



Oventus Medical Limited

Annual Report 2021



Oventus Medical's patient focus offers accessible, life-changing treatment for sleep apnea, regardless of location

Our mission is to make life-changing, effective treatment for obstructive sleep apnea (OSA) accessible to all, regardless of location.

We are focused on making O2Vent Optima® the most desired treatment option for patients, transforming their lives while driving revenue growth and shareholder returns.



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The Obstructive Sleep Apnea opportunity

OSA is a chronic condition which remains unresolved for many patients. Traditionally patients have been prescribed Continuous Positive Airway Pressure (CPAP) as the most common treatment.

~6M adult patients
are prescribed CPAP
in the US

50-60% of those
patients quit
CPAP within the
first year¹

~3M existing patients
are in need of an
effective alternative
treatment

Oventus devices
are sold wholesale
for an average of
~\$800/unit

ExVent valves/
other accessories
drive recurring
revenues

Diagnosed patients
not using CPAP
= **\$2.4B** opportunity
in the US alone²

Given current rates
of prevalence
and CPAP
abandonment,
US addressable
market = **>\$12B**

More patients are
seeking a non-
CPAP solution – the
oral appliance
market is forecast
to grow at **16%
Compound Annual
Growth Rate**
(CAGR)

~80% of OSA
sufferers remain
undiagnosed³

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1. Ballard RD, Gay PC, Strollo PJ. Interventions to improve compliance in sleep apnoea patients previously non-compliant with continuous positive airway pressure (CPAP), JCSM 2007, Vol 3, No7, 706-12
2. Based on 12% prevalence in adults within US suffering OSA as defined by having five or more sleep events per hour (AHI>5). Source: Sullivan, F. (2016). Hidden health crisis costing America billions: Underdiagnosing and undertreating obstructive sleep apnea draining healthcare system. American Academy of Sleep Medicine.
3. Lee W, Nagubadi S, Kryger MH, Mokhlesi B. Epidemiology of Obstructive Sleep Apnea: a Population-based Perspective. Expert Rev Respir Med. 2008;2(3):349-364. doi:10.1586/17476348.2.3.349.

Oventus is uniquely positioned for growth



O2Vent Optima is a breakthrough in the treatment of Obstructive Sleep Apnea (OSA).



Total addressable market of over \$12B, segment growing 16% every year.



Oventus has developed efficient and scalable go-to-market models.



Existing treatments are poorly received – more than 75% of OSA sufferers remain untreated or are refusing current options⁴.



We are the only manufacturer of an oral appliance to implement **virtual** start-to-finish models in OSA.



Oventus now has the organisation, technology and strategy to be a leader in the treatment of OSA.

4 Sullivan, F. (2016). Hidden health crisis costing America billions: Underdiagnosing and undertreating obstructive sleep apnea draining healthcare system. American Academy of Sleep Medicine. (3 Million patients diagnosed and out of care if treated would generate revenues of US\$2.4B @ US\$800/Patient for Oventus with only one in five patients currently diagnosed).

Providing a valuable treatment option during a challenging time



When I started wearing my O2Vent Optima there was a dramatic change in my quality of sleep. Not only did my wife immediately comment that I no longer woke her up with repeated episodes of stop breathing (apnea = stop breathing 20 seconds or longer) and loud snoring, but my daytime energy and mental sharpness dramatically improved. I initially thought that the device may be uncomfortable as with CPAP devices, but after the first 2-3 nights of wearing my O2Vent Optima, I almost forgot that it was in my mouth. The sizing was perfect and it fit comfortably from night until morning without any episodes of falling loose or falling out. Quite frankly, it fit like a glove.

About 4 weeks after getting my O2Vent, I was sick with COVID-19 with severe respiratory symptoms over 2-6 weeks. I cannot imagine how hard it would have been to fight the cough and shortness of breath if I still was having 51 apnea episodes per hour and sleeping oxygen desaturations to 67% as I was having prior to my O2Vent. Not only has it changed my daily quality of life, but with better sleep, it improves my immune system, but also protects me from future heart attacks and strokes. I recommend O2Vent to all of my sleep apnea patients.

Dr. Vincent Schaller, MD, DABFM, CIC

President and Medical Director, Mid-Atlantic Concussion Alliance, Delaware, USA

Snapshot of FY21 key achievements

The launch of the Virtual Lab in Lab program and Direct to Consumer model has supported telehealth growth – a lead indicator for revenue growth.

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In the USA, Oventus positioned itself to engage and treat patients from home in every state – a major milestone.

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Our omni-channel approach has increased our accessibility, coverage and scalability.

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Telehealth bookings (leading indicator) are up 25% Quarter on Quarter (QoQ).

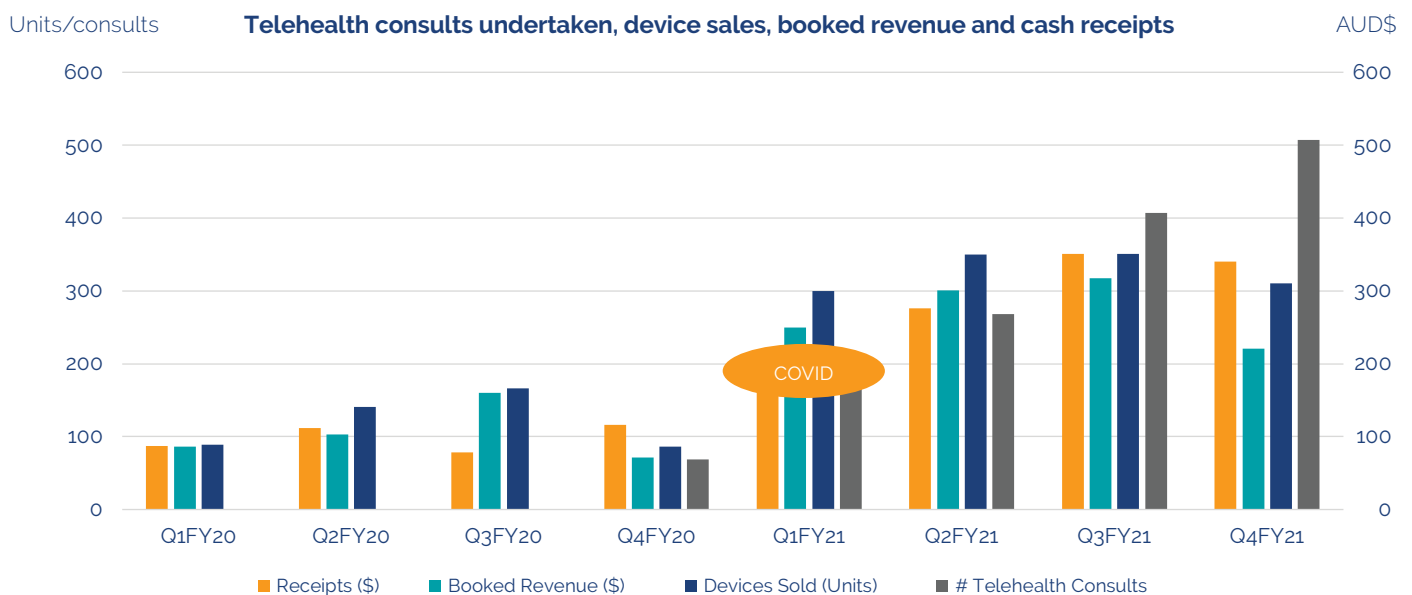
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National tele dentistry and in-network insurance coverage achieved.

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Strategic restructuring completed, lowering Oventus' cost base moving into FY22.

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Obstructive Sleep Apnea (OSA): burdens to our health and economy

OSA is a chronic condition
that affects 12% of adults⁵.



Compromises daytime function, leading
to excessive sleepiness, memory
impairment and depression⁵.



Worsens other conditions such as heart disease,
diabetes and dementia - and is associated with a
nearly four-fold increase in all-cause mortality⁶.



Creates an estimated economic burden
of \$149B in the US alone, or \$6,366 per
person per year undiagnosed⁶.



5 Sullivan, F. (2016). Hidden health crisis costing America billions: Underdiagnosing and undertreating obstructive sleep apnea draining healthcare system. American Academy of Sleep Medicine.

6 Young T, Finn L, Peppard PE, et al. Sleep disordered breathing and mortality: eighteen-year follow-up of the Wisconsin sleep cohort. *Sleep*. 2008;31(8):1071-1078.

Current options aren't meeting patients' needs

Treatment	Challenges to Adoption
Continuous Positive Airway Pressure (CPAP)	Perceived as effective, but associated with stigma and patient resistance. Many find it intolerable and half of all patients quit therapy in the first year ⁷ .
Traditional Oral Appliance Therapy (OAT)	Market penetration for traditional devices is low due to inconsistent effectiveness – older versions associated with discomfort or injury to the jaw or teeth.
Neurostimulation	This option is restricted to severe cases. It is invasive and expensive.
Surgery	Surgery can help, but is invasive, expensive, and provides inconsistent results.
Behavioural modification	Some patients find relief for snoring through weight loss, changing sleep position or reducing alcohol consumption. These options become less successful as their OSA progresses.

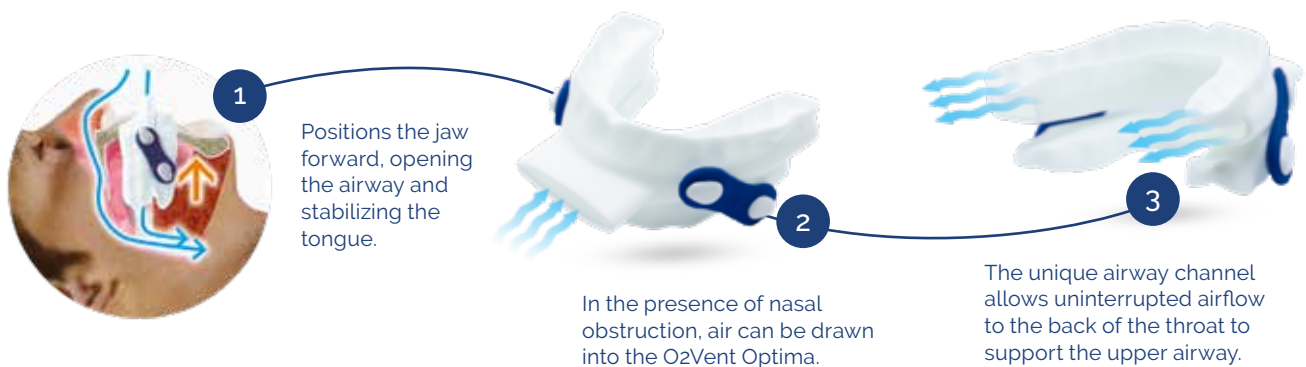
7 Ballard RD, Gay PC, S trollo PJ. Interventions to improve compliance in sleep apnoea patients previously non-compliant with continuous positive airway pressure (CPAP). *JCSM* 2007, Vol 3, No7, 706-12.

O2Vent Optima – the ONLY oral appliance with an integrated airway

With an exclusive airflow-optimising design, the Oventus O2Vent Optima product range provides welcome, effective relief to people who suffer snoring or mild to moderate OSA, and those who are unable to tolerate CPAP therapy.

O2Vent Optima is the only oral appliance that features an integrated airway, using proprietary airway technology to treat the upper airway. It provides an uninterrupted airflow during sleep, even when a patient experiences nasal obstruction.

How O2Vent works



50% more effective than traditional oral appliances^{8,9}

2 x more wearable than CPAP devices¹⁰⁻¹²



The O2Vent Optima has made such a difference to my quality of sleep and I no longer wake in the night with that 'drowning feeling'. It channels air to the back of my throat allowing me to breathe easily and sleep through the night. I now wake more refreshed and can concentrate better during the day without feeling drowsy.

Sarah Atkins

- 8 Amatoury et al. The role of a novel oral appliance therapy device on pharyngeal pressure swings and CPAP requirements during sleep in obstructive sleep apnea: A pilot study. Poster presentation: AADSM, 2017 June 2-4 Boston.
- 9 Lavery et al. Airway open-airway closed: The effect of mandibular advancement therapy for obstructive sleep apnoea with and without a novel in-built airway. Poster presentation: Australasian Sleep Society Sleep DownUnder, 2018, October 17-20, Brisbane, Australia.
- 10 Vanderveken OM, Dierckx M, Wouters K, De Backer WA, Van de Heyning PH, Braem MJ. Objective measurement of compliance during oral appliance therapy for sleep-disordered breathing. *Thorax*. 2013;68(1):91-96. doi:10.1136/thoraxjnl-2012-20190.
- 11 Phillips CL, Grunstein RR, Darendeliler MA, et al. Health outcomes of continuous positive airway pressure versus oral appliance treatment for obstructive sleep apnea: a randomized controlled trial. *Am J Respir Crit Care Med*. 2013;187(8):879-887. doi:10.1164/rccm.201212-2223OC.
- 12 Lavery, Damian, et al. "Safety and Efficacy of a Novel Oral Appliance in the Treatment of Obstructive Sleep Apnea." *Journal of Dental Sleep Medicine*, vol. 04, no. 03, 2017, pp. 57-63. doi:10.15331/jdsm.6678.

The O2Vent family – now available in three options

Following the release of the O2Vent Optima and the ExVent®¹³ in 2019, in FY21 we introduced an additional treatment option for patients – the O2Vent Optima Mini (*without the extended airway*). This option may benefit patients requiring enhanced lip-seal, to avoid excess saliva and/or dry lips.



O2Vent Optima



O2Vent Optima + ExVent



O2Vent Optima Mini

	Airway technology + advancement	Extended airway	EPAP upper airway support	Easy to clean	Ideal for travel	3 Year Warranty
O2Vent Optima	✓	✓		✓	✓	✓
O2Vent Optima + ExVent	✓	✓	✓	✓	✓	✓
O2Vent Optima Mini	✓			✓	✓	✓

O2Vent technology

- 3D printed for a comfortable, patient-matched fit and durability
- Supports the soft palate and lateral walls via the integrated airway, delivering air to the back of the throat
- Clinically proven for effective treatment of OSA¹⁴

O2Vent Optima can be paired with ExVent

- Provides extra, mild 'end of breath' support, also known as Expiratory Positive Airway Pressure (EPAP)
- May benefit patients who cannot tolerate further jaw advancement or complain of unrefreshed sleep
- Three strengths/levels of support available



LOW



MEDIUM



HIGH



¹³ Available outside of the USA. US 510(k) pending.

¹⁴ Lavery, Damian, et al. "Safety and Efficacy of a Novel Oral Appliance in the Treatment of Obstructive Sleep Apnea." *Journal of Dental Sleep Medicine*, vol. 04, no. 03, 2017, pp. 57–63., doi:10.15331/jdsm.6678.

