

OVENTUS MEDICAL LIMITED
Appendix 4D
Half-Year Report
31 December 2019

1. Company details

Name of entity: Oventus Medical Limited
ACN: 608 393 282
Reporting period: For the half year ended 31 December 2019
Previous period: For the half year ended 31 December 2018

2. Results for announcement to the market

Revenues from ordinary activities	up	24%	to	\$188,406
Loss from ordinary activities after tax attributable to the owners of Oventus Medical Limited (the Company)	up	40%	to	(5,126,363)
Loss for the year attributable to the owners of Oventus Medical Limited	up	40%	to	(5,126,363)
		31-Dec-19		31-Dec-18
		Cents		Cents
Basic loss per share		(4.01)		(3.46)
Diluted loss per share		(4.01)		(3.46)

3. Commentary on results for the year

The loss for the consolidated entity after providing for income tax amounted to \$5,126,363 (2018: loss of \$3,662,999).

Further commentary on the Consolidated Entity's results for the year can be found in the section headed 'Review of operations' on page 3 of the Directors Report included in the attached half-year financial report for the half-year ended 31 December 2019.

4. Net tangible assets

	31-Dec-19	31-Dec-18
	Cents	Cents
Net tangible assets per ordinary security (inclusive of Right of use assets)	5.42	7.45
Net tangible assets per ordinary security (exclusive of Right of use assets)	5.34	7.45

5. Control gained over entities

Not applicable.

6. Loss of control over entities

Name of entities (or consolidated entity 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

Not applicable.

11. Attachments

The Half-Year Financial Report of Oventus Medical Limited for the half-year ended 31 December 2019 is attached.

12. Audit qualification or review

This Half-Year Financial Report for the half-year ended 31 December 2019 have been reviewed by the company's independent auditor, PKF Brisbane Audit.

13. Signed



Mel Bridges

Director

Brisbane

25th February 2020

OVENTUS MEDICAL LIMITED

ACN 608 393 282

Interim Financial Report

For the Half-Year Ended 31 December 2019

Interim Financial Report
For the half-year ended 31 December 2019

CONTENTS	Page
Directors' report	3
Auditor's independence declaration	8
Condensed consolidated statement of comprehensive income	9
Condensed consolidated statement of financial position	10
Condensed consolidated statement of changes in equity	11
Condensed consolidated statement of cash flows	12
Notes to the financial statements	13
Directors' declaration	21
Independent auditor's review report to the members of Oventus Medical Limited	22
Corporate directory	24

Directors' Report

For the half year ended 31 December 2019

The Directors present their report, together with the financial statements, on the consolidated entity consisting of Oventus Medical Limited ("Oventus or 'the Company'") and the entities it controlled ('the Consolidated Entity'; "the Group") at the end of, or during, the half year ended 31 December 2019.

Directors and company secretary

The names of the Directors of the Company during the year and up to the date of this report are noted below. Directors were in office for the entire period unless otherwise stated:

Dr Mel Bridges – Chairman and Non-Executive Director

Dr Christopher Hart - Executive Director

Mr Neil Anderson - Executive Director (resigned 16 December 2019)

Ms Sue MacLeman - Non-Executive Director

Mr Sharad Joshi - Non-Executive Director

Mr Paul Molloy – Non-Executive Director (appointed 16 December 2019)

Mr Stephen Denaro - Company Secretary

Principal activities

Oventus (ASX: OVN) is an Australian medical device company with a proprietary O₂Vent Sleep Treatment Platform for the treatment of obstructive sleep apnoea (OSA) and snoring. OSA is a condition with a huge unmet medical need, especially as the majority of patients abandon existing treatments.

The O₂Vent Sleep Treatment Platform enhances treatment outcomes delivered by conventional appliance therapy and Continuous Positive Airway Pressure (CPAP) therapy, through increased efficacy and greater adherence by patients when compared with these older treatment methods.

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, bypassing multiple obstructions from the nose, soft palate and tongue that can contribute to OSA and snoring.

During the half year ended 31 December 2019, Oventus was primarily focused on rolling out its devices across key markets of Australia, the United States and Canada under the 'lab in lab' model. Lab in lab is a collaborative strategy that streamlines patients' access to treatment, regardless of whether they seek support from a sleep clinician or a dentist.

