

OVENTUS MEDICAL LIMITED
Appendix 4E
Preliminary Final Report
30 June 2018

1. Company details

Name of entity: Oventus Medical Limited
ACN: 608 393 282
Reporting period: For the year ended 30 June 2018
Previous period: For the year ended 30 June 2017

2. Results for announcement to the market

Revenues from ordinary activities	down	39%	to	\$271,322
Loss from ordinary activities after tax attributable to the owners of Oventus Medical Limited (the Company)	down	10%	to	(5,870,547)
Loss for the year attributable to the owners of Oventus Medical Limited	down	10%	to	(5,870,547)
		30-Jun-18		30-Jun-17
		Cents		Cents
Basic loss per share		(5.92)		(9.18)
Diluted loss per share		(5.92)		(9.18)

3. Commentary on results for the year

The loss for the consolidated entity after providing for income tax amounted to \$5,870,547 (2017: loss of \$6,510,114).

Further commentary on the Consolidated Entity's results for the year can be found in the section headed 'Review of operations' on page 3 of the Directors Report included in the attached general purpose financial report for the year ended 30 June 2018.

4. Expected future developments

Detail regarding expected future developments of the Consolidated Entity can be found in the section headed 'Likely developments and expected results of operations ' on page 8 of the Directors Report included in the attached general purpose financial report for the year ended 30 June 2018.

5. Net tangible assets

	30-Jun-18	30-Jun-17
	Cents	Cents
Net tangible assets per ordinary security	11.18	11.63

6. Control gained over entities

Not applicable.

7. Loss of control over entities

Name of entities (or consolidated entity of entities)

Not applicable.

8. Dividends

Current period

There were no dividends paid, recommended or declared during the current year.

Previous period

There were no dividends paid, recommended or declared during the previous year.

9. Dividend reinvestment plans

Not applicable.

10. Details of associates and joint venture entities

Not applicable

11. Foreign entities

Not applicable.

12. Attachments

The General Purpose Financial Report of Oventus Medical Limited for the year ended 30 June 2018 is attached.

13. Audit qualification or review

This General Purpose Financial Report for the year ended 30 June 2018 have been audited by the company's independent auditor, PKF Hacketts Audit.

14. Signed

A handwritten signature in dark ink, appearing to read 'm j Bridges', is positioned above a horizontal line.

Mel Bridges
Director

Brisbane

30th August 2018

OVENTUS MEDICAL LIMITED

ACN 608 393 282

General Purpose Financial Report

For the year ended 30 June 2018

General Purpose Financial Report
For the year ended 30 June 2018

CONTENTS	Page
Directors' report	3
Auditor's independence declaration	16
Statement of comprehensive income	17
Statement of financial position	18
Statement of changes in equity	19
Statement of cash flows	20
Notes to the financial statements	21
Directors' declaration	44
Independent auditor's report to the members of Oventus Medical Limited	45
Corporate directory	50

Directors' Report

For the year ended 30 June 2018

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 2018.

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 Neil Anderson - Executive Director
Ms Sue MacLeman - Non-Executive Director
Mr Stephen Denaro - Company Secretary

Principal activities

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

During the year, the Company was principally focused on the commercialisation and distribution of its unique and patented sleep treatment platform, including its 'Airway Technology', which has been shown in clinical trials to deliver significant clinical benefit to patients.

Financial position

The Company's cash position stood at \$9.90 million as at 30 June 2018. In early December 2017, the Company completed a heavily oversubscribed capital raising, where \$7.6 million was raised with support from new and existing institutional and sophisticated investors. The funds raised ensure Oventus is well capitalised to enable its fast-tracked entry into the global sleep market with the support of partnerships like the one signed in mid-2017 with Modern Dental Group ('Modern').

Dividends

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

Review of operations

The loss for the Consolidated Entity after providing for income tax amounted to \$5,870,547 (2017: loss of \$6,510,114). The Consolidated Entity earned \$271,322 in revenue for the year ended 30 June 2018 (2017: revenue of \$447,994) and incurred operating expenses of \$6,424,042 for the year ended 30 June 2018 (2017: \$7,097,982). Development expenditures of \$1,737,286 incurred during the year ended 30 June 2018 (2017: \$1,925,893) were capitalised in the consolidated statement of financial position. The Consolidated Entity received \$966,233 from the Australian Federal Government in January 2018 as a credit rebate for the Company's 2017 financial year R&D spend.

Sales Activities

During the financial year, work continued to build Oventus' two main sales channels; with dentists through 'the dental channel' (predominantly through our agreement with Modern Dental) and with sleep physicians through 'the sleep channel'. To help drive referrals through both channels, Oventus is focussed on stakeholder education, generating clinical data and product marketing.

Sales volumes are yet to accelerate since launching with Modern Dental in early Calendar Year 2018 due to long lead times on treatment uptake and the additional education typically required when launching a new treatment modality. To this end, Modern has also been investing heavily in education and marketing for the dental channel.

In the sleep channel, Oventus is focussed on the generation of clinical data and education of stakeholders to drive referrals for Oventus Airway Technology. The investment in the sleep channel is being spear-headed by a newly formed, but very experienced and well credentialed US sales team headed by Robin Randolph.

Early feedback from the sleep community has been exceptional and the Company remains very positive that sales will build in the second half of Calendar year 2018. The Oventus treatment platform and the clinical trial data to support its adoption has undergone a rapid evolution over the last two years.

Historically, Oventus has been viewed by dentists, the sleep profession and the market as another sleep apnoea mouthguard company selling into a very competitive oral appliance market. However, with the product development undertaken and supporting clinical trial data being generated, in combination with access to existing reimbursement codes and a clear regulatory pathway, Oventus is now emerging as an airway management company. Oventus' Airway Technology now extends into a sleep treatment platform with the addition of PEEP valve technology eliminating the need for full face masks and CPAP for the majority of patients.

With strong interest from dentists and sleep physicians in its 'Sleep Treatment Platform' and continued adoption across dental and sleep channels, the company expects to see increasing revenues in future quarters.

Operational staff appointments

Oventus invested heavily in building out its operational, sales and marketing capability in North America to support the implementation of the Modern Dental distribution arrangement and the introduction of products into the Sleep channel.

During the financial year, a number of key staff were recruited in the US to drive marketing and sales and sales who bring long standing relationships through prior roles in industry. The team is headed by Robin Randolph, Vice President, Marketing and Operations supported by Greg Eaton, Vice President Sales and Peggy Powers, Clinical Educator, North America.

The Board has decided to clarify the executive roles of Dr Chris Hart and Mr Neil Anderson to better reflect their true roles and the Board agreed that Dr Hart assume the Chief Executive Officer role and Mr Anderson the Chief Technical Officer role, effective 30 August 2018.

