Oventus Medical Limited

Annual Report 2020

Oventus Medical is leading a new paradigm of sleep apnea care

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Oventus Medical Limited
ABN 12 608 393 282

Oventus Medical is leading a new paradigm of sleep apnea care by:

- Providing an innovative treatment option to obstructive sleep apnea (OSA)
- Enabling healthcare providers
- Empowering patients to participate in decision making for their care
- Streamlining accessibility to care

The enormity and impact of OSA is distressing.

OSA is a non-discriminatory condition that affects one in five Americans, with a similar prevalence worldwide.

Contents

About Obstructive Sleep Apnea

Obstructive sleep apnea (OSA) is the most common type of 'sleep apnea'[1]

It compromises daytime functions, leading to excessive sleepiness, memory impairment and depression

Co-morbidities include hypertension, heart disease, atrial fibrillation, stroke and diabetes

Occurs when a person's airway repeatedly becomes blocked despite efforts to breathe

How has OSA historically been treated?

Efficacy	Treatment type	How it works	Comment
100%[2]	Standard of care is Continuous Positive Airway Pressure (CPAP)	Patient is connected to a machine while they sleep. The machine blows air through the airway to 'splint' it open.	Works 100% of the time but >50% of patients can't tolerate the mask and machine blowing pressure into their airway.
56%	Mandibular Advancement Devices (MAD)	Patient places in their mouth during sleep. The MAD opens the airway by positioning the jaw forward.	Works for some patients, but ~50% require more treatment. On average, the efficacy/Apnea Hypopnea Index (AHI) reduction across the range of OSA severity is around 50%[3]. Oventus data shows 56%[4] efficacy.
Mixed results	Surgery (upper respiratory tract)	May alleviate or reduce snoring but the apnea may still be present.	Presents risk to individuals especially when a co-morbidity exists. There is no guarantee the patient will be free from wearing CPAP post surgery.
Mixed results	Weight loss	Losing weight can help with reducing apnea in some cases.	Not always readily achievable.
Mixed results	Other/behavioural modification	Sleep position, reduced alcohol consumption, medication.	Requires patient motivation, compliance and adherence.

1. Sullivan, F. (2016). Hidden health crisis costing america billions: Underdiagnosing and undertreating obstructive sleep apnea draining healthcare system. American Academy of Sleep Medicine.
2. Australasian Sleep Association. (2009). Best Practice Guidelines for Provision of CPAP Therapy. Version, 2, 14.
3. Sutherland, K., & Cistulli, P. A. (2019). Oral Appliance Therapy for Obstructive Sleep Apnoea: State of the Art. Journal of Clinical Medicine, 8(12), 2121.
4. Lavery D, Szollosi I, Moldavtsev J, McCloy K, Hart C. Airway open-airway closed: The effect of mandibular advancement therapy for obstructive sleep apnoea with and without a novel in-built airway. Poster session presented at: Australasian Sleep Society Sleep DownUnder, 2018, October 17-20; Brisbane, Australia.

About Obstructive Sleep Apnea

continued

The trouble with CPAP

CPAP, the 'standard of care' works, but for many:

- Masks and straps are uncomfortable, leading to facial abrasion, strap marks, claustrophobia and limited ability to move in bed.
- Air pressures are hard to tolerate and CPAP can be noisy
- Technology has an image problem
- Cleaning and maintenance are required, masks and hoses must be regularly resupplied
- 50%-60%[5] of patients quit CPAP within first year.

A large US study[6] showed only 54% compliance long term

The critical role of the nose in CPAP intolerance

> **"The importance of the nose to successful use of CPAP cannot be overstated."**
>
> **Dr. Jerrold A. Kram**, MD, FCCP, FAASM

An increase in nasal airway resistance can lead to mouth breathing[7]. Mouth breathing leads to CPAP intolerance.

What drives nasal congestion?

- Allergies
- Congestion
- Deviated septum
- Anatomical features
- Other issues

5. Ballard RD, Gay PC, Strollo PJ. *Interventions to improve compliance in sleep apnoea patients previously non-compliant with continuous positive airway pressure (CPAP),* JCSM 2007, Vol 3, No7, 706-12
6. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2679572/
7. McNicholas WT. The nose and OSA: variable nasal obstruction may be more important in pathophysiology than fixed obstruction. *Eur Respir J. 2008 Jul;32(1):3-8.*

The O2Vent Optima® as an alternative to CPAP

Oventus's O2Vent Optima could be the biggest innovation in obstructive sleep apnea (OSA) treatment for decades.

O2Vent Optima features a unique built-in airway for uninterrupted therapy (airflow), even for those patients with nasal obstruction, and also manages mouth breathing. It helps our customers breathe normally at night.

The device is 3D printed in durable medical grade nylon, is lightweight, comfortable, and offers a more discreet and portable alternative to CPAP.

O2Vent® is life changing.

A major market opportunity for Oventus

Up to 80%

The O2Vent Optima addresses needs of up to 80%[8] of OSA patients

12%[9] of US adults

More than 29 million suffer from OSA (US 55% of global market)

6 million adult patients

are prescribed CPAP in the US alone

50-60%

of those patients quit CPAP

~3 million existing patients

in need of an effective alternative treatment

A$800/unit

Average Oventus O2Vent Optima device wholesale price

$2.4b p.a.

Total estimated available US Market for device sales alone

$$$

Valves and other accessories drive recurring revenues

"What is exciting about the O2Vent Optima is that, for the first time, we can offer patients with OSA an alternative to CPAP that treats symptoms just as well but is far more comfortable to use and is precisely fitted from the start. Long-term compliance wearing CPAP machines is a major challenge in OSA treatment, and many patients discontinue treatment because of mask discomfort, pressure tolerance and claustrophobia. O2Vent Optima is a game-changer for millions of Canadians who live with OSA, even those who struggle with nasal obstruction and mouth breathing."

Dr. Sat (Satyendra) Sharma, MD, FRCPC, FCCP, FACP, FAASM – the Windsor Sleep Disorders Clinic, Canada

8. Based on success rates of O2Vent + ExVent. Refer clinical resources on O2Vent.com.
9. Based on 12% prevalence in adults within US suffering OSA as defined by having five or more sleep events per hour (AHI>5). Source: Sullivan, F. (2016). Hidden health crisis costing america billions: Underdiagnosing and undertreating obstructive sleep apnea draining healthcare system. American Academy of Sleep Medicine..

Oventus is driving disruption in the sleep industry

Why do oral appliances only represent 10% of the therapeutic market?

- Variable effectiveness of current oral appliances
- Complex patient journey
- Competing economic imperatives between the sleep and dental channels

Oventus is addressing these issues with new technology and a novel approach to care

Our O2Vent Optima is the only oral appliance that treats the entire upper airway with success rates comparable to CPAP. We have simplified the complex patient journey through our Lab in Lab model which enables our unique treatment modality to be delivered in both the sleep and dental channels. The Lab in Lab model also solves the problem of competing economic interests between these two groups, as it increases revenue and profit for both the sleep and dental channels.

Lab in Lab brings more patients into care. Under the traditional healthcare model, an OSA patient would need to visit their dentist several times as part of their treatment journey. With Lab in Lab, a dentist can take oral scans of patients mouths within a sleep facility (under a low-cost equipment model) and the patient is able to complete their whole care cycle at the one location.

Lab in Lab overview

Oventus' Lab in Lab model is a collaborative framework in which all stakeholders benefit – it increases revenue and profit for both the dentist and sleep groups while improving outcomes for patients.

How Lab In Lab works:

Sleep doctor consults/ diagnoses/prescribes

Dentist within sleep centre scans patient for O2Vent Optima, delivers device, handles reimbursement

Patient returns to sleep doctor for follow up consultation

FY20 key achievements

Growth of Lab in Lab

57 sites contracted*

27 sites launched*

11 in implementation*

Business improvements

Telehealth implemented in response to COVID-19

Leads to increased sales conversions from initial consultation

Product improvements

O2Vent Optima given FDA 510(k) clearance in September 2019

COVID impact

Q4 FY20 impacted by COVID-19 'sheltering in place of orders'

Improved outlook from June 2020

Total revenue: FY2020

$419,298

up from

$331,837 in FY19

Cash and funding

Cash of **$8.5 million**, providing over five quarters of funding without the benefit of revenue improvement

* As at 30 June, 2020

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 2020 financial year.

This year saw our Company continue to make significant progress with commercialisation of the Oventus O2Vent® technology via our Lab in Lab business model in our key market of North America.

Lab in Lab contract negotiations and launches gathered momentum through FY2020

Strong demand for Oventus' technology and clinical business model continued to build through the financial year, even in the face of the recent operational challenges due to COVID-19.

This strong demand and robust pipeline meant that at the time of writing, Oventus had 57 contracted sites in North America, capable of generating $13.2m in annualized revenue at minimum quotas. 27 sites were in various stages of launch, capable of generating $6.2m annualized revenue at minimum quotas.

Key agreements secured during the year included two pivotal agreements signed during the COVID-19 period. The first, with fast-growing sleep group, Aeroflow which will see our technology rolled out across the South-eastern US states, before a wider national rollout is conducted as part of Aeroflow's ambitious US growth plan.

In Canada, we also secured an agreement with Canadian respiratory services provider, Careica Health, which will see our technology offered to CPAP-intolerant individuals via an extension to Careica's well-known *SLEEP* program.

While Oventus continues to negotiate and sign Lab in Lab agreements, our focus for the near term is bringing existing sites online, increasing patient flow and supporting those sites to achieve minimum quota levels.

COVID-19 and the introduction of telehealth

When the impact of the pandemic became clear in March, we moved quickly to protect our customers and business, reducing operating costs and adapting our workflows and processes to enable business continuation.

In response to the COVID-19 operating environment, we introduced a new telehealth model and rapidly implemented key initiatives to enable existing Lab in Lab sites to continue to identify OSA patients for treatment.

The new workflow model enabled us to conduct remote training, continue to engage with customers and patients through the lockdown periods and conduct virtual launches across various sites in North America.

Chairman and CEO's Address

continued

Editorial and advertisement in *Firefighting in Canada* magazine, to stimulate interest and sales.

In April and May, while physical delivery of treatment to patients was restricted, many of the devices we delivered were to first responders in Canada who required treatment alternatives to CPAP. In spite of reduced patient flow, our device sales have now returned to pre-COVID levels and at the time of writing, device orders were exceeding those seen in February and March as we were starting to generate traction with sales under the Lab in Lab model. We expect revenue levels to continue to build over the months ahead as sales and orders continue to increase.

The efficiency of new telehealth measures mean they have become a permanent workflow change for Oventus. Our telehealth measures have had a positive impact on the patient journey and have improved patient flow and conversion rates. As sites reopen and North America continues to emerge from lockdown, these measures will also support our revenue growth across the remainder of CY2020 and into CY2021.

Medicare reimbursement for O2Vent Optima

In February 2020, we received US Medicare reimbursement approval for the O2Vent Optima – a very significant development in that patients accessing government-funded healthcare in the US can now access Oventus' treatment.

The approval means that the O2Vent Optima is reimbursable for those patients covered by United States Centres for Medicare & Medicaid (CMS), in that dentists can now bill and be reimbursed not only by Medicare but other commercial payers that follow CMS policy.

This US Medicare reimbursement approval provides Oventus with an opportunity to access and treat an additional large population of OSA sufferers – in 2019, of the 330 million-strong US population, 64 million[10] people were enrolled in the US Medicare system. The move further supports the roll out of the O2Vent Optima across the US market.

R&D success

Oventus' participation in the three-year, Federal Government-funded Cooperative Research Centres Programme (CRC-P) project: *Targeted therapy for sleep apnoea: A novel personalised approach*[11], has been an outstanding success and we would like to thank our former CEO and Executive Director, Neil Anderson for his significant contribution to the Company's R&D efforts.

The CRC-P was a major factor in bringing our products to market – with the US Food and Drug Administration granting regulatory clearance for the O2Vent Optima® device in September 2019 and ExVent® listed with Australia's Therapeutic Goods Administration in June 2019. ExVent is available for sale in Australia and Canada, while a regulatory process is underway in the US.

These efforts were augmented when Oventus technology was featured in a number of peer reviewed journals, written as a result of studies undertaken as part of the CRC-P. An article on the CRC-P's expiratory positive airway pressure (EPAP) valve combination therapy study was published in the prestigious *SLEEP*® journal, while papers were also presented at the Digital Twins Symposium and Sleep Down Under conference in Australia during 2019.

During the year, Oventus received $828,120 from the Australian Federal Government in R&D rebates. While our R&D spend has moderated due to our focus on our commercialisation efforts, we are grateful for the funding and continued government support for our product development.

