

OVENTUS MEDICAL LIMITED
Appendix 4D
Half-year report
31 December 2016

1. Company details

Name of entity:	Oventus Medical Limited
ACN:	608 393 282
Reporting period:	For the half-year ended 31 December 2016
Previous period:	For the half-year ended 31 December 2015

2. Results for announcement to the market

Revenues from ordinary activities	up	49%	to	\$ 255,236
Loss from ordinary activities after tax attributable to the owners of Oventus Medical Limited (the Company)	up	356%	to	(2,997,170)
Loss for the year attributable to the owners of Oventus Medical Limited	up	356%	to	(2,997,170)
				31 Dec 2016 Cents
				31 Dec 2015 Cents
Basic earnings per share				(4.31)
Diluted earnings per share				(4.31)
				(1.68)
				(1.68)

3. Commentary on results for the year

The loss for the Consolidated Entity after providing for income tax amounted to \$2,997,170 (31 December 2015: loss of \$657,858).

4. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>11.27</u>	<u>5.02</u>

5. Control gained over entities

Name of entities

Not applicable

Subsequent to half-year end, on 13 January 2017 the Consolidated Entity incorporated a new entity Oventus Medical USA, Inc. to undertake its US operations. See note 11 to the financial statements for further details.

6. Loss of control over entities

Name of entities

Not applicable

7. Dividends

Current period

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

Previous period

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

8. Dividend reinvestment plans

Not applicable.

9. Details of associates and joint venture entities

Not applicable

10. Foreign entities

Details of origin of accounting standards used in compiling the report

Not applicable.

11. Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half Year Report.

12. Attachments

The Half Year Report of Oventus Medical Limited for the half-year ended 31 December 2016 is attached.

13. Signed

Signed  _____

Date: 27 February 2017

Mr Mel Bridges
Director
Brisbane

OVENTUS MEDICAL LIMITED
ACN 608 393 282

Half Year Financial Report
31 December 2016

OVENTUS MEDICAL LIMITED
Half-year Financial Report
31 December 2016

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General information

The financial statements cover Oventus Medical Limited as a consolidated entity, consisting of Oventus Medical Limited (**the Company**) and the entities it controlled at the end of, or during, year. The financial statements are presented in Australian dollars, which is Oventus Medical Limited's functional and presentation currency.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 February 2017.

OVENTUS MEDICAL LIMITED
Directors' Report
For the half-year ended 31 December 2016

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') at the end of, or during, the half-year ended 31 December 2016.

Directors and company secretary

The following persons were officers of Oventus Medical Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mel Bridges - Chairman
Neil Anderson - Executive Director
Christopher Hart - Executive Director
Sue MacLeman - Non-Executive Director
Stephen Denaro - Company secretary

Principal activities

During the half-year the principal activities of the Company consisted of the commercialisation and distribution of the O2Vent™ T, in Australia, as well as development of a pipeline or products to treat segments of the snoring and sleep and apnoea market. These segments include those that do not comply or adhere to existing treatment options due to nasal obstruction and/or inability to utilise the CPAP mask.

Review of operations

The loss for the Consolidated Entity after providing for income tax amounted to \$2,997,170 (31 December 2015: loss of \$657,858).

The Consolidated Entity listed on the ASX in July 2016 raising \$12 million, less transaction costs of \$1.04 million, by the issue of 24,000,000 fully paid ordinary shares at an issue price of \$0.50 per share. The loss for the Consolidated Entity after providing for income tax amounted to \$2,997,170 for the half year.

As planned, the Consolidated Entity has continued to operate mainly as a research and development (R&D) company while preparing for a launch into overseas jurisdictions which are large market opportunities for the company's innovative product range. Development expenditure totalling \$1,034,957 for the half year has been capitalised in the balance sheet. Subsequent to the half year, the Consolidated Entity received \$457,383 from the Australian Federal Government in January 2017 as a credit for the company's 2016 financial year R&D spend.

