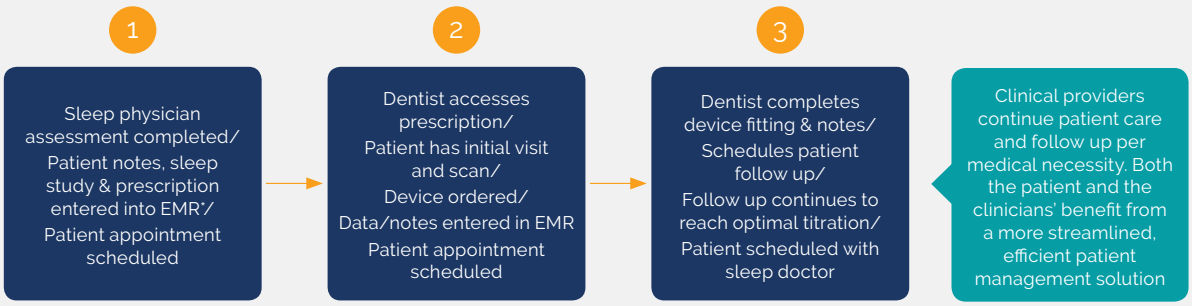


* Durable Medical Equipment (DME) Distributor

Along every clinical touch-point, the patient's notes, progress and recommendations must be documented. These notes, prescription, sleep study and follow up details must be available to the dentist **prior** to scheduling appointments for oral appliance consideration. The dentist must also report when they believe optimal titration is achieved.

'Lab in lab' digital workflow

The 'lab in lab' model is a collaborative care approach to address what is often a difficult and fragmented pathway for patients, as well as for the sleep physician and dentist. With a digital workflow and a sophisticated patient management platform, the two professional entities are digitally connected to enable this collaborative approach, even when they operate in separate environments. The digital workflow and web-based platform manages both dental and medical patient records, including prescriptions, patient notes, oral scans and sleep study results. All data is stored and operates within a secured environment that complies with US Health Insurance Portability and Accountability Act (HIPAA) standards. This patient management platform also offers a billing service module and enables shared capabilities for patient scheduling.



This model significantly improves what until now has been a highly fragmented clinical experience for patients.

* Electronic Medical Record (EMR)

Business Strategy and Operations

continued

2. Educating physicians

During the financial year, our 'lab in lab' model and US sales and marketing efforts were supported by data generated from a robust clinical trial program and clinician education campaign, with Oventus taking part in several prominent industry conferences and conducting multiple "Discovery, Dine & Learn" sessions which engaged an increasing number of dentists and sleep physicians who are now educated and trained to prescribe and order Oventus products. In many instances, Oventus technology is now being offered alongside CPAP as a viable treatment alternative. While the adoption of the technology is still in its early stages, progress has been gathering pace with a pipeline of sleep groups and facilities currently being onboarded with the technology and the clinical delivery model.

3. Educating consumers

Oventus is in the early stages of launching AwakeXpress.com - a patient engagement tool and gateway to further their self awareness around their OSA symptoms and journey. It provides options to explore why they may be struggling or experiencing CPAP intolerance and offers an alternative treatment option. It is founded on the belief "if you sleep better, you live better". When a person suffers with OSA, sleep becomes a nightmare for them as they are not getting a good night's rest. It also affects others in the household who are interrupted by loud snoring, gasping and sometimes choking.

Of those diagnosed with OSA, 85% are prescribed a CPAP device. However, more than half of these individuals are unable to adjust to this treatment. For many, this is due to mouth breathing which occurs mainly due to the inability to breathe through the nose.

AwakeXpress not only provides the support and understanding a struggling patient needs but also explains why they may be struggling or experience CPAP intolerance. We introduce a simple patient screening tool called the 'NOSE' questionnaire, which helps the visitor identify their level of nasal issues and if they are a candidate for the O2Vent®. The individual receives a score and an opportunity to find a sleep/dental provider for appropriate treatment for their OSA.

AwakeXpress supports the collaboration of the sleep physician and the dental practitioner.

AwakeXpress offers a digital network of accredited sleep physicians and trained dental sleep practitioners, to provide them referrals from patients seeking treatment alternatives.

The strategy for building this digital network focuses on:

- engaging with struggling or CPAP intolerant patients to offer hope via our innovative treatment alternative
- highlighting to potential patients the role mouth breathing/nasal obstruction plays in CPAP non-compliance
- working across social media to funnel patient referrals from direct-to-consumer marketing campaigns into the optimised patient portal: AwakeXpress.com. This referral program benefits both providers and patients
- offering patients easy access and discount incentives to schedule appointments.

Oventus is in the process of populating labs and Carestream dental scanning providers into the AwakeXpress 'Find a Provider' page and we expect the provider finder to be fully operational by end of CY2019. We will continue to add providers to the site as they are onboarded to deliver Oventus products.

4. Publication and presentation of clinical data

A key part of the strategy this financial year has been the presentation of our clinical data at key industry conferences and the presentation of that data in key scientific journals.

Clinical data summary

Clinical work across multiple trials, through which over 170 patients were treated, showed that the O2Vent® devices in combination with Oventus accessories successfully treat more than 75% of patients without the need for CPAP.

In keeping with earlier studies, the most recent data showed that patients with nasal obstruction who would normally struggle with treatment were found to benefit owing to the Oventus O2Vent®'s Airway Technology and that patients that had failed prior lines of therapy were shown to benefit from Oventus Airway Technology. The addition of the ExVent™ valve to the O2Vent® airway duck bill delivered a 30% increase in efficacy. ExVent™ acts as a micro-CPAP, to naturally improve airflow and airway stability.

Presentation of clinical data

In September 2018, positive clinical data on Oventus' sleep treatment platform was presented at the European Respiratory Society (ERS) Congress in Paris, France – the largest meeting of respiratory professionals in the world, with more than 22,000 delegates in regular attendance.

The presentation by Professor Danny Eckert and Benjamin Tong of Neuroscience Research Australia (NeuRA) summarised data released by Oventus in May 2018 from two arms of the Company's ongoing "NeuRA study"[i].

i About the NeuRA study and the Australian Federal Government-funded CRC-P project. The NeuRA study is being conducted as part of the $2.95m Australian Federal Government-funded Cooperative Research Centres Programme (CRC-P) project, entitled, "Targeted therapy for sleep apnoea: A novel personalised approach". The project aims to improve the efficacy, compliance and monitoring of sleep apnoea therapy using a tailored suite of treatments to suit the needs of the individual patient. The range of therapies to be used, singularly or in combination, include oral appliances (with mandibular advancement and an airway) -with or without a positive airway pressure machine (with reduced pressure and air flow), supplemental oxygen delivery and/or a sleep consolidation aid. Oventus Medical is the lead participant together with Medical Monitoring Solutions Pty Ltd, Neuroscience Research Australia (NeuRA), Western Sydney University (WSU) and the CSIRO.

Business Strategy and Operations

continued

The data showed the ability of Oventus Airway Technology to treat patients with nasal obstruction with Oventus' O2Vent® as a stand-alone oral appliance and that through Oventus' Sleep Treatment Platform, patients requiring CPAP can be treated at lower pressures and without the need for a full face mask.

Professor Eckert's contributions were recognised at the American Association of Dental Sleep Medicine (AADSM) conference in June 2019, where he was awarded the prestigious Pierre Robin Award for exceptional initiative and results in the dental sleep field. Danny's accomplishments are well deserved and inspire the Oventus team to continue our path of innovation.

Also in June, a peer-reviewed paper on Oventus' clinical data was published in the scientific and medical journal, SLEEP®. The paper demonstrated how Oventus' O2Vent® mandibular advancement splint (MAS), used in combination with valves such as the ExVent™ and O2Vent® OnePAP™, reduces the severity of (OSA) to therapeutic levels for a substantial proportion of incomplete/non-responder patients, compared to MAS therapy alone.

Early adoption of the Oventus Sleep Treatment Platform is being driven by Oventus' research work and growing clinical evidence that is demonstrating that the O2Vent® technology can deliver greater efficacious treatment outcomes when compared to current commercially available oral appliances. Sleep physicians are acknowledging that Oventus has brought to market the most innovative, non-invasive treatment for sleep apnoea that they have seen in decades.

Cumulative Success* Rates Using Oventus Airway Technology

MAD = 56% Treatment success[**1]**

Oventus O2Vent® = 63% Treatment success[1]

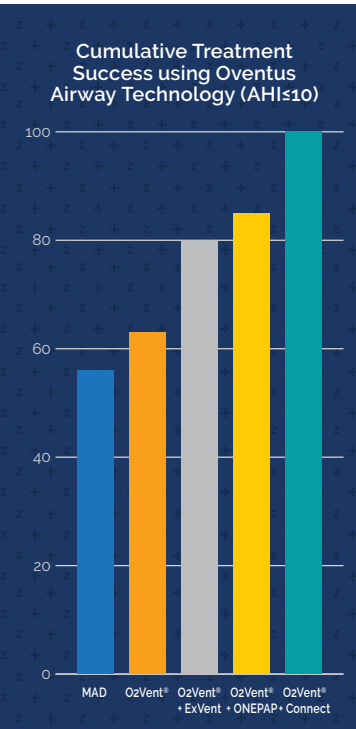
Oventus O2Vent® + ExVent™ = 80% Treatment Success[2]

Oventus O2Vent® + ONEPAP™ = 85% Treatment Success[2]

Oventus O2Vent® + Connect™ = 100% Treatment Success[3]

1. Karen McCloy, Damian Lavery, Julia Moldavtsev, Airway open-airway closed: The effect of mandibular advancement therapy for obstructive sleep apnoea with and without a novel in-built airway. Abstract Submitted ASA Brisbane 2018
2. Victor Lai, Benjamin Tong, Carolin Tran, Andrea Ricciardiello, Michelle Donegan, Nicholas Murray, Jayne Carberry and Danny Eckert. Combination therapy with mandibular advancement and expiratory positive airway pressure valves reduces OSA severity. Sleep, vol 42, no. 8, Aug 2019, zsz119
3. Amatoury J, Tong B, Nguyen C, Szollosi I, Eckert DJ. The role of a novel oral appliance therapy device on pharyngeal pressure swings and CPAP requirements during sleep in obstructive sleep apnea: A pilot study. Abstract Supplement AADSM Boston 2017

** Where treatment success is defined as % of users in whom the AHI was reduced to ≤ 10



5. Capital raising completed to maintain a strong balance sheet and support sales growth

Just post the end of the financial year, we announced the completion of a placement to new and existing institutional and sophisticated investors, and the successful close of an entitlement offer to existing shareholders. Combined, the offers raised $9.3 million.

These funds ensure Oventus maintains a robust balance sheet and will support the continued rollout of the 'lab in lab' model and as we scale up our team and resources to support the fast-growing demand for our Sleep Treatment Platform across North America.

Oventus USA Team

We continue to add key support roles to our USA and Canadian team as we grow. We currently have a highly skilled and experienced team of 11 across the areas of sales, corporate development, marketing, operations, regulatory, education, training, IT, clinical and customer support. We expect to add additional roles as we roll out the 'lab in lab' model and as key milestones are met. Some of the team include:

Robin Randolph

Sr. Vice President Sales, Marketing, Operations, North America

Accomplished Marketing and Sales executive with 30+ years in the Sleep Industry. In-depth North America medical device commercialisation experience; product management, clinical education, reimbursement, and sales. Sleep Centre operations management experience.