Review of operations

During the half year, Oventus introduced its new 'lab in lab' model which is designed to simplify the patient experience and build value for all stakeholders.

The main features of the model are:

- It provides support, training and the resources required to manage a professional dental-sleep medicine collaborative care location.
- It utilises Oventus' O₂Vent® Sleep Treatment Platform and digital solutions, streamlining workflows and simplifying the patient journey.
- It requires minimal capital expenditure with the supply of a desktop scanner.

The model overcomes the fact that participation by both sleep physicians and dentists is required when it comes to managing OSA. The two groups have traditionally operated separately due to their different areas of practice. Oventus' approach creates a conduit where both the Sleep Channel and Dentist can care for a patient at a point of service already established, providing sleep physician or dentist support where required and enhancing the flow of information to overcome this segregation.

Collaboration between the channels is needed because sleep physicians must prescribe an oral appliance under law, and a dentist scans and fits the device. The patient is followed up by the dentist to ensure comfort and fit of a device, and also by the physician to manage treatment of the OSA. The 'lab in lab' collaborative clinical model ensures both groups participate effectively in this process, enabling them to provide end-to-end treatment solutions to patients. It also provides a seamless treatment platform for patients to access Oventus Airway Technology, irrespective of where the patient sought their treatment.

The demand for this model is large and growing quickly with the first material agreements in Canada and the US signed during the half year and more signed and announced post the end of the period. There is a large and growing pipeline of sleep groups in discussion and negotiations to adopt Oventus technology and the 'lab in lab' clinical delivery model. Many of these are expected to be finalised and announced in CY2020 and beyond.

To support the introduction of the 'lab in lab' model and our US sales strategy, we established a small office in Irvine, California to house our US head office and supporting infrastructure. We also set up the AwakeXpress consumer website to facilitate the customer experience. Through the site, consumers can educate themselves on Oventus products, find out if the O2Vent Optima is right for them and also find an accredited provider.

Regulatory approvals and product launches

In September, Oventus received regulatory clearance from the US Food and Drug Administration (FDA) for its O2Vent Optima oral device.

O2Vent Optima is the newest product in the O2Vent oral device range within Oventus' Sleep Treatment Platform. It is a customised 3D-printed nylon oral appliance that offers the comfort and simplicity of a mandibular advancement device, but with a separate airway that adds further stability to the upper airway for Obstructive Sleep Apnoea (OSA) patients throughout the night.

Following the clearance, Oventus officially launched the O2Vent Optima oral device in sleep and dental channels in the US – a key market for Oventus alongside Canada and Australia.

The 'lab in lab' model and adoption of our Sleep Treatment Platform in key markets

During the half year, Oventus made significant progress with the rollout of the lab in lab model across North America.

In July, the Company secured its first material agreements with sleep medicine groups in the United States for its O2Vent Sleep Treatment Platform to supply dental sleep medicine solutions to 8 sleep facilities in Texas, Arizona and New Mexico.

In the same month, Oventus also signed material agreements with VirtuOx, Carestream Dental and Lyon Dental, with these agreements working synergistically to encourage adoption of Oventus' 'lab in lab' business model by providing systems and support to sleep and dental clinics to deliver optimal treatment outcomes. These agreements also give Oventus the ability to support the patient's treatment journey from end to end from sleep apnoea consultations, diagnosis, prescriptions, treatment and follow up in both sleep and dental clinics.

Further progress with the rollout of the lab in lab model was made in the half year period as follows:

- In August, agreements were secured with US sleep groups, Delaware Sleep Disorder Centres and Reliable Respiratory, to supply dental sleep medicine solutions across a total of 10 facilities.
- In October, Oventus launched the first five 'lab in lab' sites in the US and Canada
- In November, two additional contracts secured with The California Center for Sleep Disorders and Feeling Great Sleep in North Carolina
- In December, three further material contracts secured with the California Center for Sleep Disorders in California, Bogan Sleep Consultants in South Carolina and Sleep Watchers in Illinois

As at December 31, 2019, Oventus had contracted a total of 36 clinical delivery sites, while a total of 7 sites had been launched with patients being identified and bookings being taken across these sites. Since then a further 7 sites have been launched taking the total to 14 sites.

Team and advisors

In November, Oventus appointed medical device industry expert, Paul Molloy to the Board as Non-Executive Director.