CRC-P and clinical developments

Below is a summary of recent clinical developments that incorporate O2Vent Optima therapy. We thank the Cooperative Research Centres Programme (CRC-P) research leader, Danny Eckert, Matthew Flinders Professor, College of Medicine and Public Health, Flinders University for his, and his team's ongoing efforts.

In July we finished recruitment for a major multicentre (Adelaide and Sydney) clinical trial supported by the CRC-P project: *Targeted Therapy for Sleep Apnoea: A Novel Personalised Approach*.

Summary points:

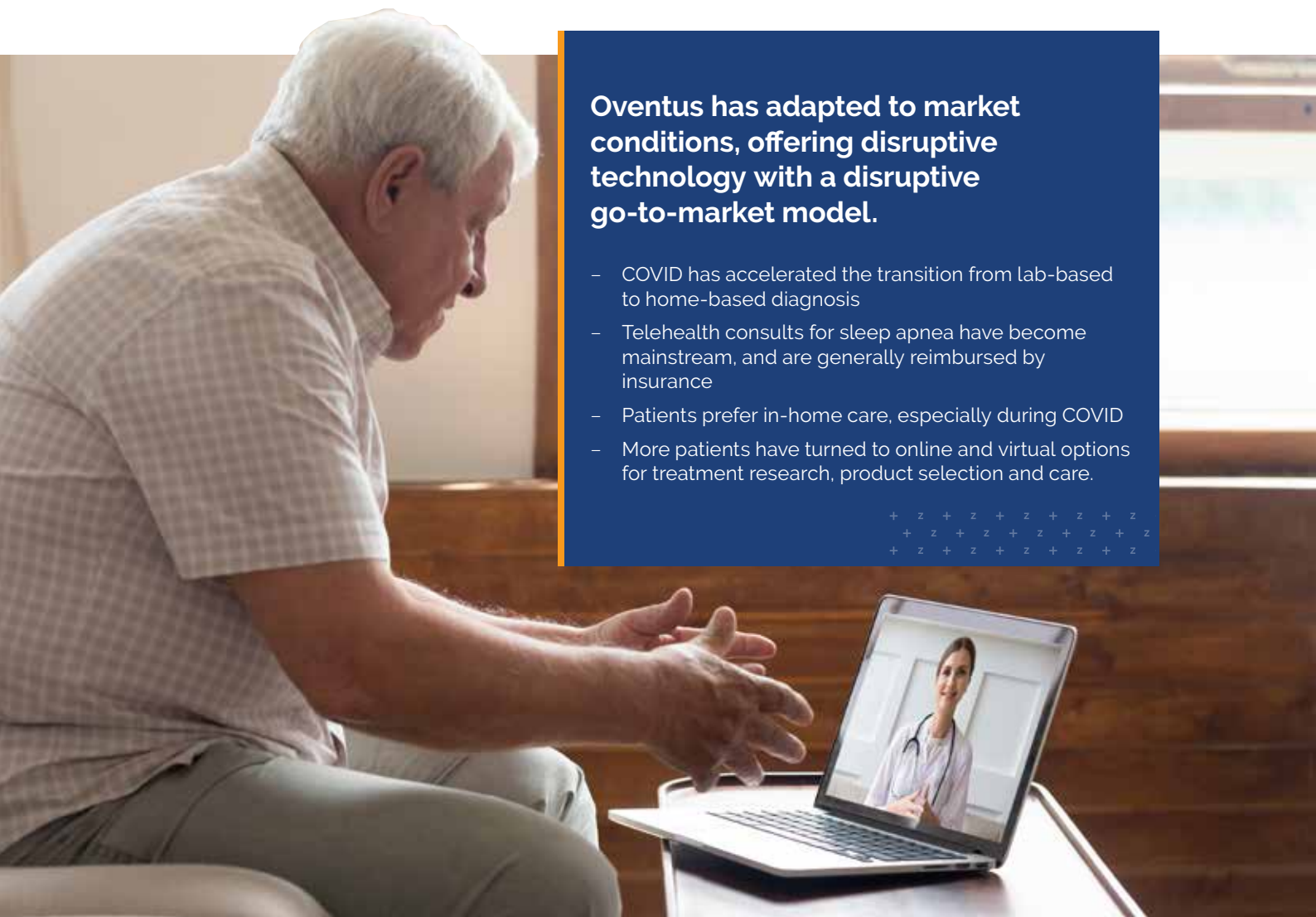
- The trial focuses on the O2Vent Optima device and employs novel targeted therapies including ExVent, directed to each patient's individual causes of sleep apnea with the aim of the trial to provide a targeted therapy solution for every patient.
- We have recruited 112 participants (recruitment now closed), with 25 participants in various stages of follow-up, and final data collection is scheduled for Q4 CY 2021.
- Detailed data analysis and multiple high impact publications reporting on these findings are anticipated in early 2022.
- Preliminary findings were presented at the recent US Sleep meeting and Australasian Sleep Association (ASA) Conference in October. Two abstracts were accepted, including one on combination therapy where the CRC-P members, including Neuroscience Research Australia, Flinders University, the CSIRO and Oventus were able to successfully treat all the patients with targeted combination therapy.
- As part of this project, a novel model was developed to predict who will respond to the O2Vent Optima, using standard polysomnography (PSG) and clinical measures. These exciting findings, that showed prediction accuracy >80%, were recently presented at the European Respiratory Congress (September 2021).
- We have also studied several patients in the home setting during a one-month extension arm for ExVent. Preliminary findings indicate that patients have high adherence, comfort and tolerance using ExVent therapy.



Lead investigator,
Professor Danny Eckert
commented:

As the first prospective trial to apply comprehensive phenotyping approaches, to deliver targeted therapy based on each individual patient's specific causes of sleep apnea, this body of work represents a major advance for the field. These exciting findings pave the way for a precision medicine approach to sleep apnea care and management, where the right therapy or therapies are provided to the patient up front rather than the current imprecise trial and error approach. This unique collaborative program between the Australian Government, industry and academia has facilitated the acceleration of this important objective that has the potential to help a large number of patients globally.

The pandemic has changed the sleep apnea market



Oventus has adapted to market conditions, offering disruptive technology with a disruptive go-to-market model.

- COVID has accelerated the transition from lab-based to home-based diagnosis
- Telehealth consults for sleep apnea have become mainstream, and are generally reimbursed by insurance
- Patients prefer in-home care, especially during COVID
- More patients have turned to online and virtual options for treatment research, product selection and care.

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Oventus: positioned for success

In response to the pandemic, Oventus has made significant operational changes. Through FY21 we:

Reduced expenses



Reduced operational expenses to allow for increased investment into go-to-market and virtual operations.

Restructured sales and marketing



Restructured marketing to develop a patient-centred brand and to communicate directly to patients seeking options.

Generated demand virtually



Developed capabilities to generate demand virtually, then provide services to patients through our clinical partners, either virtually or with fewer office visits.

Reviewed manufacturing

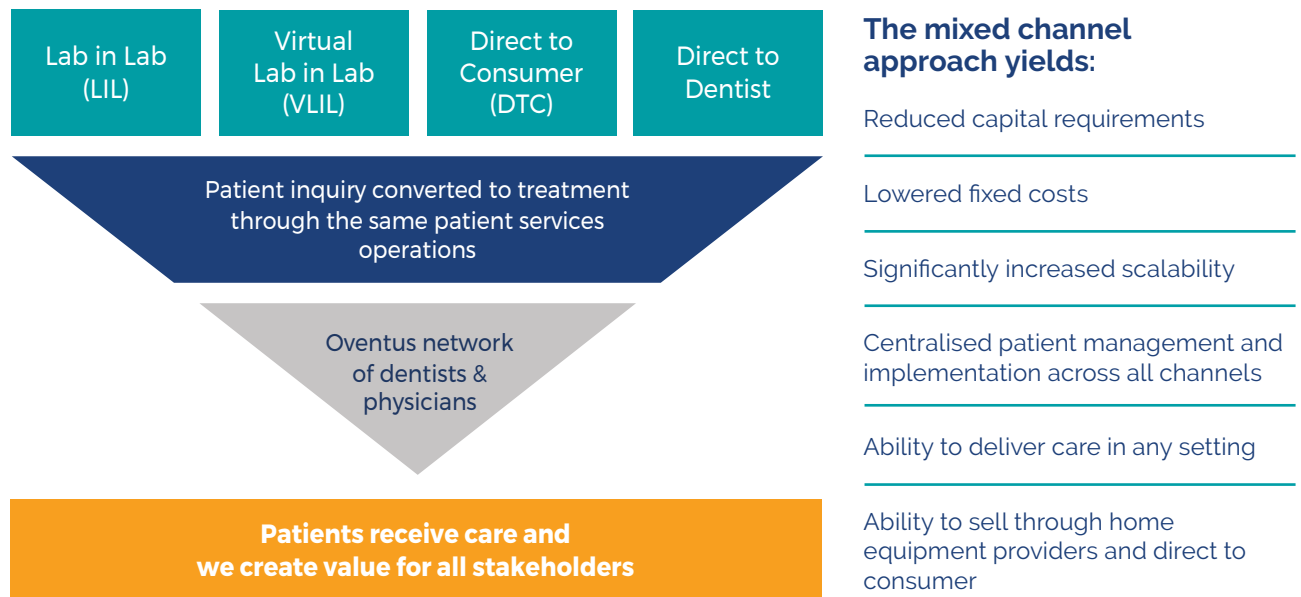


Reviewed manufacturing operations to increase efficiency and improve gross margins.

Direct to consumer marketing + virtual patient options

Our customer marketing model is now designed to locate and engage patients directly from home, and we offer a virtual model for diagnosis, treatment and care.

For patients who want to be seen in person or who are brought to care by one of our clinical partners, we offer the same branded, high value service and support.



We have tuned our focus to channels with maximum return on investment (ROI)



Virtual channels – scheduled new patient telehealth consultations increased 25% QoQ, as at end June 2021.



Of the sites contracted and launched under the Lab in Lab and Virtual Lab in Lab programs, 29 Lab in Lab sites were active as at the end of August 2021, of which 7 groups are virtual.



While the model is still in early stages, Direct to Consumer (DTC) marketing already contributes to over half of telehealth consultations scheduled.



Patient flow - with increased consultations, improvements in conversions, and the multichannel service model, we anticipate strong growth in the coming year - at higher margins.



Conversion rates and customer acquisition costs are becoming more predictable.

Chair and CEO's address

Left: Sue MacLeman, Chair
Right: Dr Chris Hart, Managing Director, CEO

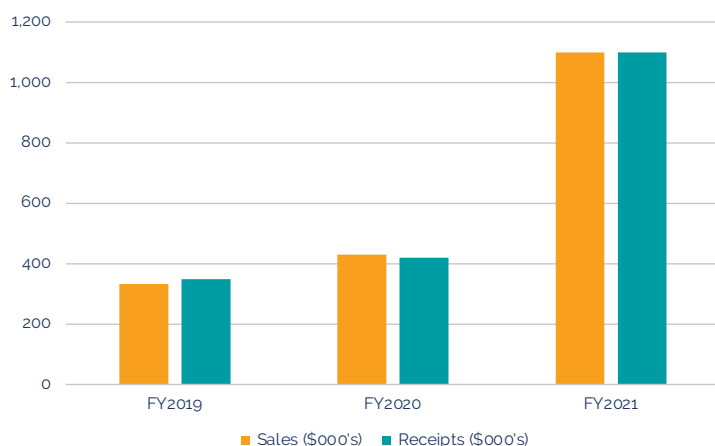
We are proud to present
Oventus Medical's (ASX:
OVN) Annual Report for
the 2021 financial year.

Oventus delivered steady revenue growth in FY21, supported by emerging Direct to Consumer demand generation.

Dear fellow shareholders,

With a strong product portfolio and scalable business models in place, Oventus commenced FY22 focused on the path to profitability. FY21 was our best year on record for device sales, despite what remained a highly challenging patient treatment environment for in-person clinical settings. Cash receipts for the 12 months ended 30 June 2021 totalled \$1.1m, up 192% over the prior period. Booked revenues for the 12 month period were \$1.1m, up 160% over the prior period.

Year on year growth



Operating expenditures for FY21 were \$10.4m, down 1% over FY20 (\$10.4m), which included one-off restructuring costs designed to align the Group with the current market conditions and reduce future overhead costs. Loss from ordinary activities was (\$9.8m), down 3% on previous corresponding period.

Revised go-to-market strategies improve patient access to treatment from home

For just about all economies and communities, FY21 remained a difficult and challenging time. We have all had to adapt to new ways of living, working and doing business.

At the beginning of the pandemic, Oventus moved proactively and strategically to reposition itself, adding a telehealth solution for patients, plus remote training for and launching of physical customer sites. As we look back across FY21, we are proud of the progress made to extend upon our initial FY20 efforts.

We are now positioned nimbly with three versatile and scalable go-to-market approaches. These approaches enable us to provide in-clinic treatment to patients where it is safe to do so; offer partially in-person treatment in collaboration with our sleep channel partners, or treat patients completely remotely (virtually), in line with their preference. Across all approaches, the patient treatment journey has been dramatically simplified and the inclusion of Oventus-delivered telehealth across the board has brought us closer to our patients.

Lab in Lab and Virtual Lab in Lab program focus honed

Through FY19 and FY20, we worked hard in building, then driving adoption of Lab in Lab, a program where Oventus works with sleep groups and dentists in physical venues (labs) to deliver care collaboratively to patients. An unfortunate outcome of the pandemic was the closure of many physical sleep labs for periods, or for the long-term. This disrupted expected progress with the Lab in Lab program.

In the second half of FY21, we conducted a full top to bottom strategic review of every opportunity available to Oventus, with a focus on those aspects of business that will drive best value for investors. One key outcome of the review was the decision that Oventus would focus only on select, higher yield, Lab in Lab targets to maximise potential for success and return on investment via this channel.

An adjunct to the Lab in Lab program, the Virtual Lab in Lab program was developed by Oventus in response to the pandemic. Under this program, patients can engage with channel partners physically, online or over the phone. Based on their preference, patients can schedule a telehealth consultation followed by dentist guided at-home impression and device delivery consultations. High-accuracy, custom-fit devices are then typically shipped within 2-3 weeks to the patient's home.

In favour of the Lab in Lab program which remains exposed to pandemic-driven treatment access challenges, moving into FY22, the lower-cost Virtual Lab in Lab program will be expanded, in collaboration with new and existing national partners.

Direct to Consumer demand generation grows

Our experience delivering virtual treatment to patients under the Virtual Lab in Lab program was further leveraged to develop a Direct to Consumer program. Patients can self-arrange their treatment online via Oventus' websites: O2Vent.com, GoPAPfree.com and AwakeXpress.com. As with the Virtual Lab in Lab program, consumers can undergo a complete diagnosis by being connected with home sleep test providers, before being guided to use the impression kit. The O2Vent Optima is then shipped to the patient at home. Through this process, Oventus works with dental and sleep channel partners to ensure the highest standards of care and patient satisfaction.

