



Appendix 4E – Preliminary Final Report

(ASX Listing rule 4.2A)

Company Name:	Respiri Limited (the 'Company')
ABN:	98 009 234 173
Reporting Period:	Financial year ended 30 June 2020
Previous Reporting Period:	Financial year ended 30 June 2019

Results for Announcement to the market

The results of Respiri Limited for the year ended 30 June 2020 are as follows:

Revenue	Up	113.98%	to	\$2,206,967
Loss after tax attributable to members	Down	14.32%	to	(\$7,260,935)
Net loss for the period attributable to members	Down	14.32%	to	(\$7,260,935)
Net cash used in operating activities	Down	26.88%	To	(\$4,687,956)

Brief explanation of figures reported above

The loss for the Group after income tax for the reporting period was \$7,260,935 (2019: \$8,474,586) and an operating cash outflow of \$4,687,956 (2019: \$6,411,324). This result has been achieved after fully expensing all research and development costs. The Company remains on track to launch wheezo® by the end of this calendar year and continued to make good progress in all other areas. Costs have been kept below budget while product development and further commercial partnerships were executed.

The business continues to preserve cash and remains well capitalised following a successful Placement in March of \$2.0m and a significantly oversubscribed Share Purchase Plan (SPP) in April 2020 which raised approximately \$3.1m. The \$5.1m in total capital raised funds the business through a commercial launch in Australia, which is expected by the end of the current calendar year, and into 2021.

Funds raised will be used to progress the key strategic initiatives necessary to achieve this commercial launch, namely product and clinical development; streamlining the manufacturing process & reducing COGS; sales & marketing and additional working capital.

For further details relating to the current period's results, refer to the Review of Operations contained within this document.

Dividends

No dividends have been paid or declared by the Group since the beginning of the current reporting period. No dividends were paid for the previous reporting period.

Net Tangible Assets

	30 June 2020	30 June 2019
Net Tangible Assets/(Liabilities)	\$2,494,776	(\$1,595,778)
Shares (No.)	651,714,790	525,883,098
Net Tangible Assets (cents)	0.38	(0.30)

Loss per Share

	30 June 2020	30 June 2019
Basic/Diluted loss per share (cents)	1.27	1.69

Status of Audit of Accounts

This Preliminary Financial Report is based upon financial statements for the Company for the year ended 30 June 2020 that have been audited. The independent audit report which is included in this document contains a material uncertainty related to going concern paragraph.

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RESPIRI



ABN 98 009 234 173

Appendix 4E
Preliminary Final Report
For the year ended 30 June 2020

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Respiri Limited

ABN 98 009 234 173

Annual Financial Statements

For the Year Ended 30 June 2020

Respiri Limited

ABN 98 009 234 173

Contents

For the Year Ended 30 June 2020

	Page
Financial Statements	
Directors' Report	1
Auditor's Independence Declaration under Section 307C of the Corporations Act 2001	21
Statement of Profit or Loss and Other Comprehensive Income	22
Statement of Financial Position	23
Statement of Changes in Equity	24
Statement of Cash Flows	26
Notes to the Financial Statements	27
Directors' Declaration	62
Independent Audit Report	63

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Respiri Limited

ABN 98 009 234 173

Directors' Report

30 June 2020

The Directors of Respiri Limited ("RSH", "Respiri", or "the Group") submit herewith the annual financial report of the Group for the financial year ended 30 June 2020. In order to comply with the *Corporations Act 2001*, the Directors' Report are as follows:

Directors

The names of each person who has been a director during the year and to the date of this report are:

Mr Nicholas Smedley	Executive Chairman
<i>Appointed to the Board</i>	30 October 2019
<i>Last elected by Shareholders</i>	N/A
<i>Experience</i>	Nicholas is an experienced Investment Banker and M&A Advisor, with 14 years' experience at UBS and KPMG. He has worked on M&A transactions in the UK, Hong Kong, China, and Australia with transactions ranging from the A\$9bn defence of WMC Resources through to the investment of \$65m into Catch.com.au. Nicholas currently oversees investments in the Property, Aged care, Technology and Medical Technology space. Key areas of expertise include M&A, Debt structuring, Corporate governance and innovation.
<i>Qualifications</i>	B.Com
<i>Interest in shares and options</i>	15,226,609 Ordinary Shares and 47,500,000 Unlisted Options
<i>Directorships held in other listed entities</i>	AD1 Holdings Limited
Mr Marjan Mikel	CEO and Executive Director
<i>Appointed to the Board</i>	25 November 2019
<i>Last elected by Shareholders</i>	N/A
<i>Experience</i>	Marjan is a highly experienced managing director and board member with a career spanning Australia, Europe and Japan, Marjan's focus has been in the healthcare industry; from pharmaceuticals and information services and technology to medical devices and sleep disorder solutions. He founded and subsequently sold Healthy Sleep Solutions after developing it into a successful business, with in excess of \$70m in revenue, with Resmed Ltd as a joint venture/shareholder partner. Currently, he is non-executive director of Memphasys Ltd, a publicly-listed bio-separations company, where he chairs the nomination and remuneration committee. He also acts as commercial advisor to Portt, a SaaS company, and is an industry research fellow at University of New South Wales Faculty of Engineering.
<i>Qualifications</i>	BSc(Hons), Grad Dip Ed, MCom; MAICD
<i>Interest in shares and options</i>	2,643,119 Ordinary Shares and 60,000,000 Unlisted Options
<i>Directorships held in other listed entities</i>	Memphasys Ltd (resigned February 2020)

Respiri Limited

ABN 98 009 234 173

Directors' Report

30 June 2020

Directors (continued)

Dr Thomas Duthy	Non-Executive Director
<i>Appointed to the Board</i>	11 February 2020
<i>Last elected by Shareholders</i>	N/A
<i>Experience</i>	Dr Duthy has over 15 years of direct financial markets experience having worked in sell-side equity research, and senior executive roles across investor relations and corporate development. Dr Duthy is the Founder and CEO of Nemean Group Pty Ltd, a boutique corporate advisory and investor relations firm specialising in delivering value-added services across the life sciences, medical devices, healthcare, technology and emerging companies sectors. Prior to establishing Nemean in October 2018, Tom was the Global Head of Investor Relations & Corporate Development at Sirtex Medical Limited (ASX:SRX), which was sold to CDH Investments in September 2018 for A\$1.9 billion, which remains the largest medical device transaction in Australian corporate history. Prior to Sirtex, Tom spent ten years as a leading sell-side Healthcare & Biotechnology analyst at Taylor Collison Limited, focused mainly on small cap companies. During this time, approximately \$200 million in equity capital was raised for selected portfolio companies. He is a Member of the Australian Institute of Company Directors (MAICD) and the Australasian Investor Relations Association (AIRA).
<i>Qualifications</i>	B.Sc. (Hons.), Ph.D, MBA
<i>Interest in shares and options</i>	745,454 Ordinary Shares and 25,000,000 Unlisted Options
<i>Directorships held in other listed entities</i>	N/A
Mr Mario Gattino	CEO and Executive Director
<i>Appointed to the Board</i>	14 December 2017
<i>Resigned from the Board</i>	25 November 2019
<i>Qualifications</i>	MBA, Bachelor of Applied Science (Medical Administration), Graduate Diploma in Management. GAICD
Mr Ross Blair-Holt	Non-Executive Chairman
<i>Appointed to the Board</i>	27 November 2018
<i>Resigned from the Board</i>	15 November 2019
<i>Qualifications</i>	Bachelor of Commerce, a Fellow of Certified Practising Accountants (FCPA)
Professor Bruce Thompson	Non-Executive Director
<i>Appointed to the Board</i>	27 November 2018
<i>Resigned from the Board</i>	11 February 2020
<i>Qualifications</i>	B.app.Sci, CRFS, FANZSRS, FThorSoc, FAPSR, PhD

Company secretary

Mr Alastair Beard was appointed as Company Secretary on 13 March 2019.

Mr Beard is a skillful and adaptable Certified Practising Accountant with diverse private and public company experience including roles as director or Chief Financial Officer in the property, utilities, aquaculture and research-to-commercialisation industries.

Respiri Limited

ABN 98 009 234 173

Directors' Report

30 June 2020

Principal Activities

The Company's principal activities in the course of the financial year have been the research, development and commercialisation of medical devices, and the development of mobile health applications.

There were no significant changes in the nature of the Group's principal activities during the financial year.

Operating and Financial review

The loss of the Company after income tax for the financial year was \$7,260,935 (2019: \$8,474,586). This result has been achieved after fully expensing all research and development costs.

The Company remains on track to launch wheezo® by the end of this calendar year and continued to make good progress in all other areas. Costs have been kept below budget while product development and further commercial partnerships were executed.

Manufacturing - The balance of initial batch of 500 units was delivered by Respiri's manufacturing partner. Following the completion of the first batch of 500 units the Company has been able to identify a number of opportunities to improve the overall manufacturing process including device design modifications and reduced labour component - both of which will lead to significant savings in manufacturing costs. Management remain focused on the gross margins and further reductions in Cost of Goods Sold (COGS) are anticipated.

The Patient Experiential Program (PEP) - Several partners, including Phenix and Instant Consult telehealth providers have been working with the Company to assist with the recruitment of patients into this important real-world study. This PEP will validate and support the Company's product development, with critical user feedback on asthma management from beyond the clinic. Development of the PEP has been finalised and the Company expects to announce its commencement later in the September 2020 quarter. The initial batch of 500 wheezos will be deployed in the PEP. The objective is to recruit 100 Health Care Professionals and 300 patients.

App development - Respiri's new IT partner has accepted a seamless handover from the previous provider in this area and good progress is being made on the wheezo app version 2.0. Software development costs are ahead of schedule and well within budget.

Data protection - During the quarter the Company migrated all data management and data storage in house. This addressed key risk identified by the board around data protection and staff are and already reaping the benefits of having this key resource at hand.

Commercial Partnerships - The Company continued to explore further commercial partnerships in the key pharmacy channel for wheezo in Australia and overseas. Work done in the June quarter culminated in the execution of an Exclusive International Sales Agreement with Cipla which was announced on 17 July 2020. This was a watershed moment for the Company, an achievement of which the directors were particularly proud and one that is pivotal in the global commercialisation plan.