Team and Advisors

We further strengthened our Board with the appointment of new Non-Executive Directors during the financial year. The appointments of US medical device industry expert, Paul Molloy and specialist US healthcare investor, Jake Nunn, bring significant North American commercialisation expertise to our team as we continue with the rollout of the Lab in Lab business model.

10. https://www.kff.org/medicare/fact-sheet/medicare-advantage/
11. https://ovn.irmau.com/site/PDF/42498767-31c6-4d00-b7cd-8b696ba5a0e7/CRCPSuccessfulGrantApplication

Cost control and equity raisings add to financial strength

During the financial year, Oventus Board and Management took a prudent approach to cost control. Alongside driving revenue growth, this will continue to be our major focus for the remainder of CY2020 and into CY2021.

Whilst the onset of COVID-19 saw our strong increase in booked revenues be truncated, our booked revenue levels have since recovered to beyond the level recorded during the March quarter as at June 30. This recovery in booked revenues was driven by our change in business strategy and the introduction of telehealth measures as a response to COVID-19.

Going forward, we expect booked revenues and then cash receipts to build across the next four quarters as more contracts are signed; existing sites fulfill minimum quotas and we see increased patient flow as North America continues to ease existing lockdown conditions.

During the period, two oversubscribed capital raises provided funding for growth. In July 2019, Oventus raised A$9.3 million through an oversubscribed Placement to institutional and sophisticated investors and an underwritten Entitlement Offer. In May 2020, we conducted a small top-up raise, taking in A$6.65 million through an institutional Placement and Share Purchase Plan (SPP) to existing eligible investors. We thank all those investors, both existing and new who participated in those raises, and those that supported the Company in other ways throughout the year.

Outlook

As we enter FY2021, Oventus has a substantial opportunity in both our contracted and launched sites, which is yet to be fully realised.

We are very optimistic about Oventus' growth over the coming months due to a mix of factors, including: higher patient booking conversion rates as a result of refined workflows and introduction of telehealth; strong demand for the technology and our clinical business model; continued contract negotiation and execution; a full launch calendar through to the end of CY2020 and an overall increase in the number of operational sites. As North America slowly reopens by region, Oventus is ready to accelerate revenue growth with a broad, efficient network of Lab in Lab clinics.

This is an exciting time for our Company, and we look forward to updating you on our progress.

Yours sincerely,

Dr Mel Bridges
Chairman

Dr Chris Hart
Chief Executive Officer
and Managing Director

COVID-19 Case study:

"When COVID-19 hit Louisiana, closures and mandatory sheltering was swiftly put into place and day to day operations came to an abrupt stop. About a month into the pandemic, some of my physician referrals, cardiologists and family physicians reached out to me with a dilemma.

They had heard about the CPAP device warnings that reported that CPAP devices generate respiratory droplets that could spread the COVID-19 virus and should not be used in environments where individuals with immune suppressed conditions could be placed at risk.

One cardiologist said he had several patients that he did not want to put on CPAP and asked if there was anything I could do to fabricate oral appliances and he felt it was time-sensitive. I called Oventus.

Since I knew they have a completely digital workflow, it was worth a shot to see if they were operational. I also had a lot of experience fitting patients with the O2Vent Optima and knew most times the device fits without adjustments.

I called Oventus to talk through how a workflow process might work and we created one together. We were successful with all the remote patient appointments. With Oventus, we are not limited by today's unprecedented barriers that defer patient care.

Dr Pedro Cuartas, DDS, Houma, Louisiana

Product overview

O2Vent Optima®

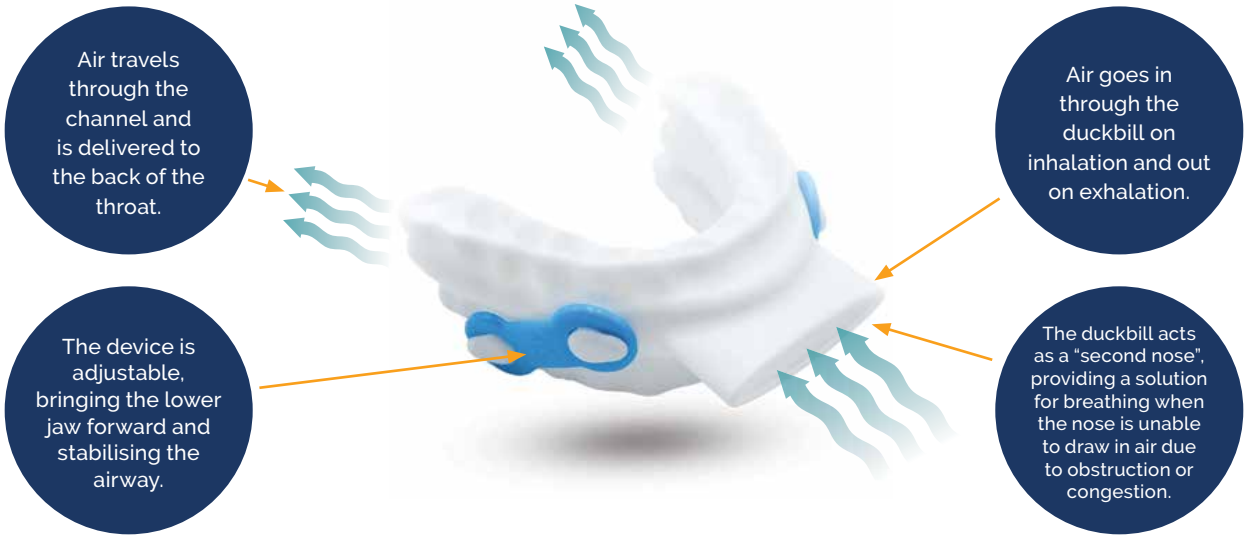
The O2Vent Optima is an oral device for patients diagnosed with obstructive sleep apnea (OSA) and who are seeking alternatives to CPAP therapy.

Unlike other oral appliances that only advance the jaw forward, the O2Vent Optima manages the entire upper airway via a proprietary integrated airway channel that promotes and directs airflow to the back of the throat, providing further stability to the airway, soft palate and lateral walls. The unique design of the airway channel maintains a lip-seal and manages mouth breathing.

O2Vent Optima devices are particularly designed for the many people that suffer from nasal issues, such as obstruction or congestion. The device allows for nasal breathing when the nose is unobstructed, but when obstruction is present, breathing is facilitated via the airway in the appliance.

O2Vent Optima offers a discreet, comfortable and effective alternative to CPAP treatment.

O2Vent® Optima: How it works



Timeline of significant events: O2Vent Optima:

October 2018
TGA approval

February 2019
Launch in Canada

October 2019
Launch in the US
Oventus first Lab in Lab sites become operational

January 2019
Launch in Australia

September 2019
FDA clearance received in the US

February 2020
US Medicare reimbursement approval granted: allows dentists to bill and be reimbursed by Medicare and other commercial payers that follow the Centres for Medicare & Medicaid (CMS) policy.

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). The product was launched in Australia and Canada in June 2019. The Company is in discussion with the US FDA regarding the 510(k) registration for ExVent.

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 allowing 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. Together with Connector Bands and ExVent® (in Australia and Canada) – these items form part of the ongoing revenue stream.

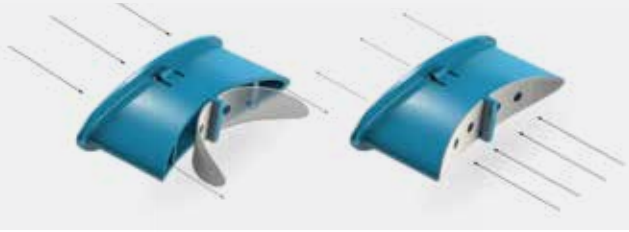
O2Vent Optima Connector Bands

In May and June 2020, Oventus advised its providers that we had updated the connector band material and introduced a second strength to provide more treatment options. Connector bands are used to advance the lower jaw forward to further open the airway, with a positioning range from 13-21mm.

These nine connector bands lengths enable 6mm advancement and 2mm retrusion from the 19mm starting measurement. O2Vent Optima oral devices are delivered assembled with the 19mm connector bands, plus one full set/Starter Pack of connector bands i.e. 2 of each length. While 'soft' connector bands are the default strength, dentists can order either 'soft' (light blue) or 'firm' (dark blue) bands. After initial use, the dentist will identify the optimum treatment position (protrusion) and band size that provides the best therapy. Connector bands are re-ordered as annual packs of 25 (at the prescribed size). It is recommended the patient changes both bands monthly, as they may lose elasticity.

As Oventus can manufacture its own connector bands, it provides us with a reduced cost of goods sold and further, a high margin and ongoing revenue stream.

ExVent®



Oventus Bite Fork

O2Vent Optima Connector Bands

"Your new O2Vent Optima Mandibular Repositioning Device (MRD) is revolutionary in the treatment of OSA; especially, patients who are mouth breathers due to nasal obstruction, congestion or allergies. I have been treating OSA patients for over ten years since being diagnosed with severe OSA myself in February 2010. Your O2Vent Optima is the eleventh different appliance I have been personally fitted with over thousands of hours of continuing education on the subject.
The O2Vent Optima is very comfortable, light weight and allows for plenty of tongue space. With scanning and bite registration the insertion appointment is effortless. The bands are rigid enough to eliminate use of elastics to keep mouth closure. Also, the bands are very easy to change for patient compliance in titration. I highly recommend the O2Vent Optima for use in treating your mouth breathing sleep apnea patients."

Dr Steven E. Lanham, DDS

Clinical efficacy, recognition and CRC-P

Oventus' product development is funded substantially through Australian federal government grants, specifically CRC Projects (CRC-P) grants which support short term, industry-led collaborative research, for up to 3 years.

During the financial year, the Adelaide Institute for Sleep Health at Flinders University was formally signed up as a CRC-P participant as an additional clinical trial site. The site also commenced data collection following the receipt of ethics approval.

In addition, a number of clinical papers were published/ presented or submitted for publication as part of the CRC-P program as follows:

- Clinical efficacy and novel physiology findings led by CRC-P PhD student Benjamin Tong entitled "Efficacy of a novel oral appliance and the role of posture on nasal resistance in obstructive sleep apnea" were published in the *Official Journal of the American Academy of Sleep Medicine* in February 2020
- An abstract titled "An algorithm to estimate sleep apnoea phenotypes from standard sleep study and clinical data" was selected for an oral presentation and delivered by Ritaban Dutta from Data 61 at CSIRO at the Australasian Sleep Association Annual Scientific Meeting "Sleep DownUnder" in Sydney in October 2019
- An EPAP valve combination therapy study manuscript: "Combination therapy with mandibular advancement and expiratory positive airway pressure valves reduces obstructive sleep apnea severity" was published in the leading scientific journal, *SLEEP* in August 2019
- A manuscript on combination therapy with CPAP and the Oventus device has recently been published in the prestigious *Journal of Applied Physiology*.
- A manuscript on the novel algorithm has been submitted for publication in a major respiratory journal.

Following on from the above-mentioned work presented at Sleep DownUnder, a PCT patent application based on a novel algorithm to help deliver targeted therapy for sleep apnoea was lodged titled: "Methods for estimating key phenotypic traits for obstructive sleep apnoea and simplified clinical tools to direct targeted therapy."

In addition, a new home sleep study protocol to test the efficacy and comfort of the novel ExVent® over a one-month period was incorporated into the current CRC-P and MRI studies on the O2Vent Optima device commenced at Neuroscience Research Australia (NeuRA).

As at July 1, 2020, the total number of night studies performed on CRC-P clinical trial work was nearly 220. Key findings and outcomes from the major CRC-P clinical trial project activities are due to be reported in CY21.

Thanks to the CRC-P research leader, Danny Eckert, Matthew Flinders Professor, Adelaide Institute for Sleep Health, College of Medicine and Public Health, Flinders University.

COVID-19 Case study:

"

In March just as the COVID-19 pandemic took hold in Colorado, I knew I had to do something different. My practice, Refresh Snoring and Sleep Apnea Center, is dedicated to the treatment of Obstructive Sleep Apnea. I had already embraced telemedicine follow up and 'drive up', appliance adjustments performed with the patient sitting in their car and me running in and out of my office making adjustments for my patients. Additionally, I realized I needed to start providing the adjustment tool for the devices I was dispensing and showing patients how to 'tweak' their device.

Shortly after changing my office procedures, I met Robin Randolph from Oventus, who came to my office.

As I settled in to learn about the O2Vent Optima from Robin, I soon realized not only were there potential clinical advantages to the product, but also through this discussion the concept of a high probability of being successful with a remote consult with impression taking and a home fit instruction could be successful.