Alongside the virtual care models, Oventus built out and launched a branded customer relationship management (CRM) platform designed to provide the critical technology link between our patient-focused campaigns, our channel partner marketing, and our patient services operations. Originally launched in H1 FY21, return on investment is expected to increase as this highly scalable go-to-market model develops, and visibility on the patient acquisition cost further crystalises. With this platform, customer acquisition costs can be tracked and optimised, allowing for continuous, real-time measurement and improvement.

As at the end of August 2021, the number of newly scheduled patient telehealth consults had already surpassed those of last quarter. Conversion rates are also increasing, aided by the fact that Oventus is now available in-network for dental and insurance coverage across the US. This means that patients can come into care via any channel across the US, be it Lab in Lab, Virtual Lab in Lab, or Direct to Consumer and with a high degree of certainty access their insurance with minimal out-of-pocket costs. As conversion rates increase, customer acquisition costs decrease, improving return on marketing investment.

R&D progress and intellectual property development

In 2017 Oventus was fortunate to be announced as lead participant in a Cooperative Research Centres Programme (CRC-P), administered by AusIndustry, a division within the Australian Federal Government's Department of Industry, Innovation and Science. The hugely successful CRC-P project: *Targeted therapy for sleep apnoea: A novel personalised approach* has led to the development of a substantial body of clinical evidence in support of Oventus' sleep treatment platform. It has also contributed to our robust intellectual property portfolio.

The project was granted \$2,950,000 in funding over three years with Oventus named as the lead partner in cooperation with Medical Monitoring Solutions Pty Ltd, Neuroscience Research Australia (NeuRA), Western Sydney University (WSU) and CSIRO.

Supported by the CRC-P grant, in July 2021 NeuRA finished recruitment of a major multicentre clinical trial. The 112 patient trial is focused on the O2Vent Optima device and employs novel targeted therapies (including Oventus' ExVent valve), directed to each patient's individual causes of sleep apnea. The aim of the trial is to provide a targeted therapy for every patient. Recruitment for the trial is now closed and the final 25 participants are in various stages of follow-up, with final data collection scheduled for Q4 2021.

Clinical research has led to ground-breaking findings in support of the O2Vent technology, where a cohort of 112 patients were studied with the goal of developing the ultimate predictive algorithm for treating OSA patients.

Chair and CEO's address

continued

Preliminary results were presented at the recent US Sleep meeting and more will be presented at the Australasian Sleep Association (ASA) Conference in October, 2021. The research found that combination therapy based on O2Vent Optima and ExVent successfully treated the majority of patients in the study, with the remaining patients achieving a therapeutic outcome by the addition of oxygen and/or certain pharma agents. Importantly, all patients completing this arm of the study were treated successfully without the need for Continuous Positive Airway Pressure (CPAP).

This is a significant milestone in the evolution of the Oventus treatment platform and to our knowledge, this is the first and only significant scientific evidence of a CPAP alternative with CPAP-like efficacy.

As part of the research, a novel model was developed to predict who will respond to the O2Vent Optima, prior to device prescription. We were excited to learn that the model showed prediction accuracy above 80%. The ability to predict with a high level of accuracy who will achieve treatment success with the O2Vent Optima treatment platform will enable sleep physicians to prescribe O2Vent Optima therapy as a first line of treatment when indicated. Preliminary results were presented at the European Respiratory Congress in September this year and we expect full publication of the algorithm early in 2022. Once released, the algorithm will provide sleep physicians the capability to accurately prescribe the best and most appropriate treatment options to patients, the first time around.

Team and advisors

As we assessed and refined our global operations and strategy, changes were made to the Oventus Board through FY21 to align with this focus. Dr Mel Bridges retired from the role of Chairman, replaced by Sue MacLeman. Mel was Oventus' founding Chairman and we sincerely thank him for all his efforts to date, providing original seed and pre-IPO funding, leading Oventus through our 2016 IPO and through a series of over-subscribed capital raises. We are grateful to retain his expertise on the Board, now as a Non-Executive Director and as Chair of our Audit and Risk Committee.

To support Direct to Consumer demand generation, John Cox joined the Oventus team through the period as President and Chief Operating Officer, bringing over 30 years of experience in the US MedTech sector, including directly relevant experience in sleep and related technology marketing and operations. Prior to joining Oventus, John, who is US based, was President and CEO of Somnera, Inc,

where he developed a cloud-connected alternative to CPAP and built out direct to consumer, customer engagement and channel partner programs. John is leading the revamp in digital channel marketing and back-end systems as well as preparing for manufacturing scale up. We are very pleased to have John on board.

As noted earlier, we took the opportunity in late FY21 to do a top to bottom strategic review of every opportunity that was open to us. This required some new skill and expertise and was not an easy process, but it left us in the position where the whole team is very clear about their job roles, how to work together and what we need to deliver. On 10 September 2021, we announced the appointment of Michael Sisk as US-based Vice President of Finance. Michael will be based in California and build a strong finance hub to support the increasing needs of Oventus' North American operations.

We are all working toward delivering shareholder value. On behalf of the Board, our thanks go to all those Oventus staff, both past and present, who invested or continue to invest their time, and commitment to our cause.

Keeping an eye on our objectives

We close by acknowledging that FY21 was a tough year for many – including patients, clinicians and our own team, but also that this adversity inspired the innovation in our go-to-market approach that now enables us to treat patients just about anywhere.


We didn't achieve all of our internal revenue targets for the year – while there were clear reasons for this and many were outside of our control, we recognise that it impacted our valuation and also the cost of capital during our May/June capital raise. This was not our preferred method, but we are sincerely grateful to all our shareholders who, like us, continue to believe in the vision of delivering better therapeutic outcomes to the millions of sleep apnea patients around the world who can benefit from our treatment alternative.

As we move into FY22, we have our eye firmly on the objectives of growing the business and moving toward profitability. We thank you for your support and look forward to keeping you up to date on our progress.

Yours sincerely,



Sue MacLeman
Chair and
Non-Executive Director



Dr Chris Hart
Founder, Managing Director
and CEO

Board and Management



Sue MacLeman

Chair and Non-Executive Director

Sue MacLeman has more than 30 years' experience as a pharmaceutical, biotechnology and medical technology executive having held senior roles in corporate, medical, commercial and business development. Sue has also served as CEO and Board member of several ASX and NASDAQ listed companies in the pharmaceutical sector. Sue is also appointed to several academic and government advisory committees including CSIRO Health and Biosecurity Advisory Committee, Prime Ministers Digital Expert Advisory Committee, DMTC Medical Countermeasures and various COVID-19 taskforces.

Sue commenced the role as Chair of Oventus Medical Ltd (ASX:OVN) in November 2020 along with Chair of Oventus' Remuneration Committee. She was previously Non Executive Director and Chair of Oventus' Risk and Audit Committee. She is also Chair of MTPConnect (Medical Technology and Pharmaceuticals Industry Innovation Growth Centre Ltd MTPII-GC Ltd), Chair of Tali Digital Ltd (ASX:TD1), Non-Executive Director of Palla Pharma Ltd (ASX:PAL), Non Executive Director of Anantara Lifesciences Ltd (ASX:ANR), Non Executive Director of Planet Innovation Ltd and Non-Executive Director of Omico. Her broad commercial experience is underpinned by her qualifications including a Bachelor of Pharmacy (University of Queensland), Masters of Marketing at Melbourne University (Melbourne Business School) and a Masters of Law degree (Deakin University). Sue is also Fellow and Chair Health Forum ATSE, Fellow ACPP and Fellow/Graduate of AICD.



Dr Chris Hart

Founder, Managing Director and Chief Executive Officer

Chris is the founder of the Company and inventor of the O2Vent design concept. Chris is overseeing the launch of the O2Vent Optima to patients and through clinicians and heads the management team as they roll out the Oventus Sleep Treatment Platform across Australia, the United States and Canada. Chris is also heavily involved with training and presenting to the dental and sleep sector.

Chris graduated from the University of Queensland in 1998 with a Bachelor of Dental Science with Honours and a Bachelor of Science in Biochemistry. He has studied at Cambridge University where he graduated with a Master of Philosophy in Biomedical Science in 1999. Prior to establishing Oventus, Chris owned and managed a multi-site national dental practice, training institute and management consultancy which he sold to private equity investors. Chris also acts as an adviser to various bodies within the dental industry on the commercial aspects of health care delivery.



Dr Mel Bridges

Non-Executive Director

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

Board and Management

continued



Mr Paul Molloy
Non-Executive Director

Based in Southern California, Paul Molloy has considerable global and US medical device industry expertise, with 25 years' experience leading a range of public, private and venture capital funded healthcare companies. He is currently President and CEO of ClearFlow Inc., a US-based medical device company. Before joining ClearFlow, Paul was CEO at VasoNova Inc. – a Silicon Valley-based, venture funded vascular navigation company which was acquired by Teleflex Inc. (NYSE, TFX), in January 2011. Following the acquisition, he was appointed President of Teleflex' largest division – ARROW Vascular – having full P&L responsibilities for direct sales, US and overseas manufacturing plants, R&D and strategic planning. Mr Molloy has also exited a number of leading US medical devices firms, including publicly traded cerebral oxygenation monitoring firm, CAS Medical Inc., and Revolutionary Medical Devices. He also serves on the Board at Augustine Medical, a privately held market leader in medical arena temperature management. Paul started his career as a CRNA (Certified Registered Nurse Anaesthetist). He holds an MBA (Chicago Booth School of Business), with a focus on finance and economics.



Mr Jason (Jake) Nunn
Non-Executive Director

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

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



Mr Stephen Denaro
Company Secretary

Steve has extensive experience in mergers and acquisitions, business valuations, accountancy and income tax compliance services, as well as board corporate governance. Steve provides company secretary services for a number of biotech and software companies. Steve is also a member of the Institute of Chartered Accountants in Australia, and the Australian Institute of Company Directors.



Mr John Cox
President and COO

Based in California, John is a 30 year veteran of the Medical Device Industry, having held leadership roles while guiding numerous businesses through development and transformative growth. Prior to joining Oventus, John was the President, CEO and Chairman of Fresca Medical, Inc., a medical technology startup. He was also the Chief Operating Officer of USGI Medical, where he led the commercialisation of a breakthrough non-invasive surgery platform.

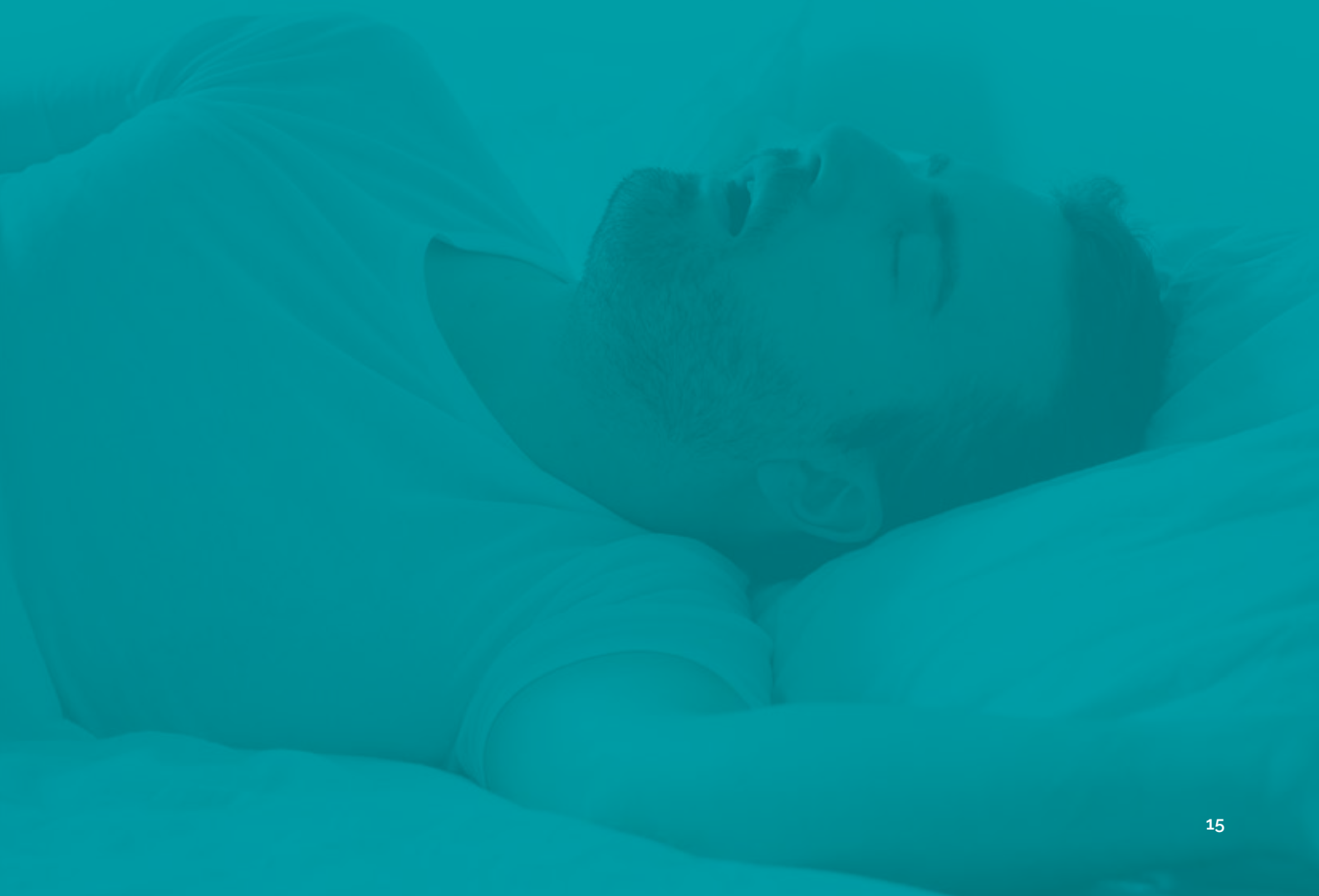
John has held senior executive and management roles for medical device manufacturers such as B. Braun Aesculap, Applied Medical, and U.S. Surgical. He also serves as Chairman and Co-Founder of Retraction Ltd., a Hong Kong-based innovator in minimally invasive surgery. John is named on over 20 US and foreign patents. He earned his MBA with honors from the University of Virginia's Darden School of Business.

Financial Report FY21

For the year ended 30 June 2021

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Directors' Report

For the year ended 30 June 2021

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 2021.