In June, Respiri executed an agreement to partner with the University of Edinburgh in a new data research centre to help improve the lives of people living with respiratory conditions. Known as BREATHe - Health Data Research Hub for Respiratory Health is led by the University of Edinburgh's Professor Aziz Sheikh. The centre will use data, such as that collected by the wheezo ecosystem, for the development of innovations in the delivery of care for people with asthma, chronic obstructive pulmonary disease and respiratory infections. Also in June, a definitive service agreement with The Pharmacy Guild of Australia, the national body representing over 5,700 community pharmacies across the country was executed. The two year agreement with Guild Learning and Development (GuildEd), the learning destination for all pharmacists, pharmacy assistants and interns Australia wide will see the joint development of a Guild accredited Continuing Professional Development (CPD) online training course for pharmacists on optimising asthma patient management, in particular children, including the role of devices in detecting wheeze. Pharmacists are an important intermediary between an asthmatic patient and their doctor and who already sell a range of asthmatic devices within the pharmacy setting and are therefore critical in building sales momentum within this channel over time.

Respiri Limited

ABN 98 009 234 173

Directors' Report

30 June 2020

Operating and Financial review (continued)

In April, the Company announced a Joint Development Agreement (JDA) with Phenix Health Pty Ltd (Phenix), an Australian based health workflow designer for virtual healthcare settings (telemedicine). Under the Agreement, the wheezoeHealth SaaS monitoring platform is integrated into the Phenix proprietary telehealth platform, patient dashboards and asthma management plans. Phenix will be responsible for providing patients already diagnosed with asthma the option of using wheezoe to help monitor their condition and so providing healthcare beyond the clinic setting. The Agreement recognises the growing importance of telemedicine in patient care under COVID-19 conditions, and more importantly the structural tailwinds for such consultations post pandemic, particularly for respiratory patients like asthmatics.

Staff - The Respiri team has been enhanced by the appointment 2 critical hires. Khurshida Ajam joins Respiri as Senior Manager, Commercial & will be based in Sydney. Kush (BA. M. Com) is an executive with commercial experience spanning over 20 years in many well-known Pharmaceuticals, Healthcare and Biotechnology companies. More recently, Kush has been in consulting roles with MSD, Amgen & Novartis Oncology. Elizabeth Davis, a nursing professional who will oversee the patient experiential program (PEP). Elizabeth has worked extensively in program development both in the UK & Australia & her clinical experience includes both paediatrics & primary care. The balance of legacy staff commitments has also been resolved with the execution of the Deed of Release with former CEO and the resolution of outstanding options matters to former directors at the EGM held 26 May 2020.

Corporate & Financial Highlights

The business continues to preserve cash and remains well capitalised following a successful Placement in March of \$2.0m and a significantly oversubscribed Share Purchase Plan (SPP) in April 2020 which raised approximately \$3.1m. The \$5.1m in total capital raised funds the business through a commercial launch in Australia, which is expected by the end of the current calendar year, and into 2021.

Funds raised will be used to progress the key strategic initiatives necessary to achieve this commercial launch, namely product and clinical development; streamlining the manufacturing process & reducing COGS; sales & marketing and additional working capital.

Following the very encouraging response from many shareholders to the SPP the Company has implemented an Unmarketable Parcel (UMP) share sale facility. This will lead to further savings in registry costs and ensure that all stakeholders are equally supportive of, and committed to, the future of the Company. The UMP process was completed on 24 July 2020 with 2,208 minority members electing to not opt out of this program.

Dividends

The Company did not pay any dividends during the financial year. The Directors do not recommend the payment of a dividend in respect of the 2020 financial year.

Significant Changes in State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of entities in the Group during the financial year under review not otherwise disclosed in the Annual Report.

Respiri Limited

ABN 98 009 234 173

Directors' Report

30 June 2020

Matters Subsequent to Reporting Period

The Victorian Government announced a State of Disaster on the 2 August 2020 and "Stage 4" restrictions were applied to Metro Melbourne. This event does not affect amounts recognised in the 2019/20 financial statements. At this stage, it is not possible to estimate what, if any, affect this will have on the company's financial performance during 2020/21.

At the 2020 annual EGM held on 26 May 2020, shareholders approved the issue of 20 million unlisted options to senior management personnel of the Company as an incentive in lieu of cash. These options have a number of performance related vesting conditions attached to them and a value of \$117,113 as at 30 June 2020. 14 million of the 20 million options were not formally issued until 21st August 2020 and were held in Trust until this date.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely Developments and Expected Results

Please refer to the 'Operating and Financial Review' section at the start of the Directors' Report for information in relation to Company's future Developments and Events.

Environmental Regulations

The Group's operations are not regulated by any significant environmental regulations under either Commonwealth or State legislation.

Risk Management

The Board is responsible for overseeing the establishment and implementation of the risk management system, and for the reviewing and assessing the effectiveness of the Company's implementation of that system on a regular basis.

The Board and senior management continue to identify the general areas of risk and their impact on the activities of the Company. The potential risk areas for the Company include:

- > Reliance on key personnel
- > efficacy, safety and regulatory risk of medical devices
- > financial position of the Company and the financial outlook;
- > domestic and global economic outlook and share market activity;
- > changing government policy (Australian and overseas);
- > competitors' products and research and development programs;
- > market demand and market prices for medical device technologies;
- > environmental regulations;
- > ethical issues relating to medical device research and development;
- > the status of partnership and contractor relationships;

Respiri Limited

ABN 98 009 234 173

Directors' Report

30 June 2020

Risk Management (continued)

- > other government regulations including those specifically relating to the biomedical and health industries; and
- > occupational health and safety and equal opportunity law.

The above list of risk areas ought not to be taken as an exhaustive one of the risks faced by the Company or by investors in the Company. The above areas, and others not specifically referred to above, may in the future materially affect the financial performance of the Company.

The Board and Management will continue to perform a regular review of the following:

- > the major risks that occur within the business;
- > the degree of risk involved;
- > the current approach to managing the risk; and
- > where appropriate, determine:
 - any inadequacies of the current approach; and
 - possible new approaches that more efficiently and effectively address the risk.

Healthcare Technology Companies – Inherent Risks

Some of the risks inherent in the development of medical device products to a marketable stage include the uncertainty of patent protection and proprietary rights, whether patent applications and issued patents will offer adequate protection to enable product development or may infringe intellectual property rights of other parties, the obtaining of the necessary regulatory authority approvals and difficulties caused by the rapid advancements in technology.

Also a particular medical device may fail the clinical development process through lack of efficacy or safety. Companies such as Respiri Limited are dependent on the success of their medical devices and on the ability to attract funding to support these activities.

Investment in healthcare technology including medical devices cannot be assessed on the same fundamentals as trading and manufacturing enterprises and thus investment in these areas must be regarded as speculative taking into account these considerations.

This Report may contain forward-looking statements regarding the potential of the Company's projects and interests, and the development of the Company's projects and interests, and the development potential of the Company's research and development projects.

Any statement describing a goal, expectation, intention or belief of the Company is a forward-looking statement and should be considered an at-risk statement. Such statements are subject to certain risks and uncertainties, particularly those inherent in the process of discovering, developing and commercialising medical devices that are safe and effective for use as human devices and the financing of such activities.

There is no guarantee that the Company's healthcare technology including medical devices will be successful, or receive regulatory approvals, or prove to be commercially successful in the future. Actual results could differ from those projected, or detailed in this report.

Respiri Limited

ABN 98 009 234 173

Directors' Report

30 June 2020

Healthcare Technology Companies – Inherent Risks (continued)

As a result, you are cautioned not to rely on forward-looking statements. Consideration should be given to these, and other risks concerning the Company's research and development program referred to in this Directors' Report as contained in this Financial Report for the year ended 30 June 2020.

Meetings of Directors

A number of formal meetings and circular resolutions were held during the year as tabled below:

	Directors' Meetings		Audit, Risk and Compliance Committee		Remuneration & Nomination Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Mario Gattino	11	9	-	-	1	1
Mr Ross Blair-Holt	11	11	-	-	1	1
Professor Bruce Thompson	14	11	-	-	1	1
Mr Nicholas Smedley	10	10	-	-	-	-
Mr Marjan Mikel	9	9	-	-	-	-
Dr Thomas Duthy	6	6	-	-	-	-

For the date of appointment and resignation of each Director and Executive, please refer to the Remuneration Report section of the Directors' Report.

Indemnification of Officers and Auditors

During the financial year, the Company maintained an insurance policy to indemnify Directors and Officers against certain liabilities incurred as such a Director or Officer, including costs and expenses associated in successfully defending legal proceedings. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify the Auditor of the Company or any related body corporate against a liability incurred as such an Officer or Auditor.

Proceedings on Behalf of the Company

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Non-audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

During the year ended 30 June 2020 the Company did not engage the external auditor to provide non-audit services.

Auditor's Independence Declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2020 has been received and can be found on page 21 of the financial report.

Respiri Limited

ABN 98 009 234 173

Directors' Report

30 June 2020

Share Options on Issue as at the Date of this Report

The unissued ordinary shares of Respiri Limited under option as at the date of this report were:

Unlisted options

Class	ASX Code	Date of Expiry	Exercise Price	No. under Option
			\$	
01	RSHAF	31 December 2023	0.03	6,000,000
02	RSHAG	31 December 2024	0.03	6,000,000
03				
04	RSHAW	21 December 2020	0.12	5,000,000
05				
06				
07	RSHAA	28 May 2023	0.10	5,000,000
08	RSHAB	12 June 2024	0.10	65,000,000 (b)
09	RSHACi		0.20	30,000,000 (b)
10	RSHACii		0.30	12,500,000 (b)
11	RSHACiii		0.40	12,500,000 (b)
12	RSHACiv		0.60	12,500,000 (b)
13	RSHAD	1 July 2022	0.10	7,000,000
14	RSHAE	1 July 2024	0.10	10,000,000
15	RSHAH		0.10	6,000,000 (a)
16	tba		0.20	8,000,000 (a)
17	tba		0.30	6,000,000 (a)

- a) Options granted at EGM held in May 2020. Issued in 3 tranches with different vesting conditions. Of the 3 tranches, 2 have not yet been allotted to members. See Note 24.
- b) Issued in 5 tranches with different vesting conditions. See Note 24.