The Consolidated Entity launched its initial product into the USA in late January 2017 (announced 18th January 2017) through the initial pilot sites (5 set up so far). The Company has recently signed a collaborative agreement in China with a large hospital service company (announced 1st February 2017). The collaboration includes clinician training, clinical trialling and regulatory approvals prior to a product launch in China.

It is planned that over the next 6 to 9 months most of the Consolidated Entity's product portfolio will be developed and the 3 current clinical trials will be completed. These products include a Continuous Positive Airway Pressure (CPAP) connection to the airway for very severe sleep apnoea patients and an easy to use sleep test that can be requested by clinicians when required - without the patient having to visit a sleep test clinic. Once the company is at the point with a more expanded product range and with additional clinical evidence valuing the company's novel airway, the emphasis for the company will switch to a wider market penetration. In preparation, over the next 6 months the Company plans to form additional collaboration for both manufacturing and distribution.

At this point it is anticipated that the R&D focus will switch to the recently announced Cooperative Research Centre Program (CRC-P) which will receive \$2.95 million funding over the next 3 years from the Australian Federal government's Department of Industry, Innovation and Science (announced 8th February 2017). Oventus is the lead participant with Medical Monitoring Solutions Pty Ltd with Neuroscience Research Australia (NeuRA), Western Sydney University (WSU) and CSIRO as the other participants.

The significant factors underlying the operating performance were as follows:

1. A pilot marketing launch has been initiated in Australia for the O2Vent™ T. As a result the Consolidated Entity earned \$255,236 in revenue in the 6 months to December 2016.
2. This Australian launch will now be scaled up following the training of more dentists and the collaboration with two dental corporates that were signed in October and December 2016.
3. The O2Vent™ T was submitted to the FDA as a 510k and was subsequently cleared for market release (announced 26th September 2016). Five pilot or Beta clinical sites have been set up and the first of these sites have now started delivering appliances. These orders will be taken by the Consolidated Entity's new US subsidiary Oventus Medical USA.

OVENTUS MEDICAL LIMITED
Directors' Report
For the half-year ended 31 December 2016

Review of operations (continued)

4. The Consolidated Entity announced the completion of the first detailed physiological pilot study (24th January 2017) into the effect of the O2Vent T on pharyngeal pressure swings, which cause the airway to collapse in Obstructive Sleep Apnoea and as a Continuous Positive Airway Pressure (CPAP) interface. The study resulted in encouraging data in a small sample size (n=4) which supports the benefit of the airway in reducing pressure swings, collapsibility and CPAP pressure requirements. This indicates the use of the O2Vent T as a CPAP alternative either as a standalone appliance, or in combination with CPAP using it as a strapless CPAP interface. The trial will progress to the next stage to confirm initial findings in a larger cohort and will be mainly funded by the CRC-P.
5. The Consolidated Entity has implemented a state of the art cloud-based Enterprise Resource Planning (ERP) system which links the Consolidated Entity's current and future operational subsidiaries to the Oventus Medical financial management system. The ERP system includes manufacturing, patient and customer management and Advanced Partner Centres (APC) (for individual clinical sites) that accesses only their own Patient records. The APC is compliant with HIPAA (Health Insurance Portability and Accountability Act) – a key requirement for managing patient records in the US.
6. The Consolidated Entity's Quality Management System has received both ISO13485 and MDSAP (Medical Device Single Audit Program) accreditation (announced on 10th January 2017 and 8th February 2017 respectively). ISO13485 is recognised globally as the best quality practice within the medical device industry. These certifications are a key requirement for major markets including Europe, the United States of America, Canada, Japan and Australia.
7. A new machine for polishing appliances has now been received and installed – it is currently being commissioned. Once commissioned its use is expected to increase the efficiency of production.
8. The Consolidated Entity announced (1st February 2017) a product correction recall for 191 O2Vent T appliances manufactured between 1st September 2016 and 30th November 2016. The correction is related to the Adjuster Assembly component of the device that allows adjustment of the screw and hook for appropriate titration. The correction was identified through post-market surveillance data after 12 devices were returned to the Consolidated Entity (representing 6% of the devices manufactured during the period). These devices are being recalled as a precautionary measure, to be checked and if necessary, reworked in production with an improved manufacturing process. The manufacturing process that contributed to the correction has now been addressed, and all devices manufactured after 30th November 2016 have been checked and verified as safe and in full working order. The devices that have been recalled for correction, represent a small percentage of the devices that have been manufactured and delivered to patients. The recall will not be material to revenue or cash flow.
9. A number of new products have advanced through the R&D process. All are anticipated to be completed and transferred to manufacturing for regulatory clearance over the next 6 to 9 months. These include new appliance designs including a version with a compliance sensor for monitoring when the patient is using the appliance and a connector system to allow combination therapy with CPAP – with and without an on-board sleep test. A research and development project for the 3D printing of inserts is progressing with a focus on developing end to end digital workflow and suitable materials printed by state of the art equipment. When implemented this is anticipated to lead to a significant reduction in production costs compared to the current manufacturing process.