Mr Molloy brings considerable global and US medical device industry expertise to Oventus, with twenty-five years' experience leading a range of public, private and venture capital-funded healthcare companies. His experience in establishing and managing international operations will prove invaluable as Oventus continues to execute commercially on its lab in lab program.

He is currently President and CEO of Clearflow Inc., a US-based medical device company which is pioneering technology that prevents post-operative complications associated with retained blood and fluid. Before joining ClearFlow, he 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 at the corporate level.

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

Investing in growth

During the half year period, Oventus raised A\$9.3m via an oversubscribed capital raise. Funds raised were deployed into speeding up future customer site launches and supporting the growth of the lab in lab program.

Investment included scanning equipment purchases, sales and marketing activities, formation and set up costs. Also included were capital expenditures required to scale up manufacturing operations in support of future sales growth

Financial strength

The Company's cash position stood at \$6.173 million as at 31 December 2019.

The loss for the Consolidated Entity for the six months ended 31 December 2019 amounted to \$5,126,363 (2018: loss of \$3,662,999). The Consolidated Entity earned \$188,406 in revenue for the six months ended 31 December 2019 (2018: revenue of \$151,757) and incurred operating expenses of \$5,351,244 for the six months ended 31 December 2019 (2018: \$4,000,661). The increase in operating expenditures related primarily to building out the operational, sales and marketing capability in North America to support the implementation of the Company's lab in lab business model and the introduction of products into the Sleep channel. The Company also incurred restructure charges in the half year in connection with the reduction of fixed operating costs and outsourcing of certain operating activities. Development expenditures of \$418,317 incurred during the half year ended 31 December 2019 (2018: \$756,721) were capitalised in the consolidated statement of financial position. During the half year the Consolidated Entity received \$828,119 from the Australian Federal Government as a cash rebate for the Company's 2019 financial year R&D spend.

Dividends

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

New Accounting Standards Implemented

The Group has implemented a new accounting standard that is applicable for the current reporting period. AASB 16: Leases has been applied retrospectively, with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of retained earnings at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases.

Significant changes in 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.

Significant matters subsequent to the period

Subsequent to the half year ended 31 December 2019 the group has received confirmation that O₂Vent Optima has been approved for Medicare reimbursement in the United States from the Pricing, Analysis and Coding (PDAC) contractors which support The Centers for Medicare & Medicaid services (CMS). CMS is part of the U.S. Department of Health and Human Services and oversees many federal healthcare programs, including those that involve medical device reimbursement. PDAC approval removes barriers for the prescribing physicians and enables dentists to deliver O₂Vent Optima regardless of the patient's payer type including those patients accessing government-funded healthcare in the U.S. In addition, the group announced the signing of an agreement which calls for Oventus' Sleep Treatment Platform to be included in a range of Obstructive Sleep Apnoea treatment solutions sold by US Durable Medical Equipment (DME) supply business, Aeroflow Healthcare Inc. Aeroflow is a premier provider of DME and associated services in the US.

No other matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

Expected future developments

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

- Uptake and acceptance of the O2Vent range of products by patients and clinicians through Oventus' distribution under the 'lab in lab' business model, supported by successful marketing and training activities to drive adoption;
- Additional partnerships for clinical delivery and distribution in various geographies;
- Successful launch of new products in the US market subject to FDA approval;
- Additional clinical evidence/clinical trial results which highlight the benefit of the 'Oventus Airway Technology' for a range of patients relating to the ongoing CRC-P NeuRA government funded trial. Further, a clinical trial for the ExVent™ add-on is expected to be initiated to support the FDA approval process in the US market; and
- Further enhancement and outsourcing of the manufacturing process to scale manufacturing to meet demand and minimise costs.

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 half year ended 31 December 2019.

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



Mel Bridges

Director

Brisbane
25th February 2020

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 2019, 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.