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:

Ms Sue MacLeman	(Chairman) (Non-Executive Director)
Dr Melvyn Bridges	(Non-Executive Director)
Dr Christopher Hart	(Executive Director) (Founder) (Managing Director and Chief Executive Officer)
Mr Paul Molloy	(Non-executive Director)
Mr Jason Nunn	(Non-executive Director)
Mr Sharad Joshi	(Non-Executive Director) – retired on 23 November 2020
Mr Stephen Denaro	- Company Secretary

Principal activities

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

During the financial year ended 30 June 2021, Oventus was primarily focused on rolling out its devices across its key North American market via the 'Lab in Lab' (LIL) and Virtual Lab in Lab (VLIL) programs and developing its Direct to Consumer (DTC) rollout.

Review of operations

COVID-19 accelerated the transition to online purchasing and virtual care, such that most patients are now tested for Sleep Apnea at home. In response to this change, Oventus innovated its go to market strategies to enable patients to receive care either fully online, or at their preferred physical treatment site.

Lab in Lab program

LIL is a collaborative strategy that enables sleep clinicians and dentists to work together in a collaborative and profitable manner to deliver care to patients. With this approach, the patient visits a sleep doctor, who consults, diagnoses and prescribes an Oventus O2Vent Optima. A dentist within the sleep centre uses an intraoral scanner to scan the patient's mouth, creating the digital records to 3D print a custom fit O2Vent Optima. The dentist then delivers the device and handles reimbursement. Ongoing patient management is shared by the sleep physician and dentist.

COVID has caused many physical sleep labs to close for periods, or for the long-term, disrupting expected progress with the LIL program. Moving into FY22, Oventus will focus only on select, higher yield LIL targets to maximise potential for success and return on investment via this channel.

Virtual Lab in Lab program

The VLIL program was developed by Oventus in response to COVID-19. Patients start with a free online (telehealth) consultation with a member of the Oventus team where they review the process and see if they're a fit for O2Vent Optima. If they're a candidate, Oventus can ship the patient an impression kit and schedule a virtual impression appointment with a dental board-certified dentist. During the ensuing telehealth appointment, patients are guided to use the impression kit, which is then used to design and 3D print their O2Vent Optima, which is then shipped to the patient at home.

In favour of the LIL program which remains exposed to pandemic-driven bricks and mortar challenges, moving into FY22 the lower cost Virtual Lab in Lab program will be expanded, in collaboration with new and existing national partners.

At the time of writing, of the sites contracted and launched under the LIL and VLIL programs, 29 Lab in Lab sites were active, of which 7 groups were virtual.

Direct to Consumer program

Under the DTC model, patients can self-arrange their treatment online via Oventus' websites: gopapfree.com and o2vent.com. As with the Virtual Lab in Lab program, consumers can undergo a complete diagnosis via a home sleep test, before being guided to use the impression kit. The O2Vent Optima is then shipped to the patient.

Both DTC and VLIL channels generate greater margins that can be invested into customer acquisition and/or increasing conversion rates. As visibility on acquisition costs crystallises, the return on investment in the highly scalable DTC channel is expected to increase, enabling Oventus to invest more into sales growth.

These virtual programs enable online collaboration between, and generate value, for all stakeholders while reducing friction in the patient journey and increasing accessibility to O2Vent therapy.

Moving forward, focus on the DTC model will increase, while the Company targets accelerated revenue growth at increasingly lower blended customer acquisition costs across all channels.

Restructured for sustainable growth

During Q4 FY21, Oventus completed a restructure to align with current market conditions and reduce overhead costs. The Company ceased all non-essential research and development, reduced headcount, reduced executive and board remuneration and restructured the sales and marketing team to allow for investment into DTC marketing and omni-channel service through clinical partners.

Directors' Report

For the year ended 30 June 2021

While this restructuring activity created one-off restructuring costs and impeded sales growth during the final quarter, it has allowed for increased investment into customer acquisition and lower ongoing quarterly operating costs.

As part of the restructure, John Cox joined the Oventus team as President and Chief Operating Officer with over 30 years of experience in the US MedTech sector, including directly relevant experience in Sleep and related technology marketing and operations. Prior to joining Oventus, John was President and CEO of Somnera, Inc, where he developed a cloud-connected alternative to CPAP and built out direct to consumer, customer engagement and channel partner programs. John is leading the revamp in digital channel marketing and back-end systems as well as preparing for manufacturing scale up.

Capital raisings

During the financial year, Oventus conducted a capital raise. In June 2021, it raised A\$10.02 million through a Placement to institutional and sophisticated investors and a fully underwritten non-renounceable Entitlement Offer. Under the June 2021 Placement and Entitlement Offer, the Company offered one free attaching unlisted option for every two new shares subscribed for (Options). The Shares under the Placement and Entitlement Offer had an issue price of A\$0.12 each. The Options offered under the Placement and the Entitlement Offer will have an exercise price of A\$0.24 and will expire 2 years from date of issue. Funds raised are being deployed to solidify the Group's 'Lab-in-Lab' network and to expand customer base through various models including Virtual Lab-in-Lab and Direct-to-Consumer.

Financial position and results

The Consolidated Entity's cash position was \$9.2 million as at 30 June 2021, providing over three quarters of funding, without the benefit of revenue improvement which is expected to increase in FY2022 as the number of patient bookings continue to grow.

The loss for the Consolidated Entity amounted to \$9,831,562 (2020: loss of \$10,126,364).

Total revenues for the year ended 30 June 2021 were \$1,089,535 (2020: \$419,298), including device sales of \$784,793 (2020: \$358,921) a service-fee revenue of \$304,742 related to the 'Lab in Lab' business and 'Direct to Consumer' model. Gross profit from revenues totalled \$401,623 (2020: \$187,562).

The Consolidated Entity incurred operating expenses of \$10,359,011 for the year ended 30 June 2021 (2020: \$10,425,216). Operating expenses include non-cash charges of \$1,327,835 (2020: \$1,526,652) for amortisation of intangible assets and depreciation, share based payments of \$910,260 (2020: \$308,838), disposal of discontinued patent families of \$307,508 (2020: nil) and are reflected net of capitalised development expenditures. Development expenditures that were capitalised increased to \$957,871 for the year ended 30 June 2021 from \$779,618 in 2020. The increase in operating expenditures primarily related to once-off restructuring cost to align the Group with the current market conditions and reduce future overhead costs. During the year, the Consolidated Entity received \$584,350 from the Australian Federal Government as a cash rebate for the Company's 2020 financial year R&D spend (2020: \$828,120 related to 2019 financial year).

Dividends

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

Board and executive management changes

There were a number of changes in executive management as follow:

- Appointment of John Cox as President and Chief Operating Officer in June 2021. John has over 30 years of experience in the US MedTech sector, including directly relevant experience in Sleep and related technology marketing and operations.
Prior to joining Oventus, John was President and CEO of Somnera, Inc, where he developed a cloud-connected alternative to CPAP and built out direct to consumer, customer engagement and channel partner programs. John is leading the revamp in digital channel marketing and back-end systems as well as preparing for manufacturing scale up.
- Daniel Parry resigned as the Chief Financial and Operations Officer in May 2021.
- Robin Randolph resigned as the Sr VP Sales, Marketing, Operations in May 2021.
- James Hunter was appointed as the Acting Chief Financial Officer in May 2021.

Directors' Report

For the year ended 30 June 2021

Significant changes in the state of affairs

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

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

	30 June 2021 Number of Shares #	30 June 2021 Value of Shares \$	30 June 2020 Number of Shares #	30 June 2020 Value of Shares \$
Equity – Share capital				
Opening Balance	158,237,701	44,333,763	105,939,212	29,640,394
Ordinary shares issued:				
1 August 2019	–	–	15,757,491	5,987,847
28 August 2019	–	–	6,085,092	2,312,335
17 September 2019	–	–	2,747,922	1,044,210
8 May 2020	–	–	19,010,416	4,562,500
18 June 2020	–	–	364,584	87,600
18 June 2020	–	–	8,332,984	2,000,001
18 June 2020 Share issue costs	–	–	–	(1,301,124)
7 August 2020 SPP options exercised	24,716	8,898	–	–
14 May 2021	23,572,850	2,828,742	–	–
21 June 2021	41,326,998	4,959,240	–	–
29 June 2021	18,564,270	2,227,712	–	–
June 2021 Share issue costs	–	(719,369)	–	–
At reporting date	241,726,535	53,638,986	158,237,701	44,333,763

Significant matters subsequent to the Year end

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Expected future developments

Oventus moves into FY22 with a focus on driving toward profitability.

Focus on the Direct to Consumer model will increase, while the Company targets accelerated revenue growth at increasingly lower blended customer acquisition costs across all channels.

For the traditional Lab in Lab model, where treatment is delivered in physical venues, the Company will focus only on select, higher yield targets to maximise potential for success and return on investment via this channel. In favour of this, the lower cost Virtual Lab in Lab program will be expanded, in collaboration with new and existing national partners.

The recent restructure and capital raise, looming CPAP shortage, reopening of key markets and the expansion of the virtual programs enabling patients to access therapy wherever they are on their journey puts Oventus in a strong position and the company looks forward to keeping investors updated on its progress.

Environmental regulations

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

Directors' Report

For the year ended 30 June 2021

Information on directors and company secretary

Sue MacLeman	(Chair) (Non-Executive Director) (appointed as Non-Executive Chair on 23 November 2020)
Qualifications	Bachelor of Pharmacy from the University of Queensland, Masters of Marketing at Melbourne University (Melbourne Business School), a Masters of Law degree (Deakin University), Fellow and Chair Health Forum ATSE, Fellow ACPP and Fellow/Graduate of AICD.
Experience	Sue MacLeman has more than 30 years' experience as a pharmaceutical, biotechnology and medical technology executive having held senior roles in corporate, medical, commercial and business development. Sue has also served as CEO and Board member of several ASX and NASDAQ listed companies in the pharmaceutical sector. Sue is also appointed to several academic and government advisory committees including CSIRO Health and Biosecurity Advisory Committee, Prime Ministers Digital Expert Advisory Committee, DMTC Medical Countermeasures and various COVID19 taskforces.
Other current directorships	Sue is currently the Chair of MTPConnect (Medical Technology and Pharmaceuticals Industry Innovation Growth Centre MTPII-GC Ltd), Chair of Tali Digital Ltd (ASX:TD1), Non-Executive Director of Palla Pharma Ltd (ASX:PAL), Non-Executive Director of Anatara Lifesciences Ltd (ASX: ANR), Non-Executive Director of Planet Innovation Holdings Ltd and Non-Executive Director of Omico.
Former directorships (last 3 years)	Veski (July 2017 – May 2021)
Special responsibilities	Sue is the chair of the Remuneration Committee and Nominations Committee and serves on the Audit and Risk Management Committee.
Interest in shares	137,462 ordinary shares
Interest in options	391,665 options
Mel Bridges	(Non-Executive Director) (retired as Non-Executive Chair on 23 November 2020)
Qualifications	Bachelor Degree of Science (Chemistry), Honorary Doctorate from Queensland University of Technology and Fellow of the Australian Institute of Company Directors.
Experience	<p>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.</p> <p>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).</p>
Other current directorships	None
Former directorships (last 3 years)	Mel was previously a Non-Executive Director of ASX 100 Company ALS Ltd until his retirement in July 2019 and was a director of Tissue Therapies Ltd (March 2009 to December 2015), Benitec BioPharma Limited (October 2007 to June 2014) and Anatara Lifesciences Ltd (until May 2018).
Special responsibilities	Mel is the chair of the Audit and Risk Management Committee and serves on the Remuneration Committee and Nomination Committee.
Interest in shares	3,283,050 ordinary shares
Interest in options	433,335 options

Directors' Report

For the year ended 30 June 2021

Paul Molloy	(Non-Executive Director)
Qualifications	MBA from the University of Chicago Booth School of Business and Certified Registered Nurse Anaesthetist (CRNA) from Academisch Medisch Centrum, Alkmaar, Netherlands
Experience	<p>Paul Molloy has considerable global and US medical device industry expertise, with twenty-five years' experience leading a range of public, private and venture capital funded healthcare companies. He is currently President and CEO of ClearFlow Inc., a US-based medical device company. Before joining ClearFlow, Paul was CEO at VasoNova Inc. - a Silicon Valley-based, venture funded vascular navigation company which was acquired by Teleflex Inc. (NYSE, TFX), in January 2011. Following the acquisition, he was appointed President of Teleflex' largest division – ARROW Vascular – having full P&L responsibilities for direct sales, US and overseas manufacturing plants, R&D and strategic planning.</p> <p>Mr Molloy has also exited a number of leading US medical devices firms, including publicly traded cerebral oxygenation monitoring firm, CAS Medical Inc., and Revolutionary Medical Devices. He also serves on the Board at Augustine Medical a privately held market leader in medical arena temperature management.</p>
Other current directorships	None
Former directorships (last 3 years):	None
Special responsibilities	Paul serves on the Audit and Risk Management Committee.
Interest in shares	520,837 ordinary shares
Interest in options	708,335 options
Jason Nunn	(Non-Executive Director)
Qualifications	MBA from the Stanford Graduate School of Business and an AB in Economics. Jason holds the Chartered Financial Analyst designation, is a member of the CFA Society of San Francisco, and recently completed the Stanford GSB Directors' Consortium executive education program.
Experience	<p>Jason Nunn has more than 25 years' experience in the life science industry as an investor, independent director, research analyst and investment banker. Jason is currently a venture advisor at New Enterprise Associates (NEA), where he was a partner from 2006 to 2018. Jason is a Director of Addex Therapeutics (SIX,Nasdaq: ADXN), Regulus Therapeutics (Nasdaq: RGLS) and Trevena, Inc. (Nasdaq: TRVN). He was a previous Director of several companies in the pharmaceutical sector including Dermira Inc. (acquired by Eli Lilly) and Hyperion Therapeutics (acquired by Horizon Pharma plc), and a board observer at Vertiflex, Inc. (acquired by Boston Scientific).</p> <p>Prior to NEA, Jason was a Partner specializing in life sciences investing at MPM Capital. Previously, he was a healthcare research analyst and portfolio manager at Franklin Templeton Investments and an investment banker with Alex. Brown & Sons.</p>
Other current directorships	Jason is a Non-Executive Director at Addex Therapeutics, Regulus Therapeutics, and Trevena, Inc.
Former directorships (last 3 years):	Dermira, Inc. (May 2011 - February 2020), Qool Therapeutics, Inc. (August 2019 – June 2021)
Special responsibilities	Jason serves on the Audit and Risk Management Committee.
Interest in shares	364,580 ordinary shares
Interest in options	604,165 options

