

ASX Release

Oventus Quarterly Business Review – Q2 FY 2018

Highlights

- Heavily oversubscribed capital raising of \$7.6 million completed, with support from new and existing institutional and sophisticated investors
- Funds raised strengthen Oventus' balance sheet and underpin Oventus' entry into the global sleep apnoea market
- Government Research and Development tax incentive cash rebate of \$966,233, received after quarter end in January 2018
- First products sold in the dental channel in both the US and Australia through Modern Dental – a key Oventus distributor for the global dental channel
- Key products for the sleep clinician channel entering late stage R&D – O₂Vent™ trial appliances and CPAP 'O₂Vent™ Connect' Positive Airway Pressure (PAP) Connection
- Positive trial results were released building upon existing clinical validation for the proprietary 'Oventus Airway Technology' – the key patented design feature of the O₂Vent™ product range
- Team bolstered in finance, operations and sales
- Strong cash position with \$12.87m as at 31 December 2017

Brisbane, Australia 30th January 2018: Oventus Medical Ltd (ASX: OVN) (Oventus, the Company) announces its Appendix 4C Report for the three-month period ending 31 December 2017 (Q2 FY 2018) and is pleased to provide a review of progress made during the quarter.

Oversubscribed capital raise and R&D tax incentive

In early December 2017, a heavily over-subscribed capital raising was completed with support from new and existing institutional and sophisticated investors, raising \$7.6 million. The funds raised will ensure Oventus is well capitalised to enable 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').

A \$966,233 cash refund was received from the Australian Taxation Office under the Federal Government's Research and Development (R&D) Tax incentive scheme.

Product rollout – dentist channel (Modern Dental Group)

During the quarter, Phase 1 of the Modern implementation was completed. Activities included; updating marketing collateral, sales rep training and setting up for uninterrupted continuation of service with our existing dental customers.

Initial sales through the Modern agreement in Australia and the US were made late in the quarter. The majority of cash receipts from these initial sales were pushed into the March 2018 quarter. Sales from the Modern implementation are expected to make an impact from calendar Q1 2018 in line with

the formal commencement of active marketing of the O₂Vent range under the Modern distribution agreement.

The production of polymer inserts used in the manufacturing process were transferred to Modern during the quarter. This will allow finished devices to be shipped by Modern directly to customers, taking advantage of their proven in-house logistics, at a significantly lower cost than Oventus has been shipping products to customers to date.

Product rollout – sleep clinician channel

The sales channel through sleep clinicians remains under development with two new products under development nearing late stage R&D and commercial launch.

Oventus is in the late stages of bringing its O₂Vent™ trial device and ‘O₂Vent™ Connect’ Positive Airway Pressure (PAP) Connection devices to market – each of which will be sold through this developing channel.

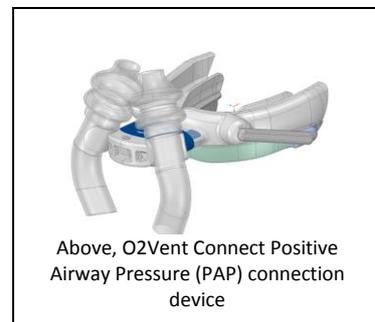
The O₂Vent™ Trial Device design has been completed and will be trialled at NeuRa this quarter. It is a lower cost entry device, and is now being transferred to production leading to final testing and regulatory submission. The O₂Vent™ trial device is classified as a class I device in Australia, which means it does not require a TGA review. The local launch is planned for the first half of this calendar year with the US planned in the 2nd half of the calendar year.

The ‘O₂Vent™ Connect’ device (a version is pictured right), designed to be worn together with the O₂Vent™ oral device, is currently being trialled in a clinical study by Associate Professor Danny Eckert of Neuroscience Research Australia (NeuRa). Results are expected to be released in the first half of calendar 2018.

Initial discussions about these two appliances with sleep clinicians in both the Australian and US markets have proven positive.

There is clear interest in the upcoming trial device (pictured, right) both used as a stand alone product and when used in combination with ‘O₂Vent™ Connect’, designed for severe sleep apnoea sufferers who have traditionally used a CPAP machine and full facemask.

Preparations are now underway with the goal of forming distribution partnerships in the sleep clinician channel by the end of calendar year 2018.