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

PKF BRISBANE AUDIT



CAMERON BRADLEY
PARTNER

25 FEBRUARY 2020
BRISBANE

**Condensed Consolidated Statement of Comprehensive Income
For the Half-Year Ended 31 December 2019**

		31-December 2019 \$	31-December 2018 \$
	Note		
Revenue	2	188,406	151,757
Cost of sales		(101,811)	(42,266)
		<u>86,595</u>	<u>109,491</u>
Less: Expenses			
Staff costs		2,910,588	1,801,485
Sales & marketing		327,774	348,127
Depreciation and amortisation		507,556	333,451
Administration		56,409	315,244
Travel		337,360	274,988
Audit legal & consulting		231,715	263,509
Information technology costs		205,571	188,282
Insurance		190,934	167,412
Office & lab		134,193	163,541
Share based payments		162,134	90,320
Clinical Studies Research & Regulatory		185,199	12,036
Total expenses		<u>5,249,433</u>	<u>3,958,395</u>
		<u>(5,162,838)</u>	<u>(3,848,904)</u>
Other income (expenses)			
Interest income		18,771	100,532
Interest expense		(3,434)	-
Other income		21,138	85,373
		<u>36,475</u>	<u>185,905</u>
Loss before income tax expense		<u>(5,126,363)</u>	<u>(3,662,999)</u>
Income tax expense		-	-
Loss for the year attributable to members of the company		<u>(5,126,363)</u>	<u>(3,662,999)</u>
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations		(59,988)	(38,711)
Total comprehensive loss attributable to members of the company		<u>(5,186,351)</u>	<u>(3,701,710)</u>
Earnings per share for profit/(loss) from continuing operations:			
Basic earnings per share	12	<u>(4.01)</u>	<u>(3.46)</u>
Diluted earnings per share		<u>(4.01)</u>	<u>(3.46)</u>

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

**Condensed Consolidated Statement of Financial Position
As at 31 December 2019**

		31-December 2019	30-June 2019
	Note	\$	\$
Current assets			
Cash and cash equivalents	3	6,172,960	2,998,563
Trade and other receivables	4	58,411	79,068
Other current assets	5	923,190	1,363,614
Total current assets		<u>7,154,561</u>	<u>4,441,245</u>
Non-current assets			
Property, plant and equipment	6	1,024,842	699,398
Right of use assets	7	110,086	-
Intangible assets	8	3,865,275	3,744,100
Deposits		74,732	74,732
Total non-current assets		<u>5,074,935</u>	<u>4,518,230</u>
Total assets		<u>12,229,496</u>	<u>8,959,475</u>
Current liabilities			
Trade and other payables	9	881,546	1,391,918
Other current liabilities	10	405,885	135,016
Total current liabilities		<u>1,287,431</u>	<u>1,526,934</u>
Non-current liabilities			
Other liabilities		-	75,936
Total non-current liabilities		<u>-</u>	<u>75,936</u>
Total liabilities		<u>1,287,431</u>	<u>1,602,870</u>
Net assets		<u>10,942,065</u>	<u>7,356,605</u>
Equity			
Share capital	11	38,253,373	29,640,394
Share based payment reserve		641,337	500,212
Translation reserve		(172,241)	(112,252)
Accumulated losses		(27,780,404)	(22,671,750)
Total equity		<u>10,942,065</u>	<u>7,356,605</u>

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

**Condensed Consolidated Statement of Changes in Equity
For the Half-Year ended 31 December 2019**

	Contributed Equity \$	Share Based Payments Reserve \$	Translation Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2018	29,640,394	309,476	3,895	(14,823,495)	15,130,270
Loss for the year	-	-	-	(3,662,999)	(3,662,999)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(3,662,999)	(3,662,999)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	-	90,320	-	-	90,320
Share based payments	-	-	(38,712)	-	(38,712)
Exchange differences on translating foreign operations	-	-	(38,712)	-	(38,712)
Total transactions with owners in their capacity as owners:	-	90,320	(38,712)	-	51,608
Balance at 31 December 2018	29,640,394	399,796	(34,817)	(18,486,494)	11,518,879
Balance at 1 July 2019	29,640,394	500,212	(112,252)	(22,671,750)	7,356,605
Cumulative adjustment upon adoption of new accounting standard - AASB 16	-	-	-	(3,304)	(3,304)
Balance at 1 July 2019 restated	29,640,394	500,212	(112,252)	(22,675,054)	7,353,300
Loss for the year	-	-	-	(5,126,363)	(5,126,363)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(5,126,363)	(5,126,363)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	8,612,979	-	-	-	8,612,979
Share based payments	-	162,138	-	-	162,138
Write-off of forfeited options	-	(21,013)	-	21,013	-
Exchange differences on translating foreign operations	-	-	(59,989)	-	(59,989)
Total transactions with owners in their capacity as owners:	8,612,979	141,125	(59,989)	21,013	8,715,128
Balance at 31 December 2019	38,253,373	641,337	(172,241)	(27,780,404)	10,942,065