By 1st April I was fully engaged in a feasibility study, validating an expanded home-dentistry model from what I was already offering. Fast forward to today, where now O2Vent Optima is my go-to oral appliance for patients with nasal congestion. Not only can patient follow up appointments and a high percentage of delivery appointments be accomplished in the home, but I have realized that patients require significantly less adjustments with the O2Vent Optima. Less follow-up appointments due to the accuracy and strength of a digitally milled nylon appliance is a huge benefit for my patients. I'm excited to be a part of Oventus and work alongside the remarkable team.

Dr. Jason Ehtessabian, DDS, Refresh Snoring and Sleep Apnea Center in Castle Rock, Colorado
D-ABDSA, D-ASBA, D-ACSDD

Business strategy and operational update

Launch of O2Vent Optima and Lab in Lab Program

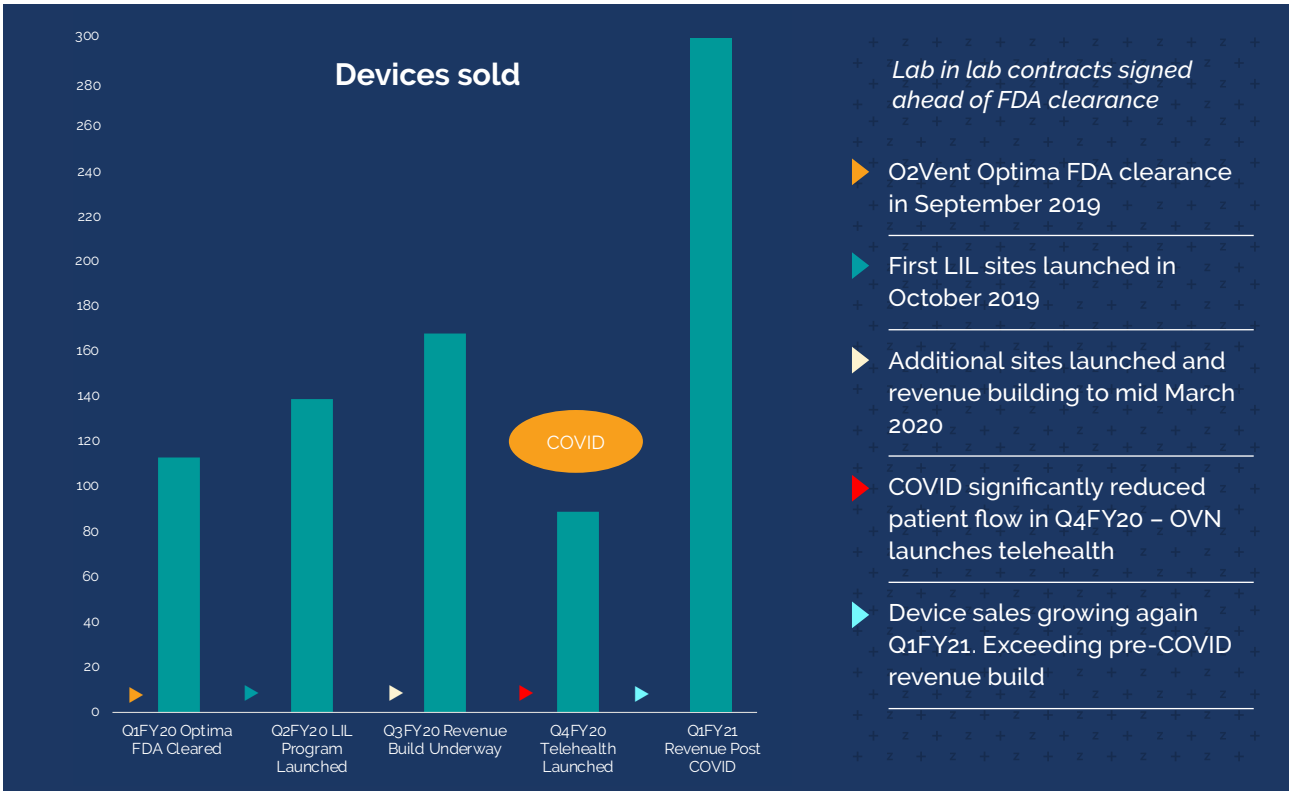
In July 2019, Oventus signed its first Lab in Lab agreements in the US and Canada.

In October 2019, the Company's initial Lab in Lab sites became operational following the US Food and Drug Administration's regulatory clearance of the O2Vent Optima® in September 2019.

Additional Lab in Lab sites were launched during the financial year and revenues from those sites started to build during the third quarter FY20.

With the onset of COVID-19 in March, patient flow reduced due to site closures, leading Oventus to rapidly introduce telehealth services and remote training to continue to engage with patients and to enable virtual Lab in Lab site launches.

These telehealth measures helped to increase sales conversion rates, which - along with an increase in direct sales - supported growth.



In addition, from Q4 FY20, a homecare extension of the Lab in Lab program was successfully piloted to future proof against the risk of protracted shutdowns.

As patient flow improves, along with reopening and new site launches, device sales are expected to continue to build, with more states and site launches expected as North America comes out of COVID-19 lockdown.

Strong demand for the Lab in Lab business model continued to build during the financial year with adoption of the model by the sleep community being driven by acceptance of O2Vent Optima as a true CPAP alternative and the simple delivery approach and also for sleep physicians to recover lost revenues due to COVID-19.

Key agreements secured during the period include one with fast growing sleep group Aeroflow in February, with the company having identified OSA therapeutics as a key growth driver for its business.

Under the agreement, Aeroflow will initially introduce Oventus technology across the Southeastern US states before rolling it out nationally as it continues on an aggressive growth path across the US.

In May, Oventus also secured an agreement with Canadian respiratory services provider, Careica Health, which will see Oventus technology offered to CPAP-intolerant individuals via an extension to the company's well-known SLEEP program.

As at June 30, Oventus had 57 contracted sites in North America, capable of generating $13.2m annualized revenue at minimum quotas. Once fully launched, 49 sites have a monthly minimum purchase order of 20 units per site and 8 sites have a minimum monthly purchase order of 10 units per site.

At the time of writing all sites are operating on reduced capacity as a result of COVID-19 and while patient flow is increasing we do not have visibility on when patient flow will return to normal. Fortunately, the addition of telehealth and homecare, along with the large and growing number of sites contracted and under negotiation should enable the company to continue to build revenue.

Business strategy and operational update

continued

Medicare approval and opportunity

In February 2020, Oventus received US Medicare reimbursement approval for the O2Vent Optima – a significant milestone that will further support the roll out of the device across the US market.

The approval means that the O2Vent Optima is reimbursable for those patients covered by United States Centres for Medicare & Medicaid (CMS), in that dentists can now bill and be reimbursed not only by Medicare but other commercial payers that follow CMS policy.

CMS is part of the US Department of Health and Human Services and oversees many federal healthcare programs, including those that involve medical device reimbursement.

The approval removes barriers for the prescribing physicians and enables dentists to deliver O2Vent Optima regardless of the patient's payer type.

In 2019, of the 330 million-strong US population, 64 million people[12] were enrolled in the US Medicare system.

It is estimated that only six million people have been diagnosed and treated out of 30 million[13] OSA sufferers in the US population.

This US Medicare reimbursement approval provides an opportunity to access and treat an additional large population of OSA sufferers.

"Medicare approval is a very significant development for Oventus. It means that patients accessing government-funded healthcare in the US can now access our treatment which has been proven to have exceptional efficacy, both in our clinical trials and when used by patients for the treatment of their OSA. It opens up a whole market that may not have previously been able to afford our treatment and we expect further increased demand for our Lab in Lab model as a result."

Dr Chris Hart, Managing Director, CEO, Oventus Medical

PANDEMIC STRATEGIC RESPONSE, HOME CARE

While many US state governments require resident lock down or restriction of services, Oventus is finalising development of a home care model in collaboration with sleep group partners to enable treatment delivery to patients in their homes.

If a prescription is required, patient is diagnosed at home via telehealth/home sleep testing

Once an O2Vent Optima is prescribed, a mobile clinician can attend the home of the patient to scan their mouth or records can be acquired via a tele-impression

After the device is 3D printed from oral scan data, O2Vent Optima can be delivered to patients at home and instructions for use and follow up can be delivered via telehealth

12. https://www.kff.org/medicare/fact-sheet/medicare-advantage/
13. https://aasm.org/resources/pdf/sleep-apnea-economic-crisis.pdf

Customer highlights: Helping first responders during the pandemic

Patrick Strong, Denturist, Strong Denture and Snoring Clinics, Windsor and Leamington, Ontario, Canada

In April, firefighters across Ontario were told not to use their Continuous Positive Airway Pressure (CPAP) machines on overnight shifts, due to concerns it may contribute to the spread of the COVID-19 virus, through the distribution of respiratory droplets. Toronto Fire Chief Matthew Pegg explained that the decision to ban CPAP at work was based on the advice of the fire service's chief medical officer, following reports that although CPAP was the current standard of care for OSA, data had emerged that it may contribute to COVID-19 spread[14 15].

When the news was released to the public, Patrick Strong felt compelled to do something. As an obstructive sleep apnea (OSA) sufferer himself, he said he could not imagine going without therapy and the potential negative consequences of cognitive functioning without treatment. Compounding the concern was the fact these were Ontario's first responders.

Patrick contacted Oventus with a single thought in mind, to provide O2Vent Optima to the firemen. Patrick had already spoken to Dr Sharma, a prominent Sleep Physician in Ontario who had agreed to tele-consult and prescribe the treatment. *"Within 48 hours we identified infection control procedures to manage risk, ordered PPE and sanitizers and sent communication to the fire stations. The local radio station and a news site picked up on the activity and helped spread the word around my offering. Within a few weeks 24 first responders suffering OSA were scanned,"* says Patrick.

This COVID initiative is on-going with word spreading amongst the fire fighters between different fire stations. First responders immediately began sending letters to Oventus.

One of these letters was from **Captain Brian White**, Windsor Fire Rescue Services, Ontario.

He said: *"My station was hit with the coronavirus and I have been in close contact with co-workers that have tested positive. As a result of safety measures, some of us that are CPAP wearers have been ordered not to use them, which meant I was waking with a sore throat from excessive snoring which caused questionable anxiety as it is a symptom of COVID-19 and I thought I may have contracted the virus and could possibly be passing it to my family or other co-workers.*

Thanks to Oventus and the O2Vent Optima, I can now sleep soundly during work shifts knowing that I am treating my sleep apnea without placing anyone at risk. This device allows me to achieve quality sleep without snoring and to be more alert when responding to emergencies. I am also grateful that Oventus and Dr Strong heard of the situation and generously donated their time and products fitting and producing these devices to first responders."

Social media and editorial/advertising in *Firefighting in Canada* helped spread the word on this first responders initiative.

Other First Responders Testimonials

"My partner and I go to great lengths to stay safe while responding to emergencies by ensuring we are wearing the proper gear. After every call, we are very particular about cleaning our ambulance and also our own PPE. The last thing I need to worry about is using my CPAP machine safely in the station when I already have little time to catch up on sleep. With the O2Vent Optima, I'm able to sleep, and more importantly, I and the other paramedics who have access to this device have peace of mind."

Tim Branch, Advance Care Paramedic at Essex Windsor Emergency Medical Services.

"I wanted a treatment approach conducive to my lifestyle, as I travel frequently – CPAP and other oral appliances seemed too cumbersome to me. The O2Vent Optima is comfortable and easy to use, which makes it easy to stick with it as a treatment. After only a few weeks of use, I've noticed my daytime alertness and energy have increased and my snoring, much to the relief of my wife, has decreased."

Ervin Magic, Certified Physician Assistant. Ervin knows first-hand what many of his patients experience with OSA. He knows first-hand what many of his patients experience with OSA. He has lived with moderate OSA symptoms for several years, and recently had an O2Vent Optima fitted.

14. https://aasm.org/coronavirus-covid-19-faqs-cpap-sleep-apnea-patients/
15. http://sleepeducation.org/news/2020/04/03/sleep-doctor-answers-questions-about-covid-19-and-sleep

Board and Management


Dr Mel Bridges


Dr Chris Hart


Sue MacLeman


Sharad Joshi


Paul Molloy


Jake Nunn


Stephen Denaro


Dan Parry


Robin Randolph

Dr Mel Bridges

Chairman and Non-Executive Director

Mel has over 35 years' experience founding and building international lifescience, diagnostic and medical device companies and commercialising a wide range of Australian technology. He is responsible for numerous commercial and M&A transactions and liquidity events, including listings on the ASX. Mel has received national and state business awards including the 2005 AusBiotech Chairman's Industry Medal and 2004 Queensland Entrepreneur of the Year. Mel has founded and developed medical device and diagnostic companies, including Pacific Diagnostics (acquired by Baxter), PanBio Ltd (acquired by Inverness Medical), and ImpediMed Ltd (ASX: IPD).