Expected future developments

The following factors are likely to affect the results of the Consolidated Entity in the future:

1. Uptake and acceptance of the O2Vent range of products by patients and clinicians in various geographical locations.
2. Partnerships for clinical delivery and distribution in various geographies.
3. Additional clinical evidence/clinical trial results which highlight the benefit of the airway for a range of patients.
4. Being able to scale manufacturing to meet demand.
5. Additional products developed and cleared by regulators that can treat a wider range of patients including those that are intolerant of CPAP masks or in the future, as a first line of treatment for specific severe sleep apnoea patients.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Mr Mel Bridges
Director

27 February 2017
Brisbane

**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 half-year ended 31 December 2016, there have been:

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

PKF HACKETTS AUDIT



Cameron Bradley
Partner

Brisbane, 27 February 2017

OVENTUS MEDICAL LIMITED
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

		Consolidated	
	Note	31 Dec 2016	31 Dec 2015
		\$	\$
Sales revenue		255,236	171,586
Other income		4,728	-
Total income		259,964	171,586
Less: Expenses			
Manufacturing costs - Pilot phase		419,743	299,926
Marketing, website and logo expenses		223,587	98,155
Accounting and legal fees		213,868	62,330
Clinical trial costs		83,459	-
Employee and contractors expense		962,100	222,539
Premises rental expense		74,374	36,144
Information technology costs		282,849	17,376
Insurance expense		60,903	17,497
Depreciation and amortisation		321,612	11,495
General and administrative expense		160,722	20,901
Travel expenses		238,110	6,563
Other expenses		263,305	40,129
Total expenses		3,304,632	833,055
Operating loss before interest and tax		(3,044,668)	(661,469)
Interest revenue		47,498	3,611
Loss before income tax expense		(2,997,170)	(657,858)
Income tax expense		-	-
Loss for the half-year attributable to owners of the Company		(2,997,170)	(657,858)
Other comprehensive income for the half-year		-	-
Total comprehensive loss for the half-year attributable to owners of the Company		(2,997,170)	(657,858)
		Consolidated	
		31 Dec 2016	31 Dec 2015
		\$	\$
		Cents	Cents
Earnings per share for profit/(loss) attributable to the owners of Oventus Medical Limited			
Basic earnings per share	12	(4.31)	(1.68)
Diluted earnings per share	12	(4.31)	(1.68)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

OVENTUS MEDICAL LIMITED
Condensed consolidated statement of financial position
As at 31 December 2016