There were no listed options outstanding at the reporting date.

Corporate Governance

In recognising the need for the highest standards of corporate behaviours and accountability, the Directors of Respiri support and adhere to good corporate governance practices. The Company's Corporate Governance Statement is available on the Company's website at www.Respiri.co.

Remuneration Report (Audited)

This Remuneration Report outlines the Director and Executive remuneration arrangements of the Company as required by the *Corporations Act 2001* and its Regulations.

This report details the nature and amount of remuneration of each Director of Respiri Limited and all other Key Management Personnel.

For the purposes of this report, Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether Executive or otherwise) of the Company.

For the purposes of this report, the term 'executive' encompasses the Executive Chairman.

Respiri Limited

ABN 98 009 234 173

Directors' Report

30 June 2020

Remuneration Report (Audited) (continued)

Names	Position	Appointment/Resignation
Directors		
Mr Marjan Mikel	CEO	Appointed on 2 December 2019
	Executive Director	Appointed on 25 November 2019
Mr Nicholas Smedley	Non-Executive Director	Appointed on 30 October 2019
	Executive Chairman	Appointed on 15 November 2019
Dr Thomas Duthy	Non-Executive Director	Appointed on 11 February 2020
Professor Bruce Thompson	Non-Executive Director	Resigned on 10 February 2020
Mr Ross Blair-Holt	Non-Executive Chairman	Resigned on 15 November 2019
Mr Mario Gattino	CEO and Executive Director	Resigned on 25 October 2019
Other KMP		
Mr Philippe Ludekens	General Manager - Commercial Operations	Appointed on 28 January 2020
Dr Samaneh Sarraf Shirazi	Chief Research Officer	Appointed on 4 February 2019
Ms Koswani Wall	Chief Customer Experience & Communications Officer (CXO)	Resigned on 13 December 2019

Remuneration Policy

Remuneration of all Non-Executive Directors and Officers of the Company is determined by the Board following recommendation by the Remuneration and Nomination Committee.

The Company is committed to remunerating Executive Directors in a manner that is market-competitive and consistent with "Best Practice" including the interests of shareholders. Remuneration packages are based on fixed and variable components, determined by the Executives' position, experience and performance, and may be satisfied via cash or equity.

Non-Executive Directors are remunerated out of the aggregate amount limit approved by shareholders and at a level that is consistent with industry standards. Non-Executive Directors do not receive performance based bonuses and prior Shareholder approval is required to participate in any issue of equity. No retirement benefits are payable other than statutory superannuation, if applicable.

Voting and comments made at the Company's Annual General Meeting

The Company did not receive any specific feedback at the EGM or throughout 2019 on its remuneration practices. The Remuneration Report was adopted at the 2019 EGM by more than 85% of eligible votes received.

Remuneration Policy Versus Company Financial Performance

Directors have been compensated for work undertaken and the responsibilities assumed in being Directors of this publicly listed company based on industry practice. Consistently with good corporate governance practices, compensation of Non-Executive Directors is not linked to specific performance hurdles or objectives.

The Company envisages its performance in terms of earnings will remain negative whilst the Company continues in the development and commercialisation phase. Shareholder value reflects the speculative and volatile biotechnology market sector.

Respiri Limited

ABN 98 009 234 173

Directors' Report

30 June 2020

Remuneration Report (Audited) (continued)

This pattern is indicative of the Company's performance over the past five years. Accordingly, no dividends have been paid during the year, or in respect of the 2019 financial year.

Financial Year	Net (Loss)/ Profit	Share Price at Balance sheet Date	Loss per Share (cents)
	\$	\$	\$
2020	(7,260,935)	0.09	(1.27)
2019	(8,474,586)	0.09	(1.69)
2018	(3,207,220)	0.10	(0.73)
2017	(2,522,052)	0.04	(0.58)
2016	(4,010,944)	0.04	(1.34)

Performance Based Remuneration

The purpose of a performance bonus is to reward individual performance in line with Company objectives. Consequently, performance based remuneration is paid to an individual where the individual's performance clearly contributes to a successful outcome for the Company. This is regularly measured in respect of performance against key performance indicators (KPI's).

The Company uses a variety of short-term and long-term KPI's to determine achievement, depending on the role of the executive or director being assessed and the particular KPI being targeted.

These include:

- successful contract negotiations;
- company share price consistently reaching a targeted rate on the ASX or applicable market over a period of time;
- and completion of set milestones.

The Non-Executive Directors do not receive performance-based remuneration.

Respiri Limited

ABN 98 009 234 173

Directors' Report

30 June 2020

Remuneration Report (Audited) (continued)

Details of Remuneration for the Year Ended 30 June 2020

The remuneration for each Director and each of the other Key Management Personnel of the consolidated entity during the year was as follows:

	Short-term Employee Benefits			Post-employment Benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Consulting fees	Superannuation contribution	Shares/Options	
2020	\$	\$	\$	\$	\$	\$
Directors						
Mr Marjan Mikel	186,998	75,000	-	24,639	1,293,708	1,580,345
Dr Thomas Duthy	25,000	-	-	-	230,207	255,207
Mr Nicholas Smedley	88,978	-	-	-	1,274,671	1,363,649
Professor Bruce Thompson	80,603	-	-	7,657	-	88,260
Mr Mario Gattino	262,550	-	-	16,939	362,116	641,605
Mr Ross Blair-Holt	26,250	-	-	2,494	-	28,744
Other KMP						
Mr Philippe Ludekens	94,032	-	-	8,933	15,986 (a)	118,951
Dr Samaneh Sarraf Shirazi	164,459	-	-	15,623	15,986 (a)	196,068
Ms Koswani Wall	188,528	-	-	14,907	(6,908)	196,527
	1,117,398	75,000	-	91,192	3,185,766	4,469,356

Note: For the date of appointment and resignation of each Director and Executive please refer to the Directors' Report.

- a) 20,000,000 unlisted options were granted to senior management personnel at the May 2020 EGM. As at 30 June 2020, of the total granted, 14,000,000 options with a fair value of \$69,154 have not yet been formally allotted.

Respiri Limited

ABN 98 009 234 173

Directors' Report

30 June 2020

Remuneration Report (Audited) (continued)

Details of Remuneration for the Year (continued) ended 30 June 2020

	Short-term Employee Benefits			Post-employment Benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Consulting fees	Superannuation contribution	Shares/Options	
2019	\$	\$	\$	\$	\$	\$
Directors						
Mr Mario Gattino	330,000	-	-	20,531	347,353	697,884
Mr Brendan Mason	34,444	-	-	-	-	34,444
Mr Mark Ziieren	37,500	-	-	3,563	-	41,063
Mr Ross Blair-Holt	40,118	-	-	3,811	-	43,929
Prof Bruce Thompson	67,361	-	-	6,399	-	73,760
Dr Thomas Duthy	4,167	-	-	-	-	4,167
Other Key Management Personnel						
Dr Samaneh Sarraf Shirazi	127,140	-	-	12,078	-	139,218
Ms Koswani Wall	230,000	-	-	20,531	6,908	257,439
	<u>870,730</u>	<u>-</u>	<u>-</u>	<u>66,913</u>	<u>354,261</u>	<u>1,291,904</u>

At Risk Income as a Proportion of Total Remuneration

All Executive Directors and other key management personnel are eligible to receive incentives whether through employment contracts or by the recommendation of the Board. Their performance payments are based on a set monetary value, set number of shares or options or as a portion of base salary. Therefore, there is no fixed proportion between incentive and non-incentive remuneration. Entitlement to these payments does not depend on the future performance of the Company.

Non-Executive Directors are not entitled to receive bonuses and/or incentives.

Respiri Limited

ABN 98 009 234 173

Directors' Report

30 June 2020

Remuneration Report (Audited) (continued)

At Risk Income as a Proportion of Total Remuneration (continued)

The relative proportions of remuneration income that are at risk, and those that are fixed, are as follows:

	Fixed Remuneration		At Risk - STI		At Risk - LTI	
	2020	2019	2020	2019	2020	2019
	%	%	%	%	%	%
Directors						
Mr Nicholas Smedley (appointed on 30 October 2019)	7	-	-	-	93	-
Mr Marjan Mikel (appointed on 25 November 2019)	18	-	-	-	82	-
Dr Thomas Duthy (appointed on 11 February 2020)	10	-	-	-	90	-
Mr Mario Gattino (appointed on 14 December 2017, resigned 25 November 2019)	40	50	-	-	60	50
Mr Ross Blair-Holt (appointed on 27 November 2018, resigned 15 November 2019)	100	100	-	-	-	-
Prof Bruce Thompson (appointed on 27 November 2018, resigned 11 February 2020)	100	100	-	-	-	-
Other Key Management Personnel						
Mr Philippe Ludekens (appointed on 28 January 2020)	87	-	-	-	13	-
Dr Samaneh Sarraf Shirazi (appointed 4 February 2019)	92	100	-	-	8	-
Ms Koswani Wall (appointed on 1 June 2018, resigned 13 December 2019)	100	97	-	-	-	3

At risk long-term incentive (LTI) relates to remuneration in the form of share based payments, which are subject to vesting conditions based on length of service. At risk short-term incentive (STI) relates to discretionary bonuses approved by the board in respect of performance during the relevant year

Respiri Limited

ABN 98 009 234 173

Directors' Report

30 June 2020

Remuneration Report (Audited) (continued)

Share-based Compensation

At the General Meeting held on 31 October 2013, Shareholders approved the establishment of the 2013 Employees', Directors' and Consultants' Share and Option Plan (ESOP). The ESOP is intended to reward Directors, employees and/or consultants for their contributions to the Group. The Plan is to be used as a method of retaining key personnel for the growth and development of the Group. Due to the Group's presence in Israel and USA, the Plan has been established to benefit personnel in Australia, Israel and USA. As at 30 June 2020 equity had been issued to 3 directors & 3 employees in Australia, 8 employees in USA and 2 employees in Israel under ESOP.