Peggy Powers

Clinical Educator

Experienced clinical educator and authority in the sleep and respiratory industry. Registered Respiratory Therapist for 20+ years. Highly skilled in the design and delivery of comprehensive training programs for health care providers. Frequent presenter/ educator.

Robyn Woidtke

Director, Clinical and Regulatory Affairs

MSN, RN, undergrad degree in Clinical Research Administration. 30+ years in the field of sleep health, 20+ years in the medical device (sleep) industry including clinical research, marketing, education and regulatory activities, using a consistent patient focused approach across all aspects of the product life cycle.

Masoud Vahidi

VP Operations, North America

Operations focused with 15+ years' experience in upstream and downstream marketing of medical devices for sleep apnoea, COPD and dental restoratives products. Former Senior Marketing Manager at KaVo Kerr.

Brian Ueda

Marketing Operations Manager

Skillful marketing manager with an innate ability to take complex campaigns and execute them with tactical precision. Highly versatile with experience in events, campaign management, advertising, social media, graphic design, photography and video production.

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.




Dr Mel Bridges

Chairman and Non-Executive Director

Mel has more than 35 years' experience founding and building international life science, 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 acted as director of ASX-100 company ALS Ltd until July 2019.

Dr Chris Hart

Founder, Managing Director and Chief Executive Officer

Chris is the founder of the Company and inventor of the O2Vent® design concept. Chris is overseeing the launch of the O2Vent® Optima to patients and through both clinicians and sleep labs. He heads the management team as it rolls out the Oventus 'Sleep Treatment Platform' and 'lab in lab' model across Australia, the United States and Canada. Chris is also heavily involved with training and presenting to the dental and sleep sector.

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 has 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 Neil Anderson

Chief Technical Officer

An experienced company executive and biomaterial scientist, Neil started working with Dr Chris Hart in 2013, to develop and commercialise the O2Vent® 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 more than 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 his 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).

Ms Sue MacLeman

Non-Executive Director

Sue MacLeman has more than 30 years' experience as a pharmaceutical, biotechnology and medical technology executive having held senior roles in corporate, medical, commercial and business development. Sue has also served as CEO and Board member of several ASX- and NASDAQ-listed companies in the pharmaceutical sector and is currently Chair of MTPConnect (MTPII-GC Ltd), Chair of Anatara Lifesciences Ltd (ASX:ANR), Chair of Novita Healthcare Ltd (ASX:NHL), Non-Executive Director of Palla Pharma Ltd (was TPI Enterprises) (ASX:PAL), Non-Executive Director of Oventus Medical Ltd (ASX:OVN) and Non-Executive Director of veski. Sue is also appointed to several academic and government advisory committees. Her broad commercial experience is underpinned by graduate qualifications in pharmacy and post graduate qualifications in commercial law, corporate governance, business administration and marketing.




Sharad Joshi

Non-Executive Director

Based in Boston, Sharad has been active in the medical technology industry for more than 30 years and has held senior positions for the past 10 years including as a global entrepreneurial medical devices CEO with experience in launching medical devices, a strong track record of driving rapid global growth and laying the strategic foundations for sustained success through strategic and biomedical product innovation. Sharad brings deep expertise in the North American and global markets in product development, marketing and sales, most recently as CEO of US-headquartered Microline Surgical (a wholly owned subsidiary of Tokyo Stock Exchange listed HOYA Corporation) where he was responsible for executing growth strategy and market building, selling into 60 countries. He holds qualifications in mechanical engineering and subsequently specialised in the biomedical space and also holds an MBA.

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.

Mr Dan Parry

Chief Financial and Operations Officer

Dan Parry joined Oventus in December 2017 with more than 20 years' experience as CFO and Company Secretary in the life science, technology and medical service sectors.

Dan has held senior finance roles with companies in the US, UK and Australia, ranging from venture-backed start-ups to NASDAQ listed companies including Astellas, Synergen, Cortech, Heska, Accera and Implicit Bioscience Ltd. His experience also includes corporate finance and internal audit roles with a Fortune 100 company and six years in public accounting where Dan qualified as a CPA in the US.

In these roles, Dan has managed finance, accounting, human resources, information technology, facilities, legal and compliance functions and mergers and acquisitions. Dan is professionally qualified as a Chartered Accountant in Australia and as a CPA in the US, with an MBA from the J.L. Kellogg Graduate School of Management in Chicago.

Ms Robin Randolph

Sr. Vice President Sales, Marketing, Operations, North America

Robin's sleep background originated from being an early adopter of the establishment of sleep centres in the US. Her experience included management of the clinical, operational and marketing aspects of the business.

Robin Randolph is an accomplished marketing and sales executive with over 30 years' experience in the sleep industry, including past ownership of US sleep centres.

Robin joined Oventus Medical in April 2018 as Vice President of Marketing and Operations, North America. Robin's vast experience spans medical device commercialisation, product management, clinical education, reimbursement and sleep centre operations management.

Robin has held senior management roles in these areas for both ResMed and Fisher & Paykel Healthcare. She is passionate about education for patient management of sleep disorders, including obstructive sleep apnoea, sharing her in-depth industry knowledge and promoting the advantages of the Oventus Airway Technology.

Medical Technology Advisory Board

To guide the launch and commercialisation of the Oventus 'Sleep Treatment Platform' to US Sleep Professionals and to further validate our product development work, Oventus appointed a Medical Technology Advisory Board (MTAB) in September 2018.

Lee A. Surkin

MD, FCCP

Chief Medical Officer of N3Sleep

A private practitioner in cardiology, sleep medicine and obesity medicine, Dr Surkin is one of a small group of physicians to be triple board certified in cardiology, sleep medicine and nuclear cardiology. His professional career has evolved from practicing cardiology exclusively to a unique practice model that emphasises a comprehensive wellness approach by incorporating sleep, cardiovascular and bariatric medicine.

In 2009, Dr. Surkin created Carolina Sleep – the only dedicated, full-service sleep medicine practice in eastern NC, offering in-centre and home sleep testing. He also created a cardiovascular and sleep healthcare model using a multi-faceted diagnostic and treatment approach that is enhanced by a network of relationships with physicians, dentists, respiratory therapists, sleep technologists and public officials who recognise the important role that sleep medicine has in our daily life.

In 2012, Dr. Surkin founded the American Academy of Cardiovascular Sleep Medicine. In 2014, he founded the Carolina Clinic for Health and Wellness.

Richard K. Bogan

MD, FCCP, FAASM

Associate Clinical Professor, Chief Medical Officer, Director

Richard K. Bogan is Associate Clinical Professor at the University of South Carolina School of Medicine in Columbia, SC and Medical University of SC in Charleston, SC. He is a founder, the Chief Medical Officer and a Director of SleepMed Inc., the largest sleep diagnostic company in the U.S.

Dr. Bogan received his medical degree from the Medical University of South Carolina in Charleston, SC. He completed his Internal Medicine residency at the University of Alabama Hospitals and Clinics and his Pulmonary, Critical Care fellowship at the University of Alabama School of Medicine, both in Birmingham, Alabama.

Dr. Bogan is board certified in sleep medicine, pulmonary medicine and internal medicine with previous certification in critical care. He has served as the medical director for several hospital departments and on business, community, and civic boards.

He is dedicated to creating standards of excellence in sleep disease management.

Jerrold A. Kram

MD, FCCP, FAASM

Medical Director of the California Center for Sleep Disorders (with 8 locations)

Dr. Jerry Kram is board certified in internal medicine, pulmonary medicine and sleep medicine. He has lectured extensively on sleep and has conducted many clinical trials of treatments for various sleep disorders and published articles and chapters on this topic.

He is on the faculty of the School of Sleep Medicine at Samuel Merritt University and a member of the Board of the National Sleep Foundation.

Mark Hickey

MD

Founder, Colorado Sleep Institute

Dr Hickey founded the Colorado Sleep Institute (formerly Rem Sleep Medicine PC) in 2010, which provides comprehensive care for the full spectrum of sleep disorders. He is a Mayo-trained Neurologist and is both fellowship-trained and board certified in Sleep Medicine.

After graduating from the University of South Florida College of Medicine Dr. Hickey pursued a residency in adult Neurology at Mayo Clinic Arizona, then a fellowship in Sleep Medicine at Louisiana State University Health Sciences Center.

Dr. Hickey was an Assistant Professor of Sleep Medicine in the Department of Neurology at Louisiana State University Health Sciences Center prior to founding the Colorado Sleep Institute.

At the American Academy of Sleep Medicine, Dr. Hickey serves as a Welltrinsic Board member. At the Boulder Valley Individual Practice Association, he is both a Board and Credentials Committee member. At the Boulder Valley Care Network, he serves as a Board member. He is an active member of the Colorado Medical Society and Boulder County Medical Society.

Reporting to CEO, Dr Chris Hart, the MTAB comprises a US-based consultative advisory body of highly experienced leaders and international experts in sleep medicine. This advisory body provide input and guidance into Oventus' clinical, developmental and commercial strategy, focused on introducing Oventus' products to the sleep channel in the USA. Members of the MTAB have been appointed with a three year term, renewable by mutual agreement.

The MTAB is composed of the following leading sleep physicians and advisors:

Mark A. Rasmus

MD

Medical Director, Idaho Sleep Health

Dr. Rasmus obtained his Bachelor's degree from Dartmouth College and his medical degree from St. George's University School of Medicine. He completed a combined residency in internal medicine and paediatrics through Albany Medical Center in New York, followed by a pulmonary/ critical care fellowship at the University of Utah and a sleep medicine fellowship at LDS Hospital in Salt Lake City, Utah. Dr. Rasmus has been board certified in paediatrics, internal medicine, pulmonary medicine, critical care and sleep medicine.

Dedicated to public education on sleep matters, Dr. Rasmus has appeared on television, speaks to community groups and physicians, has conducted clinical research and published articles in sleep disordered breathing and CPAP humidification.

Dr. Rasmus is a member of the American Academy of Sleep Medicine and the American College of Chest Physicians.

Daniel B. Brown

Partner, Healthcare and Corporate Practice Groups, Taylor English Duma LLP Atlanta, Georgia.

Dan is an accomplished corporate and healthcare attorney who regularly advises clients on the legal and regulatory aspects associated with the operation and sale of health care businesses.

He represents a variety of sleep medicine providers, durable medical equipment suppliers, medical device manufacturers, physician groups, health care franchisors and health systems on structuring health care business operations and maintaining regulatory compliance with the Stark laws, Anti-Kickback Laws and HIPAA.

Dan served as Treasurer and a member of the Executive Committee of the National Sleep Foundation. He is on the Faculty of the Atlanta School of Sleep Medicine and Technology.

Myra G. Brown

President, MBrownGroup LLC

Myra has more than 30 years of experience managing, consulting, directing and developing business opportunities for health care companies, device manufacturers, health insurers, entrepreneurs, and individual health care providers. She has an MBA in Healthcare Administration from the Wharton School, University of Pennsylvania, and began her career with Hospital Corporation of America (HCA). She later served as the Chief Operating Officer of The Bill Wilkerson Center of Vanderbilt University.

In Myra's consulting practice, she develops strategic business, branding and marketing plans for companies ranging from new business start-ups to multinational entities. For the past 12 years, she has focused on the consumer sleep market.