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 clinicians and heads the management team as they roll out the Oventus Sleep Treatment Platform 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 on the commercial aspects of health care delivery.

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. Sue is also appointed to several academic and government advisory committees including CSIRO Health and Biosecurity Advisory Committee, Prime Ministers Digital Expert Advisory Committee, DMTC Medical Countermeasures and various COVID19 taskforces.

Sue is currently the Chair of MTPConnect (Medical Technology and Pharmaceuticals Industry Innovation Growth Centre Ltd MTPII-GC Ltd), Chair of Anatara Lifesciences Ltd (ASX:ANR), Chair of Tali Digital Ltd (ASX:TD1), Non-Executive Director of Palla Pharma Ltd (ASX:PAL), Non-Executive Director of Oventus Medical Ltd (ASX:OVN) and Non-Executive Director of veski. Her broad commercial experience is underpinned by her qualifications including a Bachelor of Pharmacy (University of Queensland), Masters of Marketing at Melbourne University (Melbourne Business School) and a Masters of Law degree (Deakin University). Sue is also Fellow and Chair Health Forum ATSE, Fellow ACPP and Fellow/Graduate of AICD.

Sharad Joshi

Non-Executive Director

Based in Boston, Sharad has been active in the medical technology industry for more than 33 years and has held senior positions for the past 20 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, currently as President and CEO of NanoDx, and 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 entrepreneurial MBA.

Paul Molloy

Non-Executive Director

Based in Southern California, Paul Molloy has considerable global and US medical device industry expertise, with twenty-five years' experience leading a range of public, private and venture capital funded healthcare companies. He is currently President and CEO of ClearFlow Inc., a US-based medical device company. Before joining ClearFlow, Paul was CEO at VasoNova Inc.- a Silicon Valley-based, venture funded vascular navigation company which was acquired by Teleflex Inc. (NYSE, TFX), in January 2011. Following the acquisition, he was appointed President of Teleflex' largest division – ARROW Vascular – having full P&L responsibilities for direct sales, US and overseas manufacturing plants, R&D and strategic planning.

Mr Molloy has also exited a number of leading US medical devices firms, including publicly traded cerebral oxygenation monitoring firm, CAS Medical Inc., and Revolutionary Medical Devices. He also serves on the Board at Augustine Medical, a privately held market leader in medical arena temperature management. and Inscope Inc., a venture capital-funded critical care firm. Paul started his career as a CRNA (Certified Registered Nurse Anaesthetist). He holds an MBA (Chicago Booth School of Business), with a focus on finance and economics.

Jake Nunn

Non-Executive Director

Based in Menlo Park, CA, Jake Nunn has more than 25 years' experience in the life science industry as an investor, independent director, research analyst and investment banker. Jake is currently a venture advisor at New Enterprise Associates (NEA), where he was a partner from 2006 to 2018. Jake is a Director of Addex Therapeutics (SIX, Nasdaq: ADXN), Qool Therapeutics, Inc., Regulus Therapeutics (Nasdaq: RGLS) and Trevena, Inc. (Nasdaq: TRVN). He was a previous Director of several companies in the pharmaceutical sector including Dermira Inc. (acquired by Eli Lilly) and Hyperion Therapeutics (acquired by Horizon Pharma plc), and a board observer at Vertiflex, Inc. (acquired by Boston Scientific).

Prior to NEA, Jake was a Partner specializing in life sciences investing at MPM Capital. Previously, he was a healthcare research analyst and portfolio manager at Franklin Templeton Investments and an investment banker with Alex. Brown & Sons. Jake received an MBA from the Stanford Graduate School of Business and an AB in Economics from Dartmouth College. Jake holds the Chartered Financial Analyst designation, is a member of the CFA Society of San Francisco, and recently completed the Stanford GSB Directors' Consortium executive education program.

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.

Dan Parry

Chief Financial Officer

Dan Parry joined Oventus in December 2017 with over 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.

Robin Randolph

Sr Vice President - Sales, Marketing and Operations, North America

Starting her career as a nurse, then sleep technologist and clinical researcher, 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 apnea, sharing her in-depth industry knowledge and promoting the advantages of Oventus Airway Technology.

Directors' Report

For the year ended 30 June 2020

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, or during, the year ended 30 June 2020.

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 Christopher Hart	Executive Director
Mr Jake Nunn	Non-Executive Director (appointed 25 February 2020)
Mr Paul Molloy	Non-Executive Director (appointed 16 December 2019)
Ms Sue MacLeman	Non-Executive Director
Mr Sharad Joshi	Non-Executive Director
Mr Neil Anderson	Executive Director (until 16 December 2019)
Mr Stephen Denaro	Company Secretary

Principal activities

Oventus (ASX: OVN) is a Brisbane, Australia-based medical device company that is commercialising a unique treatment platform for obstructive sleep apnea (OSA) and snoring. Oventus' O2Vent devices are designed for any patient that is deemed appropriate for oral appliance therapy, but especially beneficial for the many people that suffer with nasal congestion, obstruction and mouth breathing. They allow for airflow to the back of the mouth while maintaining an oral seal and stable jaw position, avoiding multiple obstructions from the nose, soft palate and tongue that can contribute to OSA and snoring.

During the financial year ended 30 June 2020, Oventus was primarily focused on rolling out its devices across its key North American market via the 'Lab in Lab' model. 'Lab in Lab' is a collaborative Sleep Physician/ Dental strategy that streamlines patients' access to treatment and incorporates digital technology via intra oral scanning to achieve operational efficiencies, accuracy and ultimately patient outcomes.

Review of operations

'Lab in Lab' model

During the financial year, Oventus made significant progress with the rollout of the 'Lab in Lab' model across North America due to strong demand from sleep groups across both the Canadian and US markets.

Demand was reinforced by the impact of COVID-19, with many potential customers (sleep apnea groups) considering the 'Lab in Lab' model as a new way to recover lost revenues during forced COVID-19 closures amid national lockdowns across the US and Canada.

Oventus continued to have a robust pipeline of contract negotiations and, as at 30 June 2020, had 57 contracted sites in North America, capable of generating $13.2m in annualized revenue at minimum quotas.

The Company also had 22 launched sites, including post COVID-19 relaunches at various stages of reopening. These launched sites are capable of generating $5.3m annualized revenue at minimum quotas.

As at the end of the financial year, 11 sites were in the implementation phase and Oventus remains focused on bringing existing contracts and sites back online as North America continues to reopen from COVID-19 lockdown.

Key agreements secured during the period include one with fast growing sleep group Aeroflow in February, with the company having identified OSA therapeutics as a key growth driver for its business.

Under the agreement, Aeroflow will initially introduce Oventus technology across the Southeastern US states before rolling it out nationally as it continues on an aggressive growth path across the US.

In May, Oventus also secured an agreement with Canadian respiratory services provider, Careica Health, which will see Oventus technology offered to CPAP-intolerant individuals via an extension to the company's well-known SLEEP program.

Impact of COVID-19 and implementation of telehealth

When the impact of COVID-19 became clear in March, Oventus moved quickly to protect its customers and business plan, adapt workflows and processes to enable business continuation.

To support its sites, the Company introduced a telehealth service, swiftly putting in place key initiatives to enable existing 'Lab in Lab' sites to continue to identify OSA patients for treatment. Many of these measures are more efficient and the inclusion of telehealth has become a permanent workflow change for Oventus.

Under the model, patients in the US and Canada receive initial online or phone consultations at which time Oventus undertakes any verification required to have a payer (or insurer) cover device costs.

Whilst patient flow into physical sites overall was reduced due to government-enforced lockdowns due to COVID-19, this was offset in part by an increase in the conversion rate of patients moving from the step of initial consultation to booking in for in-person appointments as the sites reopen. The telehealth service also enabled the company to continue to engage with customers and patients through the shutdown period.

In April and May, while physical delivery of treatment to patients was restricted, many of the devices delivered were to first responders in Canada who required treatment alternatives to CPAP.

While patient flow at launched sites remains subdued due to COVID-19, Oventus remains optimistic about growth due to a mix of factors, including: higher conversion rates as a result of refined workflows and introduction of telehealth; strong demand for the technology and clinical business model; continued contract negotiation and execution; a full launch calendar through to the end of CY2020 and an overall increase in the number of operational sites. As North America slowly reopens by region, Oventus is ready to accelerate revenue growth with a broad, efficient network of 'Lab in Lab' clinics.

Given the expected ongoing uncertainty and volatility due to COVID-19, Oventus will continue to actively monitor and review its response to market conditions and measures will be updated as appropriate.

Capital raisings

During the financial year, Oventus conducted two capital raises. In July 2019, it raised A$9.3 million through an oversubscribed Placement to institutional and sophisticated investors and underwritten Entitlement Offer. In May 2020, it raised A$6.65 million through a Placement to institutional and sophisticated investors and Share Purchase Plan (SPP). Both offers were significantly oversubscribed. Under the May 2020 Placement and SPP, the Company offered one free attaching unlisted option for every two new shares subscribed for (Options). The Shares under the Placement and SPP had an issue price of A$0.24 each. The Options offered under the SPP and the Placement will have an exercise price of A$0.36 and will expire on 30 June 2021. Funds raised are being deployed to meet the growing demand for Oventus' 'Lab in Lab' business model.

Financial position and results

The Company's cash position was $8.5 million as at 30 June 2020, providing over five quarters of funding, without the benefit of revenue improvement which is expected to increase during the September quarter as the number of live 'Lab in Lab' sites increase and patient bookings continue to grow.

The loss for the Consolidated Entity amounted to $10,126,364 (2019: loss of $7,848,255).

Total revenues for the year ended 30 June 2020 were $419,298 (2019: $331,837), including device sales of $358,921 (2019: $331,837) a service-fee revenue of $60,377 related to the 'Lab in Lab' business which commenced in August 2019. Gross profit from revenues totalled $187,562 (2019: $173,598), including gross profit from 'Lab in Lab' revenues of $6,628.

The Consolidated Entity incurred operating expenses of $10,656,953 for the year ended 30 June 2020 (2019: $8,486,805). Operating expenses include non-cash charges of $1,526,652 (2019: $768,453) for amortisation of intangible assets and depreciation and share based payments of $308,838 (2019: $190,736) and are reflected net of development expenditures capitalised in the statement of financial position. Development expenditures that were capitalised decreased to $779,618 for the year ended 30 June 2020 from $1,318,854 in 2019. 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. During the year, the Consolidated Entity received $828,120 from the Australian Federal Government as a cash rebate for the Company's 2019 financial year R&D spend (2019: $1,039,988 related to 2018 financial year). The Company's net spend was also enhanced through the receipt of $300,000 in proceeds from sale of a 3D printer, completing the process of fully outsourcing manufacturing and reducing fixed expenses during the March 2020 quarter.

Dividends

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

Board and executive management changes

In December, Oventus appointed US medical device industry expert, Paul Molloy to the Board as Non-Executive Director. Mr Molloy brings considerable global and US medical device industry expertise to Oventus, with twenty-five years' experience leading a range of public, private and venture capital-funded healthcare companies.

His experience in establishing and managing international operations will prove invaluable as Oventus continues to execute commercially on its 'Lab in Lab' program.

He is currently President and CEO of ClearFlow Inc., a US-based medical device company. Before joining ClearFlow, Paul was CEO at VasoNova Inc.- a Silicon Valley-based, venture funded vascular navigation company which was acquired by Teleflex Inc. (NYSE, TFX), in January 2011. Following the acquisition, he was appointed President of Teleflex' largest division – ARROW Vascular – having full P&L responsibilities for direct sales, US and overseas manufacturing plants, R&D and strategic planning.

Mr Molloy replaced co-founder, Chief Technology Officer and former CEO, Neil Anderson who has moved to a Consultancy Agreement with the Company.

In February, Oventus appointed specialist US healthcare investor, Jake Nunn to the Board as Non-Executive Director.

Mr Nunn brings relevant sector knowledge from decades spent in US healthcare portfolio management, financial analysis and other board roles.

Jake is currently a venture advisor at New Enterprise Associates (NEA), where he was a partner from 2006 to 2018. NEA is one of the world's largest and most active venture capital firms, specialising in global healthcare and technology. Prior to that, he was a partner with MPM Capital, held portfolio management and analyst roles with Franklin Templeton and GE, amongst others. He now serves as Venture Advisor to NEA and holds a number of board roles with US listed healthcare businesses.