Distribution in Australia and North America

While there are many early adopters in clinical practice, many dentists still do not view Oventus Airway Technology as a new treatment modality but as another oral appliance. Educating dentists as to the benefits of Oventus Airway Technology for their patients is critical to drive adoption. Following the launch with Modern Dental Group in late 2017, there has been increased focus on training dentists in the clinical application of Oventus Airway technology. This has been a mix of online learning platforms, presentation of data at clinical meeting, face to face training in clinics and at structured courses. This training has been targeted at three groups of dentists:

1. Dentists that don't currently incorporate Dental Sleep Medicine into their practice – raising awareness on how screening for sleep disorders can expand their practice offering and profitability;
2. Dentists already delivering mandibular advancement devices (MADs) – explaining how 'Oventus Airway Technology' can be tailored to patients to improve treatment outcomes; and
3. Advanced Sleep Dentists that have the ability to incorporate combination therapy into clinical practice.

As with all new treatment modalities, there is a significant lead time and investment in training required to modify clinical habits. To this end, Oventus is not just working with dentists but also working with the gatekeepers of sleep apnoea treatment: the sleep physicians' groups.

Following the recent release of clinical evidence, sleep groups have indicated a willingness to adopt and recommend 'Oventus Airway Technology' as a treatment for obstructive sleep apnoea (OSA) when continuous positive airway pressure (CPAP) treatment fails. The development of the new PEEP technology "ExVent" and "ONEPAP" and the clinical trial data being generated at Neuroscience Research Australia (NeuRA) by Prof Danny Eckert and his team, is showing that this extension of 'Oventus Airway Technology' may be able to treat over half of patients that have previously failed both CPAP therapy and oral appliance therapy, increasing the reach of 'Oventus Airway Technology' to successfully treating more than three quarters of patients without the need for CPAP.

In the USA, in recent months, Robin Randolph and Greg Eaton from Oventus USA have met or forged relationships with a range of prominent US Sleep networks. The recent American Academy of Dental Sleep Medicine (AADSM) and SLEEP 2018 exhibitions in Baltimore in June 2018 provided excellent opportunities to network with key executives whilst raising awareness with the wider dental and sleep community. Dr Chris Hart will be undertaking activities in the USA later in the current quarter, presenting to sleep physicians the benefits of Oventus' personalised 'Sleep Treatment Platform' and onboarding them with the technology.

Product development

As a result of the launch of a number of new appliances over the coming six months that all incorporate 'Oventus Airway Technology', Oventus will be able to treat an increasing number of patients suffering from obstructive sleep apnoea with minimal intervention, offering a viable CPAP alternative. The Oventus 'Sleep Treatment Platform' offering will enable a personalised patient-centric approach to sleep medicine.

Product development has been guided by clinical trial results and market feedback on the existing range of devices.

The titanium O₂Vent™ appliance range currently on the market has continued to evolve to make the devices lower profile and more ergonomic as well as being compatible with the newly developed Oventus ExVent and ONEPAP devices.

The O₂Vent™ Optima bespoke 3D printed nylon devices are ultralight weight and much lower cost to produce than the titanium O₂Vent™ appliances. These products remain on schedule for launch in the 4th quarter of calendar 2018 and will be backed up by six clinical trial data sets being presented at the European Respiratory Society Congress in Paris this September and the Australasian Sleep Association's Sleep Down under in Brisbane in October all of which support the use of Oventus Airway technology in treating OSA.

Alongside the O₂Vent™ nylon appliance range, Oventus will soon launch the ExVent positive end expiratory pressure (PEEP) valve. The ExVent integrates into the 'duckbill' in the airway of the O₂Vent™ oral appliances, further enhancing efficacy in a number of patients – a key step in the OVN personalised treatment program. This device accessory controls exhalation for patients utilising the Oventus' O₂Vent™ airway, generating positive air pressure on exhalation, creating a micro CPAP-type effect but without the air pump.

The O₂Vent™ ONEPAP appliance (incorporating a titratable PEEP valve and nasal pillows) is on track for launch in early 2019. This appliance is designed for patients with more severe sleep apnoea and is undergoing trials as part of the NeuRA study. ONEPAP is possibly the most exciting extension of Oventus Airway Technology and in fact has the potential to elevate the efficacy of oral appliance therapy to that of

CPAP for many patients.

The previously announced O₂Vent™ Connect CPAP connection remains in late stage development for release in calendar 2019. This appliance works together with existing CPAP technology delivering pressurised airflow via Oventus' unique connector with nasal pillows in combination with Oventus' O₂Vent™ oral appliance.

Clinical trial results

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

The OVEN-003 'Brisbane' trial was concluded in late May and interim results were reported for the OVEN-005 'Sydney NeuRA' trial which both showed very positive clinical data covering an additional 45 patients in clinical trials being released.

To date, data has been collected and analysed across 95 patients suffering from OSA over four clinical studies, all consistently showing strong clinical efficacy of the O₂Vent™ oral appliance, validating 'Oventus Airway Technology' for use in both oral appliances and as a CPAP interface.

Further results are expected in calendar Q4 2018 from the OVEN-004 'Perth' study covering 23 patients and the OVEN-005 Sydney NeuRA Study with a further 16 patients.

The OVEN-005 'Sydney NeuRA' trial remains ongoing as part of a Cooperative Research Centre Program (CRC-P) announced in February 2017, which is funded through \$2.95 million grant over a three-year period from the Australian Federal government's Department of Industry, Innovation and Science. The ongoing NeuRA study running a number of cohorts will also focus on building clinical evidence during the coming financial year 2019, in the newly developed PEEP technology, in the soon to be launched ExVent and ONEPAP extension appliances, building out Oventus' Sleep Treatment Platform. The study will also look to build clinical evidence in the O₂Vent™ Connect CPAP connection.

Operational focus and cost reduction

During the financial year, Oventus implemented a program of reducing R&D spend and diverting resources into sales and marketing channels while containing costs as part of a transition, moving from being a predominantly R&D focussed company to a sales-oriented company.

The Company aims to further reduce operating overhead by reducing activities at its Melbourne facility and by fully outsourcing manufacturing of its titanium O₂Vent™ appliance in a strategic move to become a virtual device manufacturer. This move will enable Oventus to focus on its core value proposition of driving innovation in airway management and the incorporation of its technology into existing workflows and channels.

Research and Development (R&D) and product innovation

Research and development expenditures for the year ended 30 June 2018 totalled \$2,515,574, including \$1,737,286 of development costs capitalised in the consolidated statement of financial position and a provision for indirect costs.

As planned during the period, Oventus continued to conduct research and development (R&D) activities to support product and clinical development activities, in tandem with the market launch into overseas jurisdictions which represent large market opportunities for our innovative product range. R&D focus has switched to the Cooperative Research Centre Program (CRC-P) announced in February 2017, which will receive \$2.95 million in funding over a three-year period from the Australian Federal Government's Department of Industry, Innovation and Science. Oventus is the lead participant and is pleased to work with four other

participants, CSIRO, Medical Monitoring Solutions Pty Ltd, Neuroscience Research Australia (NeuRA), and Western Sydney University (WSU).

The focus of the CRC-P is to develop on a personalised approach to the treatment of obstructive sleep apnoea. The O₂Vent Optima nylon appliance, the ExVent and onePAP PEEP valves are key R&D outcomes over the last year. All these products are anticipated to be on the market in the fiscal year ending 30 June 2019.