Pedro J. Cuartas

DDS

Clinical Director of South LA Dental Sleep Medicine

CEO, Dental Sleep Services, LLC

Dr. Cuartas was born and raised in New Orleans, LA. In 1996, he received his B.S. degree from Loyola University and graduated from Louisiana State University School of Dentistry in 2000. In addition to his general dental practice, he has also developed a special interest in obstructive sleep apnoea (OSA), TMJ, orthodontics, and implant dentistry.

He is the Dental Director for South LA Dental Sleep Medicine, which is accredited as a Dental Sleep Medicine Facility by the American Academy of Dental Sleep Medicine.

Dr. Cuartas began his professional involvement with Dental Sleep Medicine in 2007, and recently created Dental Sleep Services, LLC. This business out-reach helps physicians incorporate a proactive approach to screening for sleep breathing disorders and home sleep testing services for Obstructive Sleep Apnoea into their practices. The goal is to generate greater awareness of OSA in the community.

Directors' Report

For the year ended 30 June 2019

The directors present their report, together with the financial statements, on the consolidated entity consisting of Oventus Medical Limited ('the Company') and the entities it controlled ('the Consolidated Entity'; 'the Group') at the end of the year ended 30 June 2019.

Directors and company secretary

The names of the Directors of the Company during the year and up to the date of this report are noted below. Directors were in office for the entire period unless otherwise stated:

Dr Mel Bridges	Chairman
Dr Chris Hart	Executive Director
Mr Neil Anderson	Executive Director
Ms Sue MacLeman	Non-Executive Director
Mr Sharad Joshi	Non-Executive Director (appointed 17 December 2018)
Mr Stephen Denaro	Company Secretary

Principal activities

Oventus (ASX: OVN) is a Brisbane, Australia-based medical device company that has commercialised and brought to market a new platform for the treatment of obstructive sleep apnoea (OSA) and snoring. The Oventus Sleep Treatment Platform enhances treatment outcomes delivered by conventional oral appliance therapy and Continuous Positive Airway Pressure (CPAP) therapy, through increased efficacy and greater adherence by patients when compared with these older treatment methods.

During the year, Oventus was principally focused on commercialisation and distribution of its Sleep Treatment Platform, including its 'Airway Technology' in the key geographies of Australia, Canada and the US. In addition, the Company was focused on enabling adoption of its products through its recently launched 'lab in lab' business model and to execute on a strategy to deliver the shortest pathway to reach cash flow break even.

Review of operations

The loss for the Consolidated Entity after providing for income tax amounted to $7,848,255 (2018: loss of $5,870,547). The Consolidated Entity earned $331,837 in revenue for the year ended 30 June 2019 (2018: revenue of $271,332) and incurred operating expenses of $8,486,805 for the year ended 30 June 2019 (2018: $6,424,042). Development expenditures of $1,318,854 incurred during the year ended 30 June 2019 (2018: $1,737,286) were capitalised in the consolidated statement of financial position. The Consolidated Entity received $1,039,988 from the Australian Federal Government in November 2018 as a credit rebate for the Company's 2018 financial year R&D spend.

'lab in lab' model

This new business model puts patients at the centre of care and is designed to simplify the patient experience and build value for all stakeholders, including dentists and sleep physicians. It ensures both dentists and sleep physicians participate effectively in providing end-to-end treatment solutions and provides a seamless treatment platform for patients to access Oventus Airway Technology, irrespective of their point of care.

Demand for the model within the sleep channel is large and growing quickly with Oventus signing a number of agreements during the financial year. In June, the Company announced that it had signed an agreement with the first sleep groups in Canada who will sell O2Vent® Optima and ExVent™ across 7 clinical delivery sites, while in May a large dental corporate and collaborative sleep group in the Carolinas agreed to introduce the Sleep Treatment Platform into their treatment protocols. Post the year end, first agreements were announced in the US under the 'lab in lab' model for the O2Vent® Optima.

To underpin the broad adoption of the new 'lab in lab' business model, synergistic agreements were also signed in July with VirtuOx, Carestream Dental and Lyon Dental. These agreements enable patients to receive devices from the Oventus Sleep Treatment Platform regardless of whether they start their patient journey within the dental channel, or sleep channel. They remove a number of barriers to the delivery of seamless patient care which have been in place for many years.

In parallel, considerable effort has been put into a restructure of Oventus' operations to reduce fixed costs and eliminate inefficiencies. This reduction in fixed costs has allowed for a significant investment into a North American go-to-market campaign and development of the lab in lab business model.

Distribution, sales and marketing

During the year, the Company's distribution partnership with leading dental prosthetics group, Modern Dental, became non-exclusive, allowing Oventus the ability to distribute to national sleep groups and sleep hybrids directly.

To help drive referrals through both channels, Oventus is focused on stakeholder education, generating clinical data and product marketing. A significant earned media and social media campaign was launched during the financial year to funnel struggling and CPAP-failed patients into a network finder, where they could receive education, direction and locate local providers that are trained and aligned with the Oventus product line.

The investment in the sleep channel is being spearheaded by a newly formed, but very experienced and well credentialled US sales team headed by Robin Randolph. Robin is an executive with over 30 years' experience in the sleep industry with in-depth North American medical device commercialisation experience, having held significant senior management positions at ResMed and Fisher & Paykel.

The US team is building relationships with national sleep groups and physician networks who know those patients currently outside of care for OSA, due to their refusal of, or inability to tolerate CPAP.

Central to the success of this approach has been the development and implementation of several business models that enable these national sleep groups to deliver Oventus Airway Technology within their own facilities, resulting in the launch of the 'lab in lab' business model.

To facilitate early sales with these groups and to streamline process for improved customer experience and reduced delivery times, the Company has set up online order entry, along with direct distribution, customer care and outsourced manufacturing in the US. This will enable Oventus to provide customers with US manufactured O2Vent® T and W oral devices until 510(k) US Food and Drug Administration (FDA) regulatory clearance for O2Vent® Optima is granted, which is expected in 2H CY2019. O2Vent® Optima will spearhead Oventus' entry into the sleep market and is expected to be the Company's lead sales generator.

Throughout the last financial year, there has also been increased focus on training sleep physicians and dentists in the clinical application of Oventus Airway Technology. This has occurred using a mix of online learning platforms, presentation of data at clinical meetings and industry conferences, as well as face-to-face training in clinics and at structured courses.

Oventus' sales pipeline is being driven by growing awareness from clinicians that the O2Vent® technology can deliver treatment outcomes comparable to the current standard of care – CPAP – for the majority of patients in a non-invasive manner.

The Company expects to secure further agreements across its key target markets in the US, Canada and Australia over the next 12-24 months, with a view to significant scaling toward the back end of CY2019 and CY2020. Negotiations are ongoing with multiple groups.

Product development

The majority of product development is now complete, following a successful market release of the (Australian Therapeutic Goods Administration registered) O2Vent® Optima in Australia in January and Canada in February. Remaining product development is funded substantially through Australian federal government grants (Cooperative Research Centre Program [CRC-P]). The ExVent™ positive end expiratory pressure (PEEP) valve was launched alongside the O2Vent® Optima nylon appliance range in Australia and Canada in June 2019.

The ExVent™ integrates into the 'duckbill' in the airway of the O2Vent® oral appliances, further enhancing efficacy in the majority of patients – a key innovation in Oventus' personalised treatment platform. This accessory controls exhalation for patients – generating positive air pressure on exhalation, creating a micro CPAP-type effect, without the need for an air pump, motors or electricity.

The O2Vent® Optima nylon appliance is targeted for release in the US in 2H CY2019. ExVent™ is expected to be launched in the US in CY2020.

The O2Vent® ONEPAP™ appliance (incorporating a titratable PEEP valve and nasal pillows) is currently in late-stage development and clinical trials as part of Oventus' CRC-P funded study with Neuroscience Research Australia (NeuRA). ONEPAP™ is an exciting extension of Oventus Airway Technology with the potential to elevate the efficacy of oral appliance therapy to that of CPAP for many patients.

The previously announced O2Vent® Connect™ CPAP connection remains in late-stage development and is currently the focus of partnering discussions with manufacturers of CPAP and mask equipment. It will connect the Oventus O2Vent® device to CPAP, enabling CPAP to be delivered at lower pressures, without the need for a full-face mask.

As a result of the launch of these new devices, Oventus will be able to treat an increasing number of patients suffering from OSA with minimal intervention, offering a patient centric approach to CPAP medicine and the first highly efficacious, viable alternative to CPAP for many years.

Clinical trial results

A number of clinical trial results were announced during the financial year and presented at sleep industry conferences, highlighting the improved efficacy and growing body of evidence, of Oventus' Airway Technology.

Results were reported for the OVEN-005 'Sydney NeuRA' trial at the European Respiratory Society (ERS) International Congress in September 2018 in Paris, France. Two abstracts were presented, highlighting Oventus' ability to improve treatment outcomes over existing therapies and deliver a more personalised treatment outcome to patients, depending upon the severity of their disease, using a range of Oventus' treatment options.

Data has now been collected and analysed across 171 patients suffering from OSA over four clinical studies, all consistently showing strong clinical efficacy of the O2Vent® oral appliance, validating Oventus Airway Technology for use in both oral appliances and as a CPAP interface.

Clinical work across multiple trials shows Oventus' devices successfully treat more than 75% of patients without the need for CPAP, the current standard of care treatment for OSA.

The OVEN-005 'Sydney NeuRA' trial remains ongoing as part of the CRC-P announced in February 2017, which is funded through a $2.95 million grant over a three-year period from the Australian Federal Government's Department of Industry, Innovation and Science. The ongoing study, which includes a number of cohorts, will also focus on building further clinical evidence during financial year 2020.

Directors' Report

For the year ended 30 June 2019

Operational focus and cost reduction

During the financial year, Oventus further reduced R&D spend and fixed costs. Resources were diverted into sales and marketing channels as the company moves from an R&D to a sales focus and enables Oventus to focus on its core value proposition of driving innovation in airway management while retaining a tight cost control.

Initiatives included reducing operating overheads by closing the Company's Melbourne manufacturing facility and by fully outsourcing manufacturing of its titanium O2Vent® appliance in a strategic move to become a virtual device manufacturer. The O2Vent® Optima nylon range, which has been launched in Australia and Canada, has also been fully outsourced.

Staff functions were restructured and are now sales and marketing focused in Oventus' Brisbane office and newly established small US office. Dr Chris Hart relocated temporarily to the US in late July 2019 to spearhead the rollout of Oventus' 'lab in lab' business model.

Research and Development (R&D) and product innovation

Research and development expenditures for the year ended 30 June 2019 totalled $2,374,711, including $1,318,854 of development costs capitalised in the consolidated statement of financial position and a provision for indirect costs.

Oventus continued to conduct research and development (R&D) activities to support product and clinical development activities, in tandem with the market launch into overseas jurisdictions which represent large market opportunities for the Company's innovative product range. The run rate of R&D activities throughout the period was however significantly reduced with only one program remaining, the fully externally funded CRC-P.

Oventus is the lead participant and is pleased to work with four other participants, CSIRO, Medical Monitoring Solutions Pty Ltd, Neuroscience Research Australia (NeuRA), and Western Sydney University (WSU). The focus of the CRC-P is to develop on a personalised approach to the treatment of OSA. The O2Vent® Optima nylon appliance, the ExVent™ and ONEPAP™ PEEP valves are key R&D outcomes over the last year.