		Consolidated	
	Note	31 Dec 2016	30 Jun 2016
		\$	\$
Current assets			
Cash and cash equivalents	2	6,135,437	161,114
Inventories	3	139,066	-
Trade and other receivables	4	299,628	124,145
Other current assets	5	1,007,412	744,507
Total current assets		<u>7,581,543</u>	<u>1,029,766</u>
Non-current assets			
Property, plant and equipment	6	1,374,502	1,427,298
Intangible assets	7	2,039,317	1,270,978
Total non-current assets		<u>3,413,819</u>	<u>2,698,276</u>
Total assets		<u>10,995,362</u>	<u>3,728,042</u>
Current liabilities			
Trade and other payables	8	685,368	1,655,614
Other liabilities	9	74,794	38,365
Total current liabilities		<u>760,162</u>	<u>1,693,979</u>
Non-current liabilities			
Other liabilities	9	78,333	97,724
Total non-current liabilities		<u>78,333</u>	<u>97,724</u>
Total liabilities		<u>838,495</u>	<u>1,791,703</u>
Net assets		<u>10,156,867</u>	<u>1,936,339</u>
Equity			
Share capital	10	15,600,877	4,426,703
Reserves		85,057	41,533
Accumulated losses		(5,529,067)	(2,531,897)
Total equity		<u>10,156,867</u>	<u>1,936,339</u>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

OVENTUS MEDICAL LIMITED
Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2016

	Contributed Equity \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2015	342,857	-	(190,819)	(190,819)
Loss for the half-year	-	-	(657,858)	(657,858)
Total comprehensive income for the half-year	-	-	(657,858)	(657,858)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs and tax	4,083,846	-	-	4,083,846
Balance at 31 December 2015	<u>4,426,703</u>	<u>-</u>	<u>(848,677)</u>	<u>3,578,026</u>
Balance at 1 July 2016	4,426,703	41,533	(2,531,897)	1,936,339
Loss for the half-year	-	-	(2,997,170)	(2,997,170)
Other comprehensive income	-	-	-	-
Total comprehensive income for the half-year	-	-	(2,997,170)	(2,997,170)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs and tax	11,174,174	-	-	11,174,174
Share based payments	-	43,524	-	43,524
Total transactions with owners in their capacity as owners:	<u>11,174,174</u>	<u>43,524</u>	<u>-</u>	<u>11,217,698</u>
Balance at 31 December 2016	<u>15,600,877</u>	<u>85,057</u>	<u>(5,529,067)</u>	<u>10,156,867</u>

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

OVENTUS MEDICAL LIMITED
Condensed consolidated statement of cash flows
For the half-year ended 31 December 2016

	Consolidated	
Note	31 Dec 2016	31 Dec 2015
	\$	\$
Cash flows from operating activities		
Receipts from customers	262,909	44,286
Payments to suppliers and employees	(3,334,719)	(790,968)
Interest received	21,820	3,611
R&D tax concession received	-	255,610
Interest paid	(3,476)	-
Net cash outflow from operating activities	(3,053,466)	(487,461)
Cash flows from investing activities		
Payments for property, plant and equipment	(204,771)	(333,758)
Payments for intangible assets	(1,173,616)	(209,752)
Net cash outflow from investing activities	(1,378,387)	(543,510)
Cash flows from financing activities		
Proceeds from issue of shares, net of transaction costs	11,174,175	4,083,846
Proceeds from borrowings from directors and related entities	-	153,553
Repayment of loans to related parties	(767,999)	-
Net cash inflow from financing activities	10,406,176	4,237,399
Net increase in cash held	5,974,323	3,206,428
Cash and cash equivalents at the beginning of the financial half-year	161,114	42,876
Cash and cash equivalents at the end of the financial half-year	6,135,437	3,249,304

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The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

OVENTUS MEDICAL LIMITED
Notes to the consolidated financial statements
31 December 2016

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the company during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Entity 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.

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

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

During the half year, the Consolidated Entity made a loss before tax of \$2,997,170 (31 December 2015: \$657,858) and as at 31 December 2016, the current assets exceed its current liabilities by \$7,193,781. Thus the directors have a reasonable expectation that the Consolidated Entity has adequate resources to continue in operational existence in the foreseeable future. However, additional capital raising will be required in the future to meet expansionary and long term goals.