Directors' Report

For the year ended 30 June 2020

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 2020 Number of Shares #	30 June 2020 Value of Shares $	30 June 2019 Number of Shares #	30 June 2019 Value of Shares $
Opening Balance	**105,939,212**	**29,640,394**	105,939,212	29,640,394
Ordinary shares issued:				
1 August 2019	**15,757,491**	**5,987,847**	–	–
28 August 2019	**6,085,092**	**2,312,335**	–	–
17 September 2019	**2,747,922**	**1,044,210**	–	–
8 May 2020	**19,010,416**	**4,562,500**	–	–
18 June 2020	**364,584**	**87,600**	–	–
18 June 2020	**8,332,984**	**2,000,001**	–	–
Share issue costs	**–**	**(1,301,124)**	–	–
At reporting date	**158,237,701**	**44,333,763**	105,939,212	29,640,394

Significant matters subsequent to the period

In July, Oventus announced additional 'Lab in Lab' agreements across 9 sites with two new sleep groups, Tri Hospital Sleep and Ontario Sleep Care, both located in Canada. Under these agreements, Oventus technology will be offered to patients of the 9 sites.

Tri Hospital Sleep in Ontario is one of Mississauga's largest privately-owned providers of diagnostics and treatment for OSA. Under the agreement, 'Lab in Lab' facilities will be implemented in its largest location with 14 beds of sleep diagnostics. Once fully deployed, Tri Hospital Sleep expects to order 20 O2Vent Optima devices per month.

Ontario Sleep Care is a large, privately-owned provider of treatment for OSA with 8 locations across the province of Ontario, Canada. The agreement provides Oventus' O2Vent Optima and ExVent therapy across the network of sites as an alternative for CPAP-intolerant individuals. Patients will also be referred to the 8 sites from satellite locations. Once fully deployed, each Ontario Sleep Care location expects to order 10 O2Vent Optima devices per month.

Both agreements have a term of three years, with an automatic three-year renewal, unless a party elects not to renew no later than 180 days prior to the end of the third year.

On the 7th of August 2020, the Company issued 6,900,000 options to Directors under the Executive Share Option Plan following shareholder approval under ASX Listing Rule 10.14 and Chapter 2E of the Corporations Act and issued 2,955,000 options to non-related party employees.

Expected future developments

Oventus' focus for Q1 FY21 is targeted in the following areas:

- Supporting customers with the reopening of 'Lab in Lab' sites which are able to resume business operations;
- Launching further sites, including the initial 8 sites scheduled for launch in July;
- Making further improvements to the homecare model, in order to remove barriers to remote patient treatment;
- Retaining a continued focus on revenue improvement and cost control; and
- Adding a modest number of additional team members in North America who can maintain existing 'Lab in Lab' customers and support with increasing the speed at which contracted implementations can be rolled out.

Environmental regulations

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

Directors' Report

For the year ended 30 June 2020

Information on directors and company secretary

Mel Bridges	**(Chairman) (Non-Executive Director) (Appointed 17 December 2018)**
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	None
Former directorships (last 3 years)	Mel was previously a Non-Executive Director of ASX 100 Company ALS Ltd until his retirement in July 2019 and was a 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	3,116,380 ordinary shares
Interest in options	629,179 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), Fellow and Chair Health Forum ATSE, Fellow ACPP and Fellow/Graduate of AICD.
Experience	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. Sue is also appointed to several academic and government advisory committees including CSIRO Health and Biosecurity Advisory Committee, Prime Ministers Digital Expert Advisory Committee, DMTC Medical Countermeasures and various COVID-19 taskforces.
Other current directorships	Sue is currently the Chair of MTPConnect (Medical Technology and Pharmaceuticals Industry Innovation Growth Centre MTPII-GC Ltd) ,Chair of Anatara Lifesciences Ltd (ASX:ANR), Chair of Tali Digital Ltd (ASX:TD1), Non-Executive Director at Palla Pharma Ltd (ASX:PAL) and Non Executive Director of Veski.
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	54,132 ordinary shares
Interest in options	551,720 options

Directors' Report

For the year ended 30 June 2020

Sharad Joshi	**(Non-Executive Director)**
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 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 market 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. Sharad is currently the President and Chief Executive Officer of NanoDiagnostics / BioDirection, Inc in Hopkinton Massachusetts.
Other current directorships	Member of the Massachusetts Medical Board, Board Member BioDirection Inc.
Former directorships (last 3 years):	Massachusetts Medical Device Association
Interest in shares	201,139 ordinary shares
Interest in options	450,000

Paul Molloy	**(Non-Executive Director) – Appointed 16 December 2019**
Qualifications	MBA from the University of Chicago Booth School of Business and Certified Registered Nurse Anaesthetist (CRNA) from Academisch Medisch Centrum, Alkmaar, Netherlands.
Experience	Paul Molloy has considerable global and US medical device industry expertise, with twenty-five years' experience leading a range of public, private and venture capital funded healthcare companies. He is currently President and CEO of ClearFlow Inc., a US-based medical device company. Before joining ClearFlow, Paul was CEO at VasoNova Inc.- a Silicon Valley-based, venture funded vascular navigation company which was acquired by Teleflex Inc. (NYSE, TFX), in January 2011. Following the acquisition, he was appointed President of Teleflex' largest division – ARROW Vascular – having full P&L responsibilities for direct sales, US and overseas manufacturing plants, R&D and strategic planning. Mr Molloy has also exited a number of leading US medical devices firms, including publicly traded cerebral oxygenation monitoring firm, CAS Medical Inc., and Revolutionary Medical Devices. He also serves on the Board at Augustine Medical a privately held market leader in medical arena temperature management.
Other current directorships	None
Former directorships (last 3 years):	None
Interest in shares	104,167 ordinary shares
Interest in options	552,083

Directors' Report

For the year ended 30 June 2020

Jake Nunn	**(Non-Executive Director) – Appointed 20 February 2020**
Qualifications	MBA from the Stanford Graduate School of Business and an AB in Economics. Jake holds the Chartered Financial Analyst designation, is a member of the CFA Society of San Francisco, and recently completed the Stanford GSB Directors' Consortium executive education program.
Experience	Jake Nunn has more than 25 years' experience in the life science industry as an investor, independent director, research analyst and investment banker. Jake is currently a venture advisor at New Enterprise Associates (NEA), where he was a partner from 2006 to 2018. Jake is a Director of Addex Therapeutics (SIX,Nasdaq: ADXN), Qool Therapeutics, Inc., Regulus Therapeutics (Nasdaq: RGLS) and Trevena, Inc. (Nasdaq: TRVN). He was a previous Director of several companies in the pharmaceutical sector including Dermira Inc. (acquired by Eli Lilly) and Hyperion Therapeutics (acquired by Horizon Pharma plc), and a board observer at Vertiflex, Inc. (acquired by Boston Scientific). Prior to NEA, Jake was a Partner specializing in life sciences investing at MPM Capital. Previously, he was a healthcare research analyst and portfolio manager at Franklin Templeton Investments and an investment banker with Alex. Brown & Sons.
Other current directorships	Jake is a Non-Executive Director at Addex Therapeutics, Qool Therapeutics, Regulus Therapeutics, and Trevena, Inc.
Former directorships (last 3 years):	Dermira, Inc. (May 2011 - February 2020)
Interest in shares	156,250 ordinary shares
Interest in options	578,125

Chris Hart	**(Executive Director) (Founder) (Managing Director and Chief Executive Officer)**
Qualifications	Bachelor of Dental Science with Honours, Bachelor of Science in Biochemistry, Master of Philosophy in Biomedical Science.
Experience	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 clinicians and heads the management team as they roll out the Oventus Sleep Treatment Platform across Australia, the United States and Canada. Chris is also heavily involved with training and presenting to the dental and sleep sector. 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 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	5,971,464 options

Neil Anderson	**(Executive Director) Resigned 16 December 2019 (Chief Technical Officer)**
Qualifications	Bachelor of Applied Science (Hons), Diploma of Management, Graduate of the Institute of Company Directors (GAICD).
Experience	Neil has over 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	451,464 options

Directors' Report

For the year ended 30 June 2020

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	178,273 ordinary shares
Interest in options	225,366 options

Meetings of directors

During the financial year, 14 meetings of directors were held. Attendances were:

	Full Board	
	Number eligible to attend	**Number attended**
Mel Bridges (Chairman)	14	13
Neil Anderson	6	5
Chris Hart	14	13
Sue MacLeman	14	13
Sharad Joshi	14	12
Paul Molloy	8	7
Jake Nunn	7	7

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	1
Sue MacLeman	1	1	2	2

Directors' Report

For the year ended 30 June 2020

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) (until 16 December 2019)
- Sue MacLeman (Non-Executive Director)
- Sharad Joshi (Non-Executive Director)
- Paul Molloy (Non-Executive Director appointed 16 December 2019)
- Jake Nunn (Non-Executive Director appointed 25 February 2020)

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 (Sr. VP Sales, Marketing, 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 2020

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 2020							
Non-executive directors							
Mel Bridges	63,265	–	–	6,010	–	11,855	81,130
Sue MacLeman	42,557	–	–	4,043	–	11,855	58,455
Sharad Joshi	55,317	–	–	–	–	35,564	90,881
Paul Molloy (from 16 Dec 2019)	29,724	–	–	–	–	–	29,724
Jake Nunn (from 25 Feb 2020)	8,232	–	–	–	–	–	8,232
Executive directors							
Chris Hart	512,434	40,000	310,525	10,718	–	67,748	941,425
Neil Anderson (resigned 16 Dec 2019)	106,250	–	–	10,000	86,348	11,855	214,453
Total for directors	**817,779**	**40,000**	**310,525**	**30,771**	**86,348**	**138,877**	**1,424,300**
Other key management personnel							
Stephen Denaro	22,020					1,258	23,278
Daniel Parry	232,771	–	–	19,972	–	29,677	282,420
Robin Randolph	306,159	–	–	–	–	25,443	331,602
Total for other KMP	**560,950**	**–**	**–**	**19,972**	**–**	**56,378**	**637,300**
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	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**	**901,935**
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**

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

	Opening Balance	Movement	Closing Balance 30 June 2020	Vested as of 30 June 2020	Vested & Exercisable as of 30 June 2020
Directors					
Chris Hart	401,464	570,000	**971,464**	**424,795**	**424,795**
Mel Bridges	200,732	128,447	**329,179**	**295,844**	**295,844**
Neil Anderson	401,464	50,000	**451,464**	**418,129**	**418,129**
Sue MacLeman	200,732	50,988	**251,720**	**218,385**	**218,385**
Sharad Joshi	–	150,000	**150,000**	**49,995**	**49,995**
Paul Molloy	–	52,083	**52,083**	**52,083**	**52,083**
Jake Nunn	–	78,125	**78,125**	**78,125**	**78,125**
Other KMP					
Dan Parry	300,000	–	**300,000**	**166,662**	**166,662**
Robin Randolph	300,000	100,000	**400,000**	**166,662**	**166,662**
Steve Denaro	125,366	–	**125,366**	**108,696**	**108,696**

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 2020, 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 2020

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
30 June 2021	$0.360	4,166,289
30 June 2021	$0.360	9,687,477
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	300,000
8 August 2023	$0.424	380,000
15 January 2024	$0.423	225,000
22 May 2024	$0.403	100,000
8 December 2024	$1.063	1,000,000
8 December 2024	$0.423	370,000

Key Management Personnel Options

The number of options that have vested as of the reporting period 30 June 2020 are as follows:

	Exercise Price	Issue Date	FV per Option @ Grant Date	Closing Balance	Vested as of 30 June 2020
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**
Unlisted options - Vesting 4/10/20 Expiring 8/12/24	$1.063	10-Dec-19	$0.384	166,650	–
Unlisted options - Vesting 4/10/21 Expiring 8/12/24	$1.063	10-Dec-19	$0.384	166,650	–
Unlisted options - Vesting 11/10/22 Expiring 8/12/24	$1.063	10-Dec-19	$0.384	166,700	–
Unlisted options - Vesting 14/12/19 Expiring 8/12/24	$0.423	10-Dec-19	$0.474	23,331	**23,331**
Unlisted options - Vesting 14/12/20 Expiring 8/12/24	$0.423	10-Dec-19	$0.474	23,331	–
Unlisted options - Vesting 14/12/21 Expiring 8/12/24	$0.423	10-Dec-19	$0.474	23,338	–
				971,464	**424,795**
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**
Unlisted options - Vesting 18/6/20 Expiring 30/6/21	$0.360	18-Jun-20	$0.240	78,447	**78,447**
Unlisted options - Vesting 14/12/19 Expiring 8/12/24	$0.423	10-Dec-19	$0.474	16,665	**16,665**
Unlisted options - Vesting 14/12/20 Expiring 8/12/24	$0.423	10-Dec-19	$0.474	16,665	–
Unlisted options - Vesting 14/12/21 Expiring 8/12/24	$0.423	10-Dec-19	$0.474	16,670	–
				329,179	**295,844**