Directors' Report

For the year ended 30 June 2021

Chris Hart	(Executive Director) (Founder) (Managing Director and Chief Executive Officer)
Qualifications	Bachelor of Dental Science with Honours, Bachelor of Science in Biochemistry, Master of Philosophy in Biomedical Science.
Experience	<p>Chris is the founder of the Company and inventor of the O2Vent design concept. Chris is overseeing the launch of the O2Vent Optima to patients and through clinicians and heads the management team as they roll out the Oventus Sleep Treatment Platform across Australia, the United States and Canada. Chris is also heavily involved with training and presenting to the dental and sleep sector. Prior to establishing Oventus, Chris owned and managed a multi-site national dental practice, training institute and management consultancy which he sold to private equity investors.</p> <p>Chris also acts as an adviser to various bodies within the dental industry on the commercial aspects of health care delivery.</p>
Other current directorships	None
Former directorships (last 3 years):	None
Interest in shares	27,542,517 ordinary shares
Interest in options	6,070,002 options
Sharad Joshi	(Non-Executive Director) (Retired 23 November 2020)
Qualifications	Bachelor of Mechanical Engineering, & Pre-Med with Biology minor from Northeastern University in Boston, Massachusetts, Master of Business Administration, cum laude, from Babson College Olin School of Business, Wellesley, Massachusetts.
Experience	<p>Sharad has been active in the medical technology industry for over 30 years, held senior positions for the past 10 years including as a global entrepreneurial medical devices CEO with experience in launching medical devices, a strong track record of driving rapid global growth and laying the strategic foundations for sustained success through strategic and biomedical product innovation.</p> <p>Sharad brings deep expertise in the North American market in product development, marketing and sales, most recently as CEO of US headquartered Microline Surgical (a wholly owned subsidiary of Tokyo Stock Exchange listed HOYA Corporation) where he was responsible for executing growth strategy and market building, selling into 60 countries. Sharad is currently the President and Chief Executive Officer of NanoDiagnostics / BioDirection, Inc in Hopkinton Massachusetts.</p>
Other current directorships	Member of the Massachusetts Medical Board, Board Member BioDirection Inc.
Former directorships (last 3 years):	Massachusetts Medical Device Association
Interest in shares	201,139 ordinary shares
Interest in options	450,000 options
Stephen Denaro	(Company Secretary)
Qualifications	Bachelor of Business, Chartered Accountant, a Member of AICD and a Graduate Diploma in Applied Corporate Governance.
Experience	Steve has extensive experience in mergers and acquisitions, business valuations, accountancy and income tax compliance services, as well as board corporate governance. Steve provides company secretary services for a number of biotech and software companies. Steve is also a member of the Institute of Chartered Accountants in Australia, and the Australian Institute of Company Directors.
Interest in shares	344,943 ordinary shares
Interest in options	208,336 options

Directors' Report

For the year ended 30 June 2021

Meetings of directors

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

	Full Board	
	Number eligible to attend	Number attended
Sue MacLeman (appointed as Chair from 23 November 2020)	12	12
Mel Bridges (retired as Chair 23 November 2020)	12	12
Chris Hart	12	12
Paul Molloy	12	12
Jason Nunn	12	12
Sharad Joshi (retired on 23 November 2020)	5	5

Meetings of remuneration committee and audit and risk management committee

During the financial year, 1 meeting of the Remuneration and Nomination Committee were held and 2 meetings of the Audit and Risk Management Committee was held. Attendances were:

	Remuneration and Nomination		Audit and Risk Management	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mel Bridges (Chair, Audit and Risk Management Committee)	1	1	2	2
Sue MacLeman (Chair, Remuneration Committee and Nomination Committee)	1	1	2	2

Directors' Report

For the year ended 30 June 2021

Remuneration report (Audited)

The remuneration report details the key management personnel remuneration arrangements for the Consolidated Entity, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The report is structured as follows:

- Key management personnel (KMP) covered in this report
- Remuneration policy and link to performance
- Elements of remuneration
- Responsibilities of Remuneration and Nomination Committee
- Remuneration expenses for KMP
- The number of options held as at end of reporting period for KMP
- Shareholding
- Contractual arrangements for executive KMP
- Non-executive director arrangements

Key management personnel (KMP) covered in this report

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

- Sue MacLeman (Chairman) (Non-Executive Director)
- Melvyn Bridges (Non-Executive Director)
- Christopher Hart (Executive Director) (Founder) (Managing Director and Chief Executive Officer)
- Paul Molloy (Non-executive Director)
- Jason Nunn (Non-executive Director)
- Sharad Joshi (Non-Executive Director) (retired on 23 November 2020)

Other key management personnel

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

- John Cox (President and Chief Operating Officer) (appointed 7 June 2021)
- James Hunter (Acting Chief Financial Officer) (appointed 31 May 2021)
- Daniel Parry (Chief Financial and Operations Officer) (resigned 28 May 2021)
- Robin Randolph (Sr VP Sales, Marketing, Operations) (resigned 21 May 2021)
- Stephen Denaro (Company Secretary)

Remuneration policy and link to performance

The Group's remuneration policy adopted has been designed to:

- Align with shareholder and business objectives and expectations;
- Attract and retain suitably qualified and experienced people;
- Provide a level and composition of remuneration that is reasonable, fair and aligned to market;
- 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;
- Align corporate and individual performance;
- Be internally consistent;
- Be transparent with respect to setting performance goals and the measurement of performance against those goals; and
- 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 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 consists 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.

Directors' Report

For the year ended 30 June 2021

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 2021							
<i>Non-executive directors</i>							
Sue MacLeman	96,831	–	–	9,199	–	56,255	162,285
Mel Bridges	100,372	–	–	9,535	–	56,255	166,162
Paul Molloy	97,770	–	–	–	–	93,758	191,528
Jason Nunn	101,086	–	–	–	–	93,758	194,844
Sharad Joshi (retired 23 Nov 2020)	44,853	–	–	–	–	56,255	101,108
<i>Executive directors</i>							
Chris Hart ^[1]	566,702	–	302,141	–	–	937,575	1,806,418
Total for directors	1,007,614	–	302,141	18,734	–	1,293,856	2,622,345
<i>Other key management personnel</i>							
Stephen Denaro	43,800	–	–	–	–	19,249	63,049
John Cox (from 7 Jun 2021)	34,499	–	–	–	–	–	34,499
James Hunter (from 31 May 2021)	17,308	–	–	1,644	–	–	18,952
Daniel Parry (resigned 28 May 2021)	219,792	–	54,054	20,972	–	–	294,818
Robin Randolph (resigned 21 May 2021)	203,795	–	17,827	–	77,250	76,995	375,867
Total for other KMP	519,194	–	71,881	22,616	77,250	96,244	787,185

For the year ended 30 June 2020

Non-executive directors

Mel Bridges	63,265	–	–	6,010	–	11,855	81,130
Sue MacLeman	42,557	–	–	4,043	–	11,855	58,455
Sharad Joshi	55,317	–	–	–	–	35,564	90,881
Paul Molloy (from 16 Dec 2019)	29,724	–	–	–	–	–	29,724
Jason Nunn (from 25 Feb 2020)	8,232	–	–	–	–	–	8,232

[1] Other benefits included accommodation and dependent's school fees. Due to the pandemic, the relocation of the CEO extended beyond the intended twelve months to almost two years as at 30 June 2021.

Directors' Report

For the year ended 30 June 2021

	Short-term benefits			Post-employment benefits	Share-based payments		
	Cash salary & fees \$	Bonus \$	Other Benefits \$	Super \$	Termination benefits \$	Equity-settled \$	Total \$
<i>Executive directors</i>							
Chris Hart	512,434	40,000	310,525	10,718	–	67,748	941,425
Neil Anderson (resigned 16 Dec 2019)	106,250	–	–	10,000	86,348	11,855	214,453
Total for directors	817,779	40,000	310,525	30,771	86,348	138,877	1,424,300
<i>Other key management personnel</i>							
Stephen Denaro	22,020	–	–	–	–	1,258	23,278
Daniel Parry	232,771	–	–	19,972	–	29,677	282,420
Robin Randolph	306,159	–	–	–	–	25,443	331,602
Total for other KMP	560,950	–	–	19,972	–	56,378	637,300

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

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

	Opening Balance	Movement	Closing Balance 30 June 2021	Vested as of 30 June 2021	Vested & Exercisable as of 30 June 2021
Directors					
Chris Hart	971,464	5,098,538	6,070,002	2,363,314	2,363,314
Sue MacLeman	251,720	139,945	391,665	173,995	173,995
Mel Bridges	329,179	104,156	433,335	215,665	215,665
Paul Molloy	52,083	656,252	708,335	373,335	373,335
Jason Nunn	78,125	526,040	604,165	269,165	269,165
Sharad Joshi (retired 23 Nov 2020)	150,000	300,000	450,000	198,990	198,990
Other KMP					
John Cox (from 7 Jun 2021)	–	–	–	–	–
James Hunter (from 31 May 2021)	–	–	–	–	–
Dan Parry (resigned 28 May 2021)	300,000	(300,000)	–	–	–
Robin Randolph (resigned 21 May 2021)	400,000	400,000	800,000	431,990	431,990
Stephen Denaro	125,366	82,970	208,336	132,996	132,996

Directors' Report

For the year ended 30 June 2021

The number of options that have vested as of the reporting period 30 June 2021 are as follows:

	Exercise Price	Issue Date	FV per Option @ Grant Date	Closing Balance	Vested as of 30 June 2021
Chris Hart					
Unlisted options - Vesting 21/6/21 Expiring 21/6/23	\$0.240	21-Jun-21	\$0.016	104,167	104,167
Unlisted options - Vesting 29/6/21 Expiring 29/6/23	\$0.240	29-Jun-21	\$0.011	395,835	395,835
Unlisted options - Vesting 4/10/20 Expiring 8/12/24	\$1.063	10-Dec-19	\$0.384	166,650	166,650
Unlisted options - Vesting 4/10/21 Expiring 8/12/24	\$1.063	10-Dec-19	\$0.384	166,650	-
Unlisted options - Vesting 11/10/22 Expiring 8/12/24	\$1.063	10-Dec-19	\$0.384	166,700	-
Unlisted options - Vesting 14/12/19 Expiring 8/12/24	\$0.423	10-Dec-19	\$0.474	23,331	23,331
Unlisted options - Vesting 14/12/20 Expiring 8/12/24	\$0.423	10-Dec-19	\$0.474	23,331	23,331
Unlisted options - Vesting 21/12/22 Expiring 8/12/24	\$0.423	10-Dec-19	\$0.474	23,338	-
Unlisted options - Vesting 18/4/21 Expiring 4/8/25	\$0.400	5-Aug-20	\$0.188	1,650,000	1,650,000
Unlisted options - Vesting 18/4/22 Expiring 4/8/25	\$0.400	5-Aug-20	\$0.188	1,650,000	-
Unlisted options - Vesting 11/4/23 Expiring 4/8/25	\$0.400	5-Aug-20	\$0.188	1,700,000	-
				6,070,002	2,363,314
Mel Bridges					
Unlisted options - Vesting 29/6/21 Expiring 29/6/23	\$0.240	29-Jun-21	\$0.011	83,335	83,335
Unlisted options - Vesting 14/12/19 Expiring 8/12/24	\$0.423	10-Dec-19	\$0.474	16,665	16,665
Unlisted options - Vesting 14/12/20 Expiring 8/12/24	\$0.423	10-Dec-19	\$0.474	16,665	16,665
Unlisted options - Vesting 21/12/22 Expiring 8/12/24	\$0.423	10-Dec-19	\$0.474	16,670	-
Unlisted options - Vesting 18/4/21 Expiring 4/8/25	\$0.400	5-Aug-20	\$0.188	99,000	99,000
Unlisted options - Vesting 18/4/22 Expiring 4/8/25	\$0.400	5-Aug-20	\$0.188	99,000	-
Unlisted options - Vesting 11/4/23 Expiring 4/8/25	\$0.400	5-Aug-20	\$0.188	102,000	-
				433,335	215,665
Sue MacLeman					
Unlisted options - Vesting 29/6/21 Expiring 29/6/23	\$0.240	29-Jun-21	\$0.011	41,665	41,665
Unlisted options - Vesting 14/12/19 Expiring 8/12/24	\$0.423	10-Dec-19	\$0.474	16,665	16,665
Unlisted options - Vesting 14/12/20 Expiring 8/12/24	\$0.423	10-Dec-19	\$0.474	16,665	16,665
Unlisted options - Vesting 21/12/22 Expiring 8/12/24	\$0.423	10-Dec-19	\$0.474	16,670	-
Unlisted options - Vesting 18/4/21 Expiring 4/8/25	\$0.400	5-Aug-20	\$0.188	99,000	99,000
Unlisted options - Vesting 18/4/22 Expiring 4/8/25	\$0.400	5-Aug-20	\$0.188	99,000	-
Unlisted options - Vesting 11/4/23 Expiring 4/8/25	\$0.400	5-Aug-20	\$0.188	102,000	-
				391,665	173,995
Paul Molloy					
Unlisted options - Vesting 29/6/21 Expiring 29/6/23	\$0.240	29-Jun-21	\$0.011	208,335	208,335
Unlisted options - Vesting 18/4/21 Expiring 4/8/25	\$0.400	5-Aug-20	\$0.188	165,000	165,000
Unlisted options - Vesting 18/4/22 Expiring 4/8/25	\$0.400	5-Aug-20	\$0.188	165,000	-
Unlisted options - Vesting 11/4/23 Expiring 4/8/25	\$0.400	5-Aug-20	\$0.188	170,000	-
				708,335	373,335