In addition, a number of product and process improvements were implemented during the reporting period. These included introductions of new 3D modelling software for increased device customisation and improved patient comfort; redesign of the shape of the O₂Vent T and O₂Vent W for increased strength and resilience; and upgrades to the device adjuster assembly for improved patient usability.

The manufacturing and logistics partnership with Modern, entered into in May 2017, has completed testing and is now operational. This saw the production of polymer inserts used in the manufacturing process transferred to Modern during the period. Discussions with contract manufacturers are underway to outsource 3D printing, polishing and other elements of the manufacturing process. Completion of outsourced manufacturing is expected to be completed by the fourth calendar quarter of 2018.

Patent application approvals

Patent approval was received from the US Patent and Trade Mark Office, number US-10,010,444, and European Patent Office, number EP-2,709,572 in June 2018. The approvals provide Oventus with protection for its 'Airway Technology' incorporated into its O₂Vent™ oral appliances for the treatment of sleep apnoea and snoring. This newly approved patent sits within an existing family of patents previously approved and, importantly, provides Oventus with patent protection in its key target market of the US and Europe. Oventus already has issued patents in Australia.

Significant changes in the state of affairs

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

	30-June 2018 Number of Shares #	30-June 2018 Value of Shares \$	30-June 2017 Number of Shares #	30-June 2017 Value of Shares \$
Equity – share capital				
Opening Balance	90,000,000	21,729,732	48,000,000	4,426,703
Ordinary shares issued:				
19 July 2016	-	-	24,000,000	12,000,000
29 June 2017	-	-	17,916,660	6,449,998
30 June 2017	-	-	83,340	30,002
9 August 2017	2,139,265	770,135	-	-
21 December 2017	13,799,947	7,589,971	-	-
Share issue costs	-	(449,444)	-	(1,176,971)
At reporting date	105,939,212	29,640,394	90,000,000	21,729,732

In early December 2017, the Company completed a heavily oversubscribed capital raising, where \$7.6 million was raised with support from new and existing institutional and sophisticated investors. The funds raised will ensure Oventus is well capitalised to enable its fast-tracked entry into the global sleep market with the support of partnerships like the one signed in mid 2017 with Modern Dental Group ('Modern').

Significant matters subsequent to the period

On 3 July 2018, the Consolidated Entity granted 850,000 share options to employees under the Oventus Employee Option Plan. The options have an exercise price \$0.4804 and expiry date of 2 July 2023. The estimated total fair value of share options granted was \$121,740 or \$0.1432 per share option, calculated using The Black-Scholes pricing model. The total value of the options will be brought to account over the period of five years.

Expected future developments

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

1. Uptake and acceptance of the O₂Vent range of products by patients and clinicians through Oventus' distribution in the sleep clinician channel and through the agreement with Modern in the dental channel in various geographical locations, supported by successful marketing and training activities to drive adoption;
2. Additional partnerships for clinical delivery and distribution in various geographies;
3. Additional clinical evidence/clinical trial results which highlight the benefit of the 'Oventus Airway Technology' for a range of patients;
4. Further enhancement and outsourcing of the manufacturing process to scale manufacturing to meet demand and minimise costs; and
5. Successful launch of new products including the O₂Vent nylon appliance range and extensions of 'Oventus Airway Technology' with the ExVent positive end expiratory pressure (PEEP) valve and O₂Vent ONEPAP appliance (incorporating a titratable PEEP value and nasal pillows), treating a wider range of patients including those that are intolerant of CPAP masks or in the future, as a first line of treatment for specific severe sleep apnoea patients.

Environmental regulations

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

Information on directors and company secretary

Mel Bridges

(Chairman) (Non-Executive Director)

Qualifications

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

Experience

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

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

Other current directorships

Mel is currently a director of ASX 100 Company ALS Ltd, and co-founder and chairman of Anatara Lifesciences Ltd (until May 2018).

Oventus Medical Limited
ACN 608 393 282

Former directorships (last 3 years)	Mel was director of Tissue Therapies Ltd (March 2009 to December 2015), Benitec BioPharma Limited (October 2007 to June 2014).
Special responsibilities	Mel is the chair of the Remuneration Committee and serves on the Audit and Risk Management Committee.
Interest in shares	2,290,551 ordinary shares
Interest in options	200,732 options
Christopher Hart	(Executive Director) (Founder) (Managing Director and Chief Executive Officer from 30 August 2018) (Clinical Director up to 29 August 2018)
Qualifications	Bachelor of Dental Science with Honours, Bachelor of Science in Biochemistry, Master of Philosophy in Biomedical Science.
Experience	Prior to establishing Oventus, Chris owned and managed a multi-site national dental practice, training institute and management consultancy which he sold to private equity investors.
	Chris also acts as an adviser to various bodies within the dental industry as well as the health care sector more broadly on the commercial aspects of health care delivery.
Other current directorships	None
Former directorships (last 3 years):	None
Interest in shares	26,542,513 ordinary shares
Interest in options	401,464 options
Neil Anderson	(Executive Director) (Chief Technical Officer from 30 August 2018) (Managing Director and Chief Executive Officer up to 29 August 2018)
Qualifications	Bachelor of Applied Science (Hons), Diploma of Management, Graduate of the Institute of Company Directors (GAICD).
Experience	Neil has 30 years' experience in commercialising medical devices and managing the process from conception to market release including applied research, developing prototypes and testing, product development, manufacturing, regulatory submissions and clinical trials.
	Prior to taking on the role with Oventus, Neil founded and held the role of chief executive officer of CathRx for 10 years. In this role, Neil managed the process from the invention of the company's technology through to commercialising a range of products leading to sales in Europe.
Other current directorships	None
Former directorships (last 3 years):	None
Interest in shares	5,837,365 ordinary shares
Interest in options	401,464 options
Sue MacLeman	(Non-Executive Director)
Qualifications	Bachelor of Pharmacy from the University of Queensland, Masters of Marketing at Melbourne University (Melbourne Business School), a Masters of Law degree (Deakin University), a Fellowship with the ACPP and is a Fellow/Graduate of AICD.
Experience	Sue MacLeman has more than 30 years' experience as a pharmaceutical, biotechnology and medical technology executive with senior roles in corporate, medical, commercial and business development. Sue has also

Other current directorships	served as CEO and Board member of several ASX and NASDAQ listed companies in the sector. Sue is also appointed to a number of academic and government advisory committees. Sue is currently Chair Elect and Non Executive Director of MTPConnect (Medical Technology and Pharmaceuticals Industry Innovation Growth Centre MTPCII-GC Ltd) and Non-Executive Director at both Oventus Medical Ltd and veski.
Former directorships (last 3 years):	RHS Ltd
Special responsibilities	Sue is the chair of the Audit and Risk Management Committee and serves on the Remuneration Committee.
Interest in shares	23,000 ordinary shares
Interest in options	200,732 options

Stephen Denaro

(Company Secretary)

Qualifications	Bachelor of Business, Chartered Accountant, a Member of AICD and a Graduate Diploma in Applied Corporate Governance.
Experience	Steve has extensive experience in mergers and acquisitions, business valuations, accountancy and income tax compliance services, as well as board corporate governance. Steve provides company secretary services for a number of biotech and software companies. Steve is also a member of the Institute of Chartered Accountants in Australia, and the Australian Institute of Company Directors.