Note 2. Cash and cash equivalents

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
Cash on hand	162	233
Cash at bank	1,644,275	160,881
Cash on deposit	4,491,000	-
	<u>6,135,437</u>	<u>161,114</u>

Note 3. Inventories

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
Raw materials	61,041	-
Finished goods	25,531	-
Production consumables	52,494	-
	<u>139,066</u>	<u>-</u>

The Consolidated Entity did not report any inventory for the financial year ended 30 June 2016. The inventory at 31 December 2016 reflects the transition of the business from a pre-marketing to a manufacturing & sales phase.

OVENTUS MEDICAL LIMITED
Notes to the consolidated financial statements
31 December 2016

Note 4. Trade and other receivables

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
Trade debtors	27,942	47,621
GST receivable	228,407	75,657
Other debtors	43,279	867
	<u>299,628</u>	<u>124,145</u>

Note 5. Other current assets

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
Prepayments	110,310	157,478
Term deposits	91,518	91,518
Rental bond paid	3,051	3,052
Accrued research & development tax credit	737,533	396,301
Credit card warranty	50,000	-
Other assets	15,000	96,158
	<u>1,007,412</u>	<u>744,507</u>

Note 6. Property, plant and equipment

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
Furniture - at cost	8,329	8,329
Less: Accumulated depreciation	(2,723)	(862)
	<u>5,606</u>	<u>7,467</u>
Computer and office equipment - at cost	39,514	25,853
Less: Accumulated depreciation	(12,487)	(5,482)
	<u>27,027</u>	<u>20,371</u>
Sleep and production equipment - at cost	1,463,928	1,261,804
Less: Accumulated depreciation	(294,816)	(90,924)
	<u>1,169,112</u>	<u>1,170,880</u>
Property improvements	271,523	271,523
Less: Accumulated depreciation	(98,766)	(42,943)
	<u>172,757</u>	<u>228,580</u>
	<u>1,374,502</u>	<u>1,427,298</u>

Note 7. Intangibles

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
Patents, trademarks and licences	706,056	208,595
Less: Accumulated amortisation	(13,785)	(9,802)
	<u>692,271</u>	<u>198,793</u>
Software	272,338	168,033
Less: Accumulated amortisation	(76,660)	(16,616)
	<u>195,678</u>	<u>151,417</u>
Development costs	1,272,455	991,131
Less: Accumulated amortisation	(121,087)	(70,363)
	<u>1,151,368</u>	<u>920,768</u>
	<u>2,039,317</u>	<u>1,270,978</u>

OVENTUS MEDICAL LIMITED
Notes to the consolidated financial statements
31 December 2016

Note 8. Trade and other payables

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
Trade creditors	374,241	468,854
Other payables	311,127	418,761
Payable to related party - director loans	-	767,999
	<u>685,368</u>	<u>1,655,614</u>

Note 9. Other liabilities

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
<i>Current</i>		
Employee benefits - annual leave	74,794	38,365
	<u>74,794</u>	<u>38,365</u>
<i>Non-current</i>		
Deferred lease incentive	78,333	97,724
	<u>78,333</u>	<u>97,724</u>

Note 10. Share capital

	31 Dec 2016	31 Dec 2016	30 Jun 2016	30 Jun 2016
	Number of Shares #	Value of Shares \$	Number of Shares #	Value of Shares \$
Opening Balance	48,000,000	4,426,703	342,857	342,857
Issue of shares in Oventus Medical Limited on restructuring of company	-	-	(342,857)	-
Shares issued in consideration of initial investment in Oventus Manufacturing Pty Ltd	-	-	74,375,000	-
Ordinary shares issued: 28 September 2015	-	-	625,000	100,000
30 November 2015	-	-	20,650,000	4,130,000
19 July 2016	24,000,000	12,000,000		
Consolidation of shares	-	-	(47,650,000)	-
Share issue costs	-	(825,826)	-	(146,154)
At reporting date	<u>72,000,000</u>	<u>15,600,877</u>	<u>48,000,000</u>	<u>4,426,703</u>

The Consolidated Entity has 3,362,258 (2015:nil) options on issue at reporting date. These were issued in accordance with terms of the Employee Share Option Plan. The total value of the options was calculated to be \$363,406, as determined by an independent valuation. The value of the options will be brought to account over the vesting periods of two or three years.