	Exercise Price	Issue Date	FV per Option @ Grant Date	Closing Balance	Vested as of 30 June 2020
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**
Unlisted options - Vesting 14/12/19 Expiring 8/12/24	$0.423	10-Dec-19	$0.474	16,665	**16,665**
Unlisted options - Vesting 14/12/20 Expiring 8/12/24	$0.423	10-Dec-19	$0.474	16,665	–
Unlisted options - Vesting 14/12/21 Expiring 8/12/24	$0.423	10-Dec-19	$0.474	16,670	–
				451,464	**418,129**
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**
Unlisted options - Vesting 18/6/20 Expiring 30/6/21	$0.360	18-Jun-20	$0.240	988	**988**
Unlisted options - Vesting 14/12/19 Expiring 8/12/24	$0.423	10-Dec-19	$0.474	16,665	**16,665**
Unlisted options - Vesting 14/12/20 Expiring 8/12/24	$0.423	10-Dec-19	$0.474	16,665	–
Unlisted options - Vesting 14/12/21 Expiring 8/12/24	$0.423	10-Dec-19	$0.474	16,670	–
				251,732	**218,385**
Sharad Joshi					
Unlisted options - Vesting 14/12/19 Expiring 8/12/24	$0.423	10-Dec-19	$0.474	49,995	**49,995**
Unlisted options - Vesting 14/12/20 Expiring 8/12/24	$0.423	10-Dec-19	$0.474	49,995	–
Unlisted options - Vesting 14/12/21 Expiring 8/12/24	$0.423	10-Dec-19	$0.474	50,010	–
				150,000	**49,995**
Paul Molloy					
Unlisted options - Vesting 18/6/20 Expiring 30/6/21	$0.360	18-Jun-20	$0.240	52,083	**52,083**
Jake Nunn					
Unlisted options - Vesting 18/6/20 Expiring 30/6/21	$0.360	18-Jun-20	$0.240	78,125	**78,125**
Dan Parry					
Unlisted options - Vesting 05/12/18 Expiring 18/12/22	$1.016	19-Dec-17	$0.312	66,666	**66,666**
Unlisted options - Vesting 05/12/19 Expiring 18/12/22	$1.016	19-Dec-17	$0.312	66,666	**66,666**
Unlisted options - Vesting 12/12/20 Expiring 18/12/22	$1.016	19-Dec-17	$0.312	66,668	–
Unlisted options - Vesting 16/01/20 Expiring 15/01/24	$0.423	16-Jan-19	$0.155	33,330	**33,330**
Unlisted options - Vesting 16/01/21 Expiring 15/01/24	$0.423	16-Jan-19	$0.155	33,330	–
Unlisted options - Vesting 16/01/22 Expiring 15/01/24	$0.423	16-Jan-19	$0.155	33,340	–
				300,000	**166,662**
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	**66,666**
Unlisted options - Vesting 24/05/21 Expiring 2/07/23	$0.480	03-Jul-18	$0.149	66,668	–
Unlisted options - Vesting 16/01/20 Expiring 15/01/24	$0.423	16-Jan-19	$0.155	33,330	**33,330**
Unlisted options - Vesting 16/01/21 Expiring 15/01/24	$0.423	16-Jan-19	$0.155	33,330	–
Unlisted options - Vesting 16/01/22 Expiring 15/01/24	$0.423	16-Jan-19	$0.155	33,340	–
Unlisted options - Vesting 4/10/20 Expiring 8/12/24	$1.063	10-Dec-19	$0.384	33,330	–
Unlisted options - Vesting 4/10/21 Expiring 8/12/24	$1.063	10-Dec-19	$0.384	33,330	–
Unlisted options - Vesting 11/10/22 Expiring 8/12/24	$1.063	10-Dec-19	$0.384	33,340	–
				400,000	**166,662**

Directors' Report

For the year ended 30 June 2020

	Exercise Price	Issue Date	FV per Option @ Grant Date	Closing Balance	Vested as of 30 June 2020
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	**8,330**
Unlisted options - Vesting 16/01/21 Expiring 15/01/24	$0.423	16-Jan-19	$0.155	8,330	**–**
Unlisted options - Vesting 16/01/22 Expiring 15/01/24	$0.423	16-Jan-19	$0.155	8,340	**–**
				125,366	**108,696**

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 $251,237 (2019: $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.

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.o2vent.com 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 19 to the financial statements.

There were no non-audit services provided by the auditor (or by another person or firm on the auditor's 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 2020.

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

Mel Bridges
Director

Brisbane
31st August 2020

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 2020, 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 AUDIT

C Bradley

CAMERON BRADLEY
PARTNER

BRISBANE
31 AUGUST 2020

PKF Brisbane Audit
ABN 33 873 151 348

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Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	Note	30 June 2020 $	30 June 2019 $
Device Sale Revenue		**358,921**	331,837
Service Fee Revenue		**60,377**	–
Total Revenues		**419,298**	331,837
Cost of Sales		**231,736**	158,239
Gross Profit		**187,562**	173,598
Less: Expenses			
Staff Costs	3	**4,820,231**	3,741,566
Staff Costs – Share Based Payments		**308,888**	190,736
Depreciation and amortisation		**1,526,652**	768,453
Administration		**347,969**	471,585
Travel		**822,751**	722,350
Sales & Marketing		**520,699**	670,926
Information technology costs		**427,277**	383,463
IP Audit Legal & Consulting		**375,704**	362,047
Insurance		**380,761**	282,016
Clinical Studies, Research & Regulatory		**571,831**	389,202
Office & Lab		**322,453**	346,222
Total expenses		**10,425,216**	8,328,566
Other income (expenses)			
Interest income		**45,003**	154,539
Interest expense		**(5,370)**	–
Other income		**71,657**	152,174
		111,290	306,713
Loss before income tax expense		**(10,126,364)**	(7,848,255)
Income tax expense	15	**–**	–
Loss for the year attributable to members of the company		**(10,126,364)**	(7,848,255)
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations		**(13,118)**	(116,147)
Total comprehensive loss attributable to members of the company		**(10,139,482)**	(7,964,402)
Earnings per share for profit/(loss) from continuing operations:	24		
Basic earnings per share		**(7.75)**	(7.41)
Diluted earnings per share		**(7.75)**	(7.41)

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 2020

	Note	30 June 2020 $	30 June 2019 $
Current assets			
Cash and cash equivalents	4	**8,455,393**	2,998,563
Trade and other receivables	5	**179,113**	79,068
Other current assets	6	**1,274,242**	1,363,614
Total current assets		**9,908,748**	4,441,245
Non-current assets			
Property, plant and equipment	7	**966,271**	699,398
Right of use assets	8	**44,033**	–
Intangible assets	9	**3,333,320**	3,744,100
Deposits		**74,732**	74,732
Total non-current assets		**4,418,356**	4,518,230
Total assets		**14,327,104**	8,959,475
Current liabilities			
Trade and other payables	10	**1,699,751**	1,391,918
Other current liabilities	11	**321,511**	135,016
Total current liabilities		**2,021,262**	1,526,934
Non-current liabilities			
Other liabilities	11	**89,817**	75,936
Total non-current liabilities		**89,817**	75,936
Total liabilities		**2,111,079**	1,602,870
Net assets		**12,216,025**	7,356,605
Equity			
Share capital	12	**44,333,763**	29,640,394
Share based payment reserve	13	**711,364**	500,212
Translation reserve		**(125,370)**	(112,252)
Accumulated losses	14	**(32,703,732)**	(22,671,750)
Total equity		**12,216,025**	7,356,605

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 2020

	Contributed Equity $	Share Based Payments Reserve $	Translation Reserve $	Accumulated Losses $	Total $
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	–	–	(116,147)	–	(116,147)
Total comprehensive income for the year	-	-	(116,147)	(7,848,255)	(7,964,402)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	–	–	–	–	–
Share based payments	–	190,736	–	–	190,736
Total transactions with owners in their capacity as owners:	–	190,736	–	–	190,736
Balance at 30 June 2019	**29,640,394**	**500,212**	**(112,252)**	**(22,671,750)**	**7,356,605**
Cumulative adjustment upon adoption of new accounting standards – AASB 16	–	–	–	(3,304)	(3,304)
Balance at 1 July 2019	**29,640,394**	**500,212**	**(112,252)**	**(22,675,054)**	**7,353,300**
Loss for the year	–	–	–	(10,126,364)	(10,126,364)
Other comprehensive income	–	–	(13,118)	–	(13,118)
Total comprehensive income for the year	**–**	**–**	**(13,118)**	**(10,126,364)**	**(10,139,482)**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	14,693,369	–	–	–	14,693,369
Share based payments	–	308,838	–	–	308,838
Write-off of forfeit options	–	(97,686)	–	97,686	–
Total transactions with owners in their capacity as owners:	14,693,369	211,152	–	97,686	15,002,207
Balance at 30 June 2020	**44,333,763**	**711,364**	**(125,370)**	**(32,703,732)**	**12,216,025**

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 2020

	Note	30 June 2020 $	30 June 2019 $
Cash flows from operating activities			
Receipts from customers		**392,580**	348,000
Payments to suppliers and employees		**(8,929,306)**	(6,644,951)
Interest received		**39,600**	192,649
R&D grants and concessions received		**828,120**	1,192,162
Interest and other finance costs paid		**–**	–
Net cash outflow from operating activities	23	**(7,669,006)**	(4,912,140)
Cash flows from investing activities			
Payments for property, plant and equipment		**(652,342)**	(66,836)
Payments for intangible assets		**(1,163,041)**	(1,874,861)
Proceeds from (payments for) term-deposits		**–**	(5,638)
Proceeds from sale of property, plant and equipment		**302,613**	69,527
Net cash outflow from investing activities		**(1,512,770)**	(1,877,808)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs	12	**14,756,209**	–
Net cash inflow from financing activities		**14,756,209**	–
Net increase (decrease) in cash held		**5,574,433**	(6,789,948)
Cash and cash equivalents at the beginning of the financial period		**2,998,563**	9,894,959
Effects of exchange rate changes on cash and cash equivalents		**(117,603)**	(106,449)
Cash and cash equivalents at the end of the financial year		**8,455,393**	2,998,563

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 2020

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 20.

Principles of consolidation

The Statement of Comprehensive Income and Statement of Financial Position as at 30 June 2020 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 21.

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 North America, comprising United States of America and Canada.

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

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 apnea. 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.

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.

The Group provides services to clinicians delivering the Group's oral appliances out of Sleep Labs and other facilities contracted by the Group, which includes the use of clinical space equipped for the fitting and delivery of oral appliances, patient management, marketing and other support infrastructure. Revenue is recognised over time as the service is provided to the clinicians. The Master Services Agreement with the clinician allows the clinician the right to cancel the agreement with one to three month's notice without penalty.

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.

Cost of Goods Sold

The Consolidated Entity has progressed from the pilot phase of manufacturing devices for the Australian and North American markets to scalable production within the ordinary course of business. Accordingly, the Consolidated Entity has presented applicable expenditures as Costs of Sales in the current period and reclassified comparative amounts.

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.

Notes to the Financial Statements

continued

1. Significant accounting policies (continued)

Current and non-current classification

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

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the 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 for device revenue and 60 days for service fees.

They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

The Group has no significant concentrations of credit risk with any single counterparty or group of counterparties. Details with respect to credit risk of trade and other receivables are provided in Note 5.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 5.

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	Useful lives
Office furniture & fixtures	5 years
Computer equipment	4 years
Sleep and production equipment	7 years
Dental imaging equipment	7 years
Motor vehicles	8 years

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.

Notes to the Financial Statements

continued

1. Significant accounting policies (continued)

Impairment of non-financial assets

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

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

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

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

Provisions

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

The Consolidated Entity has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. The Group had to change its accounting policies and make adjustments as a result of adopting the following Standard:

– AASB 16: Leases

This note describes the nature and effect of the adoption of AASB 16: Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

a. Leases

The Group as lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

– fixed lease payments less any lease incentives;
– variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
– the amount expected to be payable by the lessee under residual value guarantees;
– the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
– lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
– payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

b. Initial Application of AASB 16: Leases

The Group has adopted AASB 16: Leases retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. In accordance with AASB 16 the comparatives for the 2018 reporting period have not been restated.

The Group has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: Leases where the Group is the lessee.

There has been no significant change from prior year treatment for leases where the Group is a lessor.

Lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right-of-use assets for the remaining leases have been measured and recognised in the statement of financial position as at 1 July 2019 by taking into consideration the lease liability and the prepaid and accrued lease payments previously recognised as at 1 July 2019 (that are related to the lease).

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

- for a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied.
- leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same was as short-term leases.
- the use of hindsight to determine lease terms on contracts that have options to extend or terminate.
- applying AASB 16 to leases previously identified as leases under AASB 117: Leases and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application.
- not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

The difference of $177,086 between the lease liability ($179,440) as at 1 July 2019 and the discounted operating lease commitments as at 30 June 2019 ($356,526) comprises short-term leases of $177,086, which are expensed on a straight-line basis.

The Group's weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 4.5%.

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 2020 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards are that they are not likely to have a material impact on the financial position or performance of the group.

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.

Notes to the Financial Statements

continued

2. Critical accounting judgements, estimates and assumptions (continued)

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 2020, the carrying amount of capitalised development costs was $2,051,623 (2019: $2,688,803).

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the group based on known information. This consideration extends to the nature of the services offered, customers, supply chain, staffing and geographic regions in which the group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

There were significant trading disruptions between April and May 2020, however various Government stimulus measures were obtained in Australia, United States and Canada were the Group operates and trading has returned to pre-pandemic levels. The board continues to actively monitor the situation.

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
- 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 $10,126,364 (2019: loss of $7,848,255) and has accumulated losses of $32,703,732. However, as at 30 June 2020, the current assets exceed its current liabilities by $7,887,486. 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. Staff Costs

	30 June 2020 $	30 June 2019 $
Short term employee benefits expense	**5,968,572**	4,363,361
Less		
Employee costs capitalised to R&D Intangible assets	**(548,937)**	(621,795)
COVID19 related Government stimulus received	**(599,404)**	–
	4,820,231	3,741,566

Notes to the Financial Statements

continued

4. Cash and cash equivalents

	30 June 2020 $	30 June 2019 $
Cash on hand	**48**	308
Cash at bank	**2,455,345**	1,498,255
Short-term deposits	**6,000,000**	1,500,000
	8,455,393	2,998,563

5. Trade and other receivables

	30 June 2020 $	30 June 2019 $
Trade receivables	**80,446**	70,250
GST receivable	**40,170**	33,881
Other receivables	**71,979**	4,940
	192,595	109,071
Less allowance for doubtful debts	**(13,482)**	(30,003)
	179,113	79,068

	30 June 2020 $
Trade and other receivables	
Not Past Due	**21,486**
Past Due 0-30 Days	**31,396**
Past Due 90 Days and over	**7,639**
Past Due 61-90 Days	**19,925**
	80,446

As at 30 June 2020, trade receivables of $13,482 (2019: $30,003) were past due and considered impaired.

6. Other current assets

	30 June 2020 $	30 June 2019 $
Prepayments	**446,107**	95,636
Accrued research & development tax credit	**588,890**	1,032,999
Inventory	**54,842**	93,545
Other assets	**184,403**	141,434
	1,274,242	1,363,614

Notes to the Financial Statements

continued

7. 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". In March 2020 the Group disposed of its share in the Arcam Equipment for cash consideration of $300,000.

	Computer and office furniture and equipment $	Sleep and production equipment $	Company Vehicles $	Leasehold improvement $	Assets Under Joint Arrangement $	Total $
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
Year ended 30 June 2020						
Opening net book amount	**50,207**	**319,580**	**–**	**57,494**	**272,117**	**699,398**
Additions	**57,040**	**602,760**	**39,502**	**–**	**–**	**699,302**
Reclassification	**–**	**–**	**–**	**–**	**–**	**–**
Disposals - cost	**–**	**(5,818)**	**–**	**–**	**(311,369)**	**(317,187)**
Disposals - accumulated depreciation	**–**	**2,880**	**–**	**–**	**61,888**	**64,768**
Depreciation charge	**(33,705)**	**(86,221)**	**(4,008)**	**(33,440)**	**(22,636)**	**(180,010)**
Closing net book amount	**73,542**	**833,181**	**35,494**	**24,054**	**–**	**966,271**
At 30 June 2020						
Cost	**158,570**	**1,126,492**	**39,502**	**230,883**	**–**	**1,555,447**
Accumulated depreciation	**(85,028)**	**(293,311)**	**(4,008)**	**(206,829)**	**–**	**(589,176)**
Net book amount	**73,542**	**833,181**	**35,494**	**24,054**	**–**	**966,271**

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8. Right of use assets

	Lease right of use asset $	Total $
Year ended 30 June 2020		
Opening net book amount	**–**	–
Initial adoption of AASB 16 – cost	**264,209**	264,209
Initial adoption of AASB 16 – accumulated depreciation	**(88,071)**	(88,071)
Depreciation expense	**(132,105)**	(132,105)
Closing net book amount	**44,033**	44,033
At 30 June 2020		
Cost	**264,209**	264,209
Accumulated depreciation	**(220,176)**	(220,176)
Net book amount	**44,033**	44,033

9. Intangible assets

	Patents, trademarks and licences $	Software $	Development costs $	Total $
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
Tax concession received or receivable	–	–	(574,255)	(574,255)
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
Year ended 30 June 2020				
Opening net book amount	**942,977**	**112,320**	**2,688,803**	**3,744,100**
Additions	**315,113**	**48,161**	**779,618**	**1,142,892**
Tax concession received or receivable	**–**	**–**	**(339,135)**	**(574,255)**
Amortisation expense	**(65,864)**	**(71,010)**	**(1,077,663)**	**(1,214,537)**
Closing net book amount	**1,192,226**	**89,471**	**2,051,623**	**3,333,320**
At 30 June 2020				
Cost	**1,367,559**	**404,373**	**4,235,106**	**6,007,038**
Accumulated amortisation	**(175,333)**	**(314,902)**	**(2,183,483)**	**(2,673,718)**
Net book amount	**1,192,226**	**89,471**	**2,051,623**	**3,333,320**

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

Notes to the Financial Statements

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10. Trade and other payables

	30 June 2020 $	30 June 2019 $
Trade creditors	**512,631**	730,794
PAYG Withholding payable	**23,687**	170,768
Employee benefits payable	**224,291**	18,747
Other creditors	**939,142**	471,610
	1,699,751	1,391,918

11. Other liabilities

	30 June 2020 $	30 June 2019 $
Current		
Employee benefits – annual leave	**275,294**	135,016
Lease liability	**46,217**	–
	321,511	135,016
Non-current		
Employee benefits – long service leave	**89,817**	75,936
	89,817	75,936

12. Equity – Share capital

	30 June 2020 Number of Shares #	30 June 2020 Value of Shares $	30 June 2019 Number of Shares #	30 June 2019 Value of Shares $
Opening Balance	**105,939,212**	**29,640,394**	105,939,212	29,640,394
Ordinary shares issued:				
1 August 2019	**15,757,491**	**5,987,847**	–	–
28 August 2019	**6,085,092**	**2,312,335**	–	–
17 September 2019	**2,747,922**	**1,044,210**	–	–
8 May 2020	**19,010,416**	**4,562,500**	–	–
18 June 2020	**364,584**	**87,600**	–	–
18 June 2020	**8,332,984**	**2,000,001**	–	–
Share issue costs	**–**	**(1,301,124)**	–	–
At reporting date	**158,237,701**	**44,333,763**	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.

13. Equity – Share based payment reserve

	30 June 2020 $	30 June 2019 $
Share based payment reserve at beginning of year	**500,212**	309,476
Share based payment expense	**308,838**	190,736
Transfer to accumulated losses	**(97,686)**	–
Share based payment reserve at end of year	**711,364**	500,212

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 25 for further details.

14. Accumulated losses

	30 June 2020 $	30 June 2019 $
Accumulated losses at beginning of year	**(22,671,750)**	(14,823,495)
Cumulative adjustment upon adoption of new accounting standard – AASB 16	**(3,304)**	–
Transfer from share-based payments reserve	**97,686**	–
Loss for the period	**(10,126,364)**	(7,848,255)
Accumulated losses at end of year	**(32,703,732)**	(22,671,750)

15. Income tax expense

	30 June 2020 $	30 June 2019 (restated) $
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	**(10,126,364)**	(7,848,255)
Profit before income tax expense from discontinued operations		
Tax at the statutory tax rate of 27.5%	**(2,784,750)**	(2,158,270)
Tax effect amounts which are not deductible in calculating taxable income:		
Non-assessable or deductible items	**80,864**	(21,681)
Research and development concession	**28,371**	290,360
	(2,675,515)	(1,889,591)
Unused tax losses for which no deferred tax asset has been recognised	**2,675,515**	1,889,591
Income tax expense	**–**	–

	30 June 2020 $	30 June 2019 $
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**30,538,564**	20,809,419
Potential tax benefit at 27.5%	**8,398,105**	5,722,590

Notes to the Financial Statements

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16. 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

Exposure to foreign currency risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in the US dollar and Canadian dollar may impact on the Group's financial results unless those exposures are appropriately hedged.

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations denominated in currencies other than the functional currency of the operations. The foreign currency risk in the books of the Parent Entity is considered immaterial and is therefore not shown.

	Net Financial Assets / (Liabilities) in AUD			
2020 Consolidated Group	**AUD $**	**USD $**	**CAD $**	**Total AUD $**
Australian dollar	**6,769,988**	**(29,554)**	**12,387**	**6,752,821**
Cash and Cash Equivalents	**8,078,962**	**–**	**–**	**8,078,962**
Trade and Other Receivables	**97,951**	**20,217**	**14,813**	**132,981**
Trade and Other Payables	**(1,406,925)**	**(49,771)**	**(2,426)**	**(1,459,122)**
US dollar	**–**	**134,459**	**(1,684)**	**132,776**
Cash and Cash Equivalents	**–**	**321,750**	**–**	**321,750**
Trade and Other Receivables	**–**	**10,534**	**–**	**10,534**
Trade and Other Payables	**–**	**(197,825)**	**(1,684)**	**(199,508)**
Canadian dollar	**–**	**–**	**62,641**	**62,641**
Cash and Cash Equivalents	**–**	**–**	**54,681**	**54,681**
Trade and Other Receivables	**–**	**–**	**49,081**	**49,081**
Trade and Other Payables	**–**	**–**	**(41,121)**	**(41,121)**
Statement of financial position exposure	**6,769,988**	**104,905**	**73,344**	**6,948,238**

	Net Financial Assets / (Liabilities) in AUD			
2019 Consolidated Group	**AUD $**	**USD $**	**CAD $**	**Total AUD $**
Australian dollar	1,822,603	(9,139)	(42,011)	1,771,454
Cash and Cash Equivalents	2,826,645	–	–	2,826,645
Trade and Other Receivables	76,584	32,025	463	109,071
Trade and Other Payables	(1,080,625)	(41,164)	(42,473)	(1,164,262)
US dollar	–	(55,737)	–	(55,737)
Cash and Cash Equivalents	–	171,919	–	171,919
Trade and Other Payables	–	(227,656)	–	(227,656)
Statement of financial position exposure	1,822,603	(64,876)	(42,011)	1,715,717

Interest rate risk

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

The Group has reviewed its sensitivity to 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 2020		30 June 2019	
Consolidated	**Weighted average interest rate %**	**Balance $**	**Weighted average interest rate %**	**Balance $**
Cash on hand	**nil**	**48**	nil	308
Short term deposits	**1.43%**	**6,000,000**	2.35%	1,500,000
Cash at bank	**nil**	**2,455,345**	nil	1,498,255
Deposits	**1.43%**	**74,732**	2.35%	74,732
Net exposure to cash flow interest rate risk		**8,530,125**		3,073,295

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 2020 and 2019:

	30 June 2020 $	**30 June 2019 $**
Financial assets at amortised cost:		
Trade and other receivables	**192,595**	109,071
Total	**192,595**	109,071

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 2020		30 June 2019	
	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**	**1,699,751**	nil	1,391,919
Total non-derivatives		**1,699,751**		1,391,919

* 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

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17. Related party transactions

No related party transactions were recorded for the financial reporting year (2019: nil).

18. 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)
- Neil Anderson (Executive Director) (Chief Technical Officer) (resigned 16 December 2019)
- Sue MacLeman (Non-Executive Director)
- Sharad Joshi (Non-executive Director)
- Paul Molloy (Non-executive Director from 16 December 2019)
- Jake Nunn (Non-executive Director from 20 February 2020)

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 (Sr. VP Sales, Marketing, Operations)
- 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 2020.

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

	30 June 2020 $	30 June 2019 $
Short-term employee benefits	**1,418,729**	1,292,287
Post-employment benefits	**50,743**	132,007
Share-based payments	**195,255**	71,878
Termination payments	**86,348**	–
	1,751,075	1,496,172

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.