The terms and conditions of each grant of options affecting Director and other Key Management Personnel remuneration in the current or future reporting periods are as follows:

Grant Date	Date Vested & Exercisable	Expiry Date	Exercise Price	Share Price Hurdle	Fully Vested	Value per Option at Grant Date
			\$			\$
14 Dec 2017	1 Jul 2020	31 Dec 2023	0.03	0.10	No	0.048
14 Dec 2017	1 Jul 2020	31 Dec 2024	0.03	0.15	No	0.092
26 May 2020	30 Sep 2020	30 Sep 2024	0.10	N/A	No	0.036
26 May 2020	30 Sep 2020	30 Sep 2024	0.20	N/A	No	0.026
26 May 2020	30 Sep 2020	30 Sep 2024	0.30	N/A	No	0.020
16 Jun 2020	12 Jun 2020	12 Jun 2024	0.10	N/A	Yes	0.041
16 Jun 2020	30 Sep 2020	30 Sep 2024	0.20	N/A	No	0.031
16 Jun 2020	31 Mar 2021	31 Mar 2025	0.30	N/A	No	0.027
16 Jun 2020	30 Sep 2021	30 Sep 2025	0.40	N/A	No	0.030
16 Jun 2020	30 Sep 2021	30 Sep 2025	0.40	N/A	No	0.026
16 Jun 2020	31 Mar 2022	31 Mar 2026	0.60	N/A	No	0.023

Options granted under the plan carry no dividend or voting rights until exercised into ordinary fully paid shares.

When exercisable, each option is convertible into one ordinary share as soon as practical after the receipt by the Company of the completed exercise form and full payment of the exercise price.

The exercise price of options granted under this plan shall be determined by the Committee in its sole discretion.

The plan rules contain a restriction on removing the 'at risk' aspect of the instruments granted to executives. Plan participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it vests.

Respiri Limited

ABN 98 009 234 173

Directors' Report

30 June 2020

Remuneration Report (Audited) (continued)

Share-based Compensation (continued)

Details of options over ordinary shares in the Company provided as remuneration to each Director of the company and each of the other Key Management Personnel are set out below:

	Number of Options Granted During the Year		Number of Options Forfeited/ Lapsed/ Exercised During the Year		Number of Options Vested During the Year	
	2020	2019	2020	2019	2020	2019
Directors						
Mr Nicholas Smedley	47,500,000	-	-	-	30,000,000	-
Mr Marjan Mikel	60,000,000	-	-	-	30,000,000	-
Dr Thomas Duthy	25,000,000	-	-	-	5,000,000	-
Mr Mario Gattino	-	-	8,000,000	-	-	6,000,000
Mr Ross Blair-Holt	-	-	-	-	-	-
Other Key Management Personnel						
Mr Philippe Ludekens	2,000,000	-	-	-	-	-
Dr Samaneh Sarraf Shirazi	2,000,000	-	-	-	-	-
Ms Koswani Wall (resigned on 13 December 2019)	-	10,000,000	10,000,000	-	-	-
	136,500,000	10,000,000	18,000,000	-	65,000,000	6,000,000

Refer to Page 18 for closing balance of options held by each Director and other Key Management Personnel of Respiri Limited, including their personally related parties, as at 30 June 2020.

Respiri Limited

ABN 98 009 234 173

Directors' Report

30 June 2020

Remuneration Report (Audited) (continued)

(a) Shareholdings

The number of fully paid ordinary shares in the Company held during the financial year by each Director and other Key Management Personnel of Respiri Limited, including shares held indirectly by them personally, are set out below

	Balance at Start of the Year	Granted as Compensation	Shares from Options Exercised	Net Change Other	Balance at End of the Year
30 June 2020					
Directors					
Mr Nicholas Smedley	-	-	-	15,226,609 (a)	15,226,609
Mr Marjan Mikel	-	-	-	2,643,119 (b)	2,643,119
Dr Thomas Duthy	-	-	-	745,454 (c)	745,454
Prof Bruce Thompson (resigned on 11 February 2020)	-	-	-	-	-
Mr Mario Gattino (resigned on 25 November 2019)	420,000	-	-	-	420,000
Mr Ross Blair-Holt (resigned on 15 November 2019)	1,120,423	-	-	(1,120,423) (d)	-
Other Key Management Personnel					
Mr Philippe Ludekens	-	-	-	-	-
Dr Samaneh Sarraf Shirazi	-	-	-	-	-
Ms Koswani Wall (resigned on 13 December 2019)	359,206	-	-	-	359,206
	1,899,629	-	-	17,494,759	19,394,388

- a) 5,151,818 shares purchased as part of placement in April 2020, approved by Shareholders at General Meeting in 30 June 2020. At year end nil shares are held directly and 15,226,609 held indirectly
- b) 1,818,181 shares purchased as part of placement in April 2020, approved by Shareholders at General Meeting in 30 June 2020. At year end 824,938 shares are held directly and 1,818,181 held indirectly
- c) 545,454 shares purchased as part of placement in April 2020, approved by Shareholders at General Meeting in 30 June 2020. At year end nil shares are held directly and 745,454 held indirectly.
- d) Includes purchase of 500,000 shares approved by Shareholders at General Meeting held in November 2019

Respiri Limited

ABN 98 009 234 173

Directors' Report 30 June 2020

Remuneration Report (Audited) (continued)

(a) Shareholdings (continued)

	Balance at Start of the Year	Granted as Compensation	Shares from Options Exercised	Net Change Other	Balance at End of the Year
30 June 2019					
Directors					
Mr Mario Gattino	420,000	-	-	-	420,000
Mr Brendan Mason	-	-	-	-	-
Mr Mark Ziirsen	-	-	-	-	-
Mr Ross Blair-Holt	2,513,448	-	-	(1,393,025)	1,120,423
Prof Bruce Thompson	-	-	-	-	-
Dr Thomas Duthy	-	-	-	-	-
Other Key Management Personnel					
Dr Samaneh Sarraf Shirazi	-	-	-	-	-
Ms Koswani Wall	221,206	-	-	138,000	359,206
	<u>3,154,654</u>	<u>-</u>	<u>-</u>	<u>(1,255,025)</u>	<u>1,899,629</u>

Respiri Limited

ABN 98 009 234 173

Directors' Report 30 June 2020

Remuneration Report (Audited) (continued)

(b) Options and Rights

The number of options over ordinary shares in the Company held during the financial year by each Director and other Key Management Personnel of Respiri Limited, including their personally related parties, are set out below:

	Balance at Start of the Year	Granted as Compensation	Options Exercised	Net Change Other	Balance at End of the Year	Vested and Exercisable	Unvested
30 June 2020							
Directors							
Mr Nicholas Smedley	-	47,500,000	-	-	47,500,000	-	-
Mr Marjan Mikel	-	60,000,000	-	-	60,000,000	-	-
Dr Thomas Duthy	-	25,000,000	-	-	25,000,000	-	-
Mr Mario Gattino	14,000,000	-	-	(8,000,000) (a)	6,000,000	12,000,000	-
Mr Ross Blair-Holt	-	-	-	-	-	-	-
Prof Bruce Thompson	-	-	-	-	-	-	-
Other Key Management Personnel							
Mr Philippe Ludekens	-	2,000,000	-	- (b)	2,000,000	-	-
Dr Samaneh Sarraf Shirazi	-	2,000,000	-	- (b)	2,000,000	-	-
Ms Koswani Wall (resigned on 13 December 2019)	10,000,000	-	-	(10,000,000) (c)	-	-	-
	24,000,000	136,500,000	-	(18,000,000)	142,500,000	12,000,000	-

a) 8,000,000 options issued to former CEO cancelled following resignation in October 2019.

b) 20,000,000 unlisted options were granted to senior management personnel at the May 2020 EGM. Of the total granted, 14,000,000 options with a fair value of \$69,154 have not been formally allotted as at 30 June 2020.

c) 10,000,000 options issued to former CXO cancelled following resignation in December 2019.

Respiri Limited

ABN 98 009 234 173

Directors' Report

30 June 2020

Remuneration Report (Audited) (continued)

(b) Options and Rights (continued)

30 June 2019

Directors

Mr Mario Gattino

Mr Brendan Mason

Mr Mark Ziieren

Mr Ross Blair-Holt

Prof Bruce Thompson

Dr Thomas Duthy

Other Key Management Personnel

Dr Samaneh Sarraf Shirazi

Ms Koswani Wall

	Balance at Start of the Year	Granted as Compensation	Options Exercised	Net Change Other \$	Balance at End of the Year \$	Vested and Exercisable \$	Unvested \$
Mr Mario Gattino	20,000,000	-	-	-	20,000,000	6,000,000	14,000,000
Mr Brendan Mason	-	-	-	-	-	-	-
Mr Mark Ziieren	-	-	-	-	-	-	-
Mr Ross Blair-Holt	-	-	-	-	-	-	-
Prof Bruce Thompson	-	-	-	-	-	-	-
Dr Thomas Duthy	-	-	-	-	-	-	-
Dr Samaneh Sarraf Shirazi	-	-	-	-	-	-	-
Ms Koswani Wall	-	10,000,000	-	2,000,000	12,000,000	2,000,000	10,000,000
	20,000,000	10,000,000	-	2,000,000	32,000,000	8,000,000	24,000,000

Respiri Limited

ABN 98 009 234 173

Directors' Report

30 June 2020

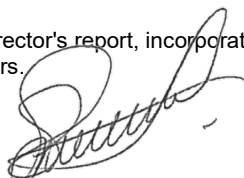
Remuneration Report (Audited) (continued)

The Directors and other Key Management Personnel are subject to service agreements with normal commercial terms and conditions. The key terms of these agreements are set out below:

Duration	On-going term
Periods of Notice Required to Terminate	In the case of: - Marjan Mikel, one months' notice of termination by the employee and the Company; - Philippe Ludekens, one months' notice of termination by the employee and the Company; and - Samaneh Shirazi, one months; notice of termination by the employee and one month's notice of termination by the Company.

This is the end of the Audited Remuneration Report.