Clinical trials and presentation of data in scientific forums

Significant headway was made in building clinical validation of the proprietary ‘Oventus Airway Technology’ found in the O₂Vent™ product range with the release of positive trial results, presented at two international conferences in October 2017.

Interim results of the **OVEN-005 ‘Sydney’ study** showed an 80% reduction in the median number of sleep events by patients with Obstructive Sleep Apnoea (OSA). An abstract of these results was

presented at the World Sleep Congress in Prague by Associate Professor Danny Eckert of Neuroscience Research Australia (NeuRa). As well as significantly reducing OSA severity, comparable reductions were also found in people with high nasal resistance. This study is funded by a \$2.95 million CRC-P Australian Federal Government grant that will run over three years and will generate clinical trial data on 180 patients across three cohorts.

Interim results from the **OVEN-004 ‘Perth Study’** showed a 73% average reduction in sleep events by OSA patients. Dr Jennifer Walsh of the University of Western Australia presented the interim results at Sleep DownUnder in Auckland.

To date, data has been collected and analysed across 50 patients over four clinical studies, all consistently showing strong clinical efficacy of the O₂Vent™.

These study results are significant when also comparing to the method of solely using mandibular advancement - the technique used by most of the other mouthguard therapeutics on the market, which brings the lower jaw forward. The results showed that ‘Oventus Airway Technology’ improves results over mandibular advancement by an additional 30-50%.

Further new data will become available shortly with final results expected in the following timeframes:

Trial name	Expected date of final data
OVEN-003 ‘Brisbane’ study	Calendar Q1 2018
OVEN-004 ‘Perth’ study	Calendar Q1 2018
OVEN-005 ‘Sydney’ study	Calendar H1 2018

The final results from the trials will cover an additional 51 patients. By the close of the Sydney study, clinical trial data will have been collected from over 100 OSA sufferers across all Oventus trials to date.

Conferences

Oventus attended the World Sleep Congress in Prague and Sleep DownUnder in Auckland in October 2017. Clinical trial outcomes were presented at both conferences (see Clinical Trial section).

In November 2017, substantial investor Thorney Investments presented at the annual Sohn ‘Hearts & Minds’ Investment Leaders Conference in Sydney. Thorney Investments’ Founder and Chairman, Alex Waislitz presented Oventus as his top stock pick of the conference. Dr Chris Hart, Oventus Clinical Director also presented at the Thorney Technologies AGM in late November. That presentation can be found on the Oventus website under the ‘Investors’ tab.

Immediately following the quarter, Dr Chris Hart attended San Francisco for JP Morgan Healthcare week. He presented at the Biotech Showcase and met with potential investors and partners during the visit. During the conference, an interview was filmed with Health Invest TV, where Dr Hart discusses the key points of 2017 and outlook for Oventus this year. To watch the interview, please copy and paste the following link into your browser:

<https://boardroom.media/broadcast/?eid=5a6faaf9677b06417ede99b>

Team bolstered

During the quarter, Dan Parry, was appointed as inaugural CFO/COO and is Brisbane based. Alongside his role as CFO, he will also undertake COO duties, focusing his efforts on manufacturing partnerships and logistics.

Two new Australian sales representatives were appointed, based in Sydney and Brisbane. They will support the Modern rollout through Modern's subsidiary, Southern Cross Dental and introduce the Oventus range of products to sleep clinicians.

Cash position

As at 31 December 2017, the Company maintained a strengthened cash position of \$12.87m, following a capital raising in December 2017.

Outlook

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

- Increasing sales in both Australia and USA through the Modern channel as a wider rollout is undertaken
- The Oventus trial device being launched in Australia initially through a small number of select clinicians in the first half of calendar year 2018
- Clinical trial results across three studies to be released over the coming two quarters from the 'Brisbane', 'Sydney' and 'Perth' studies covering over 51 patients, further building on the clinical body of evidence on the Oventus 'Airway Technology'.

Investors are invited to follow our progress via our website at www.ventus.com.au.

—ENDS—

For more information, please contact:

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Jane Lowe, IR Department: M: 0411 117 774 or jane.lowe@irdepartment.com.au

About Oventus

Oventus is a Brisbane, Australia, based medical device company that has commercialized and brought to market a new **sleep treatment platform** for the treatment of sleep apnoea and snoring that

enhances the treatment outcomes of both oral appliance therapy and CPAP therapy through increased efficacy and greater adherence.