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

Condensed Consolidated Statement of Cash Flows
For the half-year ended 31 December 2019

		31-December 2019	31-December 2018
	Note	\$	\$
Cash flows from operating activities			
Receipts from customers		198,856	170,464
Interest received		18,771	105,428
Interest paid		-	-
Payments to suppliers and employees		(5,458,633)	(3,543,084)
R&D grants and concessions received		828,120	1,125,362
Net cash outflow from operating activities		(4,412,886)	(2,141,830)
Cash flows from investing activities			
Payments for property, plant and equipment		(757,995)	(121,472)
Payments for intangible assets		(268,533)	(1,006,773)
Proceeds from disposal of plant and equipment		2,909	400,000
Proceeds from (payments for) term-deposits		-	(5,638)
Net cash outflow from investing activities		(1,023,619)	(733,883)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs	11	8,612,979	-
Net cash inflow from financing activities		8,612,979	-
Net increase (decrease) in cash held		3,176,474	(2,875,713)
Cash and cash equivalents			
at the beginning of the financial period		2,998,563	9,894,959
Effects of exchange rate changes on cash and cash equivalents		(2,077)	(19,098)
Cash and cash equivalents at the end of the period		6,172,960	7,000,148

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

Notes to the Condensed Consolidated Financial Statements
For the Half-Year Ended 31 December 2019

1. Significant accounting policies

These half year financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: *Interim Financial Reporting*, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by Oventus Medical Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*. The accounting policies have been consistently applied by the Company and are consistent with those in the June 2019 financial report. The half-year report does not include full disclosures of the type normally included in an annual financial report.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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.

(i) Changes in Accounting Policies Applied by the Group

Cost of Goods Sold

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

AASB 16: Leases

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

- AASB 16: Leases

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

Notes to the Condensed Consolidated Financial Statements
For the Half-Year Ended 31 December 2019

a. Leases

The Group as lessee

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

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

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

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

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

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

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

b. Initial Application of AASB 16: Leases

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements
For the Half-Year Ended 31 December 2019

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

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

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

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

Going concern

The financial statements have been prepared on a going concern basis that presumes the realisation of assets and the discharge of liabilities in the normal course of operations for the foreseeable future.

The ability of the Group to continue on a going concern basis is dependent upon the following:

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

During the half-year, the Group made a loss before tax of \$5,126,363 (2018: loss of \$3,662,999) and has accumulated losses of \$27,780,404. However, as at 31 December 2019, the current assets exceed its current liabilities by \$5,867,130. Thus, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence in the foreseeable future. However, additional capital raising may be required in the future for working capital requirements and to meet expansionary and long-term goals.

Operating segments

A. Basis for segmentation

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

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

Notes to the Condensed Consolidated Financial Statements
For the Half-Year Ended 31 December 2019

	31-December 2019 \$	31-December 2018 \$
2. Revenue		
Device Sales	181,192	151,757
Services Revenue	7,214	-
	<u>188,406</u>	<u>151,757</u>

	31-December 2019 \$	30-June 2019 \$
3. Cash and cash equivalents		
Cash on hand	85	308
Cash at bank	3,165,778	1,498,255
Short-term deposits	3,007,097	1,500,000
	<u>6,172,960</u>	<u>2,998,563</u>

	31-December 2019 \$	30-June 2019 \$
4. Trade and other receivables		
Trade receivables	43,319	70,250
GST receivable	11,612	33,881
Other receivables	17,002	4,940
	<u>71,933</u>	<u>109,071</u>
Less allowance for doubtful debts	<u>13,522</u>	<u>30,003</u>
	<u>58,411</u>	<u>79,068</u>

	31-December 2019 \$	30-June 2019 \$
5. Other current assets		
Prepayments	241,429	95,636
Accrued research & development tax credit	399,273	1,032,999
Inventory	107,390	93,545
Other assets	175,098	141,434
	<u>923,190</u>	<u>1,363,614</u>