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



Mr Nicholas Smedley
Executive-Chairman

Dated this the 25th day of August 2020

Melbourne, Australia

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Respiro Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

**RSM AUSTRALIA PARTNERS**

B Y CHAN
Partner

Dated: 25 August 2020
Melbourne, Victoria

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RSM Australia Partners ABN 36 965 185 036

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Respiri Limited

ABN 98 009 234 173

Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2020

	Note	2020 \$	2019 \$
Revenue			
Non-operating revenue	3	51,660	5,136
Other income	3	2,155,307	1,026,252
Total revenue		<u>2,206,967</u>	<u>1,031,388</u>
Expenses	4		
Consulting, employee and director		(1,738,111)	(1,298,490)
Equity-based payment	23	(3,270,907)	(1,288,699)
Corporate administration		(1,526,472)	(1,604,300)
Depreciation		(10,380)	(4,628)
Marketing and promotion		(783,872)	(854,177)
Research and development		(2,035,426)	(4,242,802)
Travel		(102,734)	(212,878)
Loss before income tax expense from continuing operations		<u>(7,260,935)</u>	<u>(8,474,586)</u>
Income tax expense	5	-	-
Loss after income tax for the year		<u>(7,260,935)</u>	<u>(8,474,586)</u>
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(7,573)	(9,620)
Total comprehensive loss for the year		<u>(7,268,508)</u>	<u>(8,484,206)</u>
Loss attributable to:			
Members of the parent entity		<u>(7,260,935)</u>	<u>(8,474,586)</u>
Total comprehensive loss attributable to:			
Members of the parent entity		<u>(7,268,508)</u>	<u>(8,484,206)</u>
Basic loss per share (cents)		(1.27)	(1.69)
Diluted loss per share (cents)		(1.27)	(1.69)

The accompanying notes form part of these financial statements.

Respiri Limited

ABN 98 009 234 173

Statement of Financial Position As At 30 June 2020

	Note	2020 \$	2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	3,552,334	306,655
Trade and other receivables	10	8,199	161,566
Inventories	14	309,219	-
Other assets	13	561,363	534,709
TOTAL CURRENT ASSETS		4,431,115	1,002,930
NON-CURRENT ASSETS			
Property, plant and equipment	12	187,725	9,502
Other assets	13	64	1,173
TOTAL NON-CURRENT ASSETS		187,789	10,675
TOTAL ASSETS		4,618,904	1,013,605
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	1,131,283	1,756,955
Borrowings	16	717,144	806,442
Other financial liabilities	17	147,655	45,986
TOTAL CURRENT LIABILITIES		1,996,082	2,609,383
NON-CURRENT LIABILITIES			
Other financial liabilities	17	128,046	-
TOTAL NON-CURRENT LIABILITIES		128,046	-
TOTAL LIABILITIES		2,124,128	2,609,383
NET ASSETS/(LIABILITIES)		2,494,776	(1,595,778)
EQUITY			
Issued capital	18	113,694,614	106,043,361
Reserves	19	4,106,097	1,590,476
Retained earnings		(115,305,935)	(109,196,541)
TOTAL EQUITY		2,494,776	(1,562,704)

The accompanying notes form part of these financial statements.

Respiri Limited

ABN 98 009 234 173

**Statement of Changes in Equity
For the Year Ended 30 June 2020**

2020

	Issued Capital	Option Reserve	Foreign Translation Currency Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2019	106,043,361	1,906,000	(315,524)	(109,196,541)	(1,562,704)
Loss after income tax expense for the year	-	-	-	(7,260,935)	(7,260,935)
Other comprehensive income for the year, net of tax	-	-	(7,573)	-	(7,573)
Total comprehensive income for the year	-	-	(7,573)	(7,260,935)	(7,268,508)
Transactions with Equity holders in their capacity as Equity holders					
Shares issued	8,616,165	-	-	-	8,616,165
Capital raising costs	(969,805)	254,893	-	-	(714,912)
Options issued	254,893	3,478,067	-	-	3,732,960
Options forfeited/lapsed	-	(58,225)	-	-	(58,225)
Expired options	-	(1,151,541)	-	1,151,541	-
Cancelled shares	(250,000)	-	-	-	(250,000)
Balance at 30 June 2020	113,694,614	4,429,194	(323,097)	(115,305,935)	2,494,776

The accompanying notes form part of these financial statements.

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Respiri Limited

ABN 98 009 234 173

**Statement of Changes in Equity
For the Year Ended 30 June 2020**

2019

	Issued Capital	Option Reserve	Foreign Translation Currency Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2018	102,332,258	346,414	(305,904)	(100,721,955)	1,650,813
Loss after income tax expense for the year	-	-	-	(8,474,586)	(8,474,586)
Other comprehensive income for the year, net of tax	-	-	(9,620)	-	(9,620)
Total comprehensive income for the year	-	-	(9,620)	(8,474,586)	(8,484,206)
Transactions with Equity holders in their capacity as Equity holders					
Shares issued	4,199,990	-	-	-	4,199,990
Capital raising costs	(488,887)	-	-	-	(488,887)
Options issued	-	1,559,586	-	-	1,559,586
Balance at 30 June 2019	106,043,361	1,906,000	(315,524)	(109,196,541)	(1,562,704)

The accompanying notes form part of these financial statements.

Respiri Limited

ABN 98 009 234 173

Statement of Cash Flows For the Year Ended 30 June 2020

	2020	2019
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Payments to suppliers and employees (inclusive of GST)	(6,894,923)	(7,442,712)
Interest received	1,660	5,136
R&D tax refund	2,155,307	1,026,252
ATO cashflow boost	50,000	-
Net cash used in operating activities	22 <u>(4,687,956)</u>	<u>(6,411,324)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of plant and equipment	<u>(12,863)</u>	<u>(3,179)</u>
Net cash used in investing activities	<u>(12,863)</u>	<u>(3,179)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issues of securities	8,531,528	3,749,990
Capital raising costs	(425,382)	(218,000)
(Repayment of)/Proceeds from borrowings	<u>(146,808)</u>	<u>800,000</u>
Net cash provided by financing activities	<u>7,959,338</u>	<u>4,331,990</u>
Net increase/(decrease) in cash and cash equivalents held	3,258,519	(2,082,513)
Cash and cash equivalents at beginning of year	306,655	2,418,427
Effects of exchange rate changes on cash and cash equivalents	<u>(12,840)</u>	<u>(29,259)</u>
Cash and cash equivalents at end of financial year	9 <u><u>3,552,334</u></u>	<u><u>306,655</u></u>

The accompanying notes form part of these financial statements.

Respiri Limited

ABN 98 009 234 173

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies

Corporate Information

Respiri Limited is a listed public company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange.

The addresses of its registered office and principal place of business are disclosed in company details (see Note 28).

The principal activities of the Company are the research, development and commercialisation of medical devices, and the production of mobile health applications. The company is a for-profit company.

The financial report of Respiri Limited (the Company) for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the Directors on 25th February 2020.

Statement of Compliance

The financial report is a general purpose financial report that has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Australian Accounting Interpretations, and complies with other authoritative pronouncements from the Australian Accounting Standards Board, as appropriate for for-profit orientated entities.

The financial report covers Respiri Limited as a consolidated entity consisting of Respiri Limited and the entities it controlled during the year.

The financial report complies with Australian Accounting Standards, as issued by the Australian Accounting Standards Board and with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB).

Basis of Preparation

The financial report has been prepared on an accruals basis and is based on historical costs. Cost is based on fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted and amounts rounded to the nearest dollar.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 2.

Going Concern Basis

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As disclosed in the financial statements, the Group recorded losses of \$7,260,935 (2019: \$8,474,586 loss) and experienced net operating cash outflows of \$4,687,956 (2019: \$6,411,324 operating cash outflows) for the year ended 30 June 2020.

These factors indicate a material uncertainty which may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Respiri Limited

ABN 98 009 234 173

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies (continued)

Going Concern Basis (continued)

The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors:

The Group has continued to receive Research and Development (R&D) Tax Incentive income in relation to these activities, including \$2,155,307 cash received in the 2020 financial year for the R&D activities conducted in the 2019 financial year.

The Group expects to receive further R&D Tax Incentive income in relation to its 2020 financial year R&D activities in October 2020 and this is estimated to be \$1,000,000. The cash will be utilised to repay outstanding loans as disclosed in Note 16 – Borrowings, with any residual cash used to fund the business.

The Group was successful in raising capital of \$3,300,000 in August 2019 and a further \$3,140,000 was raised in May 2020 to fund the commercial launch of its wheezo product.

The Group expects to commence generating revenue through wheezo product sales in the final quarter of calendar year 2020. The business will require access to additional capital to fund working capital requirements, including the manufacturing of wheezo product in advance of the forecast sales.

The directors believe there are reasonable grounds to expect that the Group has the capacity to raise capital. The Group has a strong track record of accessing capital when it is required to advance its portfolio.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report. The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

Should the Group be unable to achieve the matters set out above, a material uncertainty would exist as to whether the Group would be able to continue as a going concern and therefore whether it would realise its assets and discharge its liabilities in the normal course of business.

Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for an accounting period that begins on or after 1 July 2019.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 16, *Leases*

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies (continued)

Amendments to Accounting Standards that are mandatorily effective for the current reporting period (continued)

Leases - Adoption of AASB 16

The Company has adopted AASB 16 *Leases* using the modified retrospective (cumulative catchup) method from 1 July 2019 and therefore the comparative information for the year ended 30 June 2019 has not been restated and has been prepared in accordance with AASB 117 *Leases* and associated Accounting Interpretations. Adoption of the new standard did not impact at 1 July 2019 as the only lease accounted for under AASB 16 started in 30 June 2020.

Impact of Adoption of AASB 16

Company as a lessee

Under AASB 117, the Company assessed whether leases were operating or finance leases based on its assessment of whether the significant risks and rewards of ownership had been transferred to the Company or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low value assets).

The Company has elected to use the exception to lease accounting for short-term leases and leases of low value assets, and the lease expense relating to these leases are recognised in the statement of profit or loss on a straight-line basis.

Accounting Policies

(a) Basis for consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

A list of controlled entities is contained in Note 11 to the financial statements. All controlled entities have 30 June 2020 financial year-end.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity. Subsidiaries are accounted for at cost in the parent entity.

The results of subsidiaries acquired or disposed of during the year are included in profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies (continued)

(b) Income Tax

The income tax expense is based on the taxable income for the year. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. In principle, deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (excluding a business combination) that affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled. Current and deferred tax is recognised as an expense or income in Profit or Loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/Group intends to settle its current tax assets and liabilities on a net basis.

Respiri Limited (head entity) and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime.