In addition, several product and process improvements were implemented during the reporting period. These included introductions of, and enhancement to 3D modelling software for increased device customisation; processing efficiencies and improved patient comfort; redesign of the shape of the currently marketed O2Vent® T and O2Vent® W (Australia, Canada and the US) for increased strength and resilience; and upgrades to the device adjuster assembly for improved patient usability. The 3D printing and polishing of titanium parts was also outsourced.

Outsourced manufacturing of the new nylon device, the O2Vent® Optima, was initially set up in Australia with further outsourced manufacturing capability more recently set up in the US.

Operational staff appointments

Oventus invested heavily in building out its operational, sales and marketing capability in North America to support the implementation of dental distribution arrangements and the introduction of products into the sleep channel.

During the financial year, a number of key staff were recruited in the US to drive marketing and sales who bring with them long standing relationships through prior roles in industry, as part of our go-to-market strategy. The team is headed by Robin Randolph, Senior Vice President, Sales and Marketing.

Financial position and results

The Company's cash position was $3.0 million as at 30 June 2019.

The loss for the Consolidated Entity after providing for income tax amounted to $7,848,255 (2018: loss of $5,870,547). The Consolidated Entity earned $331,837 in revenue for the year ended 30 June 2019 (2018: revenue of $271,332) and incurred operating expenses of $8,486,805 for the year ended 30 June 2019 (2018: $6,424,042). The increase in operating expenditures related primarily to building out the operational, sales and marketing capability in North America and the introduction of products into the sleep channel. The Company also incurred restructure charges in the half year in connection with the reduction of fixed operating costs and outsourcing of certain operating activities. Development expenditures of $1,318,854 incurred during the year ended 30 June 2019 (2018: $1,737,286) were capitalised in the consolidated statement of financial position. The Consolidated Entity received $1,039,988 from the Australian Federal Government in November 2018 as a credit rebate for the Company's 2018 financial year R&D spend and a total of $152,174 in Export Market Development Grants (EMDG).

Dividends

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

Board and executive management changes

A change to the management team in late August 2018 saw Dr Chris Hart assume the role of Managing Director and Chief Executive Officer, formerly holding the role of Clinical Director and Executive Director. Neil Anderson assumed the role of Chief Technical Officer, formerly holding the role of Chief Executive Officer and Executive Director. These changes reflect Chris spearheading the Company's move into the lucrative US sleep market.

At the Board level, Mr Sharad Joshi joined the Oventus Board as Non-Executive Director in late September 2018. He brings extensive experience in the medial technology sector and has a biomedical engineering background and strong experience in launching medical devices in the North American market.

A US-based Medical Technology Advisory Board (MTAB) was established in September 2018 to guide commercialisation of Oventus' Sleep Treatment Platform. The MTAB comprises highly experienced leaders and international experts in sleep medicine and has been active facilitating the introduction of Oventus Airway Technology as a new treatment option to US sleep physicians.

Significant changes in the state of affairs

Other than as stated above and in the accompanying financial report, there were no significant changes in the state of affairs of the Consolidated Entity during the reporting period.

The Company's capital raising activities for the prior two fiscal years are shown in the table below.

Equity – share capital	30 June 2019 Number of Shares #	30 June 2019 Value of Shares $	30 June 2018 Number of Shares #	30 June 2018 Value of Shares $
Opening Balance	**105,939,212**	**29,640,394**	90,000,000	21,729,732
Ordinary shares issued:				
9 August 2017	–	–	2,139,265	770,135
21 December 2017	–	–	13,799,947	7,589,971
Share issue costs	–	–	–	(449,444)
At reporting date	**105,939,212**	**29,640,394**	105,939,212	29,640,394

Significant matters subsequent to the period

On 26 July 2019, Oventus announced a capital raising in which it had received firm commitments for $7 million in a two-tranche Placement and launched a fully underwritten $2.3 million Entitlement Offer to existing shareholders. On 1 August 2019, the Company issued 15,757,491 shares at $0.38 per share in connection with closing the first tranche of the Placement, with proceeds from the issuance of shares on this first tranche totalling $5,566,920 (net of issuance costs of $397,421). The funds raised will underpin adoption of Oventus' 'lab in lab' business model in the sleep and dental channels.

Oventus signed its first agreement on 15 July 2019 with a sleep group in US for the Oventus O2Vent® Sleep Treatment Platform which treats OSA and signed synergistic agreements on 16 July 2019 with VirtuOx, Carestream Dental and Lyon Dental, to underpin broad adoption of the 'lab in lab' business model.

In addition, Oventus signed further material agreements in August 2019 with two US sleep groups to supply dental sleep medicine solutions across a total of 10 facilities.

Expected future developments

Looking ahead, Oventus expects to make significant progress in generating sales of the O2Vent® range. Key developments expected across the coming two quarters include:

- Uptake and acceptance of the O2Vent® range of products by patients and clinicians through Oventus' distribution under the 'lab in lab' business model, supported by successful marketing and training activities to drive adoption;
- Additional partnerships for clinical delivery and distribution in various geographies;
- Successful launch of new products in the US market subject to FDA approval;
- Additional clinical evidence/clinical trial results which highlight the benefit of the 'Oventus Airway Technology' for a range of patients relating to the ongoing CRC-P NeuRA government funded trial. Further, a clinical trial for the ExVent™ add-on is expected to be initiated to support the FDA approval process in the US market; and
- Further enhancement and outsourcing of the manufacturing process to scale manufacturing to meet demand and minimise costs.

Environmental regulations

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

Directors' Report

For the year ended 30 June 2019

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
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) and Anatara Lifesciences Ltd (until May 2018).
Special responsibilities	Mel is the chair of the Remuneration Committee and serves on the Audit and Risk Management Committee.
Interest in shares	2,738,831 ordinary shares
Interest in options	200,732 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/Graduate of AICD.
Experience	Sue MacLeman has more than 30 years' experience as a pharmaceutical, biotechnology and medical technology executive with senior roles in corporate, medical, commercial and business development. Sue has also served as CEO and Board member of several ASX and NASDAQ listed companies in the sector. Sue is also appointed to a number of academic and government advisory committees.
Other current directorships	Sue is currently the Chair and Non Executive Director of MTPConnect (Medical Technology and Pharmaceuticals Industry Innovation Growth Centre MTPCII-GC Ltd), Chair and Non Executive Director at Anatara Life Sciences Ltd (ASX:ANR), Non-Executive Director at Palla Pharma Limited (ASX:PAL), and Chair and Non Executive Director of Novita Healthcare Ltd (ASX:NHL).
Former directorships:	RHS Ltd (August 2014 – June 2018)
Special responsibilities	Sue is the chair of the Audit and Risk Management Committee and serves on the Remuneration Committee.
Interest in shares	39,495 ordinary shares
Interest in options	200,732 options

Sharad Joshi	**(Non-Executive Director) – Appointed 17 December 2018**
Qualifications	Bachelor of Mechanical Engineering, & Pre-Med with Biology minor from Northeastern University in Boston, Massachusetts, Master of Business Administration, cum laude, from Babson College Olin School of Business, Wellesley, Massachusetts.
Experience	Sharad has been active in the medical technology industry for over 30 years, held senior positions for the past 10 years including global entrepreneurial medical devices CEO with experience in launching medical devices and is currently the President and Chief Executive Officer of BioDirection, Inc in Southborough Massachusetts.
Other current directorships	Member of the Massachusetts Medical Board
Former directorships (last 3 years):	Massachusetts Medical Device Association
Interest in shares	201,139 ordinary shares
Interest in options	None

Directors' Report

For the year ended 30 June 2019

Chris Hart	**(Executive Director) (Founder) (Managing Director and Chief Executive Officer from 30 August 2018) (Clinical Director up to 29 August 2018)**
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	26,542,513 ordinary shares
Interest in options	401,464 options

Neil Anderson	**(Executive Director) (Chief Technical Officer from 30 August 2018) (Managing Director and Chief Executive Officer up to 29 August 2018)**
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	5,837,365 ordinary shares
Interest in options	401,464 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.
Interest in shares	154,395 ordinary shares
Interest in options	125,366 options

Directors' Report

For the year ended 30 June 2019

Meetings of directors

During the financial year, 12 meetings of directors were held. Attendances were:

	Full Board	
2019	**Number eligible to attend**	**Number attended**
Mel Bridges (Chairman)	12	12
Neil Anderson	12	12
Chris Hart	12	11
Sue MacLeman	12	12
Sharad Joshi	6	6

Meetings of remuneration committee and audit and risk management committee

During the financial year, 1 meeting of the Remuneration and Nomination Committee were held and 2 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)	1	1	2	2
Sue MacLeman	1	1	2	2
Sharad Joshi	0	0	1	1

Directors' Report

For the year ended 30 June 2019

Remuneration report (audited)

Key management personnel (KMP) covered in this report

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

- Mel Bridges (Chairman) (Non-Executive Director)
- Chris Hart (Executive Director) (Founder)
- Neil Anderson (Executive Director)
- Sue MacLeman (Non-Executive Director)
- Sharad Joshi (Non-Executive Director appointed 17 December 2018)

Other key management personnel

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

- Daniel Parry (Chief Financial and Operations Officer)
- Robin Randolph (Vice President of U.S. Marketing and Operations)
- 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

1. The Remuneration and Nomination Committee is responsible for determining appropriate levels and structure of remuneration for executives.
2. The Remuneration and Nomination Committee is responsible for approving performance metrics for executives and measuring performance against those metrics.
3. 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

For the year ended 30 June 2019

Remuneration expenses for KMP

	Short-term benefits			Post-employment benefits		Share-based payments	
	Cash salary & fees $	**Bonus**	**Other Benefits $**	**Super $**	**Termination benefits $**	**Equity-settled $**	**Total $**
For the year ended 30 June 2019							
Non-executive directors							
Mel Bridges	73,059	–	–	6,941	–	5,855	85,855
Sue MacLeman	50,228	–	–	4,772	–	5,855	60,855
Sharad Joshi (from 17 Dec 2018)	41,241	–	–	–	–	–	41,241
Executive directors							
Chris Hart	398,988	–	–	37,904	–	11,710	448,603
Neil Anderson	231,668	–	–	22,002	–	11,710	265,381
Total for directors	**795,185**	**–**	**–**	**71,619**	**–**	**35,131**	**901,934**
Other key management personnel							
Stephen Denaro	22,913	–	–	–	–	3,657	26,570
Daniel Parry	225,000			21,375	–	21,187	267,562
Robin Randolph	249,188	–	39,013	–	–	11,903	300,104
Total for other KMP	**497,102**	**–**	**39,013**	**21,375**	**–**	**36,747**	**594,236**
For the year ended 30 June 2018							
Non-executive directors							
Mel Bridges	73,059	–	–	6,941	–	7,215	87,215
Sue MacLeman	50,228	–	–	4,772	–	7,215	62,215
Executive directors							
Neil Anderson	301,370	80,000	–	25,000	–	14,430	420,800
Chris Hart	301,370	80,000	–	36,230	–	14,430	432,030
Total for directors	**726,027**	**160,000**	**–**	**72,943**	**–**	**43,290**	**1,002,260**
Other key management personnel							
Stephen Denaro	25,000	–	–	–	–	3,608	28,608
Daniel Parry (from 5 December 2017)	105,577	–	–	10,030	–	6,793	122,400
Robin Randolph (from 1 April 2018)	55,921	–	5,766	–	–	–	61,687
Total for other KMP	**186,498**	**–**	**5,766**	**10,030**	**–**	**10,401**	**212,694**

The number of options held as at end of reporting period for KMP are as follows:

	Opening Balance	Movement	Closing Balance (30 June 2019)	Vested as of 30 June 2019	Vested & Exercisable as of 30 June 2019
Directors					
Chris Hart	401,464	–	**401,464**	**401,464**	**401,464**
Mel Bridges	200,732	–	**200,732**	**200,732**	**200,732**
Neil Anderson	401,464	–	**401,464**	**401,464**	**401,464**
Sue MacLeman	200,732	–	**200,732**	**200,732**	**200,732**
Other KMP					
Dan Parry	200,000	100,000	**300,000**	**133,332**	**133,332**
Robin Randolph	200,000	100,000	**300,000**	**66,666**	**66,666**
Steve Denaro	100,366	25,000	**125,366**	**100,366**	**100,366**

Contractual arrangements for executive KMP

Remuneration and employment terms for executive directors and other key management personnel are detailed in the 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 disobeys 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 2019, 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.