Meetings of directors

During the financial year, 11 meetings of directors were held. Attendances were:

	Full Board	
	Number eligible to attend	Number attended
Mel Bridges (Chairman)	11	11
Christopher Hart	11	11
Neil Anderson	11	11
Sue MacLeman	11	11

Meetings of remuneration committee and audit and risk management committee

During the financial year, 2 meetings 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)	2	2	2	2
Sue MacLeman	2	2	2	2

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)
- Christopher Hart (Executive Director) (Founder) (Managing Director and Chief Executive Officer from 30 August 2018) (Clinical Director up to 29 August 2018)
- Neil Anderson (Executive Director) (Chief Technical Officer from 30 August 2018) (Managing Director and Chief Executive Officer up to 29 August 2018)
- Sue MacLeman (Non-Executive Director)

Other key management personnel

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

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

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.

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 2018							
<i>Non-executive directors</i>							
Mel Bridges	73,059	-	-	6,941	-	7,215	87,215
Sue MacLeman	50,228	-	-	4,772	-	7,215	62,215
<i>Executive directors</i>							
Christopher Hart	301,370	80,000	-	36,230	-	14,430	432,030
Neil Anderson	301,370	80,000	-	25,000	-	14,430	420,800
<i>Other key management personnel</i>							
Stephen Denaro	25,000	-	-	-	-	3,608	28,608
Daniel Parry (from 5 December 2017)	105,577	-	-	10,030	-	6,793	122,400
Robin Randolph (from 1 April 2018)	55,921	-	5,766	-	-	-	61,687
For the year ended 30 June 2017							
<i>Non-executive directors</i>							
Mel Bridges	74,583	-	-	7,085	-	6,933	88,601
Sue MacLeman	55,228	-	-	4,771	-	6,933	66,932
<i>Executive directors</i>							
Christopher Hart	300,070	-	-	28,507	-	13,867	342,444
Neil Anderson	300,070	-	-	28,507	-	13,867	342,444
<i>Other key management personnel</i>							
Elise Hogan (up to 28 June 2017)	301,370	-	-	35,788	108,381	28,303	473,842
Stephen Denaro	25,000	-	-	-	-	-	25,000

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 2018, 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

Shares under option

Unissued ordinary shares

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

<u>Date options granted</u>	<u>Expiry date</u>	<u>Exercise price</u>	<u>Number under option</u>
24 February 2016	23 February 2021	\$0.578	2,274,954
1 December 2016	1 December 2021	\$1.055	300,000
23 May 2017	12 December 2022	\$0.961	600,000
23 May 2017	24 February 2022	\$0.940	50,000
18 December 2017	18 November 2022	\$1.016	200,000

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

Shares issued on the exercise of options

No options were exercised during the year ended 30 June 2018.

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 \$46,412.

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.ventus.com.au via the tab headed "Investor Centre" for more information.

Non-audit services

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

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

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

Auditor's independence declaration

The auditor's independence declaration is set out on the following page and forms part of the Directors' Report for the year ended 30 June 2018.

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

A handwritten signature in black ink, appearing to read 'm j Bridges', is positioned above a horizontal line.

Mel Bridges
Director

Brisbane

30th August 2018

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF Hacketts

PKF HACKETTS AUDIT

C Bradley

**Cameron Bradley
Partner**

Brisbane, 30 August 2018

**Consolidated Statement of Comprehensive Income
For the year ended 30 June 2018**

		30-June 2018 \$	30-June 2017 \$
	Note		
Revenue – sale of goods		271,322	447,994
Less: Expenses			
Staff costs		2,790,306	2,569,138
Manufacturing costs - pilot phase		177,700	582,431
Depreciation and amortisation		757,636	615,621
Administration		512,354	688,058
Travel		422,854	297,348
Sales and marketing		406,245	852,419
Information technology costs		387,840	473,082
Audit legal and consulting		319,996	463,335
Clinical studies research and regulatory		269,057	239,977
Insurance		204,877	142,308
Office & lab		175,177	174,265
Total expenses		6,424,042	7,097,982
		(6,152,720)	(6,649,988)
Other income (expenses)			
Interest income		191,157	88,661
Other income		91,016	51,213
		282,173	139,874
Loss before income tax expense		(5,870,547)	(6,510,114)
Income tax expense	13	-	-
Loss for the year attributable to members of the company		(5,870,547)	(6,510,114)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Exchange differences on translating foreign operations		3,895	-
Total comprehensive loss attributable to members of the company		(5,866,652)	(6,510,114)
Loss per share for profit/(loss) from continuing operations:		Cents	Cents
Basic loss per share	22	(5.92)	(9.18)
Diluted loss per share	22	(5.92)	(9.18)

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 2018**

		30-June 2018 \$	30-June 2017 \$
	Note		
Current assets			
Cash and cash equivalents	3	9,894,959	8,648,099
Trade and other receivables	4	562,207	420,092
Other current assets	5	1,372,217	1,225,385
Total current assets		11,829,383	10,293,576
Non-current assets			
Property, plant and equipment	6	702,089	1,314,290
Intangible assets	7	3,211,947	2,420,447
Deposits		69,094	91,518
Total non-current assets		3,983,130	3,826,255
Total assets		15,812,513	14,119,831
Current liabilities			
Trade and other payables	8	561,475	1,089,043
Other current liabilities	9	120,768	127,473
Total current liabilities		682,243	1,216,516
Non-current liabilities			
Other liabilities	9	-	14,283
Total non-current liabilities		-	14,283
Total liabilities		682,243	1,230,799
Net assets		15,130,270	12,889,032
Equity			
Share capital	10	29,640,394	21,729,732
Share based payment reserve	11	309,476	201,311
Translation reserve		3,895	-
Accumulated losses	12	(14,823,495)	(9,042,011)
Total equity		15,130,270	12,889,032

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 2018

	Contributed Equity \$	Share Based Payments Reserve \$	Translation Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2016	4,426,703	41,533	-	(2,531,897)	1,936,339
Loss for the year	-	-	-	(6,510,114)	(6,510,114)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(6,510,114)	(6,510,114)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	17,303,029	-	-	-	17,303,029
Share based payments	-	159,778	-	-	159,778
Total transactions with owners in their capacity as owners:	17,303,029	159,778	-	-	17,462,807
Balance at 30 June 2017	21,729,732	201,311	-	(9,042,011)	12,889,032
Balance at 1 July 2017	21,729,732	201,311	-	(9,042,011)	12,889,032
Loss for the year	-	-	-	(5,870,547)	(5,870,547)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(5,870,547)	(5,870,547)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	7,910,662	-	-	-	7,910,662
Share based payments	-	197,228	-	-	197,228
Exchange differences on translating foreign operations	-	-	3,895	-	3,895
Transfer of expired options	-	(89,063)	-	89,063	-
Total transactions with owners in their capacity as owners:	7,910,662	108,165	3,895	89,063	8,111,785
Balance at 30 June 2018	29,640,394	309,476	3,895	(14,823,495)	15,130,270