OVENTUS MEDICAL LIMITED
Notes to the consolidated financial statements
31 December 2016

Note 11. Events after the reporting period

Incorporation of New Subsidiary and Launch of O2Vent™ in USA

A 100% owned US subsidiary Oventus Medical USA, Inc. was incorporated on 13 January 2017, in the state of Delaware. O2Vent T was officially launched at G'day USA event in San Francisco on 21 January 2017 and records for the first saleable product have been received.

Grant of ISO Certification & MDSAP Quality Management Certification

On 8 February 2017, the Company received a Certificate of Registration certifying that the Company's Quality Management System complies with the requirements of Medical Device Single Audit Program (MDSAP) for the design, development and manufacture of oral appliances. This follows the company's recent ISO13485 certification in January 2017.

These certifications are key requirement for the manufacture of Medical Devices for commercialisation and distribution in multiple geographies.

Strategic Collaboration Agreement with Zhuhai Blue Ocean

On 1 February 2017, a collaboration agreement was executed between Oventus and Zhuhai Blue Ocean Strategy Medical Co., Ltd (ZHBOS) and relates to O2 Vent T product. The agreement between the two parties details terms around clinical trials, training of relevant staff, achievement of relevant regulatory clearances and marketing preparations, as they pertain to the Chinese market.

A formal distribution agreement for the O2Vent T product in the Chinese market is intended to be executed by the parties in the second half of 2017.

CRC-P Successful Grant Application

The Company is the lead participant in a successful application for a grant in the 2nd round of the CRC-P grants project announced on 7 February 2017. The project is funded by the Australian Federal Government and will receive \$2,950,000 over three years. The project aims to improve sleep apnoea monitoring and treatments in collaboration with some of Australia's leading researchers.

Note 12. Earnings per share

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$	\$
Earnings per share for profit/(loss) from continuing operations		
Loss after income tax	(2,997,170)	(657,858)
Loss after income tax attributable to the owners of Oventus Medical Limited	<u>(2,997,170)</u>	<u>(657,858)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	69,521,739	39,229,710
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares which are dilutive	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>69,521,739</u>	<u>39,229,710</u>
	Cents	Cents
Basic earnings per share	(4.31)	(1.68)
Diluted earnings per share	(4.31)	(1.68)

OVENTUS MEDICAL LIMITED
Directors' declaration
31 December 2016

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on the date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Mr Mel Bridges
Director

27 February 2017
Brisbane

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF OVENTUS MEDICAL LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Oventus Medical Limited ("the Company") and its controlled entities ("the consolidated entity"), which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Oventus Medical Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Oventus Medical Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PKF Hacketts

PKF HACKETTS AUDIT

C Bradley

Cameron Bradley
Partner

Brisbane, 27 February 2017

OVENTUS MEDICAL LIMITED
Corporate directory
31 December 2016

Directors	Mel Bridges - Chairman Neil Anderson - Managing Director and CEO Christopher Hart - Clinical Director and Founder Sue MacLeman - Non-Executive Director
Company secretary	Stephen Denaro
Registered office	Suite 1 1 Swann Road Indooroopilly QLD 4068 Telephone: (07) 3831 8866
Principal place of business	Suite 1 1 Swann Road Indooroopilly QLD 4068
Share register	Computershare Investor Services Pty Limited 117 Victoria Street West End QLD 4101 Telephone: 1300 787 272
Auditor	PKF Hacketts 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.ventus.com.au
Corporate Governance Statement	The Corporate Governance Statement of Oventus Medical Limited is available from our website www.ventus.com.au via the tab headed "Investor Centre".