End of remuneration report

Directors' Report

For the year ended 30 June 2019

Shares under option

Unissued ordinary shares

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

Expiry date	Exercise price	Number under option
23 February 2021	$0.578	2,274,954
1 December 2021	$1.055	300,000
12 December 2022	$0.961	600,000
24 February 2022	$0.940	49,998
18 December 2022	$1.016	200,000
2 July 2023	$0.480	450,000
8 August 2023	$0.424	380,000
15 January 2024	$0.423	225,000
22 May 2024	$0.403	100,000

Key Management Personnel Options

The number of options that have vested as of the reporting period 30 June 2019 are as follows:

	Exercise Price	Issue Date	FV per Option @ Grant Date	Closing Balance	Vested as of 30 June 2019
Chris Hart					
Unlisted options - Vesting 17/2/17 Expiring 23/2/21	$0.578	31-May-16	$0.133	133,807	**133,807**
Unlisted options - Vesting 17/2/18 Expiring 23/2/21	$0.578	31-May-16	$0.133	133,807	**133,807**
Unlisted options - Vesting 17/2/19 Expiring 23/2/21	$0.578	31-May-16	$0.133	133,850	**133,850**
				401,464	**401,464**
Mel Bridges					
Unlisted options - Vesting 17/2/17 Expiring 23/2/21	$0.578	31-May-16	$0.133	66,903	**66,903**
Unlisted options - Vesting 17/2/18 Expiring 23/2/21	$0.578	31-May-16	$0.133	66,903	**66,903**
Unlisted options - Vesting 17/2/19 Expiring 23/2/21	$0.578	31-May-16	$0.133	66,926	**66,926**
				200,732	**200,732**
Neil Anderson					
Unlisted options - Vesting 17/2/17 Expiring 23/2/21	$0.578	31-May-16	$0.133	133,807	**133,807**
Unlisted options - Vesting 17/2/18 Expiring 23/2/21	$0.578	31-May-16	$0.133	133,807	**133,807**
Unlisted options - Vesting 17/2/19 Expiring 23/2/21	$0.578	31-May-16	$0.133	133,850	**133,850**
				401,464	**401,464**
Sue MacLeman					
Unlisted options - Vesting 17/2/17 Expiring 23/2/21	$0.578	31-May-16	$0.133	66,903	**66,903**
Unlisted options - Vesting 17/2/18 Expiring 23/2/21	$0.578	31-May-16	$0.133	66,903	**66,903**
Unlisted options - Vesting 17/2/19 Expiring 23/2/21	$0.578	31-May-16	$0.133	66,926	**66,926**
				200,732	**200,732**

	Exercise Price	Issue Date	FV per Option @ Grant Date	Closing Balance	Vested as of 30 June 2019
Dan Parry					
Unlisted options - Vesting 05/12/18 Expiring 18/12/22	$1.016	19-Dec-17	$0.312	99,996	**66,666**
Unlisted options - Vesting 05/12/19 Expiring 18/12/22	$1.016	19-Dec-17	$0.312	99,996	**0**
Unlisted options - Vesting 12/12/20 Expiring 18/12/22	$1.016	19-Dec-17	$0.312	66,668	**0**
Unlisted options - Vesting 16/01/20 Expiring 15/01/24	$0.423	16-Jan-19	$0.155	0	**0**
Unlisted options - Vesting 16/01/21 Expiring 15/01/24	$0.423	16-Jan-19	$0.155	0	**0**
Unlisted options - Vesting 16/01/22 Expiring 15/01/24	$0.423	16-Jan-19	$0.155	33,340	**0**
				300,000	**66,666**
Robin Randolph					
Unlisted options - Vesting 17/05/19 Expiring 2/07/23	$0.480	03-Jul-18	$0.149	66,666	**66,666**
Unlisted options - Vesting 17/05/20 Expiring 2/07/23	$0.480	03-Jul-18	$0.149	66,666	**0**
Unlisted options - Vesting 24/05/21 Expiring 2/07/23	$0.480	03-Jul-18	$0.149	66,668	**0**
Unlisted options - Vesting 16/01/20 Expiring 15/01/24	$0.423	16-Jan-19	$0.155	33,330	**0**
Unlisted options - Vesting 16/01/21 Expiring 15/01/24	$0.423	16-Jan-19	$0.155	33,330	**0**
Unlisted options - Vesting 16/01/22 Expiring 15/01/24	$0.423	16-Jan-19	$0.155	33,340	**0**
				300,000	**66,666**
Steve Denaro					
Unlisted options - Vesting 17/2/17 Expiring 23/2/21	$0.578	31-May-16	$0.133	33,451	**33,451**
Unlisted options - Vesting 17/2/18 Expiring 23/2/21	$0.578	31-May-16	$0.133	33,451	**33,451**
Unlisted options - Vesting 17/2/19 Expiring 23/2/21	$0.578	31-May-16	$0.133	33,464	**33,464**
Unlisted options - Vesting 16/01/20 Expiring 15/01/24	$0.423	16-Jan-19	$0.155	8,330	**0**
Unlisted options - Vesting 16/01/21 Expiring 15/01/24	$0.423	16-Jan-19	$0.155	8,330	**0**
Unlisted options - Vesting 16/01/22 Expiring 15/01/24	$0.423	16-Jan-19	$0.155	8,340	**0**
				125,366	**100,366**

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

Insurance of officers and indemnities

The Company maintains and pays premiums in respect of directors' and officers' insurance. Premiums paid in respect of insurance amounted to $152,690.

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.

Directors' Report

For the year ended 30 June 2019

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Oventus Medical Limited support and have adhered to key principles of corporate governance.

Please refer to the Corporate Governance Statement of Oventus Medical Limited on website www.oventus.com.au via the tab headed "Investor Centre" for more information.

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.

There were no non-audit services provided by the auditor (or by another person or firm on the auditors behalf) during the financial year.

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 year ended 30 June 2019.

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

Mel Bridges
Director

Brisbane
23rd August 2019

Auditor's Independence Declaration

PKF Brisbane Audit

PKF

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

PKF

PKF BRISBANE

C Bradley

CAMERON BRADLEY
PARTNER

DATED THIS 23 AUGUST 2019
BRISBANE

PKF Brisbane Audit
ABN 33 873 151 348

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Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	Note	30 June 2019 $	30 June 2018 $
Revenue		**331,837**	271,322
Less: Expenses			
Staff Costs		**3,932,302**	2,790,306
Manufacturing costs - Pilot phase		**158,239**	177,700
Depreciation and amortisation		**768,453**	757,636
Administration		**471,585**	512,354
Travel		**722,350**	422,854
Sales & Marketing		**670,926**	406,245
Information technology costs		**383,463**	387,840
IP Audit Legal & Consulting		**362,047**	319,996
Insurance		**282,016**	204,877
Clinical Studies Research & Regulatory		**389,202**	269,057
Office & Lab		**346,222**	175,177
Total expenses		**8,486,805**	6,424,042
		(8,154,968)	(6,152,720)
Other income (expenses)			
Interest income		**154,539**	191,157
Other income		**152,174**	91,016
		306,713	282,173
Loss before income tax expense		**(7,848,255)**	(5,870,547)
Income tax expense	13	**–**	–
Loss for the year attributable to members of the company		**(7,848,255)**	(5,870,547)
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations		**(116,147)**	3,895
Total comprehensive loss attributable to members of the company		**(7,964,402)**	(5,866,652)
Earnings per share for profit/(loss) from continuing operations:	22		
Basic earnings per share		**(7.41)**	(5.92)
Diluted earnings per share		**(7.41)**	(5.92)

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 2019

	Note	30 June 2019 $	30 June 2018 $
Current assets			
Cash and cash equivalents	3	**2,998,563**	9,894,959
Trade and other receivables	4	**79,068**	562,207
Other current assets	5	**1,363,614**	1,372,217
Total current assets		**4,441,245**	11,829,383
Non-current assets			
Property, plant and equipment	6	**699,398**	702,089
Intangible assets	7	**3,744,100**	3,211,947
Deposits		**74,732**	69,094
Total non-current assets		**4,518,230**	3,983,130
Total assets		**8,959,475**	15,812,513
Current liabilities			
Trade and other payables	8	**1,391,918**	561,475
Other current liabilities	9	**135,016**	120,768
Total current liabilities		**1,526,934**	682,243
Non-current liabilities			
Other liabilities	9	**75,936**	–
Total non-current liabilities		**75,936**	–
Total liabilities		**1,602,870**	682,243
Net assets		**7,356,605**	15,130,270
Equity			
Share capital	10	**29,640,394**	29,640,394
Share based payment reserve	11	**500,212**	309,476
Translation reserve		**(112,252)**	3,895
Accumulated losses	12	**(22,671,750)**	(14,823,495)
Total equity		**7,356,605**	15,130,270

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 2019

	Contributed Equity $	Share Based Payments Reserve $	Translation Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2017	**21,729,732**	**201,311**	**–**	**(9,042,011)**	**12,889,032**
Loss for the year				(5,870,547)	(5,870,547)
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(5,870,547)	(5,870,547)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	7,910,662	–	–	–	7,910,662
Share based payments	–	197,228	–	–	197,228
Exchange differences on translating foreign operations	–	–	3,895	–	3,895
Transfer	–	(89,063)	–	89,063	–
Total transactions with owners in their capacity as owners:	7,910,662	108,165	3,895	89,063	8,111,785
Balance at 30 June 2018	**29,640,394**	**309,476**	**3,895**	**(14,823,495)**	**15,130,270**
Balance at 1 July 2018	**29,640,394**	**309,476**	**3,895**	**(14,823,495)**	**15,130,270**
Loss for the year	–	–	–	(7,848,255)	(7,848,255)
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**	**(7,848,255)**	**(7,848,255)**
Transactions with owners in their capacity as owners:	–	–	–	–	–
Contributions of equity, net of transaction costs and tax	–	–	–	–	–
Share based payments	–	190,736	–	–	190,736
Exchange differences on translating foreign operations	–	–	(116,147)	–	(116,147)
Total transactions with owners in their capacity as owners:	–	190,736	(116,147)	–	74,589
Balance at 30 June 2019	**29,640,394**	**500,212**	**(112,252)**	**(22,671,750)**	**7,356,605**

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 2019

	Note	30 June 2019 $	30 June 2018 $
Cash flows from operating activities			
Receipts from customers		**348,000**	292,476
Payments to suppliers and employees		**(6,644,951)**	(6,124,361)
Interest received		**192,649**	210,603
R&D grants and concessions received		**1,192,162**	986,233
Interest and other finance costs paid		**–**	–
Net cash outflow from operating activities	21	**(4,912,140)**	(4,635,049)
Cash flows from investing activities			
Payments for property, plant and equipment		**(66,836)**	(66,836)
Payments for intangible assets		**(1,874,861)**	(1,954,802)
Proceeds from (payments for) term-deposits		**(5,638)**	22,424
Net cash outflow from investing activities		**(1,877,808)**	(1,999,214)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs	10	**–**	7,910,662
Net cash inflow from financing activities		**–**	7,910,662
Net increase (decrease) in cash held		**(6,789,948)**	1,276,399
Cash and cash equivalents at the beginning of the financial period		**9,894,959**	8,648,099
Effects of exchange rate changes on cash and cash equivalents		**(106,449)**	(29,539)
Cash and cash equivalents at the end of the financial year		**2,998,563**	9,894,959

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 2019

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 Group 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 Group.