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 2018

		30-June 2018	30-June 2017
	Note	\$	\$
Cash flows from operating activities			
Receipts from customers		292,476	398,056
Payments to suppliers and employees		(6,124,361)	(6,630,595)
Interest received		210,603	85,260
R&D grants and concessions received		986,233	629,899
Interest and other finance costs paid		-	(12,696)
Net cash outflow from operating activities	21	(4,635,049)	(5,530,076)
Cash flows from investing activities			
Payments for property, plant and equipment		(66,836)	(249,959)
Payments for intangible assets		(1,954,802)	(2,251,874)
Proceeds from (payments for) term-deposits		22,424	-
Net cash outflow from investing activities		(1,999,214)	(2,501,833)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs	10	7,910,662	17,303,029
Proceeds from (Repayments of) borrowings from directors and related entities		-	(767,999)
Net cash inflow from financing activities		7,910,662	16,535,030
Net increase in cash held		1,276,399	8,503,121
Cash and cash equivalents at the beginning of the year		8,648,099	161,114
Effects of exchange rate changes on cash and cash equivalents		(29,539)	(16,136)
Cash and cash equivalents at the end of the year		9,894,959	8,648,099

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 2018

1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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

Basis of preparation

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

Historical cost convention

These financial statements have been prepared under the historical cost convention on an accrual basis of accounting and a going concern assumption.

Critical accounting estimates

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

Parent entity information

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

Principles of consolidation

The Statement of Comprehensive Income and Statement of Financial Position as at 30 June 2018 incorporates the assets, liabilities and results of the Company and its controlled entities. A subsidiary is any entity over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

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

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

A list of controlled entities is at Note 19.

Notes to the Financial Statements
For the year ended 30 June 2018

1. Significant accounting policies (continued)

Comparative information

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

Segment Reporting

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

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

Revenue recognition

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

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

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

Government grants

Grants from government, including Australian Research and Development Tax 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

Notes to the Financial Statements
For the year ended 30 June 2018

1. Significant accounting policies (continued)

When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Manufacturing costs - Pilot phase

Manufacturing costs incurred during the pilot phase of manufacturing have been expensed as incurred. When the Group expands its manufacturing and distribution, expected in the year ended 30 June 2019, it will commence recognising cost of sales. All costs directly associated with generating revenue, including direct materials and labour and indirect costs will be allocated to cost of goods for sale.

Inventories

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

Expenses

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

Current and non-current classification

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

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the 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.

Notes to the Financial Statements
For the year ended 30 June 2018

1. Significant accounting policies (continued)

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

Cash and cash equivalents

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

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently shown net of provision for bad debts. Trade receivables are generally due for settlement within 30 days.

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

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

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

Plant and equipment

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

Plant and equipment is measured on a cost basis.

Depreciation

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

Class of fixed asset	Depreciation rates
Office equipment	20%
Computer equipment	33%
Sleep and production equipment	20-33%
Assets under joint arrangement	12.5%

Notes to the Financial Statements
For the year ended 30 June 2018

1. Significant accounting policies (continued)

Interests in Joint Arrangements

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

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

Intangible assets

Patents, trademarks and licences

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

Research and development expenditure

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

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

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

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Any research and development tax offsets or grants received relating to development costs are deducted from the total development cost. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

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

Financial instruments

Classification

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

Notes to the Financial Statements
For the year ended 30 June 2018

1. Significant accounting policies (continued)

Loans and receivables

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

Financial liabilities

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

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

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

Impairment of financial assets

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

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

Trade and other payables

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

Impairment of non-financial assets

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

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

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

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

Provisions

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

Leases

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

Notes to the Financial Statements
For the year ended 30 June 2018

Operating Leases

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

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

Employee entitlements

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

The liability for long service leave is based on current salary levels, years of completed service and the estimated probability that the employee will remain with the Company.

Goods and Services Tax (GST)

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

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

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

Contributed equity

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

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments

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

Notes to the Financial Statements
For the year ended 30 June 2018

1. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers

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

AASB 16 Leases

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

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.

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.

Notes to the Financial Statements
For the year ended 30 June 2018

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

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 2018, the carrying amount of capitalised development costs was \$2,464,345 (2017: \$1,847,478).

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 \$5,870,547 (2017: loss of \$6,510,114) and has accumulated losses of \$14,823,495. However, as at 30 June 2018, the current assets exceed its current liabilities by \$11,147,140. Thus, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence in the foreseeable future. However, additional capital raising may be required in the future to meet expansionary and long-term goals.

3. Cash and cash equivalents

	30-June 2018 \$	30-June 2017 \$
Cash on hand	62	324
Cash at bank	794,897	8,647,775
Short-term deposits	9,100,000	-
	<u>9,894,959</u>	<u>8,648,099</u>

Notes to the Financial Statements
For the year ended 30 June 2018

	30-June 2018	30-June 2017
	\$	\$
4. Trade and other receivables		
Trade receivables	86,413	107,567
Receivable from CSIRO	440,000	-
GST receivable	4,747	250,029
Other receivables	43,050	62,496
	<u>574,210</u>	<u>420,092</u>
Less allowance for doubtful debts	12,003	-
	<u>562,207</u>	<u>420,092</u>

As at 30 June 2018, trade receivables of \$12,003 (2017: nil) were past due and considered impaired.

On 21 June 2018, the Company entered into an Equipment Ownership & Management Agreement with Commonwealth Scientific and Industrial Research (CSIRO) wherein both parties agreed to share in the ownership and maintenance of the Arcam Equipment (the Equipment) in the period from 1 July 2018 to 30 June 2026. As per the terms of the agreement, CSIRO is to contribute \$440,000 (inclusive of GST) in exchange for its 50% share of the Equipment. Both parties will also share in the maintenance costs of the Equipment. The amount is recorded as "Receivable to CSIRO" as at 30 June 2018. The balance was collected from CSIRO on 25 July 2018.