Directors' Report

For the year ended 30 June 2021

	Exercise Price	Issue Date	FV per Option @ Grant Date	Closing Balance	Vested as of 30 June 2021
Jason Nunn					
Unlisted options - Vesting 29/6/21 Expiring 29/6/23	\$0.240	29-Jun-21	\$0.011	104,165	104,165
Unlisted options - Vesting 18/4/21 Expiring 4/8/25	\$0.400	5-Aug-20	\$0.188	165,000	165,000
Unlisted options - Vesting 18/4/22 Expiring 4/8/25	\$0.400	5-Aug-20	\$0.188	165,000	–
Unlisted options - Vesting 11/4/23 Expiring 4/8/25	\$0.400	5-Aug-20	\$0.188	170,000	–
				604,165	269,165
Sharad Joshi (retired 23 Nov 2020)					
Unlisted options - Vesting 14/12/19 Expiring 8/12/24	\$0.423	10-Dec-19	\$0.474	49,995	49,995
Unlisted options - Vesting 14/12/20 Expiring 8/12/24	\$0.423	10-Dec-19	\$0.474	49,995	49,995
Unlisted options - Vesting 21/12/21 Expiring 8/12/24	\$0.423	10-Dec-19	\$0.474	50,010	–
Unlisted options - Vesting 18/4/21 Expiring 4/8/25	\$0.400	5-Aug-20	\$0.188	99,000	99,000
Unlisted options - Vesting 18/4/22 Expiring 4/8/25	\$0.400	5-Aug-20	\$0.188	99,000	–
Unlisted options - Vesting 11/4/23 Expiring 4/8/25	\$0.400	5-Aug-20	\$0.188	102,000	–
				450,000	198,990
Robin Randolph					
Unlisted options - Vesting 17/05/19 Expiring 2/07/23	\$0.480	03-Jul-18	\$0.149	66,666	66,666
Unlisted options - Vesting 17/05/20 Expiring 2/07/23	\$0.480	03-Jul-18	\$0.149	66,666	66,666
Unlisted options - Vesting 24/05/21 Expiring 2/07/23	\$0.480	03-Jul-18	\$0.149	66,668	66,668
Unlisted options - Vesting 16/01/20 Expiring 15/01/24	\$0.423	16-Jan-19	\$0.155	33,330	33,330
Unlisted options - Vesting 16/01/21 Expiring 15/01/24	\$0.423	16-Jan-19	\$0.155	33,330	33,330
Unlisted options - Vesting 16/01/22 Expiring 15/01/24	\$0.423	16-Jan-19	\$0.155	33,340	–
Unlisted options - Vesting 4/10/20 Expiring 8/12/24	\$1.063	10-Dec-19	\$0.384	33,330	33,330
Unlisted options - Vesting 4/10/21 Expiring 8/12/24	\$1.063	10-Dec-19	\$0.384	33,330	–
Unlisted options - Vesting 11/10/22 Expiring 8/12/24	\$1.063	10-Dec-19	\$0.384	33,340	–
Unlisted options - Vesting 4/4/21 Expiring 4/8/25	\$0.356	5-Aug-20	\$0.193	132,000	132,000
Unlisted options - Vesting 4/4/22 Expiring 4/8/25	\$0.356	5-Aug-20	\$0.193	132,000	–
Unlisted options - Vesting 28/3/23 Expiring 4/8/25	\$0.356	5-Aug-20	\$0.193	136,000	–
				800,000	431,990
Stephen Denaro					
Unlisted options - Vesting 29/6/21 Expiring 29/6/23	\$0.240	29-Jun-21	\$0.011	83,336	83,336
Unlisted options - Vesting 16/01/20 Expiring 15/01/24	\$0.423	16-Jan-19	\$0.155	8,330	8,330
Unlisted options - Vesting 16/01/21 Expiring 15/01/24	\$0.423	16-Jan-19	\$0.155	8,330	8,330
Unlisted options - Vesting 16/01/22 Expiring 15/01/24	\$0.423	16-Jan-19	\$0.155	8,340	–
Unlisted options - Vesting 4/4/21 Expiring 4/8/25	\$0.356	5-Aug-20	\$0.193	33,000	33,000
Unlisted options - Vesting 4/4/22 Expiring 4/8/25	\$0.356	5-Aug-20	\$0.193	33,000	–
Unlisted options - Vesting 28/3/23 Expiring 4/8/25	\$0.356	5-Aug-20	\$0.193	34,000	–
				208,336	132,996

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

Directors' Report

For the year ended 30 June 2021

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Opening Balance	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Directors					
Chris Hart	26,542,513	–	1,000,004	–	27,542,517
Sue MacLeman	54,132	–	83,330	–	137,462
Mel Bridges	3,116,380	–	166,670	–	3,283,050
Paul Molloy	104,167	–	416,670	–	520,837
Jason Nunn	156,250	–	208,330	–	364,580
Sharad Joshi (retired 23 Nov 2020)	201,139	–	–	–	201,139
Other KMP					
John Cox (from 7 Jun 2021)	–	–	–	–	–
James Hunter (from 31 May 2021)	–	–	–	–	–
Dan Parry (resigned 28 May 2021)	–	–	–	–	–
Robin Randolph (resigned 21 May 2021)	–	–	–	–	–
Stephen Denaro	178,273	–	166,670	–	344,943

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 2021, 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 benchmark non-executive Director remuneration against relevant market practice.

End of Remuneration Report

Directors' Report

For the year ended 30 June 2021

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
1 December 2016	1 December 2021	\$1.055	300,000
13 May 2017	12 December 2022	\$0.961	500,000
25 February 2017	24 February 2022	\$0.940	49,998
21 June 2021	21 June 2023	\$0.240	20,663,557
29 June 2021	29 June 2023	\$0.240	21,068,609
3 July 2018	2 July 2023	\$0.480	300,000
9 October 2018	8 October 2023	\$0.424	280,000
16 January 2019	15 January 2024	\$0.423	125,000
21 May 2019	22 May 2024	\$0.403	100,000
10 December 2019	8 December 2024	\$1.063	1,000,000
10 December 2019	8 December 2024	\$0.423	370,000
5 August 2020	4 August 2025	\$0.400	6,900,000
5 August 2020	4 August 2025	\$0.357	2,005,000
1 February 2021	1 February 2026	\$0.320	150,000

Shares issued on the exercise of options

The following ordinary shares of Oventus Medical Limited were issued during the year ended 30 June 2021 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
7 August 2020	\$0.360	24,716

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 \$233,925 (2020: \$251,237).

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the period.

Directors' Report

For the year ended 30 June 2021

Corporate Governance

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

Please refer to the Corporate Governance Statement of Oventus Medical Limited on website www.o2vent.com via the tab headed "Investor Centre" for more information.

Non-audit services

Details of the amounts paid or payable to the auditor for services provided during the financial year by the auditor are outlined in Note 19 to the financial statements.

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

Auditor's independence declaration

The auditor's independence declaration is set out on the following page and forms part of the Directors' Report for the year ended 30 June 2021.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors



Sue MacLeman

Chair and Non-Executive Director

Brisbane

30th August 2021

Auditor's Independence Declaration

PKF Brisbane Audit



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 2021, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Oventus Medical Limited and the entities it controlled during the year.

PKF BRISBANE AUDIT

Liam Murphy
PARTNER

BRISBANE
30 AUGUST 2021

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Liability limited by a scheme approved under Professional Standards Legislation.
PKF Brisbane Pty Ltd. is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

Statement of Comprehensive Income

For the year ended 30 June 2021

	Note	Consolidated	
		30-June 2021 \$	30-June 2020 \$
Device Sale Revenue		784,793	358,921
Service Fee Revenue		304,742	60,377
Total Revenues		1,089,535	419,298
Cost of Sales		687,912	231,736
Gross Profit		401,623	187,562
Less: Expenses			
Staff Costs	3	4,906,847	4,820,231
Staff Costs – Share Based Payments		910,260	308,888
Depreciation and amortisation		1,327,835	1,526,652
Administration		571,996	347,969
Travel		459,599	822,751
Sales & Marketing		465,372	520,699
Information technology costs		487,904	427,277
IP Audit Legal & Consulting		357,476	375,704
Insurance		270,762	380,761
Clinical Studies, Research & Regulatory		186,100	571,831
Office & Lab		414,860	322,453
Total expenses		10,359,011	10,425,216
Other income (expenses)			
Interest income		31,455	45,003
Interest expense		(30,692)	(5,370)
Other income		125,063	71,657
		125,826	111,290
Loss before income tax expense		(9,831,562)	(10,126,364)
Income tax expense	15	–	–
Loss for the year attributable to members of the company		(9,831,562)	(10,126,364)
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations		18,152	(13,118)
Total comprehensive loss attributable to members of the company		(9,813,410)	(10,139,482)
Earnings per share for profit/(loss) from continuing operations:	24		
Basic earnings per share		(6.07)	(7.75)
Diluted earnings per share		(6.07)	(7.75)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2021

	Note	Consolidated	
		30-June 2021 \$	30-June 2020 \$
Current assets			
Cash and cash equivalents	4	9,156,547	8,455,393
Trade and other receivables	5	208,110	179,113
Other current assets	6	1,124,349	1,274,242
Total current assets		10,489,006	9,908,748
Non-current assets			
Property, plant and equipment	7	876,532	966,271
Right of use assets	8	527,324	44,033
Intangible assets	9	3,087,756	3,333,320
Deposits		98,000	74,732
Total non-current assets		4,589,612	4,418,356
Total assets		15,078,618	14,327,104
Current liabilities			
Trade and other payables	10	1,663,840	1,699,751
Other current liabilities	11	436,839	321,511
Total current liabilities		2,100,679	2,021,262
Non-current liabilities			
Other liabilities	11	359,841	89,817
Total non-current liabilities		359,841	89,817
Total liabilities		2,460,520	2,111,079
Net assets		12,618,098	12,216,025
Equity			
Share capital	12	53,638,986	44,333,763
Share based payment reserve	13	1,191,971	711,364
Translation reserve		(107,218)	(125,370)
Accumulated losses	14	(42,105,641)	(32,703,732)
Total equity		12,618,098	12,216,025

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

Statement of Changes in Equity

For the year ended 30 June 2021

Consolidated	Contributed Equity \$	Share Based Payments Reserve \$	Translation Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2019	29,640,394	500,212	(112,252)	(22,675,054)	7,353,300
Loss for the year	-	-	-	(10,126,364)	(10,126,364)
Other comprehensive income	-	-	(13,118)	-	(13,118)
Total comprehensive income for the year	-	-	(13,118)	(10,126,364)	(10,139,482)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	14,693,369	-	-	-	14,693,369
Share based payments	-	308,838	-	-	308,838
Write-off of forfeit options	-	(97,686)	-	97,686	-
Total transactions with owners in their capacity as owners:	14,693,369	211,152	-	97,686	15,002,207
Balance at 30 June 2020	44,333,763	711,364	(125,370)	(32,703,732)	12,216,025
Consolidated	Contributed Equity \$	Share Based Payments Reserve \$	Translation Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2020	44,333,763	711,364	(125,370)	(32,703,732)	12,216,025
Loss for the year	-	-	-	(9,831,562)	(9,831,562)
Other comprehensive income	-	-	18,152	-	18,152
Total comprehensive income for the year	-	-	18,152	(9,831,562)	(9,813,410)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	9,305,223	-	-	-	9,305,223
Share based payments	-	910,260	-	-	910,260
Write-off of forfeit options	-	(429,653)	-	429,653	-
Total transactions with owners in their capacity as owners:	9,305,223	480,607	-	429,653	10,215,483
Balance at 30 June 2021	53,638,986	1,191,971	(107,218)	(42,105,641)	12,618,098

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2021

	Note	Consolidated	
		30-June 2021 \$	30-June 2020 \$
Cash flows from operating activities			
Receipts from customers		1,148,011	392,580
Payments to suppliers and employees		(8,817,877)	(8,929,306)
Interest received		36,858	39,600
R&D grants and concessions received		709,413	828,120
Interest and other finance costs paid		–	–
Net cash outflow from operating activities	23	(6,923,595)	(7,669,006)
Cash flows from investing activities			
Payments for property, plant and equipment		(154,831)	(652,342)
Payments for intangible assets		(1,353,291)	(1,163,041)
Proceeds from (payments for) term-deposits		(23,268)	–
Proceeds from sale of property, plant and equipment		–	302,613
Net cash outflow from investing activities		(1,531,390)	(1,512,770)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		9,428,442	14,756,209
Repayment of lease liability		(244,147)	–
Net cash inflow from financing activities		9,184,295	14,756,209
Net increase (decrease) in cash held		729,310	5,574,433
Cash and cash equivalents at the beginning of the financial period		8,455,393	2,998,563
Effects of exchange rate changes on cash and cash equivalents		(28,156)	(117,603)
Cash and cash equivalents at the end of the financial year		9,156,547	8,455,393

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

The consolidated financial statements and notes represent those of Oventus Medical Limited and Controlled Entities (the Consolidated Group or Group).

The separate financial statements of the Parent Entity, Oventus Medical Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 30 August 2021 by the directors of the Company.

1. Significant accounting policies

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 20.

Principles of consolidation

The Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position as at 30 June 2021 incorporate the assets, liabilities and results of the Company and its controlled entities.

A subsidiary is any entity over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

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

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

A list of controlled entities is at Note 21.

Comparative information

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

Segment Reporting

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

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

Foreign currency translation

The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

Notes to the Consolidated Financial Statements

continued

1. Significant accounting policies (continued)

Revenue recognition

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

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

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

The Group provides services to clinicians delivering the Group's oral appliances out of Sleep Labs and other facilities contracted by the Group, which includes the use of clinical space equipped for the fitting and delivery of oral appliances, patient management, marketing and other support infrastructure.

Revenue is recognised over time as the service is provided to the clinicians. The Master Services Agreement with the clinician allows the clinician the right to cancel the agreement with one to three month's notice without penalty.

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

Government grants

Grants from government, including Australian Research and Development Tax Incentive (RDTI), are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Company will comply with all attached conditions.

Where a grant is received relating to research and development costs that have been expensed, the grant is recognised as other income when the grant becomes receivable. When the grant relates to an asset, the cost of the asset is shown net of the grant or receivable.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Current and non-current classification

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

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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

Notes to the Consolidated Financial Statements

continued

1. Significant accounting policies (continued)

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 initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days for device revenue and 60 days for service fees.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

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.

Other financial assets

Other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting

period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Plant and equipment

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

Plant and equipment is measured on a cost basis.

Depreciation

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

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

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Notes to the Consolidated Financial Statements

continued

1. Significant accounting policies (continued)

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.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4 years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events

or changes in circumstances indicate that they might be impaired.

Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount 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.

Trade and other payables

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

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Provisions

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

Employee entitlements

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

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

Notes to the Consolidated Financial Statements

continued

1. Significant accounting policies (continued)

Goods and Services Tax (GST)

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

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

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

Contributed equity

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

Share-based payment transactions

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

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

New standards and interpretations not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and

assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Development costs

The Group capitalises development costs for a project in accordance with the accounting policy as per Note 1. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project and the expected period of benefits. At 30 June 2021, the carrying amount of capitalised development costs was \$1,835,955 (2020: \$2,051,624).

Coronavirus (COVID-19) pandemic

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

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:

- 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 \$9,831,562 (2020: loss of \$10,126,364) and has accumulated losses of \$42,105,641. However, as at 30 June 2021, the current assets exceed its current liabilities by \$8,388,327. Thus, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence in the foreseeable future.

Notes to the Consolidated Financial Statements

continued

3. Staff Costs

	Consolidated	
	30-June 2021 \$	30-June 2020 \$
Short term employee benefits expense	5,790,431	5,968,572
<i>Less</i>		
Employee costs capitalised to R&D Intangible assets	(617,567)	(548,937)
COVID19 related Government stimulus received	(266,016)	(599,404)
	4,906,847	4,820,231

4. Cash and cash equivalents

	Consolidated	
	30-June 2021 \$	30-June 2020 \$
Cash on hand	–	48
Cash at bank	9,156,547	2,455,345
Short-term deposits	–	6,000,000
	9,156,547	8,455,393

5. Trade and other receivables

	Consolidated	
	30-June 2021 \$	30-June 2020 \$
Trade receivables	155,053	80,446
GST receivable	78,603	40,170
Other receivables	–	71,979
	233,656	192,595
Less allowance for doubtful debts	(25,546)	(13,482)
	208,110	179,113

As at 30 June 2021, COVID19 related Government stimulus of nil (2020: \$64,000) was included in 'Other receivables' balance.