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 Group'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 Group 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 2019 incorporate 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 Group, 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 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.

A list of controlled entities is at Note 19.

Comparative information

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

Segment reporting

The Group is a medical device developer operating within a sole industry, being the development of oral appliances for sleep disorders. The Group operates predominantly in Australia and has established sales and marketing operations in the United States of America in January 2017. For management purposes, the Group has two operating segments: Australia and United States of America.

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

Revenue recognition

The Group has applied AASB 15: Revenue from Contracts with Customers using the cumulative effective method. Therefore, the comparative information has not been restated and continues to be presented under AASB 118 Revenue.

Revenue from contracts with customers is measured at the transaction price specified in the contract and is net of amounts expected to be refunded to the customer such as rebates. The entity is an agent for revenue recognition purposes with regard to contracts with distributors and records revenue at net amount of distributor fees. There are no contracts with customers that have significant financing components.

The Group manufactures and sells devices for the treatment of obstructive sleep apnoea. Revenue is recognised when control of the products has transferred to the distributor / customer. For such transactions, this is when the products are delivered to the distributors / customers. Volume discounts can be provided with the sale of these items, depending on the volume of aggregate sales made to eligible distributors / customers. Revenue from these sales is based on the price stipulated in the contract, recognition of revenue and distribution discounts are calculated on a monthly basis.

As stipulated in the contract with Modern Dental in the US under section 4.7, title in each product does not pass to the distributor until Oventus has delivered the product. Until title passes to the distributor, ownership of each product remains with Oventus and the distributor holds each product as bailee and fiduciary for Oventus. The risk in each product will pass to the distributor on the date the product is dispatched for delivery by Oventus. Furthermore, under schedule 2 of the same contract, the distributor is entitled to a standard variable royalty tiered on a percentage by which gross sales price exceeds recommended price. Revenue is then only recognised to the extent that there is a high probability that a significant reversal of revenue will not occur.

A receivable is recognised when the goods are delivered. The Group's right to consideration is deemed unconditional at this time, as only the passage of time is required before payment of that consideration is due. There is no significant financing component because sales (which include those with volume discounts) are made within a credit term of 30 days.

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

Government grants

Grants from government, including Australian Research and Development Tax Incentive (RDTI), 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 Group expands its manufacturing and distribution, expected in the year ended 30 June 2020, 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. There is a delay in the cost of goods sold recognition from the expected timing of 30 June 2019 as volume still has not increased.

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.

Notes to the Financial Statements

continued

1. Significant accounting policies (continued)

Current and non-current classification (continued)

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group'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 Group'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. Impairment loss for trade receivables is now accounted for under AASB 9 Financial Instruments.

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%
Assets under joint arrangement	12.5%

Interests in Joint Arrangements

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

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

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied.

Classification and subsequent measurement

Financial liabilities

There has been no impact on the accounting for the Group's financial liabilities which continue to be classified and measured at amortised cost using the effective interest method.

Financial assets

Financial assets are subsequently measured at either:

- Amortised cost
- Fair value through other comprehensive income; or
- Fair value through profit or loss

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates

Cash, funds on deposit and trade receivables are measured at amortised cost.

Derecognition

Financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

Impairment

The Group recognises a loss allowance for expected credit losses.

The Group's financial assets that are subject to AASB 9's new expected credit loss model include:

- Trade and other receivables

The Group applies the simplified approach to measuring expected credit losses for trade receivables where the lifetime expected credit loss is recognised. To measure the expected credit losses, the trade receivables have been grouped by days past due and default rates have been applied to each group. The default rates have been estimated based on historical rates over a 4 year period. On adoption of AASB 9, the resulting expected credit loss calculated under this method was compared to the existing provision recognised under AASB 139. As this did not result in a material difference, no adjustment was made on adoption of the standard.

Trade and other payables

Trade payables represent liabilities for goods and services provided to the Group 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.

Notes to the Financial Statements

continued

1. Significant accounting policies (continued)

Provisions

A provision is recognised in the statement of financial position when the Group 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 Group.

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.

Share-based payment transactions

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

The annualised volatility was computed based on the daily standard deviation of the stock multiplied by the square root of 252 trading days in the financial year.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 16 Leases

The Group has chosen not to early-adopt AASB 16. However, the Group has conducted a preliminary assessment of the impact of this new Standard, as follows.

A core change resulting from applying AASB 16 is that most leases will be recognised on the balance sheet by lessees as the standard no longer differentiates between operating and finance leases. An asset and a financial liability are recognised in accordance to this new Standard. There are, however, two exceptions allowed: short-term and low-value leases.

The accounting for the Group's operating leases will be primarily affected by this new Standard.

AASB 16 will be applied by the Group from its mandatory adoption date of 1 July 2019. The comparative amounts for the year prior to first adoption will not be restated, as the Group has chosen to apply AASB 16 retrospectively with cumulative effect. While the right-of-use assets for property leases will be measured on transition as if the new rules had always been applied, all other right-of-use assets will be measured at the amount of the lease liability on adoption (after adjustments for any prepaid or accrued lease expenses).

The Group's non-cancellable operating lease commitments amount to $375,208 as at the reporting date. Of this amount, approximately $239,332 are short-term leases and $135,876 of low-value leases will be recognised as expense in profit or loss on a straight-line basis.

As of the date of this report, the Group's operating leases are the property rental in 1 Swann Road, Taringa, QLD 4068, Australia (expiring on 1 October 2020) and the CEO's residential lease in 27341 Lost Colt Drive, Laguna Hills, CA 92653, USA (short-term lease for 12 months). Please also refer to Note 24 – significant agreements and commitments for expenditure.

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.

Estimation of useful lives of assets

The Group 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 2019, the carrying amount of capitalised development costs was $2,688,803 (2018: $2,464,345).

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 Group to continue on a going concern basis is dependent upon the following:

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

During the year, the Group made a loss before tax of $ 7,848,255 (2018: loss of $5,870,547) and has accumulated losses of $22,671,745. However, as at 30 June 2019, the current assets exceed its current liabilities by $2,914,309 and on 26 July 2019, the Group raised $5,566,920, net of $397,421 issuance costs. Thus, the directors have a reasonable expectation that the Group 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.

3. Cash and cash equivalents

	30 June 2019 $	30 June 2018 $
Cash on hand	**308**	62
Cash at bank	**1,498,255**	794,897
Short-term deposits	**1,500,000**	9,100,000
	2,998,563	9,894,959

Notes to the Financial Statements

continued

4. Trade and other receivables

	30 June 2019 $	30 June 2018 $
Trade receivables	**70,250**	86,413
Receivable from CSIRO	**–**	440,000
GST receivable	**33,881**	4,747
Other receivables	**4,940**	43,050
	109,071	574,210
Less allowance for doubtful debts	**30,003**	12,003
	79,068	562,207

	30 June 2019 $
Trade and other receivables	
Not Past Due	**36,932**
Past Due 0-30 Days	**6,411**
Past Due 90 Days and over	**20,740**
Past Due 61-90 Days	**6,167**
	70,250

As at 30 June 2019, trade receivables of $30,003 (2018: 12,003) were past due and considered impaired.

The receivable from CSIRO of $440,000 (inclusive of GST) as at 30 June 2018 was collected from CSIRO on 25 July 2018.

5. Other current assets

	30 June 2019 $	30 June 2018 $
Prepayments	**95,636**	128,819
Accrued research & development tax credit	**1,032,999**	1,094,275
Inventory	**93,545**	93,233
Rental bond paid	**–**	–
Other assets	**141,434**	55,890
	1,363,614	1,372,217

6. Property, plant and equipment

On 21 June 2018, the Group entered into an Equipment Ownership & Management Agreement with CSIRO with headquarters in Canberra, ACT 2601 wherein both parties agreed to share equally in the ownership and maintenance of the Arcam Equipment (the Equipment) in the period from 1 July 2018 to 30 June 2026. The transaction was accounted for as a joint operation in accordance with AASB 11, *Joint arrangements*. Accordingly, the Group's share in the Equipment has been disclosed separately as "Assets Under Joint Arrangement".

	Computer and office furniture and equipment $	Sleep and production equipment $	Leasehold improvement $	Assets Under Joint Arrangement $	Total $
Year ended 30 June 2018					
Opening net book amount	32,586	1,127,763	153,941	–	1,314,290
Additions	29,462	37,374	–	–	66,836
Reclassification	–	(311,369)	–	311,369	–
Disposals - cost	(2,465)	(808,806)	(40,640)	–	(851,911)
Disposals - accumulated depreciation	2,465	497,437	23,025	–	522,927
Depreciation charge	(13,793)	(286,171)	(50,089)	–	(350,053)
Closing net book amount	48,255	256,228	86,237	311,369	702,089
At 30 June 2018					
Cost	78,441	410,516	230,883	311,369	1,031,209
Accumulated depreciation	(30,186)	(154,288)	(144,646)	–	(329,120)
Net book amount	48,255	256,228	86,237	311,369	702,089
Year ended 30 June 2019					
Opening net book amount	**48,255**	**256,228**	**86,237**	**311,369**	**702,089**
Additions	**23,089**	**133,313**	**–**	**–**	**156,402**
Reclassification		**–**	**–**	**–**	**–**
Disposals - cost	**–**	**(14,279)**	**–**	**–**	**(14,279)**
Disposals - accumulated depreciation	**–**	**7,820**	**–**	**–**	**7,820**
Depreciation charge	**(21,137)**	**(63,502)**	**(28,743)**	**(39,252)**	**(152,634)**
Closing net book amount	**50,207**	**319,580**	**57,494**	**272,117**	**699,398**
At 30 June 2019					
Cost	**101,530**	**529,550**	**230,883**	**311,369**	**1,173,332**
Accumulated depreciation	**(51,323)**	**(209,970)**	**(173,389)**	**(39,252)**	**(473,934)**
Net book amount	**50,207**	**319,580**	**57,494**	**272,117**	**699,398**