	30-June 2018	30-June 2017
	\$	\$
5. Other current assets		
Prepayments	128,819	220,523
Accrued research & development tax credit	1,094,275	848,567
Inventory	93,233	85,497
Rental bond paid	-	3,051
Other assets	55,890	67,747
	<u>1,372,217</u>	<u>1,225,385</u>

Notes to the Financial Statements
For the year ended 30 June 2018

	Computer and office furniture and equipment \$	Sleep and production equipment \$	Leasehold improvement \$	Assets Under Joint Arrangement \$	Total \$
6. Property, plant and equipment					
At 30 June 2016					
Cost	34,182	1,261,804	271,523	-	1,567,509
Accumulated depreciation	(6,344)	(90,924)	(42,943)	-	(140,211)
Net book amount	27,838	1,170,880	228,580	-	1,427,298
Year ended 30 June 2017					
Opening net book amount	27,838	1,170,880	228,580	-	1,427,298
Additions	18,046	231,913	-	-	249,959
Disposals	(784)	(400)	-	-	(1,184)
Depreciation charge	(12,514)	(274,630)	(74,639)	-	(361,783)
Closing net book amount	32,586	1,127,763	153,941	-	1,314,290
At 30 June 2017					
Cost	51,444	1,493,317	271,523	-	1,816,284
Accumulated depreciation	(18,858)	(365,554)	(117,582)	-	(501,994)
Net book amount	32,586	1,127,763	153,941	-	1,314,290
Year ended 30 June 2018					
Opening net book amount	32,586	1,127,763	153,941	-	1,314,290
Additions	29,462	37,374	-	-	66,836
Reclassification	-	(311,369)	-	311,369	-
Disposals - cost	-	(561,048)	(40,640)	-	(601,688)
Disposals - accumulated depreciation	-	249,679	23,025	-	272,704
Depreciation charge	(13,793)	(286,171)	(50,089)	-	(350,053)
Closing net book amount	48,255	256,228	86,237	311,369	702,089
At 30 June 2018					
Cost	80,906	658,274	230,883	311,369	1,281,432
Accumulated depreciation	(32,651)	(402,046)	(144,646)	-	(579,343)
Net book amount	48,255	256,228	86,237	311,369	702,089

The Group capitalised depreciation expense amounting to \$85,225 (2017: nil) as "Development costs" under Intangible assets.

Notes to the Financial Statements
For the year ended 30 June 2018

6. Property, plant and equipment (Continued)

As discussed in Note 4 to the financial statements, on 21 June 2018, the Group entered into an Equipment Ownership & Management Agreement with CSIRO wherein both parties agreed to share 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".

	Patents, trademarks and licences	Software	Development costs	Total
	\$	\$	\$	\$
7. Intangible assets				
At 30 June 2016				
Cost	208,595	168,033	991,131	1,367,759
Accumulated amortisation	(9,802)	(16,616)	(70,363)	(96,781)
Net book amount	198,793	151,417	920,768	1,270,978
Year ended 30 June 2017				
Opening net book amount	198,793	151,417	920,768	1,270,978
Additions	192,656	133,325	1,925,893	2,251,874
Tax concession received or receivable	-	-	(848,567)	(848,567)
Amortisation expense	(21,459)	(81,763)	(150,616)	(253,838)
Closing net book amount	369,990	202,979	1,847,478	2,420,447
At 30 June 2017				
Cost	401,251	301,358	2,068,457	2,771,066
Accumulated amortisation	(31,261)	(98,379)	(220,979)	(350,619)
Net book amount	369,990	202,979	1,847,478	2,420,447
Year ended 30 June 2018				
Opening net book amount	369,990	202,979	1,847,478	2,420,447
Additions	302,741	-	1,737,286	2,040,027
Tax concession received or receivable	-	-	(755,719)	(755,719)
Amortisation expense	(28,422)	(99,686)	(364,700)	(492,808)
Closing net book amount	644,309	103,293	2,464,345	3,211,947
At 30 June 2018				
Cost	703,992	301,358	3,050,024	4,055,374
Accumulated amortisation	(59,683)	(198,065)	(585,679)	(843,427)
Net book amount	644,309	103,293	2,464,345	3,211,947

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

Notes to the Financial Statements
For the year ended 30 June 2018

	30-June 2018 \$	30-June 2017 \$
8. Trade and other payables		
Trade creditors	232,630	367,800
PAYG withholding	64,419	237,048
Employee benefits payable	18,091	29,875
GST payable	-	1,122
Other creditors	246,335	453,198
	<u>561,475</u>	<u>1,089,043</u>

	30-June 2018 \$	30-June 2017 \$
9. Other liabilities		
<i>Current</i>		
Employee benefits - annual leave	106,486	84,489
Deferred lease incentive	14,282	42,984
	<u>120,768</u>	<u>127,473</u>

	30-June 2018 \$	30-June 2017 \$
<i>Non-current</i>		
Deferred lease incentive	-	14,283
	<u>-</u>	<u>14,283</u>

	30-June 2018 Number of Shares #	30-June 2018 Value of Shares \$	30-June 2017 Number of Shares #	30-June 2017 Value of Shares \$
10. Equity - Share capital				
Opening Balance	90,000,000	21,729,732	48,000,000	4,426,703
19 July 2016	-	-	24,000,000	12,000,000
29 June 2017	-	-	17,916,660	6,449,998
30 June 2017	-	-	83,340	30,002
9 August 2017	2,139,265	770,135	-	-
21 December 2017	13,799,947	7,589,971	-	-
Consolidation of shares	-	-	-	-
Share issue costs	-	(449,444)	-	(1,176,971)
At reporting date	<u>105,939,212</u>	<u>29,640,394</u>	<u>90,000,000</u>	<u>21,729,732</u>

Notes to the Financial Statements
For the year ended 30 June 2018

10. Equity - Share capital (Continued)

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.

	30-June 2018	30-June 2017
	\$	\$

11. Equity - Share based payment reserve

Share based payment reserve at beginning of year	201,311	41,533
Share based payment expense	197,228	159,778
Transfer to accumulated losses	(89,063)	-
Share based payment reserve at end of year	<u>309,476</u>	<u>201,311</u>

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

	30-June 2018	30-June 2017
	\$	\$

12. Accumulated losses

Accumulated losses at beginning of year	(9,042,011)	(2,531,897)
Transfer from share based payments reserve	89,063	-
Loss for the year	(5,870,547)	(6,510,114)
Accumulated losses at end of year	<u>(14,823,495)</u>	<u>(9,042,011)</u>

Notes to the Financial Statements
For the year ended 30 June 2018

	30-June 2018	30-June 2017
	\$	\$
13. Income tax expense		
<i>Income tax expense</i>	-	-
Current tax	-	-
Adjustment recognised for prior periods	-	-
Aggregate income tax expense	-	-
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense from continuing operations	(5,870,547)	(6,510,114)
Profit before income tax expense from discontinued operations		
Tax at the statutory tax rate of 27.5%	(1,614,400)	(1,790,281)
Tax effect amounts which are not deductible in calculating taxable income:		
Research and development concession	(880,245)	(876,160)
Non-assessable or deductible items	56,674	57,558
	(2,437,971)	(2,608,883)
Unused tax losses for which no deferred tax asset has been recognised	2,437,971	2,608,883
Income tax expense	-	-

14. Financial instruments

The Group's activities expose it to a variety of financial risks: market risk (which includes foreign currency risk), interest rate risk, credit risk and liquidity risk. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates and foreign exchange risk and aging analysis for credit risk. Risk management is carried out by the chief executive officer under policies approved by the directors. These policies include identification and analysis of risks and appropriate procedures to address these and report to the board of directors annually as to the effectiveness of the Group's management of its key business risks.