Where the company is entitled to a tax rebate under the R&D Tax Concession during a particular financial year, the rebate is recorded as revenue for the year when received, rather than when expenditure was incurred.

(c) Current and non-current classification

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies (continued)

(c) Current and non-current classification (continued)

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

(d) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. The cost of inventories comprises cost of purchase and costs incurred in bringing inventories to their present location and condition. Cost of purchased inventories is determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated selling costs.

The Company periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

If in a particular period production is not at normal capacity, the costs of inventories does not include additional fixed overheads in excess of those allocated based on normal capacity. Such unallocated overheads are recognised as an expense in Profit or Loss in the period in which they are incurred. Furthermore, cost of inventories does not include abnormal amounts of materials, labour or other costs resulting from inefficiency.

(e) Property, plant and equipment

Plant and equipment is stated at cost, less accumulated depreciation and impairment.

Cost includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to Profit or Loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all plant and equipment is depreciated on a straight-line basis commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Furniture and Fittings	6 - 15%
Computer Equipment	15 - 33%
Medical Equipment	15%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is

Notes to the Financial Statements
For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies (continued)

(e) Property, plant and equipment (continued)

greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

(f) Leases

For comparative year

Operating leases

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Lease assessment at contract inception

For current year

At inception of a contract, the Group assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

For personal use only

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies (continued)

(f) Leases (continued)

Lease assessment at contract inception (continued)

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Group has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

Right-of-use asset

At the lease commencement, the Group recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Group believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

Lease liability

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Group's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Group's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Adoption of short-term leases or low value asset exception

Exceptions to lease accounting

The Group has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Group recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies (continued)

(g) Financial assets and liabilities

Recognition

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged or cancelled or expires. Non-derivative financial liabilities are recognised at amortised cost using the effective interest rate method, comprising original debt less principal payments, amortisation and impairment.

(h) Intangibles

Intellectual property

Intellectual property relates to technology assets, know-how and patents related to assets acquired on acquisition of Respiri (Israel) Limited (previously KarmelSonix (Israel) Limited) and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over the expected life, being 10 years. Amortisation commences when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The amortisation period and the amortisation method for an intangible asset is reviewed at least at the end of each reporting period. If the expected useful life of the asset is different from the previous estimates, the amortisation shall be changed accordingly. Such changes are accounted for as changes in accounting estimates.

(i) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies (continued)

(i) Foreign currency transactions and balances (continued)

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are retranslated at the rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost are not retranslated. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the translation of monetary items are recognised in Profit or Loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in Profit or Loss.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the Statement of Financial Position. These differences are recognised in the Profit or Loss in the period in which the operation is disposed.

(j) Employee benefits

Annual leave and long service leave

A liability is recognised for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies (continued)

(j) Employee benefits (continued)

Annual leave and long service leave (continued)

Short-term benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions (Israel only) and are recognised as expenses as the services are rendered.

Post employment benefits include superannuation and payments to insurance companies (Israel only) and are defined contribution plans. Such payments are made in accordance with the relevant legislation for country and/or state where an employee normally performs their duties as an employee. Payments are recognised as expenses as the services are rendered.

Shared-based payments

Shared-based compensation benefits are provided to employees via the Respiri Limited Employee Option Plan and an employee share scheme.

The fair value of options granted under Respiri Limited Option Share Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at the grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date was determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably measured. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(l) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(m) Revenue and other income

The revenue recognition policies for the principal revenue streams of the Group are:

Interest

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. All revenue is stated net of the amount of goods and services tax (GST).

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies (continued)

(m) Revenue and other income (continued)

Sale of goods

Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to Profit or Loss over the expected useful life of the related asset on a straight-line basis.

Government grants received in Israel as support for research and development projects, include an obligation to pay royalties (ranging from 3.5% to 5%) conditional on future sales arising from the project. These grants are recognised upon receipt as a liability if future economic benefits are expected from the project (i.e. sales). If no economic benefits are expected, the grants are recognised as a reduction of the related research and development expenses and the royalty obligation treated as a contingent liability.

At the end of each reporting date, the Company evaluates if there is reasonable assurance that the liability recognised, in whole or part, will not be repaid. If there are indications the liability will not be repaid, the appropriate amount of the liability is derecognised and recorded in Profit or Loss as a reduction of research and development expenses. Otherwise, the appropriate amount of the liability that reflects expected future royalty payments is recognised with a corresponding adjustment to research and development expenses.

Royalty payments are treated as a reduction of the liability.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

R&D Tax Concession Refunds

R&D Tax concession refunds are recorded as revenue for the year when received, rather than when expenditure was incurred.

(n) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position sheet are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) Share capital

Ordinary share capital is recognised as the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies (continued)

(p) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributed to the owners of Respiri Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) New Accounting Standards and Interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

(r) Critical Accounting Estimates and Judgments

The preparation of the financial statements requires the Directors and Management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The estimates and underlying assumptions are continually evaluated. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies (continued)

(r) Critical Accounting Estimates and Judgments (continued)

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

Share-based payment transactions

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

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The operating segments of the Group are determined to be Australia and Israel. For more information, refer to Note 22.

2 Parent entity

The following information has been extracted from the books and records of the parent entity and has been prepared in accordance with the accounting standards.

	2020	2019
	\$	\$
Statement of Financial Position		
Assets		
Current assets	4,409,427	936,913
Non-current assets	190,479	12,257
Total Assets	<u>4,599,906</u>	<u>949,170</u>
Liabilities		
Current liabilities	1,972,140	2,497,771
Non-current liabilities	128,046	-
Total Liabilities	<u>2,100,186</u>	<u>2,497,771</u>
Equity		
Issued capital	113,694,614	106,043,361
Accumulated losses	(115,624,088)	(109,497,962)
Reserves	4,429,194	1,906,000
Total Equity	<u>2,499,720</u>	<u>(1,548,601)</u>
Statement of Profit or Loss and Other Comprehensive Income		
Loss after income tax	<u>(7,278,391)</u>	<u>(8,884,482)</u>
Total comprehensive income	<u>(7,278,391)</u>	<u>(8,884,482)</u>

Respiri Limited

ABN 98 009 234 173

Notes to the Financial Statements For the Year Ended 30 June 2020

2 Parent entity (continued)

Parent Entity Contingencies and Commitments

The parent entity does not have any contingent liabilities and commitments.

Parent Entity Guarantees in Respect of the Debts of its Subsidiaries

The parent entity has no guarantees in respect of its subsidiaries.

3 Revenue and Other Income

	2020	2019
	\$	\$
Non-operating revenue		
- Interest	1,660	5,136
- ATO cashflow boost	50,000	-
Total Revenue	51,660	5,136

	2020	2019
	\$	\$
Other Income		
- R&D Tax Concession Received (a)	2,155,307	1,026,252
	2,155,307	1,026,252

- a) The value of any allocable R&D tax concession refund with respect to eligible R&D expenditures incurred during the financial year 2020 has not yet been determined and have therefore not been included within the financial statements for financial year 2020.

Respiri Limited

ABN 98 009 234 173

Notes to the Financial Statements For the Year Ended 30 June 2020

4 Expenses

	2020	2019
	\$	\$
Consulting, employee and director		
Consulting expenses	436,958	302,555
Employee expenses	570,793	484,920
Director expenses	730,360	511,015
	<u>1,738,111</u>	<u>1,298,490</u>
Equity-based payment	3,270,907	1,288,699
Corporate administration		
Audit and accounting fees	185,104	248,014
Foreign exchange loss/(gain)	5,266	19,638
Corporate administration expenses	1,272,355	1,246,317
Office rentals	63,747	90,331
	<u>1,526,472</u>	<u>1,604,300</u>
Depreciation	10,380	4,628
Marketing and promotion	783,872	854,177
Research and development	2,035,426	4,242,802
Travel	102,734	212,878
Total expenses	<u>9,467,902</u>	<u>9,505,974</u>

Respiri Limited

ABN 98 009 234 173

Notes to the Financial Statements For the Year Ended 30 June 2020

5 Income Tax Expense

(a) The prima facie tax on loss from ordinary activities before the loss is reconciled to the income tax as follows:

	2020	2019
	\$	\$
Loss before income tax	(7,260,935)	(8,474,586)
Tax	27.50%	27.50%
Income tax benefit calculated	(1,996,757)	(2,330,511)
Add:		
Tax effect of amounts which are not deductible in calculating income tax:		
- share-based payments expenses	899,499	354,392
- other expenses not deductible	24,289	73,357
Other non-assessable income	(606,459)	(282,219)
Other deductible items	18,932	(172,002)
Deferred tax assets relating to tax losses and temporary differences not recognised	1,660,496	2,356,983
Income tax expense	-	-

(b) Unrecognised deferred tax assets and liabilities

	2020	2019
	\$	\$
Deferred tax assets and liabilities are attributable to the following:		
- tax losses	22,812,318	21,260,625
- prepayments	(45,735)	(147,045)
- provision	16,500	20,324
- accrual	54,740	43,442
	22,837,823	21,177,346

(c) Components of tax expense

The components of tax expense comprise:

	2020	2019
	\$	\$
Current tax	-	-
Deferred tax	-	-
Income tax expense	-	-

Respiri Limited

ABN 98 009 234 173

Notes to the Financial Statements For the Year Ended 30 June 2020

5 Income Tax Expense (continued)

Included in the total of deferred tax assets attributable to tax losses not recognised are tax losses in relation to operations in Israel, United States of America and Australia. Tax losses in Australian entities alone of \$21,605,123 (2019: \$19,692,869) relate to losses generated from 22 November 2006 to 30 June 2020. The ongoing availability of these tax losses are subject to further review by the Company to ensure compliance with the relevant provisions of Australia Income Tax laws.