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19. 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 2020 $	30 June 2019 $
Audit services - PKF Brisbane Audit		
Audit or review of the financial statements	**48,400**	47,400

20. 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 2020 $	30 June 2019 $
Loss after income tax	**(1,073,159)**	(374,510)
Total comprehensive income	**(1,073,159)**	(374,510)
Statement of financial position		
Total current assets	**8,361,151**	2,394,551
Total assets	**42,223,176**	27,628,347
Total current liabilities	**1,013,218**	69,614
Total liabilities	**1,013,218**	69,614
Equity		
Issued capital	**44,364,778**	29,640,394
Accumulated losses	**(3,154,820)**	(2,081,661)
Total equity	**41,209,958**	27,558,733

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 2020 and 2019.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 and 2019.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2020 and 2019.

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.

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21. 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**	**2020**	**2019**
Oventus Manufacturing Pty Ltd	Australia	**100%**	100%
Oventus CRM Pty Ltd	Australia	**100%**	100%
Oventus Medical USA, Inc.	United States	**100%**	100%
Dental Sleep Care Alliance, LLC	United States	**100%**	100%
Oventus Medical Canada, Inc.	Canada	**100%**	100%

Dental Sleep Care Alliance, LLC was incorporated as a wholly owned subsidiary of Oventus Medical USA, Inc. on 22 April 2019. The purpose of this entity is to provide patient management and billing services to practitioners in the USA.

Oventus Medical Canada, Inc. was incorporated as a wholly owned subsidiary of the Company on 20 May 2019. The purpose of this entity is to market and distribute the Group's devices in Canada and to provide patient management and billing services to practitioners in Canada.

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 – provides appointment management and billing services to practitioners in Australia
- Oventus Medical USA, Inc. – market and distribute the Group's devices in the USA.

22. Subsequent events

In July, Oventus announced additional 'Lab in Lab' agreements across 9 sites with two new sleep groups, Tri Hospital Sleep and Ontario Sleep Care, both located in Canada. Under these agreements, Oventus technology will be offered to patients of the 9 sites.

Tri Hospital Sleep in Ontario is one of Mississauga's largest privately-owned providers of diagnostics and treatment for OSA. Under the agreement, 'Lab in Lab' facilities will be implemented in its largest location with 14 beds of sleep diagnostics. Once fully deployed, Tri Hospital Sleep expects to order 20 O2Vent Optima devices per month.

Ontario Sleep Care is a large, privately-owned provider of treatment for OSA with 8 locations across the province of Ontario, Canada. The agreement provides Oventus' O2Vent Optima and ExVent therapy across the network of sites as an alternative for CPAP-intolerant individuals. Patients will also be referred to the 8 sites from satellite locations. Once fully deployed, each Ontario Sleep Care location expects to order 10 O2Vent Optima devices per month.

Both agreements have a term of three years, with an automatic three-year renewal, unless a party elects not to renew no later than 180 days prior to the end of the third year.

On the 7th of August 2020, the Company issued 6,900,000 options to Directors under the Executive Share Option Plan following shareholder approval under ASX Listing Rule 10.14 and Chapter 2E of the Corporations Act and issued 2,955,000 options to non-related party employees.

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

	30 June 2020 $	30 June 2019 $
Loss after income tax expense for the year	**(10,126,364)**	(7,848,255)
Adjustments for:		
Depreciation and amortisation	**1,526,652**	768,453
Net loss (gain) on disposal of assets	**(50,194)**	–
Share-based payments	**308,838**	190,736
Research and development tax concession	**339,134**	574,255
Foreign exchange fluctuations	**(10,986)**	(9,698)
Change in operating assets and liabilities:		
(Increase) / decrease in trade and other receivables	**(100,045)**	483,139
(Increase) in other assets	**89,372**	8,603
Increase / (decrease) in trade and other payables	**307,833**	830,443
Increase in employee benefits	**(153,621)**	–
Decrease in other liabilities	**200,375**	90,184
Net cash outflow from operating activities	**(7,669,006)**	(4,912,140)

24. Loss per share

	30 June 2020 $	30 June 2019 $
Loss per share from continuing operations		
Loss after income tax	**(10,126,364)**	(7,848,255)
Loss after income tax attributable to the owners of Oventus Medical Limited	**(10,126,364)**	(7,848,255)

		Numbers
Weighted average number of ordinary shares used in calculating basic loss per share	**130,615,992**	105,939,212
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	**130,615,992**	105,939,212

	Cents	Cents
Basic loss per share	**(7.75)**	(7.41)
Diluted loss per share	**(7.75)**	(7.41)

Notes to the Financial Statements

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25. 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 5,799,952 as at 30 June 2020 (2019: 4,579,952).

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 2020									
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**	**–**	**–**	**–**	**300,000**	**300,000**
23/05/2017	**12/12/2022**	**$0.11**	**$0.96**	**600,000**	**–**	**–**	**–**	**600,000**	**600,000**
25/02/2017	**24/02/2022**	**$0.12**	**$0.94**	**49,998**	**–**	**–**	**–**	**49,998**	**49,998**
18/12/2017	**18/12/2022**	**$0.31**	**$1.02**	**200,000**	**–**	**–**	**–**	**133,332**	**200,000**
3/07/2018	**2/07/2023**	**$0.15**	**$0.48**	**450,000**	**–**	**(150,000)**	**–**	**199,992**	**450,000**
9/10/2018	**8/08/2023**	**$0.14**	**$0.42**	**380,000**	**–**	**–**	**–**	**126,664**	**380,000**
16/01/2019	**15/01/2024**	**$0.16**	**$0.42**	**225,000**	**–**	**–**	**–**	**74,990**	**225,000**
21/05/2019	**22/05/2024**	**$0.12**	**$0.40**	**100,000**	**–**	**–**	**–**	**33,333**	**100,000**
10/12/2019	**08/12/2024**	**$0.38**	**$1.06**	**–**	**1,200,000**	**(200,000)**	**–**	**–**	**1,000,000**
10/12/2019	**08/12/2024**	**$0.47**	**$0.42**	**–**	**370,000**	**–**	**–**	**123,321**	**370,000**
				4,579,952	**1,570,000**	**(350,000)**	**–**	**3,916,584**	**5,799,952**
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

26. Significant agreements and commitments for expenditure

a) Operating Lease Commitments

	30 June 2020	30 June 2019
Not later than 1 year	**192,117**	239,332
Later than 1 but not later than 5	**–**	135,876
	192,117	375,208

	30 June 2020		30 June 2019	
	1 Year	**> 1 Year**	**1 Year**	**> 1 Year**
Taringa lease	**46,217**	**–**	45,292	135,876
Residential lease for CEO in the US	**145,900**	**–**	194,040	
	192,117	**–**	239,332	135,876

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 May 2020 to April 2021 with a contracted amount of USD$120,000.

b) Other Commitments

	30 June 2020	30 June 2019
Cooperative Research Centre Project	**524,740**	624,740
(CRC Project) commitment	**524,740**	624,740

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

27. 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 2020			30 June 2019		
	Australia $	**North America $**	**Total $**	**Australia $**	**North America $**	**Total $**
Device Sale Revenue	**215,234**	**143,687**	**358,921**	256,326	75,511	331,837
Service Fee Revenue	**–**	**60,377**	**60,377**	–	–	–
Cost of Sales	**(138,572)**	**(93,164)**	**(231,736)**	(114,669)	(43,570)	(158,239)
Gross Profit	**76,662**	**110,900**	**187,562**	141,657	31,941	173,598
Staff costs	**(2,474,297)**	**(2,654,822)**	**(5,129,119)**	(2,626,196)	(1,306,106)	(3,932,302)
Sales and marketing	**(207,575)**	**(313,124)**	**(520,699)**	(261,203)	(409,723)	(670,926)
Other expenses	**(3,542,610)**	**(1,232,788)**	**(4,775,398)**	(2,885,621)	(839,717)	(3,725,338)
Segment operating loss	**(6,147,820)**	**(4,089,834)**	**(10,237,654)**	(5,631,362)	(2,523,606)	(8,154,968)
Segment assets	**13,154,262**	**1,172,842**	**14,327,104**	8,302,828	656,646	8,959,475
Segment liabilities	**1,728,010**	**383,068**	**2,111,078**	747,162	855,708	1,602,870

Unallocated items:

Interest income and expense 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 2020

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 56 present fairly the company's financial position as at 30 June 2020 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
31st August 2020

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 2020, 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 accompanying 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 2020 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report 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 auditor independence requirements of 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 (including Independence Standards)* (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.

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Key Audit Matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial report of the current year. 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

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 2020 include capitalised development costs with a carrying value of $2,051,623 (2019: $2,688,803), as disclosed in Note 9.
 	
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 Intangible Assets, 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 9.

Independent Auditor's Report

continued

Other Information

Those charged with governance are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express 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 and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors' 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 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 the 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 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 an 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, individually 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. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- 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.

- 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.

- 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 group financial report. We are responsible for the direction, supervision and performance of the group 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.

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, actions taken to eliminate threats or safeguards applied.

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 the 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

Opinion

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Oventus Medical Limited for the year ended 30 June 2020.

Independent Auditor's Report

continued

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 BRISBANE

CAMERON BRADLEY
PARTNER

31 August 2020
BRISBANE

Shareholder Information

For the year ended 30 June 2020

The shareholder information set out below was applicable as at 25 September 2020.

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	117	58,124	0.04
1,001 - 5,000	330	929,084	0.59
5,001 - 10,000	239	1,910,426	1.21
10,001 - 100,000	768	28,066,907	17.73
100,001 and over	197	127,297,876	80.43
Total	**1,651**	**158,262,417**	**100.00**

Substantial holders

Substantial holders in the company are set out below:

	Ordinary Shares	
	Number held	% of total shares issued
Christopher Hart	26,542,513	16.77
Thorney Group	22,013,646	13.91
Neil Anderson	5,598,477	3.54

Unquoted equity securities

	2020 Number
Employee options	15,654,952
SPP and Placement options	13,829,050
Total	**29,484,002**

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>	26,542,513	16.77
THORNEY INVESTMENT GROUP	22,013,646	13.91
NEIL LAWRENCE ANDERSON <ANDERSON FAMILY A/C>	5,598,477	3.54
MOBIUS MEDICAL INVESTMENTS PTY LTD <MOBIUS MEDICAL INV UNIT A/C>	3,752,164	2.37
MR MELVYN JOHN BRIDGES	3,116,380	1.97
ASIA UNION INVESTMENTS PTY LTD	3,000,000	1.90
BOND STREET CUSTODIANS LIMITED <SALTER - D64848 A/C>	2,997,531	1.89
MR ANTHONY JOHN HUNTLEY	2,484,774	1.57
NEW HIGHLAND PTY LTD <KING FAMILY A/C>	2,171,208	1.37
DIXSON TRUST PTY LTD	1,965,275	1.24
CERALIUS PTY LTD <BRIDGE A/C>	1,840,858	1.16
BOND STREET CUSTODIANS LIMITED <LAM1 - D08017 A/C>	1,604,174	1.01
MURROON PTY LTD <NERIDA WHITE S/F A/C>	1,562,497	0.99
NATIONAL NOMINEES LIMITED	1,408,803	0.89
GOEN INVESTMENTS PTY LTD	1,319,774	0.83
BOND STREET CUSTODIANS LIMITED <LAM1 - D08059 A/C>	1,157,687	0.73
PICHERIT'S FARM PTY LTD <HUNTLEY SUPER FUND A/C>	1,119,774	0.71
MR GREGORY WAYNE BROWN & MRS STEFANIE BROWN <GW BROWN FAMILY S/FUND A/C>	1,026,905	0.65
CITICORP NOMINEES PTY LIMITED	965,890	0.61
MR ANTHONY JOHN HUNTLEY	922,774	0.58
Total	**86,571,104**	**54.70**

Corporate Directory

Directors

Mel Bridges	Chairman
Chris Hart	(Executive Director) (Founder) (Managing Director and Chief Executive Officer)
Neil Anderson	(Executive Director) (Chief Technical Officer) (resigned 16 December 2019)
Sue MacLeman	Non-Executive Director
Sharad Joshi	Non-Executive Director
Paul Molloy	Non-Executive Director (appointed 16 December 2019)
Jake Nunn	Non-Executive Director (appointed 20 February 2020)

Company Secretary

Stephen Denaro

Notice of Annual General Meeting

The Annual General Meeting of Oventus Medical will be held on 23 November 2020, 11am Brisbane time (10am AEDT) via a LUMI virtual meeting. To register, refer to the instructions in the Notice of Annual General Meeting.

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 "Investors".

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