Market risk

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

Foreign currency risk

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

Notes to the Financial Statements
For the year ended 30 June 2018

14. Financial instruments (continued)

Interest rate risk

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

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

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

Consolidated	30-June-2018		30-June-2017	
	Rate*	Balance	Rate*	Balance
	%	\$	%	\$
Cash on hand	nil	62	nil	324
Short term deposits	2.40%	9,100,000		-
Cash at bank	nil	794,897	nil	8,647,775
Deposits	2.77%	69,094	2.77%	91,518
Net exposure to cash flow interest rate risk		<u>9,964,053</u>		<u>8,739,617</u>

* Weighted average interest rate

On 3 July 2017, \$6,000,000 was transferred to a term deposit, earning interest at 2.16% p.a.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the 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 2018 and 2017:

	30-June 2018	30-June 2017
	\$	\$
Financial assets at amortised cost:		
Trade and other receivables	574,210	420,092
Total	<u>574,210</u>	<u>420,092</u>

Notes to the Financial Statements
For the year ended 30 June 2018

14. Financial instruments (continued)

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-18		30-June-17	
	Rate*	1 year or less	Rate*	1 year or less
	%	\$	%	\$
Non-derivatives				
<i>Non-interest bearing</i>				
Trade and other payables	nil	561,475	nil	1,089,043
Total non-derivatives		<u>561,475</u>		<u>1,089,043</u>
* Weighted average interest rate				

Fair value of financial instruments

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

15. Related party transactions

The Group entered into the following related party transactions during the year:

(a) Product sales

In 2018, the Group made sales of \$17,419 (2017: \$128,000) to Breathing Assist Solutions Pty Ltd (BAS), a company controlled by Christopher Hart and owned by entities associated with Christopher Hart and Neil Anderson. At 30 June 2018, amounts owed by BAS was Nil (2017: \$50,587; included in trade and other receivables).

(b) Clinical trial costs recharge

The Group reimbursed BAS for clinical trial work conducted during the year amounting to \$131,636. At 30 June 2018, amount owed to BAS was \$639 (2017: Nil).

Notes to the Financial Statements
For the year ended 30 June 2018

16. Key management personnel

Directors

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

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

Other key management personnel

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

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

Compensation

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

	30-June 2018	30-June 2017
	\$	\$
Short-term employee benefits	1,025,967	1,056,321
Post-employment benefits	82,973	104,658
Share-based payments	53,691	69,903
Termination payments	-	108,381
	<u>1,162,630</u>	<u>1,339,263</u>

17. Remuneration of auditors

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

	30-June 2018	30-June 2017
	\$	\$
<i>Audit services - PKF Hacketts Audit</i>		
Audit or review of the financial statements	<u>45,000</u>	<u>43,500</u>

Notes to the Financial Statements
For the year ended 30 June 2018

18. Parent entity information

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

Statement of profit or loss and other comprehensive income

	30-June 2018 \$	30-June 2017 \$
Loss after income tax	(786,462)	(760,992)
Total comprehensive income	<u>(786,462)</u>	<u>(760,992)</u>

Statement of financial position

Total current assets	<u>9,926,259</u>	<u>8,554,784</u>
Total assets	<u>28,051,538</u>	<u>20,968,314</u>
Total current liabilities	<u>118,295</u>	<u>159,271</u>
Total liabilities	<u>118,295</u>	<u>159,271</u>
Equity		
Issued capital	29,640,394	21,570,035
Accumulated losses	<u>(1,707,151)</u>	<u>(760,992)</u>
Total equity	<u>27,933,243</u>	<u>20,809,043</u>

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 2018 and 2017.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2018 and 2017.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2018 and 2017.

Significant accounting policies

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

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

Notes to the Financial Statements
For the year ended 30 June 2018

19. Interest in subsidiaries

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

Name	Country of Incorporation	Equity Interest	
		2018	2017
Oventus Manufacturing Pty Ltd	Australia	100%	100%
Oventus CRM Pty Ltd	Australia	100%	100%
Oventus Medical USA, Inc.	United States	100%	100%

Oventus Medical USA, Inc. was incorporated as a wholly owned subsidiary of the Company on 13 January 2017 in the state of Delaware. O₂Vent™ was officially launched at G'day USA event in San Francisco on 21 January 2017 and records for the first saleable product have been received. The purpose of this entity is to market and distribute the Group's devices in the USA.

The principal activities of the remaining subsidiaries are:

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

20. Subsequent events

On 3 July 2018, the Consolidated Entity granted 850,000 share options to employees under the Oventus Employee Option Plan. The options have an exercise price \$0.4804 and expiry date of 2 July 2023. The estimated total fair value of share options granted was \$121,740 or \$0.1432 per share option, calculated using The Black-Scholes pricing model. The total value of the options will be brought to account over the period of five years.

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

	30-June 2018 \$	30-June 2017 \$
Loss after income tax expense for the year	(5,870,547)	(6,510,114)
<i>Adjustments for:</i>		
Depreciation and amortisation	757,636	615,621
Net loss (gain) on disposal of assets	(71,016)	11,096
Share-based payments	197,228	159,778
Research and development tax concession	755,719	396,301
Foreign exchange fluctuations	33,434	16,136
<i>Change in operating assets and liabilities:</i>		
(Increase) / decrease in trade and other receivables	257,885	(277,448)
(Increase) in other assets	(146,832)	(148,542)
Increase / (decrease) in trade and other payables	(527,568)	201,429
Increase in employee benefits	-	46,124
Decrease in other liabilities	(20,988)	(40,457)
Net cash outflow from operating activities	<u>(4,635,049)</u>	<u>(5,530,076)</u>

Notes to the Financial Statements
For the year ended 30 June 2018

22. Loss per share

	30-June 2018 \$	30-June 2017 \$
Loss per share from continuing operations		
Loss after income tax	(5,870,547)	(6,510,114)
Loss after income tax attributable to the owners of Oventus Medical Limited	(5,870,547)	(6,510,114)
	Numbers	Numbers
Weighted average number of ordinary shares used in calculating basic loss per share	99,126,167	70,914,840
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	99,126,167	70,914,840
	Cents	Cents
Basic loss per share	(5.92)	(9.18)
Diluted loss per share	(5.92)	(9.18)

23. Share-based payments

Share options

Share options are issued to eligible participants under the Company's Employee Share Option Plan. The Company has options outstanding of 3,424,952 as at 30 June 2018 (2017: 4,411,346).