6 Key Management Personnel Remuneration

The aggregate compensation made to Directors and other Key Management Personnel of the Consolidated entity is set out below:

	2020	2019
	\$	\$
Short-term employee benefits	1,192,398	870,730
Post-employment benefits	91,192	66,913
Share-based payments (Note 23)	3,185,766	354,261
	4,469,356	1,291,904

7 Auditors' Remuneration

	2020	2019
	\$	\$
Remuneration of Company's auditor, RSM, for:		
- auditing or reviewing the financial report of the Group	40,000	40,000
Remuneration of Company's former auditor, Deloitte, for:		
- auditing or reviewing the financial report of the Group	-	6,075
	40,000	46,075
Remuneration of Subsidiary Company's auditor, Ernst & Young Israel, for:		
- auditing or reviewing the financial report of the subsidiary (a)	9,378	8,068
Total	49,378	54,143

a) Audit fees paid to Ernst & Young Israel for the auditing and/or review of the financial report of Respiri (Israel) Ltd.

Respiri Limited

ABN 98 009 234 173

Notes to the Financial Statements

For the Year Ended 30 June 2020

8 Loss per Share

	2020	2019
	\$	\$
Basic loss per share (cents)	(1.27)	(1.69)
Diluted loss per share (cents)	(1.27)	(1.69)
(a) Net loss used in the calculation of basic and diluted loss per share	(7,260,935)	(8,474,586)
(b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted loss per share	570,054,649	499,122,902

Potential ordinary shares, including options, are excluded from the weighted average number of shares used in the calculations of basic loss per share as they are considered non-dilutive.

9 Cash and Cash Equivalents

	2020	2019
	\$	\$
Cash at bank	3,552,334	306,655
	<u>3,552,334</u>	<u>306,655</u>

The interest rates on cash at bank on 30 June 2020 was 0.9% (2019: 1.6%). The Group's exposure to interest rate risk is discussed in Note 26(b). The maximum exposure to credit risk at the end of the financial year is the carrying amount of each class of cash and cash equivalents mentioned above.

10 Trade and Other Receivables

	2020	2019
	\$	\$
CURRENT		
Other receivables (a)	8,199	161,566
	<u>8,199</u>	<u>161,566</u>

a) Other receivables include GST/V.A.T receivable.

Refer to Note 26(c) for more information on the Group's credit risk management policy.

Respiri Limited

ABN 98 009 234 173

Notes to the Financial Statements For the Year Ended 30 June 2020

11 Controlled Entities

	Principal place of business / Country of Incorporation	Percentage Owned (%) [*] 2020	Percentage Owned (%) [*] 2019
<u>Parent Entity</u>			
Respiri Limited	Australia	-	-
<u>Subsidiaries of Respiri Limited</u>			
KarmelSonix Australia Pty Ltd	Australia	100	100
iSonea (Israel) Limited	Israel	100	100
iSonea USA Inc.	United States of America	100	100

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

12 Property, plant and equipment

	2020	2019
	\$	\$
Office equipment		
At cost	4,145	-
Accumulated depreciation	(6)	-
Total office equipment	<u>4,139</u>	-
Computer equipment and software		
At cost	42,305	33,588
Accumulated depreciation	(29,577)	(24,086)
	<u>12,728</u>	<u>9,502</u>
Right-of-Use asset		
At cost	175,740	-
Accumulated depreciation	(4,882)	-
Total Right-of-Use asset	<u>170,858</u>	-
Total property, plant and equipment	<u>187,725</u>	<u>9,502</u>

Respiri Limited

ABN 98 009 234 173

Notes to the Financial Statements

For the Year Ended 30 June 2020

12 Property, plant and equipment (continued)

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Office Equipment \$	Computer Equipment \$	Right-of-Us e Asset \$	Total \$
Year ended 30 June 2020				
Balance at the beginning of year	-	9,502	-	9,502
Additions	4,145	8,718	175,740	188,603
Depreciation expense	(6)	(5,492)	(4,882)	(10,380)
Balance at the end of the year	4,139	12,728	170,858	187,725

	Office Equipment \$	Computer Equipment \$	Right-of-Use Asset \$	Total \$
Year ended 30 June 2019				
Balance at the beginning of year	-	10,951	-	10,951
Additions	-	3,179	-	3,179
Depreciation expense	-	(4,628)	-	(4,628)
Balance at the end of the year	-	9,502	-	9,502

13 Other assets

	2020 \$	2019 \$
CURRENT		
Prepayments	146,366	522,323
Deposits	48,997	12,386
Prepaid materials	366,000	-
	561,363	534,709
NON-CURRENT		
Other	64	1,173
	64	1,173

Respiri Limited

ABN 98 009 234 173

Notes to the Financial Statements For the Year Ended 30 June 2020

14 Inventories

	2020	2019
	\$	\$
CURRENT Inventories	309,219	-
	<u>309,219</u>	<u>-</u>

15 Trade and Other Payables

	2020	2019
	\$	\$
CURRENT Trade payables	870,436	1,525,149
Accrued expenses	260,847	231,806
	<u>1,131,283</u>	<u>1,756,955</u>

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on between 30 - 45 day terms
- Accrued expenses are non-interest bearing

Refer to Note 27(a) for more information on the Group's foreign currency risk management policy.

16 Borrowings

	2020	2019
	\$	\$
Opening balance	806,442	-
Add: Loan drawdown (a)	1,265,864	800,000
Add: Capitalised interest	121,922	6,442
Less: Repayments	(1,477,084)	-
Closing balance	<u>717,144</u>	<u>806,442</u>

- a) Short-term R&D credit loan facility of \$1.4 million provided by FundSquire based on 80% of expected FY2019 R&D tax refund at interest rate of 1.35% per month was repaid in full in October 2019.

A further short-term R&D credit loan facility of \$600k was provided by Fundsquire based on 80% of expected FY2020 R&D tax refund at an interest rate of 1.75% per month during the 2020 year.

The Company has drawn down the full amount of this facility as at 30 June 2020.

Respiri Limited

ABN 98 009 234 173

Notes to the Financial Statements For the Year Ended 30 June 2020

17 Other Financial Liabilities

	2020	2019
	\$	\$
CURRENT		
Lease liabilities	47,694	-
Other financial liability (a)	12,912	12,912
Other financial liability unsecured	87,049	33,074
	<u>147,655</u>	<u>45,986</u>

a) Detailed information in relation to the Chief Scientist grants received in Israel is contained in Note 20.

	2020	2019
	\$	\$
NON-CURRENT		
Lease liabilities	128,046	-
Total	<u>128,046</u>	<u>-</u>

18 Issued Capital

The Company has an unlimited authorised share capital of no par value ordinary shares.

	2020	2020	2019	2019
	No.	\$	No.	\$
Fully paid ordinary shares				
Balance at beginning of the year	525,883,098	106,043,361	473,383,224	102,332,258
Shares issued during the year	128,956,692	8,616,165	52,499,874	4,199,990
Shares cancelled during the year (a)	(3,125,000)	(250,000)	-	-
Transaction costs relating to share issues	-	(714,912)	-	(488,887)
Total issued capital	<u>651,714,790</u>	<u>113,694,614</u>	<u>525,883,098</u>	<u>106,043,361</u>

a) On 18 December 2018, 3,125,000 shares were issued to key Development Partner (Two Bulls) in exchange for the provision of future services. These services were not delivered, and the shares were subsequently cancelled on 20 December 2019.

Respiri Limited

ABN 98 009 234 173

Notes to the Financial Statements For the Year Ended 30 June 2020

18 Issued Capital (continued)

During the year-ended 30 June 2020, the Company issued the following securities:

Date	Details	No. of Shares	Issue Price \$	Total Value \$
8 Aug 2019	Issue of shares to certain professional and sophisticated investors as announced to the market on 8 August 2019	33,000,000	0.1000	3,300,000
10 Dec 2019	Issue of shares to former director as announced to the market on 9 December 2019	500,000	0.1000	50,000
6 Apr 2020	Issue of shares to certain professional and sophisticated investors as announced to the market on 6 April 2020	30,051,228	0.0550	1,652,815
8 May 2020	Issue of shares to certain professional and sophisticated investors as announced to the market on 6 May 2020	57,090,909	0.0550	3,140,000
3 Jun 2020	Issue of shares in lieu of cash payment for services rendered as announced to the market on 1 June 2020	617,284	0.0810	50,000
11 Jun 2020	Issue of shares to directors as announced to the market on 10 June 2020	7,697,271	0.0550	423,350
		<u>128,956,692</u>		<u>8,616,165</u>

Terms and Conditions of Issued Capital

Ordinary Shares:

Ordinary shareholders have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy at a meeting of the Company.

Options:

Option holders do not have the right to receive dividends and are not entitled to vote at the meeting of the Company until options are exercised into ordinary shares by payment of the exercise price. Options may be exercised at any time from the date they vest to their expiry date. Share options convert into ordinary shares on a one for one basis on the date they are exercised.

Capital Risk Management:

The consolidated entity's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as a value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investment in the short-term as it continues to develop its technologies.

Respiri Limited

ABN 98 009 234 173

Notes to the Financial Statements For the Year Ended 30 June 2020

19 Reserves

	2020 No.	2020 \$	2019 No.	2019 \$
Options				
Balance at beginning of the year	59,000,000	1,906,000	30,000,000	346,414
Unlisted options issued during the year (a)	174,500,000	3,319,526	15,000,000	277,795
Adjustment for options issued in prior year (b)	-	413,433	14,000,000	934,438
Expense recorded over vesting period	-	-	-	347,353
Options expired/forefeited (c)	(18,000,000)	(58,225)	-	-
Cancellation of options (d)	(24,000,000)	(1,151,540)	-	-
Balance at end of the year	191,500,000	4,429,194	59,000,000	1,906,000
FX Reserve				
Balance at beginning of the year	-	(315,524)	-	(305,904)
Other comprehensive income for the year, net of tax	-	(7,573)	-	(9,620)
Balance at end of the year	-	(323,097)	-	(315,524)
Total Reserves	191,500,000	4,106,097	59,000,000	1,590,476

- a) 20,000,000 unlisted options were granted to senior management personnel at the May 2020 EGM. As at 30 June 2020, of the total granted, 14,000,000 options with a fair value of \$69,154 are yet to be allotted to individual members.
- b) 6,000,000 Unlisted Options issued to former CEO on 14 December 2017 were cancelled following resignation in October 2019. This matter along with various other matters were in dispute, but has since been resolved. As part of the total settlement, the vested options were reinstated and expense recognised in the 2020 year.
- c) 6,000,000 Unlisted Options issued on 7 June 2019 exercisable at 0.0050 on or before 31 December 2020, and 4,000,000 unlisted options issued on 7 June 2019 exercisable at 0.1250 on or before 31 December 2021 to former CXO lapsed following resignation in December 2019.
- 8,000,000 Unlisted Options issued on 19 December 2017 exercisable at 0.03 on or before 31 December 2025 and 6,000,000 Unlisted Options issued on 19 December 2017 exercisable at 0.03 on or before 31 December 2024 to former CEO lapsed following resignation in October 2019. Following a legal dispute, the 6,000,000 Unlisted Options issued on 19 December 2017 exercisable at 0.03 on or before 31 December 2024 were subsequently reinstated.
- d) 10,000,000 Unlisted Options issued to former directors on 20 December 2016 exercisable at 0.285 on or before 30 November 2019 cancelled.
- 8,000,000 and 6,000,000 Unlisted Options issued to former directors on 19 December 2017 exercisable at 0.03 on or before 31 December 2023 and 31 December 2024 respectively were cancelled at EGM held in May 2020.

