

ASX release

Appendix 4C – Quarter Ended 31 December 2016

Key Highlights:

- **O₂Vent T launched in the United States, five beta sites established and training complete**
- **Geographical expansion and accelerated Australian market penetration, through two collaboration agreements with major dental clinic groups**
- **Positive pilot clinical trial data paves way for further study of O₂Vent T as a viable alternative to CPAP**
- **Commercialisation plans on track for expanded market launch and sales growth in 2H CY2017**

Brisbane, Australia 30th January 2017: Sleep apnoea device maker and developer Oventus Medical Ltd. (OVN:ASX) has today released its Appendix 4C – Quarterly cash flow report for the period ended 31 December 2016.

The company has continued to make progress on the business strategy, communicated at the time of the company's listing on the ASX in July 2016. The achievements in this quarter have laid the foundation for the company to expand its market presence and drive sales growth of O₂Vent T in the second half of 2017, as well as advance the broader portfolio of products in development.

Australian and US market activity

During the quarter, Oventus announced a second collaboration agreement with a major Australian dental group. This is in addition to the collaboration with 1300 SMILES Ltd, and is central to its strategy to expedite geographic expansion and market penetration. These collaborations will rapidly expand the number of dentists delivering Oventus appliances, and these partners will collaborate on marketing campaigns.

During the December quarter, an additional 30 clinicians were registered and trained to provide Oventus devices in Australia.

Subsequent to the end of the quarter, Oventus announced it had launched the O₂Vent T in the United States in mid-January. Five beta (pilot) sites have been established, across various locations in the US, and clinicians at these sites have been trained, records have been taken and evaluation appliances have been delivered to the first cohort of patients.

The company also implemented a cloud based ERP³ system linking the US subsidiary 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 regulations – a key requirement for managing patient records in the US.

The company has delivered early sales revenue, with \$196,000 of receipts from customers received during the quarter, generated by sales of its devices.

Oventus has \$6.1 million cash as at 31 December 2016. The company received an R&D tax credit of \$457,867 in January which is not included in this figure.

Clinical Trial Program

In collaboration with some of Australia's leading research organisations, Oventus has continued to gather evidence evaluating the O₂Vent T and its unique patented airway.

A recently completed pilot clinical study has been completed with very promising results. This study using the O₂Vent T showed benefits both when used as a standalone device, or as the interface to a CPAP machine. The results show that when there is a switch to breathing through the O₂Vent device airway, negative pressure swings were reduced, thus reducing the likelihood of airway collapse which causes obstructive sleep apnoea.

The company will be undertaking an expanded trial in the first half of 2017 to gather more clinical evidence to validate the O₂Vent T as a viable alternative to CPAP and the further development of a strapless low pressure CPAP system for patients with very severe sleep apnoea.

Additional clinical trials currently underway include a cross over trial evaluating the impact of the O₂Vent T airway on compliance. Recruitment for this trial has recently closed and is due for completion in June 2017. Another important trial soon to commence at the Centre for Sleep Science, University of Western Australia will perform detailed physiological measurements including measuring pressures in the airway and is designed to provide further insights into the effect of the device airway.

R&D and intellectual property

New products are advancing through the R&D process. These are highlighted by a connector system to sensor systems to monitor when the appliance is used (a key feature for clinicians), as well as an on-board sleep testing device which will monitor how well the device is performing for individual patients. Two provisional patents were filed in the past quarter, to protect these designs.

Quality Assurance

ISO 13485 medical device accreditation for the company's quality management system for the design, development and manufacture of oral appliances in the treatment of sleep apnoea. The standard is a universal measure of quality and is a critical prerequisite to achieving regulatory compliance in a number of countries.

Oventus CEO Neil Anderson said “This has been another productive quarter for Oventus, with progress on a number of fronts, and ensuring we have a solid foundation from which to deliver meaningful sales growth as we ramp up in 2017. Our expanding IP portfolio, and clinical program are also crucial elements of our strategy, as we look to drive uptake of our devices and advance our R&D pipeline.”

-ENDS-

For more information please contact:

Dr Mel Bridges, Chairman: M: 0413 051 600 (+61413051600)

Kyahn Williamson, WE Buchan: P: 03 8866 1214, kwilliamson@buchanwe.com.au

About Oventus

Oventus is a Brisbane based medical device company that is commercialising a suite of oral appliances for the treatment of sleep apnoea and snoring. Unlike other oral appliances, the Oventus devices have a unique and patented airway within the device that delivers air to the back of the mouth bypassing multiple obstructions from the nose, soft palate and tongue. They are particularly designed for the many people that have nasal obstructions and consequently tend to mainly breathe through their mouth. While it may seem counterintuitive, the device actually prevents oral breathing. The O₂Vent is designed to allow nasal breathing when the nose is unobstructed, but when obstruction is present, breathing is supplemented via the airways in the appliance.

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

Continuous positive airway pressure (CPAP) is the most definitive medical therapy for obstructive sleep apnoea, OSA, however many patients have difficulty tolerating CPAP². Oral appliances have emerged as an alternative to CPAP for obstructive sleep apnoea treatment.³

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

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

³ *Sutherland et al. Oral appliance treatment for obstructive sleep apnea: An updated Journal of Clinical Sleep Medicine. February 2014.*

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

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

Name of entity

OVENTUS MEDICAL LIMITED

ABN

12 608 393 282

Quarter ended ("current quarter")

31st December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	196	270
1.2 Payments for		
(a) research and development	(609)	(982)
(b) product manufacturing and operating costs	(214)	(472)
(c) advertising and marketing	(99)	(257)
(d) leased assets	-	-
(e) staff costs	(640)	(1,308)
(f) administration and corporate costs	(564)	(1,291)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	20	22
1.5 Interest and other costs of finance paid	-	(10)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	(3)	(3)
1.9 Net cash from / (used in) operating activities	(1,914)	(4,032)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(101)	(239)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property	(7)	(86)
	(e) other non-current assets	(68)	(151)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(176)	(476)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	12,000
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(3)	(756)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(762)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(3)	10,482

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	8228	161
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,914)	(4,032)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(176)	(476)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(3)	10,483

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	6,135	6,135

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,135	8,228
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,135	8,228

6. Payments to directors of the entity and their associates

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

**Current quarter
\$A'000**

36

-

Payment of directors' fees.

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

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

**Current quarter
\$A'000**

-

-

N/A

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

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(761)
9.2 Product manufacturing and operating costs	(275)
9.3 Advertising and marketing	(330)
9.4 Leased assets	-
9.5 Staff costs	(645)
9.6 Administration and corporate costs	(504)
9.7 Intellectual property and equipment	(46)
9.8 Total estimated cash outflows	(2,562)

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

Compliance statement

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



Sign here:
(Company Secretary)

Date: 30 January 2017

Print name: Stephen Denaro

Notes

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