Notes to the Condensed Consolidated Financial Statements
For the Half-Year Ended 31 December 2019

6. Property, plant and equipment

	Computer and office furniture and equipment	Sleep and production equipment	Company Vehicles	Leasehold improvement	Assets Under Joint Arrangement	Total
	\$	\$	\$	\$	\$	\$
At 30 June 2019						
Cost						
	101,530	529,550	-	230,883	311,369	1,173,332
Accumulated depreciation	(51,323)	(209,970)	-	(173,389)	(39,252)	(473,934)
Net book amount	50,207	319,580	-	57,494	272,117	699,398

Half-year ended 31 December 2019

Opening net book amount	50,207	319,580	-	57,494	272,117	699,398
Additions	51,689	328,437	38,557	-	-	418,683
Disposals - cost	-	(5,818)	-	-	-	(5,818)
Disposals - accumulated depreciation	-	2,585	-	-	-	2,585
Depreciation charge	(14,132)	(47,014)	(2,493)	(9,352)	(17,015)	(90,006)
Closing net book amount	87,764	597,770	36,064	48,142	255,102	1,024,842

At 31 December 2019

Cost	153,219	852,169	38,557	230,883	311,369	1,586,197
Accumulated depreciation	(65,455)	(254,399)	(2,493)	(182,741)	(56,267)	(561,355)
Net book amount	87,764	597,770	36,064	48,142	255,102	1,024,842

7. Right of use assets

Lease right of use asset	Total
\$	\$

Half-year ended 31 December 2019

Opening net book amount	-	-
Initial adoption of AASB 16 – cost	264,209	264,209
Initial adoption of AASB 16 – accumulated depreciation	(88,071)	(88,071)
Depreciation expense	(66,052)	(66,052)
Closing net book amount	110,086	110,086

At 31 December 2019

Cost	264,209	264,209
Accumulated depreciation	(154,123)	(154,123)
Net book amount	110,086	110,086

**Notes to the Condensed Consolidated Financial Statements
For the Half-Year Ended 31 December 2019**

8. Intangible assets	Patents, trademarks and licences	Software	Development costs	Total
	\$	\$	\$	\$
At 30 June 2019				
Cost	1,052,446	356,212	3,794,623	5,203,281
Accumulated amortisation	(109,469)	(243,892)	(1,105,820)	(1,459,181)
Net book amount	942,977	112,320	2,688,803	3,744,100
Half-year ended 31 December 2019				
Opening net book amount	942,977	112,320	2,688,803	3,744,100
Additions	188,162	48,161	418,317	654,640
Tax concession received or receivable	-	-	(181,968)	(181,968)
Amortisation expense	(31,015)	(24,097)	(296,385)	(351,497)
Closing net book amount	1,100,124	136,384	2,628,767	3,865,275
At 31 December 2019				
Cost	1,240,608	404,373	4,030,972	5,675,953
Accumulated amortisation	(140,484)	(267,989)	(1,402,205)	(1,810,678)
Net book amount	1,100,124	136,384	2,628,767	3,865,275

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

	31-December 2019 \$	30-June 2019 \$
9. Trade and other payables		
Trade creditors	291,720	730,794
PAYG Withholding payable	124,067	170,767
Employee benefits payable	17,674	18,747
Other creditors	448,085	471,610
	<u>881,546</u>	<u>1,391,918</u>
10. Other liabilities		
<i>Current</i>		
Employee benefits - annual leave	215,690	135,016
Employee benefits - long service leave	75,938	-
Lease Liability	114,257	-
	<u>405,885</u>	<u>135,016</u>

Notes to the Condensed Consolidated Financial Statements
For the Half-Year Ended 31 December 2019

11. Equity – Share capital

	31-December 2019 Number of Shares #	31-December 2019 Value of Shares \$	30-June 2019 Number of Shares #	30-June 2019 Value of Shares \$
Opening Balance	105,939,212	29,640,394	105,939,212	29,640,394
1 August 2019	15,757,491	5,987,847	-	-
27 August 2019	6,085,092	2,312,335	-	-
17 September 2019	2,747,922	1,044,210	-	-
Share issue costs	-	(731,413)	-	-
	24,590,505	8,612,979	-	-
At reporting date	130,529,717	38,253,373	105,939,212	29,640,394