Notes to the Financial Statements

continued

7. Intangible assets

	Patents, trademarks and licences $	Software $	Development costs $	Total $
Year ended 30 June 2018				
Opening net book amount	369,990	202,979	1,847,478	2,420,447
Additions	302,741	–	1,737,286	2,040,027
Disposals	(65)	–	–	–
Tax concession received or receivable	65	–	(755,719)	(755,719)
Amortisation expense	(28,422)	(99,686)	(364,700)	(492,808)
Closing net book amount	644,309	103,293	2,464,345	3,211,947
At 30 June 2018				
Cost	703,927	301,358	3,050,024	4,055,309
Accumulated amortisation	(59,618)	(198,065)	(585,679)	(843,362)
Net book amount	644,309	103,293	2,464,345	3,211,947
Year ended 30 June 2019				
Opening net book amount	**644,309**	**103,293**	**2,464,345**	**3,211,947**
Additions	**348,519**	**54,854**	**1,318,854**	**1,722,227**
Disposals	**–**	**–**	**–**	**–**
Tax concession received or receivable	**–**	**–**	**(574,255)**	**(574,314)**
Amortisation expense	**(49,851)**	**(45,827)**	**(520,141)**	**(615,819)**
Closing net book amount	**942,977**	**112,320**	**2,688,803**	**3,744,100**
At 30 June 2019				
Cost	**1,052,446**	**356,212**	**3,794,623**	**5,203,281**
Accumulated amortisation	**(109,469)**	**(243,892)**	**(1,105,820)**	**(1,459,181)**
Net book amount	**942,977**	**112,320**	**2,688,803**	**3,744,100**

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 2019 $	30 June 2018 $
Trade creditors	**730,794**	232,630
PAYG Withholding payable	**170,768**	64,419
Employee benefits payable	**18,747**	18,091
Other creditors	**471,610**	246,335
	1,391,918	561,475

Notes to the Financial Statements

continued

9. Other liabilities

	30 June 2019 $	30 June 2018 $
Current		
Employee benefits - annual leave	**135,016**	106,486
Deferred lease incentive	**–**	14,282
	135,016	120,768
Non-current		
Employee benefits - long service leave	**75,936**	–
	75,936	–

10. Equity - Share capital

	30 June 2019 Number of Shares #	30 June 2019 Value of Shares $	30 June 2018 Number of Shares #	30 June 2018 Value of Shares $
Opening Balance	**105,939,212**	**29,640,394**	90,000,000	21,729,732
Shares issued:				
9 August 2017	**–**	**–**	2,139,265	770,135
21 December 2017	**–**	**–**	13,799,947	7,589,971
Share issue costs	**–**	**–**	–	(449,444)
At reporting date	**105,939,212**	**29,640,394**	105,939,212	29,640,394

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.

11. Equity - Share based payment reserve

	30 June 2019 $	30 June 2018 $
Share based payment reserve at beginning of year	**309,476**	201,311
Share based payment expense	**190,736**	197,228
Transfer to accumulated losses	**–**	(89,063)
Share based payment reserve at end of year	**500,212**	309,476

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.

Notes to the Financial Statements

continued

12. Accumulated losses

	30 June 2019 $	30 June 2018 $
Accumulated losses at beginning of year	**(14,823,495)**	(9,042,011)
Transfer from share based payments reserve	**–**	89,063
Loss for the period	**(7,848,255)**	(5,870,547)
Accumulated losses at end of year	**(22,671,750)**	(14,823,495)

13. Income tax expense

	30 June 2019 $	30 June 2018 $
Current tax	**–**	–
Adjustment recognised for prior periods	**–**	–
Aggregate income tax expense	**–**	–
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense from continuing operations	**(7,848,255)**	(6,510,114)
Profit before income tax expense from discontinued operations		
Tax at the statutory tax rate of 27.5%	**(2,158,270)**	(1,790,281)
Tax effect amounts which are not deductible in calculating taxable income:		
Non-assessable or deductible items	**(21,681)**	57,558
Research and development concession	**(742,639)**	(876,160)
	(2,922,590)	(2,608,883)
Unused tax losses for which no deferred tax asset has been recognised	**2,922,590**	2,608,883
Income tax expense	**–**	–

14. Financial instruments

The Group'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 Group 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 Group'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 Group's income.

Foreign currency risk

The Group is exposed to foreign exchange fluctuations in relation to expenditure denominated in foreign currencies.

Interest rate risk

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

The Group has reviewed its sensitivity to foreign currency and interest rate risks and determined that this is not material.

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

	30 June 2019		30 June 2018	
Consolidated	**Weighted average interest rate %**	**Balance $**	**Weighted average interest rate %**	**Balance $**
Cash on hand	**nil**	**308**	nil	62
Short term deposits	**2.35%**	**1,500,000**	2.40%	9,100,000
Cash at bank	**nil**	**1,498,255**	nil	794,897
Deposits	**2.35%**	**74,732**	2.77%	69,094
Net exposure to cash flow interest rate risk		**3,073,295**		9,964,053

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The 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 Group 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 Group as at 30 June 2019 and 2018:

	30 June 2019 $	**30 June 2018 $**
Financial assets at amortised cost:		
Trade and other receivables	**109,071**	574,210
Total	**109,071**	574,210

Remaining contractual maturities

The following tables detail the Group'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.

	30 June 2019		30 June 2018	
	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**	**1,391,198**	nil	561,475
Total non-derivatives		**1,391,198**		561,475

* Weighted average interest rate

Fair value of financial instruments

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

Notes to the Financial Statements

continued

15. Related party transactions

(a) Product sales

No related party transactions were recorded for the financial reporting year. In 2018, the Group made sales of $17,419 to Breathing Assist Solutions Pty Ltd (BAS), a company controlled by Dr. Christopher Hart and owned by entities associated with Christopher Hart and Neil Anderson. At 30 June 2019, amounts owed by BAS is Nil (2018: nil).

(b) Clinical trial costs recharge

No related party transactions were recorded for the financial reporting year. In 2018, the Group reimbursed BAS for clinical trial work conducted during the year amounting to $131,636. At 30 June 2019, the amount owed to BAS is Nil (2018: $639).

16. Key management personnel

Directors

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

- Mel Bridges (Chairman) (Non-Executive Director)
- Christopher Hart (Executive Director) (Founder) (Managing Director and Chief Executive Officer from 30 August 2018) (Clinical Director up to 29 August 2018)
- Neil Anderson (Executive Director) (Chief Technical Officer from 30 August 2018) (Managing Director and Chief Executive Officer up to 29 August 2018)
- Sue MacLeman (Non-Executive Director)
- Sharad Joshi (Non-executive Director from November 2018)

Other key management personnel

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

- Daniel Parry (Chief Financial and Operations Officer from 5 December 2017)
- Robin Randolph (Vice President of U.S. Marketing and Operations from 1 April 2018)
- Stephen Denaro (Company Secretary)

Compensation

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2019.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

	30 June 2019 $	30 June 2018 $
Short-term employee benefits	**1,319,254**	1,025,967
Post-employment benefits	**132,007**	82,973
Share-based payments	**71,878**	53,691
Termination payments	**–**	–
	1,558,676	1,162,630

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits

These amounts are the current-year's estimated costs of providing for the Group's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the directors' report.

Notes to the Financial Statements

continued

17. Remuneration of auditors

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

	30 June 2019 $	30 June 2018 $
Audit services - PKF Brisbane Audit		
Audit or review of the financial statements	**47,400**	45,000

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 2019 $	30 June 2018 $
Loss after income tax	**(374,510)**	(786,462)
Total comprehensive income	**(374,510)**	(786,462)
Statement of financial position		
Total current assets	**2,394,551**	9,926,259
Total assets	**27,628,347**	28,051,538
Total current liabilities	**69,614**	118,295
Total liabilities	**69,614**	118,295
Equity		
Issued capital	**29,640,394**	29,640,394
Accumulated losses	**(2,081,661)**	(1,707,151)
Total equity	**27,558,733**	27,933,243

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 2019 and 2018.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 and 2018.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2019 and 2018.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, 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

19. Interest in subsidiaries

The consolidated financial statements include the financial statements of Oventus Medical Limited and subsidiaries listed in the following table:

		Equity Interest	
Name	**Country of Incorporation**	**2019**	**2018**
Oventus Manufacturing Pty Ltd	Australia	**100%**	100%
Oventus CRM Pty Ltd	Australia	**100%**	100%
Oventus Medical USA, Inc.	United States	**100%**	100%

Oventus Medical USA, Inc. 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. The purpose of this entity is to market and distribute the Group's devices in the USA.

The principal activities of the remaining subsidiaries are:

- Oventus Manufacturing Pty Ltd - operating entity responsible for the development and manufacture of the Group's devices.
- Oventus CRM Pty Ltd - holds patient and clinical data

20. Subsequent events

On 26 July 2019 Oventus announced a capital raising in which it had received firm commitments for $7 million in a two-tranche Placement and launched a fully underwritten $2.3 million Entitlement Offer to existing shareholders. On 1 August 2019 the Company issued 15,757,491 shares at $0.38 per share in connection with closing the first tranche of the Placement. Proceeds from the issuance of shares totalled $5,566,920, net of issuance costs of $397,421. The funds raised will underpin adoption of Oventus' 'lab in lab' business model in the sleep and dental channels.

Oventus signed its first agreement on 15 July with a sleep group in US for the Oventus O_2Vent® Sleep Treatment Platform which treats OSA and signed synergistic agreements on 16 July with VirtuOx, Carestream Dental and Lyon Dental, to underpin broad adoption of the 'lab in lab' business model.

In addition, Oventus signed further material agreements in August 2019 with two US sleep groups to supply dental sleep medicine solutions across a total of 10 facilities.

Notes to the Financial Statements

continued

21. Reconciliation of loss after income tax to net cash from operating activities

	30 June 2019 $	30 June 2018 $
Loss after income tax expense for the year	**(7,848,255)**	(5,870,547)
Adjustments for:		
Depreciation and amortisation	**768,453**	757,636
Net loss (gain) on disposal of assets	**–**	(71,016)
Share-based payments	**190,736**	197,228
Research and development tax concession	**574,255**	755,719
Foreign exchange fluctuations	**(9,698)**	33,434
Change in operating assets and liabilities:		
(Increase) / decrease in trade and other receivables	**483,139**	257,885
(Increase) in other assets	**8,603**	(146,832)
Increase / (decrease) in trade and other payables	**830,443**	(527,568)
Increase in employee benefits	**–**	–
Decrease in other liabilities	**90,184**	(20,988)
Net cash outflow from operating activities	**(4,912,140)**	(4,635,049)

22. Loss per share

	30 June 2019 $	30 June 2018 $
Loss per share from continuing operations		
Loss after income tax	**(7,848,255)**	(5,870,547)
Loss after income tax attributable to the owners of Oventus Medical Limited	**(7,848,255)**	(5,870,547)

		Numbers
Weighted average number of ordinary shares used in calculating basic loss per share	**105,939,212**	99,126,167
Adjustments for calculation of diluted loss per share:		
Options over ordinary shares	**–**	–
Weighted average number of ordinary shares used in calculating diluted loss per share	**105,939,212**	99,126,167

	Cents	Cents
Basic loss per share	**(7.41)**	(5.92)
Diluted loss per share	**(7.41)**	(5.92)

Notes to the Financial Statements

continued

23. Share-based payments

Share options

Share options are issued to eligible participants under the Company's Employee Share Option Plan. The Company has options outstanding of 4,579,952 as at 30 June 2019 (2018: 3,424,952).