Notes to the Financial Statements
For the year ended 30 June 2018

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

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Expired/ forfeited/ other	Exercised	Balance at the end of the year
As at 30 June 2018							
24/02/2016	23/02/2021	\$0.58	2,709,882	-	(434,928)	-	2,274,954
14/04/2016	14/04/2021	\$0.73	401,464	-	(401,464)	-	-
1/12/2016	1/12/2021	\$1.06	450,000	-	(150,000)	-	300,000
23/05/2017	12/12/2022	\$0.96	700,000	-	(100,000)	-	600,000
23/05/2017	24/02/2022	\$0.94	150,000	-	(100,002)	-	49,998
18/12/2017	18/11/2022	\$1.02	-	200,000	-	-	200,000
			4,411,346	200,000	(1,186,394)	-	3,424,952
As at 30 June 2017							
24/02/2016	23/02/2021	\$0.58	2,960,794	50,183	(301,095)	-	2,709,882
14/04/2016	14/04/2021	\$0.73	401,464	-	-	-	401,464
1/12/2016	1/12/2021	\$1.06	-	550,000	(100,000)	-	450,000
23/05/2017	12/12/2022	\$0.96	-	700,000	-	-	700,000
23/05/2017	24/02/2022	\$0.94	-	150,000	-	-	150,000
			3,362,258	1,450,183	(401,095)	-	4,411,346

24. Significant agreements and commitments for expenditure

	30-June 2018	30-June 2017
	\$	\$
Not later than 1 year	355,003	195,286
Later than 1 but not later than 5 years	291,808	49,252
Total	646,811	244,538

The Company is the lead participant with Medical Monitoring Solutions Pty Ltd, Neuroscience Research Australia (NeuRA), Western Sydney University (WSU) and CSIRO as the other participants, to the Cooperative Research Centres (CRC) Programme grants from the Australian Federal Government. The project will receive \$2,950,000 over three years for a project titled, "Targeted therapy for sleep apnoea: A novel personalised approach". The Company has committed R&D expenditure of \$918,232 over three years in relation to the CRC Programme grant. As 30 June 2018, the Company spent \$334,617 on CRC projects which have been capitalised as "Development Costs" under intangible assets.

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

- The Taringa office property lease is a non-cancellable lease with a 3-year term. Minimum lease payments shall be increased by fixed rate of 4% per annum.
- The Sydney office property lease is a non-cancellable lease with a 2-year term. Minimum lease payments shall be increased by fixed rate of 4% per annum. The Group pre-terminated the lease effective 1 June 2018.

The licence agreement with Commonwealth Scientific and Industrial Research Organisation (CSIRO) is for the use of property and is for a licence period of 2 years, with licence and service fees payable monthly in advance.

Notes to the Financial Statements
For the year ended 30 June 2018

24. Significant agreements and commitments for expenditure (continued)

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

25. Segment reporting

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

Segment information for the reporting period follows:

	30-June-18			30-June-17		
	Australia	United States	Total	Australia	United States	Total
	\$	(12 months)	\$	\$	(6 months)	\$
Segment revenue	210,128	61,194	271,322	447,994	-	447,994
Staff costs	(2,411,331)	(378,975)	(2,790,306)	(2,524,183)	(44,955)	(2,569,138)
Manufacturing costs - Pilot phase	(137,622)	(40,078)	(177,700)	(582,431)	-	(582,431)
Sales and marketing	(356,190)	(50,055)	(406,245)	(842,384)	(10,035)	(852,419)
Other expenses	(2,512,753)	(537,038)	(3,049,791)	(3,055,756)	(38,238)	(3,093,994)
Segment operating loss	(5,207,768)	(944,952)	(6,152,720)	(6,556,760)	(93,228)	(6,649,988)
Segment assets	15,764,805	47,708	15,812,513	14,119,831	-	14,119,831
Segment liabilities	645,979	36,264	682,243	1,222,654	8,145	1,230,799

Unallocated items:

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

Directors' Declaration

For the year ended 30 June 2018

In the directors' opinion

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors



Mel Bridges
Director

Brisbane

30th August 2018

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 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the financial report of Oventus Medical Limited is in accordance with the Corporations Act 2001, including:

- i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

1. Capitalisation and Valuation of Internal Development Costs

Why significant

The Consolidated entity's intangible assets as at 30 June 2018 include capitalised development costs with a carrying value of \$2,464,345 (2017: \$1,847,478), as disclosed in Note 7.

The Consolidated entity's accounting policy in respect of development costs are outlined in Note 1 and Note 2.

Capitalised development costs are significant to the audit due to the amount of expenditure being capitalised and the specific criteria that have to be met for capitalisation.

We note significant judgement is required:

- in determining the treatment of development expenditure in accordance with AASB 138, and the Consolidated entity's accounting policy. In particular:
 - whether project costs in the design and development of a potential product meet the recognition conditions for an asset
 - whether a product development project is technically and economically feasible
 - in making assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.
- in determining that capitalised development costs have useful lives of 5 years which determines the amortisation rate
- in determining whether facts and circumstances indicate that development costs capitalised should be tested for impairment in accordance with Australian Accounting Standard AASB 136 Impairment of Assets.

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- testing, on a sample basis, development expenditure incurred during the year for compliance with AASB 138 and the Consolidated entity's accounting policy; and
- review the reasonableness of estimated useful life and amortisation method and check on a sample basis whether they are properly calculated and disclosed in the financial statements
- to assess whether there are indicators of impairment:
 - obtaining and assessing evidence of external changes within the Consolidated entity's market or internal changes such as the sales performance of existing products
 - holding discussions with the directors and management as to the status of project developments as well as assessing if there was evidence that a product has been discontinued
 - obtaining and assessing evidence of the Consolidated entity's future intention for the products, including reviewing future budgeted expenditure and sales forecasts
- assessing the appropriateness of the related disclosures in Notes 1, 2 and 7.

Other Information

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

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

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

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

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

Directors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue 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, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

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

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

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

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

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

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

Opinion

In our opinion, the Remuneration Report of Oventus Medical Limited for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

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



PKF HACKETTS AUDIT



CAMERON BRADLEY
PARTNER

30 AUGUST 2018
BRISBANE

Corporate directory
30 June 2018

Directors	<ul style="list-style-type: none"> • Mel Bridges - Chairman • Christopher Hart - (Executive Director) (Founder) (Managing Director and Chief Executive Officer from 30 August 2018) (Clinical Director up to 29 August 2018) • Neil Anderson - (Executive Director) (Chief Technical Officer from 30 August 2018) (Managing Director and Chief Executive Officer up to 29 August 2018) • Sue MacLeman - Non-Executive Director
Company secretary	Stephen Denaro
Notice of annual general meeting	The Annual General Meeting of Oventus Medical Limited will be held on 16 November 2018.
Registered office	<p>Suite 1, 1 Swann Road, Indooroopilly QLD 4068</p> <p>Telephone: (07) 3831 8866</p>
Principal place of business	Suite 1, 1 Swann Road, Indooroopilly QLD 4068
Share register	<p>Computershare Investor Services Pty Limited</p> <p>117 Victoria Street</p> <p>West End QLD 4101</p> <p>Telephone: 1300 787 272</p>
Auditor	<p>PKF Hacketts Audit</p> <p>Level 6, 10 Eagle Street</p> <p>Brisbane QLD 4000</p>
Stock exchange listing	Oventus Medical Limited shares are listed on the Australian Securities Exchange (ASX code: OVN)
Website	www.ventus.com.au
Corporate Governance Statement	The Corporate Governance Statement of Oventus Medical Limited is available from our website www.ventus.com.au via the tab headed "Investor Centre".