Oral appliance: Oventus' unique and patented 'Airway Technology' incorporated into an oral appliance, the O₂Vent™, bypasses multiple levels of breathing obstruction including the nose, soft palate and tongue.

Our appliances are particularly designed for sufferers with nasal obstructions, soft palate collapse and who consequently tend to breathe through their mouth while sleeping.

In action, when nasal obstruction is present, breathing is supplemented through the O₂Vent™'s integrated 'Airways' delivering air to the back of the mouth while maintaining an oral seal, stabilizing the tongue base, bypassing obstructions in the nose and soft palate and reducing the collapsibility of the upper airway. However, when the nose is unobstructed, the O₂Vent™ allows for natural nasal breathing.

'O₂Vent™ Connect' Positive Airway Pressure (PAP) Connection: Severe sleep apnoea sufferers who have traditionally used a CPAP machine and full facemask can use Oventus' O₂Vent™ oral appliance to interface with CPAP reducing operating pressure by around 66%, eliminating the need for straps and allowing physiologic mouth breathing while delivering CPAP. This has allowed for a re-design of the CPAP delivery system which is far less intrusive (without full face mask and straps), called the 'O₂Vent™ Connect'.

Oventus' O₂Vent™ Connect' attaches to the front of the O₂Vent™, thereby doing away with the full face mask, while bringing air from the CPAP machine to the nasal opening at lower pressure.

Clinical trials: Over 50 patients to date have shown Oventus' O₂Vent™ is successful in treating Obstructive Sleep Apnoea (OSA) by an additional 30-50% and that snoring was either eliminated or significantly reduced, when compared to mandibular or "jaw" advancement oral appliances which primarily reduce tongue based breathing obstruction. The positive results included those sufferers who had nasal obstructions and mainly breath through the mouth.

Market: According to a report published by the Sleep Health Foundation Australia, an estimated 1.5 million Australians suffer with sleep disorders and more than half of these suffer with obstructive sleep apnoea.¹

Continuous positive airway pressure (CPAP) is the most definitive medical therapy for obstructive sleep apnoea, however many patients have difficulty tolerating CPAP² due to discomfort caused from high operating pressure and low tolerance for a full face mask.

The Oventus oral appliance 'Airway Technology' in the O₂Vent™ when incorporated with Oventus' 'O₂Vent™ Connect' allows sufferers to breathe physiologically through the mouth or through the nose whilst simultaneously delivering CPAP. Mild sufferers are able to solely wear the O₂Vent™ oral appliance.

Further information can be found on our website: <http://oventus.com.au/how-it-works/>.

¹ Deloitte Access Economics. *Reawakening Australia: the economic cost of sleep disorders in Australia, 2010. Canberra, Australia.*



BETTER SLEEP, BETTER HEALTH
and a **BETTER LIFE**

² *Beecroft, et al. Oral continuous positive airway pressure for sleep apnea; effectiveness, patient preference, and adherence. Chest 124:2200–2208, 2003.*

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

OVENTUS MEDICAL LIMITED

ABN

12 608 393 282

Quarter ended ("current quarter")

31 DECEMBER 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	35	149
1.2 Payments for		
(a) research and development	(664)	(1,132)
(b) product manufacturing and operating costs	(90)	(381)
(c) advertising and marketing	(41)	(75)
(d) leased assets	-	-
(e) staff costs	(586)	(1,248)
(f) administration and corporate costs	(458)	(893)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	36	59
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,769)	(3,521)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(23)	(76)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property	(25)	(42)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(48)	(118)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	7,590	8,332
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(406)	(466)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	7,184	7,866

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	7,507	8,647
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,769)	(3,521)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(48)	(118)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	7,184	7,866

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	12,874	12,874

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	12,874	7,507
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	12,874	7,507

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

39

-

Payment of directors' fees.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(736)
9.2 Product manufacturing and operating costs	(170)
9.3 Advertising and marketing	(170)
9.4 Leased assets	-
9.5 Staff costs	(526)
9.6 Administration and corporate costs	(441)
9.7 Other (provide details if material)	(100)
9.8 Total estimated cash outflows	(2,143)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



(Director/Company secretary)

Date: 31st January 2018.

Print name: NEIL ANDERSON

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.