	Consolidated	
	30-June 2021 \$	30-June 2020 \$
Trade and other receivables		
Not Past Due	75,924	21,486
Past Due 0-30 Days	5,907	31,396
Past Due 90 Days and over	10,668	7,639
Past Due 61-90 Days	62,554	19,925
	155,053	80,446

As at 30 June 2021, trade receivables of \$25,546 (2020: \$13,482) were past due and considered impaired.

Notes to the Consolidated Financial Statements

continued

6. Other current assets

	Consolidated	
	30-June 2021 \$	30-June 2020 \$
Prepayments	411,702	446,107
Accrued research & development tax credit	416,673	588,890
Inventory	104,177	54,842
Other assets	191,797	184,403
	1,124,349	1,274,242

7. Property, plant and equipment

On 21 June 2018, the Group entered into an Equipment Ownership & Management Agreement with CSIRO with headquarters in Canberra, ACT 2601 wherein both parties agreed to share equally in the ownership and maintenance of the Arcam Equipment (the Equipment) in the period from 1 July 2018 to 30 June 2026. The transaction was accounted for as a joint operation in accordance with AASB 11, *Joint arrangements*. Accordingly, the Group's share in the Equipment has been disclosed separately as "Assets Under Joint Arrangement". In March 2020 the Group disposed of its share in the Arcam Equipment for cash consideration of \$300,000.

Consolidated	Computer and office furniture and equipment \$	Sleep and production equipment \$	Company Vehicles \$	Leasehold improvement \$	Assets Under Joint Arrangement \$	Total \$
Year ended 30 June 2020						
Opening net book amount	50,207	319,580	-	57,494	272,117	699,398
Additions	57,040	614,143	39,790	-	-	710,973
Disposals - cost	-	(5,818)	-	-	(311,369)	(317,187)
Disposals - accumulated depreciation	-	2,880	-	-	61,888	64,768
Depreciation charge	(33,705)	(86,221)	(4,008)	(33,440)	(22,636)	(180,010)
FX movement	-	(11,383)	(288)	-	-	(11,671)
Closing net book amount	73,542	833,181	35,494	24,054	-	966,271
At 30 June 2020						
Cost	158,570	1,126,492	39,502	230,883	-	1,555,447
Accumulated depreciation	(85,028)	(293,311)	(4,008)	(206,829)	-	(589,176)
Net book amount	73,542	833,181	35,494	24,054	-	966,271
Year ended 30 June 2021						
Opening net book amount	73,542	833,181	35,494	24,054	-	966,271
Additions	81,330	101,973	-	7,218	-	190,521
Disposals - cost	-	-	-	-	-	-
Disposals - accumulated depreciation	-	-	-	-	-	-
Depreciation charge	(42,255)	(172,811)	(4,527)	(24,977)	-	(244,570)
FX movement	(1,851)	(30,487)	(3,052)	(300)	-	(35,690)
Closing net book amount	110,766	731,856	27,915	5,995	-	876,532
At 30 June 2021						
Cost	238,126	1,195,156	36,039	237,819	-	1,707,140
Accumulated depreciation	(127,359)	(463,300)	(8,125)	(231,824)	-	(830,608)
Net book amount	110,766	731,856	27,914	5,995	-	876,532

Notes to the Consolidated Financial Statements

continued

8. Right of use assets

Consolidated	Lease right of use asset - Building \$	Total \$
Year ended 30 June 2020		
Opening net book amount	–	–
Initial adoption of AASB 16 - cost	264,209	264,209
Initial adoption of AASB 16 - accumulated depreciation	(88,071)	(88,071)
Additions	–	–
Depreciation expense	(132,105)	(132,105)
Closing net book amount	44,033	44,033
At 30 June 2020		
Cost	264,209	264,209
Accumulated depreciation	(220,176)	(220,176)
Net book amount	44,033	44,033
Year ended 30 June 2021		
Opening net book amount	44,033	44,033
Additions	677,745	677,745
Disposal – cost	(264,208)	(264,208)
Disposal – accumulated depreciation	264,208	264,208
Depreciation expense	(194,454)	(194,454)
Closing net book amount	527,324	527,324
At 30 June 2021		
Cost	678,475	678,475
Accumulated depreciation	(151,151)	(151,151)
Net book amount	527,324	527,324

Notes to the Consolidated Financial Statements

continued

9. Intangible assets

Consolidated	Patents, trademarks and licences \$	Software \$	Development costs \$	Total \$
Year ended 30 June 2020				
Opening net book amount	942,977	112,320	2,688,803	3,744,100
Additions	315,113	48,161	779,618	1,142,892
Tax concession received or receivable	–	–	(339,135)	(339,135)
Amortisation expense	(65,864)	(71,010)	(1,077,663)	(1,214,537)
Closing net book amount	1,192,226	89,471	2,051,623	3,333,320
At 30 June 2020				
Cost	1,367,559	404,373	4,235,106	6,007,038
Accumulated amortisation	(175,333)	(314,902)	(2,183,483)	(2,673,718)
Net book amount	1,192,226	89,471	2,051,623	3,333,320
Year ended 30 June 2021				
Opening net book amount	1,192,226	89,471	2,051,623	3,333,320
Additions	339,676	65,340	957,872	1,362,888
Disposals	(307,508)	–	–	(307,508)
Tax concession received or receivable	–	–	(412,133)	(412,133)
Amortisation expense	(83,411)	(43,993)	(761,407)	(888,811)
Closing net book amount	1,140,983	110,818	1,835,955	3,087,756
At 30 June 2021				
Cost	1,353,224	469,713	4,780,845	6,603,782
Accumulated amortisation	(212,241)	(358,895)	(2,944,890)	(3,516,026)
Net book amount	1,140,983	110,818	1,835,955	3,087,756

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

10. Trade and other payables

	Consolidated	
	30-June 2021 \$	30-June 2020 \$
Trade creditors	684,075	512,631
PAYG Withholding payable	42,373	23,687
Employee benefits payable	13,191	224,291
Other creditors	924,201	939,142
	1,663,840	1,699,751

Notes to the Consolidated Financial Statements

continued

11. Other liabilities

	Consolidated	
	30-June 2021 \$	30-June 2020 \$
Current		
Employee benefits – annual leave	217,950	275,294
Lease liability	218,889	46,217
	436,839	321,511
Non-current		
Employee benefits – long service leave	39,981	89,817
Lease liability	319,860	–
	359,841	89,817

12. Equity – Share capital

Consolidated	30-June 2021 Number of Shares #	30-June 2021 Value of Shares \$	30-June 2020 Number of Shares #	30-June 2020 Value of Shares \$
Opening Balance	158,237,701	44,333,763	105,939,212	29,640,394
Ordinary shares issued:				
1 August 2019	–	–	15,757,491	5,987,847
28 August 2019	–	–	6,085,092	2,312,335
17 September 2019	–	–	2,747,922	1,044,210
8 May 2020	–	–	19,010,416	4,562,500
18 June 2020	–	–	364,584	87,600
18 June 2020	–	–	8,332,984	2,000,001
18 June 2020 Share issue costs	–	–	–	(1,301,124)
7 August 2020 SPP options exercised	24,716	8,898	–	–
14 May 2021	23,572,850	2,828,742	–	–
21 June 2021	41,326,998	4,959,240	–	–
29 June 2021	18,564,270	2,227,712	–	–
June 2021 Share issue costs	–	(719,369)	–	–
At reporting date	241,726,535	53,638,986	158,237,701	44,333,763

Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Notes to the Consolidated Financial Statements

continued

13. Equity – Share based payment reserve

	Consolidated	
	30-June 2021 \$	30-June 2020 \$
Share based payment reserve at beginning of year	711,364	500,212
Share based payment expense	910,260	308,838
Transfer to accumulated losses	(429,653)	(97,686)
Share based payment reserve at end of year	1,191,971	711,364

The share-based payment reserve is used to recognise the value of equity-settled share based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 25 for further details.

14. Accumulated losses

	Consolidated	
	30-June 2021 \$	30-June 2020 \$
Accumulated losses at beginning of year	(32,703,732)	(22,671,750)
Cumulative adjustment upon adoption of new accounting standard – AASB 16	–	(3,304)
Transfer from share-based payments reserve	429,653	97,686
Loss for the period	(9,831,562)	(10,126,364)
Accumulated losses at end of year	(42,105,641)	(32,703,732)

15. Income tax expense

	Consolidated	
	30-June 2021 \$	30-June 2020 \$
Current tax	–	–
Adjustment recognised for prior periods	–	–
Aggregate income tax expense	–	–
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense from continuing operations	(9,831,562)	(10,126,364)
Profit before income tax expense from discontinued operations		
Tax at the statutory tax rate of 26% (2020: 27.5%)	(2,556,206)	(2,784,750)
Tax effect amounts which are not deductible in calculating taxable income:		
Non-assessable or deductible items	224,817	80,864
Research and development concession	28,110	28,371
	(2,303,279)	(2,675,515)
Unused tax losses for which no deferred tax asset has been recognised	2,303,279	2,675,515
Income tax expense	–	–

	Consolidated	
	30-June 2021 \$	30-June 2020 \$
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	38,650,702	30,538,564
Potential tax benefit at 25% (2020: 27.5%)	9,662,675	8,398,105

Notes to the Consolidated Financial Statements

continued

16. Financial instruments

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

Market risk

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

Foreign currency risk

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

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

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

2021 Consolidated Group	Net Financial Assets/(Liabilities) in AUD			
	AUD \$	USD \$	CAD \$	Total AUD \$
Australian dollar	7,319,853	6,574	17,565	7,343,992
Cash and Cash Equivalents	8,579,471	–	–	8,579,471
Trade and Other Receivables	91,711	36,706	19,077	147,494
Trade and Other Payables	(1,351,329)	(30,132)	(1,512)	(1,382,973)
US dollar	–	206,906	(1,918)	204,988
Cash and Cash Equivalents	–	422,579	–	422,579
Trade and Other Receivables	–	15,423	–	15,423
Trade and Other Payables	–	(231,096)	(1,918)	(233,014)
Canadian dollar	–	–	151,837	151,837
Cash and Cash Equivalents	–	–	154,497	154,497
Trade and Other Receivables	–	–	45,193	45,193
Trade and Other Payables	–	–	(47,853)	(47,853)
Statement of financial position exposure	7,319,853	213,480	167,484	7,700,817

Notes to the Consolidated Financial Statements

continued

16. Financial instruments (continued)

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

Interest rate risk

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

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

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

Consolidated	30-Jun-2021		30-Jun-20	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash on hand	nil	–	nil	48
Short term deposits	nil	–	1.43%	6,000,000
Cash at bank	nil	9,156,547	nil	2,455,345
Deposits	0.20%	98,000	1.43%	74,732
Net exposure to cash flow interest rate risk		9,254,547		8,530,125

Notes to the Consolidated Financial Statements

continued

16. Financial instruments (continued)

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 2021 and 2020:

	30-June 2021 \$	30-June 2020 \$
Financial assets at amortised cost:		
Trade and other receivables	233,656	192,595
Total	233,656	192,595

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 21		30-June 20	
	Weighted average interest rate %	1 year or less \$	Weighted average interest rate %	1 year or less \$
Non-derivatives				
<i>Non-interest bearing</i>				
Trade and other payables	nil	1,663,840	nil	1,699,751
Total non-derivatives		1,663,840		1,699,751

* Weighted average interest rate

Fair value of financial instruments

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

17. Related party transactions

No related party transactions were recorded for the financial reporting year (2020: nil).

Notes to the Consolidated Financial Statements

continued

18. Key management personnel

Directors

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

- Sue MacLeman (Chairman) (Non-Executive Director)
- Melvyn Bridges (Non-Executive Director)
- Christopher Hart (Executive Director) (Founder) (Managing Director and Chief Executive Officer)
- Paul Molloy (Non-executive Director)
- Jason Nunn (Non-executive Director)
- Sharad Joshi (Non-Executive Director) (retired on 23 November 2020)

Other key management personnel

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

- John Cox (President and Chief Operating Officer) (appointed 7 June 2021)
- Daniel Parry (Chief Financial and Operations Officer) (resigned 28 May 2021)
- Robin Randolph (Sr VP Sales, Marketing, Operations) (resigned 21 May 2021)
- James Hunter (Acting Chief Financial Officer) (appointed 31 May 2021)
- Stephen Denaro (Company Secretary)

Compensation

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2021.

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

	30 June 2021 \$	30 June 2020 \$
Short-term employee benefits	1,900,830	1,418,729
Post-employment benefits	41,351	50,743
Share-based payments	1,390,097	195,255
Termination payments	77,250	86,348
	3,409,528	1,751,075

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

Share-based payments

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

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

Notes to the Consolidated Financial Statements

continued

19. Remuneration of auditors

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

	30 June 2021 \$	30 June 2020 \$
Audit services - PKF Brisbane Audit		
Audit or review of the financial statements	57,350	48,400

20. Parent entity information

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

Statement of profit or loss and other comprehensive income

	30 June 2021 \$	30 June 2020 \$
Loss after income tax	(1,094,832)	(1,073,159)
Total comprehensive income	(1,094,832)	(1,073,159)
Statement of financial position		
Total current assets	8,555,675	8,361,151
Total assets	50,169,480	42,223,176
Total current liabilities	746,218	1,013,218
Total liabilities	746,218	1,013,218
Equity		
Issued capital	53,672,914	44,364,778
Accumulated losses	(4,249,652)	(3,154,820)
Total equity	49,232,262	41,209,958

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 2021 and 2020.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2021 and 2020.

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.