The offer has a three-year vesting period with an expiry of five years and is equity-settled.

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

Grant date	Expiry date	Fair Value per option at grant date	Exercise price	Balance at the start of the year	Granted	Expired/ forfeited/ other	Exercised	Vested at the end of the year	Balance at the end of the year
As at 30 June 2019									
24/02/2016	**23/02/2021**	**$0.13**	**$0.58**	**2,274,954**	**–**	**–**	**–**	**2,274,954**	**2,274,954**
14/04/2016	**14/04/2021**	**cancelled**	**$0.73**	**–**	**–**	**–**	**–**	**–**	**–**
1/12/2016	**1/12/2021**	**$0.42**	**$1.06**	**300,000**	**–**	**–**	**–**	**199,980**	**300,000**
23/05/2017	**12/12/2022**	**$0.11**	**$0.96**	**600,000**	**–**	**–**	**–**	**399,998**	**600,000**
25/02/2017	**24/02/2022**	**$0.12**	**$0.94**	**49,998**	**–**	**–**	**–**	**–**	**49,998**
18/12/2017	**18/12/2022**	**$0.31**	**$1.02**	**200,000**	**–**	**–**	**–**	**66,666**	**200,000**
3/07/2018	**2/07/2023**	**$0.15**	**$0.48**	**–**	**850,000**	**(400,000)**	**–**	**149,996**	**450,000**
9/10/2018	**8/08/2023**	**$0.14**	**$0.42**	**–**	**380,000**	**–**	**–**		**380,000**
16/01/2019	**15/01/2024**	**$0.16**	**$0.42**	**–**	**225,000**	**–**	**–**		**225,000**
21/05/2019	**22/05/2024**	**$0.12**	**$0.40**	**–**	**100,000**	**–**	**–**		**100,000**
				3,424,952	**1,555,000**	**(400,000)**	**–**	**3,091,594**	**4,579,952**
As at 30 June 2018									
24/02/2016	23/02/2021	$0.13	$0.58	2,709,882	–	(434,928)	–	1,538,764	2,274,954
14/04/2016	14/04/2021	cancelled	$0.73	401,464	–	(401,464)	–	–	–
1/12/2016	1/12/2021	$0.42	$1.06	450,000	–	(150,000)	–	99,990	300,000
23/05/2017	12/12/2022	$0.11	$0.96	700,000	–	(100,000)	–	199,999	600,000
25/02/2017	24/02/2022	$0.12	$0.94	150,000	–	(100,002)	–	–	49,998
18/12/2017	18/12/2022	$0.31	$1.02		200,000		–	–	200,000
				4,411,346	200,000	(1,186,394)	–	1,838,753	3,424,952

24. Significant agreements and commitments for expenditure

(a) Operating Lease Commitments

	30 June 2019	30 June 2018
Not later than 1 year	**239,332**	63,195
Later than 1 but not later than 5	**135,876**	–
	375,208	63,195

	30 June 2019		30 June 2018	
	1 Year	**> 1 Year**	**1 Year**	**> 1 Year**
Taringa lease	**45,292**	**135,876**	41,875	–
Melbourne lease			21,320	–
Residential lease for CEO in the US	**194,040**			
	239,332	**135,876**	63,195	–

The Taringa office property lease is a non-cancellable lease with a 2-year term beginning on 01 November 2018 and expiring on 31 Oct 2020. The minimum lease payments shall be increased by a fixed rate of 3% per annum.

The residential lease for Dr. Chris Hart in the US is only for a period of 12 months from June 2019 to June 2020 with a contracted amount of USD$132,000.

(b) Other Commitments

	30 June 2019	30 June 2018
Cooperative Research Centre Project	**624,740**	583,615
(CRC Project) commitment	**624,740**	583,615

This is the remaining amount of payable by Oventus (lead participant) to the CRC project (Targeted Therapy for Sleep Apnoea: A Novel Personalised Approach) as per contract. The other parties to the project are Medical Monitoring Solutions Pty Ltd, Commonwealth Scientific and Industrial Research Organisation, Western Sydney University, Neuroscience Research Australia and Flinders University.

Contingent provisions within the licence agreement require that the licence and services fees shall be increased by the consumer price index (CPI) per annum.

Notes to the Financial Statements

continued

25. Segment reporting

Management currently identifies the Group's two regions as its operating segments (see Note 1). These operating segments are monitored by the Group's chief operating decision maker and strategic decisions are made on the basis of adjusted segment operating results.

Segment information for the reporting period follows:

	30 June 2019			30 June 2018		
	Australia $	**United States (12 months) $**	**Total $**	**Australia $**	**United States $**	**Total $**
Segment revenue	**256,326**	**75,511**	**331,837**	210,128	61,194	271,322
Staff costs	**(2,626,196)**	**(1,306,106)**	**(3,932,302)**	(2,411,331)	(378,975)	(2,790,306)
Manufacturing costs - Pilot phase	**(114,669)**	**(43,570)**	**(158,239)**	(137,622)	(40,078)	(177,700)
Sales and marketing	**(261,203)**	**(409,723)**	**(670,926)**	(356,190)	(50,055)	(406,245)
Other expenses	**(2,885,621)**	**(839,717)**	**(3,725,338)**	(2,512,753)	(537,038)	(3,049,791)
Segment operating loss	**(5,631,362)**	**(2,523,606)**	**(8,154,968)**	(5,207,768)	(944,952)	(6,152,720)
Segment assets	**8,302,828**	**656,646**	**8,959,475**	15,764,805	47,708	15,812,513
Segment liabilities	**747,162**	**855,708**	**1,602,870**	645,979	36,264	682,243

Unallocated items:

Interest income and other income are not allocated to operating segments as they are not considered part of the core operations of any segments.

Directors' Declaration

For the year ended 30 June 2019

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

- the financial statements and notes, as set out on pages 32 to 54 present fairly the company's financial position as at 30 June 2019 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
- in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the directors

Mel Bridges
Director

Brisbane
23rd August 2019

Independent Auditor's Report

To the Members

PKF Brisbane Audit

PKF

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 2019, 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 2019 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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Independent Auditor's Report

continued

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1. Capitalisation and Valuation of Internal Development Costs

Why significant	How our audit addressed the key audit matter

The Consolidated entity's intangible assets as at 30 June 2019 include capitalised development costs with a carrying value of $2,688,803 (2018: $2,464,345), as disclosed in Note 7.
 	
The Consolidated entity'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 Consolidated entity'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 Consolidated entity's accounting policy; and
	• 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 Consolidated entity'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 Consolidated entity'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.

Independent Auditor's Report

continued

PKF Brisbane Audit

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Other Information

Other information is financial and non-financial information in the annual report of the Consolidated entity 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.

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.

Independent Auditor's Report

continued

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 2019.

Independent Auditor's Report

continued

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PKF

Opinion

In our opinion, the Remuneration Report of Oventus Medical Limited for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

PKF

PKF BRISBANE AUDIT

C Bradley

CAMERON BRADLEY
PARTNER

23 AUGUST 2019
BRISBANE

Shareholder Information

For the year ended 30 June 2019

The shareholder information set out below was applicable as at 19 September 2019.

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 - 1,000	111	62,651	0.05
1,001 - 5,000	272	791,515	0.61
5,001 - 10,000	216	1,731,672	1.33
10,001 - 100,000	635	21,076,061	16.15
100,001 and over	161	106,867,818	81.87
Total	**1,395**	**130,529,717**	**100.00**

Substantial holders

Substantial holders in the company are set out below:

	Ordinary Shares	
	Number held	% of total shares issued
Christopher Hart	26,126,513	20.02
Thorney Group	19,924,068	15.26
Neil Anderson	5,598,477	4.29

Unquoted equity securities

	2019 Number
Employee options	4,579,952

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.

Shareholder Information

continued

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	
Name	**Number held**	**% of total shares issued**
CHRISTOPHER PATRICK HART <CHD IP ACCOUNT>	26,126,513	20.02
UBS NOMINEES PTY LTD	13,990,305	10.72
NEIL LAWRENCE ANDERSON <ANDERSON FAMILY A/C>	5,598,477	4.29
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,301,894	4.06
MOBIUS MEDICAL INVESTMENTS PTY LTD <MOBIUS MEDICAL INV UNIT A/C>	3,732,390	2.86
NEW HIGHLAND PTY LTD <KING FAMILY A/C>	2,151,434	1.65
MR ANTHONY JOHN HUNTLEY	1,944,130	1.49
CERALIUS PTY LTD <BRIDGE A/C>	1,886,195	1.45
SARGON CT PTY LTD <CYAN C3G FUND>	1,805,000	1.38
PARMA CORPORATION PTY LTD	1,470,245	1.13
MR GREGORY WAYNE BROWN + MRS STEFANIE BROWN <GW BROWN FAMILY S/FUND A/C>	1,457,131	1.12
DIXSON TRUST PTY LTD	1,297,275	0.99
BOND STREET CUSTODIANS LIMITED <LAM1 - D08017 A/C>	1,184,400	0.91
BOND STREET CUSTODIANS LIMITED <LAM1 - D08059 A/C>	1,137,913	0.87
MURROON PTY LTD <NERIDA WHITE S/F A/C>	1,098,714	0.84
MR IAN DAVIES	1,000,103	0.77
GOEN INVESTMENTS PTY LTD	900,500	0.69
WAISLITZ CHARITABLE CORPORATION PTY LTD <WAISLITZ FAM FOUNDATION A/C>	815,694	0.62
PICHERIT'S FARM PTY LTD <HUNTLEY SUPER FUND A/C>	802,868	0.62
BOND STREET CUSTODIANS LIMITED <LAM1 - D08047 A/C>	760,000	0.58
Total	**74,461,181**	**57.05**

Corporate Directory

Directors

Mel Bridges	Chairman
Chris Hart	(Executive Director) (Founder) (Managing Director and Chief Executive Officer from 30 August 2018) (Clinical Director up to 29 August 2018)
Neil Anderson	(Executive Director) (Chief Technical Officer from 30 August 2018) (Managing Director and Chief Executive Officer up to 29 August 2018)
Sue MacLeman	Non-Executive Director
Sharad Joshi	Non-Executive Director (appointed 17 December 2018)

Company Secretary

Stephen Denaro

Notice of Annual General Meeting

The Annual General Meeting of Oventus Medical Limited will be held on 22 November 2019, 11 am, at Thomson Geer Lawyers, Level 28, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000.

Legal Advisors

Thomson Geer Lawyers
Level 28, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000

Registered office

Suite 1, 1 Swann Road
Indooroopilly QLD 4068

Telephone: 1300 533 159

Principal place of business

Suite 1, 1 Swann Road, Indooroopilly QLD 4068

Share register

Computershare Investor Services Pty Limited
Level 1, 200 Mary Street
Brisbane QLD 4000

Telephone: 1300 787 272

Auditor

PKF Brisbane 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.o2vent.com

Corporate Governance Statement

The Corporate Governance Statement of Oventus Medical Limited is available from our website www.o2vent.com via the tab headed "Investor Centre".

O2Vent.com