	31-December 2019 \$	31-December 2018 \$
12. Loss per share		
Loss per share from continuing operations		
Loss after income tax	(5,126,363)	(3,662,999)
Loss after income tax attributable to the owners of Oventus Medical Limited	(5,126,363)	(3,662,999)
	Numbers	Numbers
Weighted average number of ordinary shares used in calculating basic loss per share	127,944,152	105,939,212
Adjustments for calculation of diluted loss per share:		
Options over ordinary shares	-	-
Weighted average number of ordinary shares used in calculating diluted loss per share	127,944,152	105,939,212
	Cents	Cents
Basic loss per share	(4.01)	(3.46)
Diluted loss per share	(4.01)	(3.46)

Notes to the Condensed Consolidated Financial Statements
For the Half-Year Ended 31 December 2019

13. Significant Matters Subsequent to the Period

No matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

14. Segment Reporting

	31-Dec-19			31-Dec-18		
	Australia	North America	Total	Australia	North America	Total
	\$	\$	\$	\$	\$	\$
Segment revenue	137,572	50,834	188,406	99,365	52,392	151,757
Cost of Sales	(70,079)	(31,732)	(101,811)	(27,674)	(14,592)	(42,266)
Gross Profit	67,493	19,102	86,595	71,691	37,800	109,491
Staff costs	(1,380,050)	(1,530,539)	(2,910,589)	(1,322,578)	(478,907)	(1,801,485)
Sales and marketing	(118,956)	(208,818)	(327,774)	(116,139)	(231,988)	(348,127)
Other expenses	(1,481,478)	(493,117)	(1,974,595)	(1,425,036)	(197,842)	(1,622,878)
Segment operating loss	(2,912,991)	(2,213,372)	(5,126,363)	(2,792,062)	(870,937)	(3,662,999)
Segment assets	11,549,010	680,486	12,229,496	12,123,440	121,419	12,244,859
Segment liabilities	1,079,776	207,655	1,287,431	553,323	172,657	725,980

Directors' Declaration

For the half-year ended 31 December 2019

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 Group's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Mel Bridges
Director

Brisbane

25th February 2020

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

Conclusion

We have reviewed the accompanying half-year financial report of Oventus Medical Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the half-year's end or from time to time during the financial half-year.

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 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 2019, and of its financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. In accordance with the *Corporations Act 2001*, we have given the directors of the company a written Auditor's Independence 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 the Australian Accounting Standards and the *Corporations Regulations 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 2019 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Oventus Medical Limited, 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.

PKF BRISBANE AUDIT



CAMERON BRADLEY
PARTNER

25 FEBRUARY 2020
BRISBANE

Corporate directory
31 December 2019

Directors	<ul style="list-style-type: none"> • Dr Mel Bridges – Chairman • Dr Christopher Hart - (Executive Director) (Founder) (Managing Director and Chief Executive Officer from 30 August 2018) (Clinical Director up to 29 August 2018) • Mr Neil Anderson - (Executive Director) (Chief Technical Officer from 30 August 2018) (Managing Director and Chief Executive Officer up to 29 August 2018) Resigned 16 December 2019 • Ms Sue MacLeman - Non-Executive Director • Mr Sharad Joshi – Non-Executive Director • Mr Paul Molloy – Non-Executive Director (Appointed 16 December 2019)
Company secretary	Mr Stephen Denaro
Registered office	<p>Suite 1, 1 Swann Road, Indooroopilly QLD 4068</p> <p>Telephone: 1300 533 159</p>
Principal place of business	Suite 1, 1 Swann Road, Indooroopilly QLD 4068
Share register	<p>Computershare Investor Services Pty Limited</p> <p>117 Victoria Street</p> <p>West End QLD 4101</p> <p>Telephone: 1300 787 272</p>
Auditor	<p>PKF Brisbane Audit</p> <p>Level 6, 10 Eagle Street</p> <p>Brisbane QLD 4000</p>
Stock exchange listing	Oventus Medical Limited shares are listed on the Australian Securities Exchange (ASX code: OVN)
Website	www.ventus.com.au
Corporate Governance Statement	The Corporate Governance Statement of Oventus Medical Limited is available from our website www.ventus.com.au via the tab headed "Investor Centre".