21. 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	
		2021	2020
Oventus Manufacturing Pty Ltd	Australia	100%	100%
Oventus CRM Pty Ltd	Australia	100%	100%
Oventus Medical USA, Inc.	United States	100%	100%
Dental Sleep Care Alliance, LLC	United States	100%	100%
Oventus Medical Canada, Inc.	Canada	100%	100%

Notes to the Consolidated Financial Statements

continued

21. Interest in subsidiaries (continued)

The principal activities of the subsidiaries are:

- Oventus Manufacturing Pty Ltd - operating entity responsible for the development and manufacture of the Group's devices.
- Oventus CRM Pty Ltd – provides appointment management and billing services to practitioners in Australia.
- Oventus Medical USA, Inc. – market and distribute the Group's devices in the USA.
- Dental Sleep Care Alliance, LLC – provide patient management and billing services to practitioners in the USA.
- Oventus Medical Canada Inc. - market and distribute the Group's devices in Canada and to provide patient management and billing services to practitioners in Canada

22. Subsequent events

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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

	Consolidated	
	30 June 2021 \$	30 June 2020 \$
Loss after income tax expense for the year	(9,831,562)	(10,126,364)
Adjustments for:		
Depreciation and amortisation	1,327,835	1,526,652
Net loss (gain) on disposal of assets	307,508	(50,194)
Share-based payments	910,260	308,838
Research and development tax concession	412,133	339,134
Foreign exchange fluctuations	107,317	(10,986)
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(41,069)	(100,045)
(Increase) in other assets	159,894	89,372
Increase/(decrease) in trade and other payables	42,370	307,833
Increase in employee benefits	(211,101)	(153,621)
Decrease in other liabilities	(107,180)	200,375
Net cash outflow from operating activities	(6,923,595)	(7,669,006)

24. Loss per share

	Consolidated	
	30 June 2021 \$	30 June 2020 \$
Loss per share from continuing operations		
Loss after income tax	(9,831,562)	(10,126,364)
Loss after income tax attributable to the owners of Oventus Medical Limited	(9,831,562)	(10,126,364)

Notes to the Consolidated Financial Statements

continued

24. Loss per share (continued)

	Numbers	
Weighted average number of ordinary shares used in calculating basic loss per share	161,921,514	130,615,992
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	161,921,514	130,615,992

	Cents	Cents
Basic loss per share	(6.07)	(7.75)
Diluted loss per share	(6.07)	(7.75)

As at 30 June 2021, there are 41,732,166 share options issued that are not included in diluted earnings per share as these would have an anti-dilutive effect on earnings per share. These potential ordinary shares are anti-dilutive as their conversion to ordinary shares would decrease loss per share. If these options were included in the calculation of diluted earnings per share, the weighted average number of shares used in the denominator would be 203,653,680.

25. Share-based payments

Share options

Share options are issued to eligible participants under the Company's Employee Share Option Plan. The Company has options outstanding of 12,079,998 as at 30 June 2021 (2020: 5,799,952).

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

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

Grant date	Expiry date	Fair Value per option at grant date	Exercise price	Balance at the start of the year	Granted	Expired/forfeited/other	Exercised	Vested at the end of the year	Balance at the end of the year
As at 30 June 2021									
24/02/2016	23/02/2021	\$0.13	\$0.58	2,274,954	-	(2,274,954)	-	-	-
14/04/2016	14/01/2021	Cancelled	\$0.73	-	-	-	-	-	-
01/12/2016	01/12/2021	\$0.42	\$1.06	300,000	-	-	-	300,000	300,000
13/05/2017	12/12/2022	\$0.11	\$0.96	600,000	-	(100,000)	-	500,000	500,000
25/02/2017	24/02/2022	\$0.12	\$0.94	49,998	-	-	-	49,998	49,998
18/12/2017	18/12/2022	\$0.31	\$1.02	200,000	-	(200,000)	-	-	-
03/07/2018	02/07/2023	\$0.15	\$0.48	300,000	-	-	-	300,000	300,000
09/10/2018	08/10/2023	\$0.14	\$0.42	380,000	-	(100,000)	-	186,664	280,000
16/01/2019	15/01/2024	\$0.16	\$0.42	225,000	-	(100,000)	-	83,320	125,000
21/05/2019	22/05/2024	\$0.12	\$0.40	100,000	-	-	-	66,666	100,000
10/12/2019	08/12/2024	\$0.38	\$1.06	1,000,000	-	-	-	333,300	1,000,000
10/12/2019	08/12/2024	\$0.47	\$0.42	370,000	-	-	-	246,642	370,000
05/08/2020	04/08/2025	\$0.19	\$0.40	-	6,900,000	-	-	2,277,000	6,900,000
05/08/2020	04/08/2025	\$0.19	\$0.36	-	2,755,000	(750,000)	-	661,650	2,005,000
01/02/2021	01/02/2026	\$0.13	\$0.36	-	150,000	-	-	-	150,000
				5,799,952	9,805,000	(3,524,954)	-	5,005,240	12,079,998

Notes to the Consolidated Financial Statements

continued

25. Share-based payments (continued)

Grant date	Expiry date	Fair Value per option at grant date	Exercise price	Balance at the start of the year	Granted	Expired/ forfeited/ other	Exercised	Vested at the end of the year	Balance at the end of the year
As at 30 June 2020									
24/02/2016	23/02/2021	\$0.13	\$0.58	2,274,954	-	-	-	2,274,954	2,274,954
14/04/2016	14/01/2021	Cancelled	\$0.73	-	-	-	-	-	-
01/12/2016	01/12/2021	\$0.42	\$1.06	300,000	-	-	-	300,000	300,000
13/05/2017	12/12/2022	\$0.11	\$0.96	600,000	-	-	-	600,000	600,000
25/02/2017	24/02/2022	\$0.12	\$0.94	49,998	-	-	-	49,998	49,998
18/12/2017	18/12/2022	\$0.31	\$1.02	200,000	-	-	-	133,332	200,000
03/07/2018	02/07/2023	\$0.15	\$0.48	450,000	-	(150,000)	-	199,992	300,000
9/10/2018	08/10/2023	\$0.14	\$0.42	380,000	-	-	-	126,664	380,000
16/01/2019	15/01/2024	\$0.16	\$0.42	225,000	-	-	-	74,990	225,000
21/05/2019	22/05/2024	\$0.12	\$0.40	100,000	-	-	-	33,333	100,000
10/12/2019	08/12/2024	\$0.38	\$1.06	-	1,200,000	(200,000)	-	-	1,000,000
10/12/2019	08/12/2024	\$0.47	\$0.42	-	370,000	-	-	123,321	370,000
				4,579,952	1,570,000	(350,000)	-	3,916,584	5,799,952

26. Significant agreements and commitments for expenditure

Operating Lease Commitments

	30 June 2021	30 June 2020
Not later than 1 year	168,889	145,900
Later than 1 but not later than 5	-	-
	168,889	145,900

	30 June 2021		30 June 2020	
	1 Year	> 1 Year	1 Year	> 1 Year
Residential lease for CEO in the US	168,889	-	145,900	-
	168,889	-	145,900	-

The residential lease for Dr. Chris Hart in the US is only for a period of 12 months from May 2021 to April 2022 with a contracted amount of USD\$12,500/month.

27. Contingent liability

The Group is a lead participant of Cooperation Research Centre Project (CRC Project) (*Targeting Therapy for Sleep Apnoea: A Novel Personalised Approach*). The other parties to the project are Medical Monitoring Solutions Pty Ltd, Commonwealth Scientific and Industrial Research Organisation (CSIRO), Western Sydney University, Neuroscience Research Australia and Flinders University.

As part of the CRC Project contract, Management and CSIRO will have a separate agreement in relation to CSIRO licence and service fee. The negotiation of this agreement is currently outstanding and no estimate can be made with reasonable certainty on the amount required to be paid. Accordingly, no provision has been provided within these financial statements.

Notes to the Consolidated Financial Statements

continued

28. 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 2021			30 June 2020		
	Australia \$	North America \$	Total \$	Australia \$	North America \$	Total \$
Device Sale Revenue	191,071	593,722	784,793	215,234	143,687	358,921
Service Fee Revenue	55,571	249,171	304,742	–	60,377	60,377
Cost of Sales	(135,922)	(551,990)	(687,912)	(138,572)	(93,164)	(231,736)
Gross Profit	110,720	290,903	401,623	76,662	110,900	187,562
Staff costs	(2,754,075)	(3,063,032)	(5,817,107)	(2,474,297)	(2,654,822)	(5,129,119)
Sales and marketing	(156,045)	(309,327)	(465,372)	(207,575)	(313,124)	(520,699)
Other expenses	(2,002,544)	(2,073,988)	(4,076,532)	(3,542,610)	(1,232,788)	(4,775,398)
Segment total expenses	(4,912,664)	(5,446,347)	(10,359,011)	(6,224,482)	(4,200,734)	(10,425,216)
Segment operating loss	(4,801,944)	(5,155,444)	(9,957,388)	(6,147,820)	(4,089,834)	(10,237,654)
Segment assets	13,428,737	1,649,881	15,078,618	13,154,262	1,172,842	14,327,104
Segment liabilities	1,735,702	724,818	2,460,520	1,728,010	383,069	2,111,079

Unallocated items:

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

Directors' Declaration

For the year ended 30 June 2021

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

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



Sue MacLeman

Chair and Non-Executive Director

Brisbane

30th August 2021

Independent Auditor's Report

To the Members

PKF Brisbane Audit



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 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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

- i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

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

Independence

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

Key Audit Matter

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

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Independent Auditor's Report

continued



Capitalisation and Valuation of Internal Development Costs

Why significant

The Consolidated entity's intangible assets as at 30 June 2021 include capitalised development costs with a carrying value of \$1,835,955 (2020: \$2,051,623), as disclosed in Note 9.

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

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

We note significant judgement is required:

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

In determining whether facts and circumstances indicate that development costs capitalised should be tested for impairment in accordance with Australian Accounting Standard AASB 136 Impairment of Assets.

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 9.

Other Information

Those charged with governance are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent Auditor's Report

continued



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

Responsibilities of Directors' for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

continued



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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021. 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.

Opinion

In our opinion, the Remuneration Report of Oventus Medical Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

A stylized, handwritten signature in blue ink, appearing to read 'PKF'.

PKF BRISBANE AUDIT

A handwritten signature in blue ink, appearing to read 'LIAM MURPHY'.

LIAM MURPHY
PARTNER

30 AUGUST 2021
BRISBANE

Shareholder Information

For the year ended 30 June 2021

The shareholder information set out below was applicable as at 24 September 2021.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Units	% of total shares issued
1 - 1,000	121	53,345	0.02
1,001 - 5,000	298	905,851	0.37
5,001 - 10,000	217	1,760,206	0.73
10,001 - 100,000	723	28,725,165	11.88
100,001 and over	286	210,281,968	87.00
Total	1,645	241,726,535	100.00

The number of shareholders as at 24 September 2021 with less than a marketable parcel of \$500 worth of shares, based on the market price as at that date (\$0.15 per share), was 294, with total 422,839 amounting to 0.17% of Total Shareholding.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary Shares	
	Number held	% of total shares issued
Thorney Investment Group	48,107,416	19.90
Christopher Hart	27,542,517	11.39

Unquoted equity securities

	2021 Number
Employee options	13,548,668
SPP and Placement options	40,711,328
Total	54,259,996

Corporate Governance Statement

In accordance with ASX Listing Rule 4.10.3 the Company's 2021 Corporate Governance Statement can be found at <https://investors.ozvent.com/investors-2-3/governance-2/>

Voting rights

The voting rights attached to ordinary shares and options are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

There are no voting rights attached to options. Upon exercise of the option, the issued shares will confer full voting rights.

Warrants

There are no voting rights attached to warrants. Upon conversion of the warrant, the issued shares will confer full voting rights. There are no other classes of equity securities.

Shareholder Information

continued

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

Name	Ordinary Shares	
	Number held	% of total shares issued
THORNEY INVESTMENT GROUP	48,107,416	19.90
CHRISTOPHER PATRICK HART <CHD IP ACCOUNT>	27,542,517	11.39
BOND STREET CUSTODIANS LIMITED <SALTER - D79836 A/C>	10,000,000	4.14
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,525,000	2.29
MR NEIL LAWRENCE ANDERSON & MS GENIEVE KATHRYN ANDERSON <ANDERSON FAMILY A/C>	5,348,477	2.21
ASIA UNION INVESTMENTS PTY LTD	4,607,306	1.91
MR MELVYN JOHN BRIDGES	4,552,392	1.88
MOBIUS MEDICAL INVESTMENTS PTY LTD <MOBIUS MEDICAL INV UNIT A/C>	3,752,164	1.55
DIXSON TRUST PTY LTD	3,397,739	1.41
MR ANTHONY JOHN HUNTLEY	2,750,000	1.14
NEW HIGHLAND PTY LTD <KING FAMILY A/C>	2,171,208	0.90
NORFOLK BLUE PTY LTD <NORFOLK BLUE A/C>	2,000,000	0.83
CERALIUS PTY LTD <BRIDGE A/C>	1,840,858	0.76
PICHERIT'S FARM PTY LTD <HUNTLEY SUPER FUND A/C>	1,750,000	0.72
SPG TRADING PTY LTD	1,670,765	0.69
MR MICHAEL FRANK MANFORD <ATLO SUPER FUND A/C>	1,626,401	0.67
BOND STREET CUSTODIANS LIMITED <LAM1 - D08017 A/C>	1,604,174	0.66
BOND STREET CUSTODIANS LIMITED <RSALTE - D62375 A/C>	1,484,105	0.61
PETHOL (VIC) PTY LTD <MACDY NO 5 SUPER FUND A/C>	1,461,379	0.60
WELLSEY PTY LTD	1,413,469	0.58
Total	132,605,370	54.86

Corporate Directory

Directors

Ms Sue MacLeman	Non-Executive Chair and Non-Executive Director (appointed as Non-Executive Chair on 23 November 2020)
Mel Bridges	Non-Executive Director (appointed as Non-Executive Director and retired as Chairman on 23 November 2020)
Chris Hart	(Executive Director) (Founder) (Managing Director and Chief Executive Officer)
Paul Molloy	Non-Executive Director
Jason Nunn	Non-Executive Director
Sharad Joshi	Non-Executive Director (retired as Non-Executive Director on 23 November 2020)

Company Secretary

Stephen Denaro

Notice of Annual General Meeting

The Annual General Meeting of Oventus Medical Limited will be held on 18 November 2021, 11 am Brisbane time (10am AEDT) via a LUMI virtual meeting. To register, refer to the instructions in the Notice of Annual General Meeting.

Legal Advisors

Thomson Geer Lawyers

Level 28, Waterfront Place
1 Eagle Street, Brisbane QLD 4000

Registered office

Suite 1, 1 Swann Road
Indooroopilly QLD 4068

Telephone: 1300 533 159

Principal place of business

Suite 1, 1 Swann Road
Indooroopilly QLD 4068

Share register

Computershare Investor Services Pty Limited

Level 1, 200 Mary Street
Brisbane QLD 4000

Telephone: 1300 787 272

Auditor

PKF Brisbane Audit

Level 6, 10 Eagle Street
Brisbane QLD 4000

Stock exchange listing

Oventus Medical Limited shares are listed on the Australian Securities Exchange (ASX code: OVN)

Website

www.O2Vent.com

Corporate Governance Statement

The Corporate Governance Statement of Oventus Medical Limited is available from our website www.O2Vent.com via the tab headed "Investors".



O2Vent.com