Respiri Limited

ABN 98 009 234 173

Notes to the Financial Statements For the Year Ended 30 June 2020

19 Reserves (continued)

During the year-ended 30 June 2020, the Company issued the following options:

Date	Details	No. of options	Option fair value \$	Total value \$
26 May 2020	Issue to Key Management Personnel under Employee Share Option Plan (ESOP) - Class 15	6,000,000	0.0363	47,959
26 May 2020	Issue to Key Management Personnel under Employee Share Option Plan (ESOP)	6,000,000	0.0257	33,973
26 May 2020	Issue to Key Management Personnel under Employee Share Option Plan (ESOP)	8,000,000	0.0199	35,181
3 Jun 2020	Issue to Brand Ambassador for services rendered	5,000,000	0.0298	148,934
16 Jun 2020	Issue to Directors - Tranche 1	65,000,000	0.0414	2,689,592
16 Jun 2020	Issue to Directors - Tranche 2	30,000,000	0.0309	85,703
16 Jun 2020	Issue to Directors - Tranche 3	12,500,000	0.0273	11,610
16 Jun 2020	Issue to Directors - Tranche 4 (with market vesting condition)	7,500,000	0.0303	4,733
16 Jun 2020	Issue to Directors - Tranche 4	5,000,000	0.0258	2,680
16 Jun 2020	Issue to Directors - Tranche 5	12,500,000	0.0227	4,267
16 Jun 2020	Issue to Consultants for Capital raising services rendered - Class 13	7,000,000	0.0288	201,893
16 Jun 2020	Issue to Consultants for Capital raising services rendered - Class 14	10,000,000	0.0416	53,000
		174,500,000		3,319,526

Option Reserve:

The option reserve recognises the proceeds from the issue of options over ordinary shares and the expense recognised in respect of share based payments.

20 Contingent Liabilities

Office of the Chief Scientist- Israel

Following approval from the Office of the Chief Scientist in Israel (OCS), four OCS grants totaling USD\$541,470 were received by Karmel Medical Acoustic Technologies Ltd (KMAT) prior to 2006 to assist with the R&D of technologies. The R&D associated with these OCS grants was acquired by Respiri from KMAT in 2006, together with the associated OCS grant obligations. In 2008, Respiri subsequently received two further grants from the OCS totaling USD\$307,047 to assist in the funding of ongoing R&D work.

The terms of the OCS grant scheme specify that should technologies be developed with the direct assistance of a grant, and be commercialised, and generate sale revenue for the company, a royalty of between 3% - 3.5% of the associated sales revenue will be paid to the OCS until that OCS grant(s) amount, plus applicable interest applied to that grant(s) amount (based on LIBOR) has been repaid.

Respiri Limited

ABN 98 009 234 173

Notes to the Financial Statements For the Year Ended 30 June 2020

21 Segment Reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Chief Operating Decision Makers for the purposes of resource allocation and assessment of performance is more specifically focused on the geographical locations of the Group's operations.

The Group's reportable segments under AASB 8 are therefore as follows:

- Australia
- Israel

The Australia reportable segment activities include research, development and commercialisation of medical devices, and the production of mobile health applications in Australia.

The Israel reportable segment activities include research, development and commercialisation of medical devices, and the production of mobile health applications in Israel.

In prior years, the Group has had operations in United States; however, these operations have ceased and therefore are no longer reported as a reportable segment.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

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Respiri Limited

ABN 98 009 234 173

**Notes to the Financial Statements
For the Year Ended 30 June 2020****21 Segment Reporting (continued)**

	Medical Devices Segment Australia \$	Medical Devices Segment Israel \$	Segment Total \$	Corporate \$	Total \$
30 June 2020					
Segment Revenue					
External Sales	-	-	-	-	-
Other income	2,155,307	-	2,155,307	50,000	2,205,307
Total Segment Revenue	2,155,307	-	2,155,307	50,000	2,205,307
Interest revenue	-	-	-	1,660	1,660
Total Revenue	2,155,307	-	2,155,307	51,660	2,206,967
EBITDA					
Segment depreciation expenses	-	-	-	(10,380)	(10,380)
Interest revenue	-	-	-	1,660	1,660
Finance costs	-	-	-	(123,848)	(123,848)
Profit/(loss) before income tax	685,201	(124,275)	560,926	(7,821,861)	(7,260,935)
Income tax expense	-	-	-	-	-
Profit/(loss) after income tax	685,201	(124,275)	560,926	(7,821,861)	(7,260,935)
Assets					
Segment assets	4,108	18,368	22,476	4,596,428	4,618,904
Total Assets	4,108	18,368	22,476	4,596,428	4,618,904
Liabilities					
Segment liabilities	-	23,942	23,942	2,100,186	2,124,128
Total Liabilities	-	23,942	23,942	2,100,186	2,124,128

Respiri Limited

ABN 98 009 234 173

Notes to the Financial Statements For the Year Ended 30 June 2020

21 Segment Reporting (continued)

	Medical Devices Segment Australia \$	Medical Devices Segment Israel \$	Segment Total \$	Corporate \$	Total \$
30 June 2019					
Segment Revenue					
External sales	-	-	-	-	-
Interest revenue	-	-	-	5,136	5,136
Other income	1,026,252	-	1,026,252	-	1,026,252
	<u>1,026,252</u>	<u>-</u>	<u>1,026,252</u>	<u>5,136</u>	<u>1,031,388</u>
Segment Expenses					
Segment depreciation expenses	-	-	-	(4,628)	(3,628)
Segment expenses	(4,059,200)	(123,074)	(4,182,274)	(5,139,072)	(9,501,346)
Income tax expense	-	-	-	-	-
Net Result	<u>(3,032,948)</u>	<u>(123,074)</u>	<u>(3,156,022)</u>	<u>(5,138,564)</u>	<u>(8,473,586)</u>
Assets					
Segment assets	18,592	14,271	32,863	980,742	1,013,605
Total Assets	<u>18,592</u>	<u>14,271</u>	<u>32,863</u>	<u>980,742</u>	<u>1,013,605</u>
Liabilities					
Segment liabilities	950	41,043	41,993	2,534,316	2,576,309
Total Liabilities	<u>950</u>	<u>41,043</u>	<u>41,993</u>	<u>2,534,316</u>	<u>2,576,309</u>

Respiri Limited

ABN 98 009 234 173

Notes to the Financial Statements For the Year Ended 30 June 2020

22 Cash Flow Information

(a) Reconciliation of cash flow from operations with loss after income tax

	2020	2019
	\$	\$
Net loss for the year	(7,260,935)	(8,474,586)
Non-cash flows in profit:		
- depreciation	10,380	4,628
- share-based payments	3,219,841	1,738,699
- capitalised interest on loan	121,922	6,442
- foreign exchange adjustments	5,266	19,639
- facility fees on loan	22,636	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	153,368	(42,805)
- (increase)/decrease in other assets	(25,545)	(423,062)
- (increase)/decrease in inventories	(309,219)	-
- increase/(decrease) in trade and other payables	(625,670)	759,721
Cashflows from operations	<u>(4,687,956)</u>	<u>(6,411,324)</u>

(b) Non-cash financing and investing activities

Please refer to Note 18 and 19 for further details regarding equity issued for nil cash consideration.

Notes to the Financial Statements For the Year Ended 30 June 2020

23 Share-based Payments

(a) Employee share and option plan

The following options were issued during the current year under ESOP:

No. of Options	Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
			\$	\$				\$
6,000,000 (a)	26 May 2020	30 Sep 2024	0.071	0.100	77.55%	-	0.26%	0.036
6,000,000 (a)	26 May 2020	30 Sep 2024	0.071	0.20	77.55%	-	0.26%	0.026
8,000,000 (a)	26 May 2020	30 Sep 2024	0.071	0.30	77.55%	-	0.26%	0.020
65,000,000 (b)	16 Jun 2020	12 Jun 2024	0.083	0.100	78.01%	-	0.26%	0.041
30,000,000 (c)	16 Jun 2020	30 Sep 2024	0.083	0.200	78.01%	-	0.26%	0.031
12,500,000 (d)	16 Jun 2020	31 Mar 2025	0.083	0.300	78.01%	-	0.39%	0.027
7,500,000 (e)	16 Jun 2020	30 Sep 2025	0.083	0.400	78.01%	-	0.39%	0.030
5,000,000 (e)	16 Jun 2020	30 Sep 2025	0.083	0.400	78.01%	-	0.39%	0.026
12,500,000 (f)	16 Jun 2020	31 Mar 2026	0.083	0.600	78.01%	-	0.39%	0.023

- a) Options will vest after 30 September 2020
- b) Options have vested
- c) Options will vest after 30 September 2020
- d) Options will vest after 31 March 2021
- e) Options will vest after 30 September 2021
- f) Options will vest after 31 March 2022

The weighted average fair value of the share options granted during the financial year is \$0.034 (2019: \$0.058). Expected volatility is based on the historical share price volatility over the past 2 years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after vesting date when the share price is two and a half times the exercise price.

(b) Fair value of share options granted in the year outside of the ESOP

For the options granted during the current financial year, the Black Scholes Option valuation model inputs used to determine the fair value at the grant date, are as follows:

No. of Options	Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk free interest rate	Fair value at grant date
			\$	\$				\$
5,000,000 (a)	3 Jun 2020	28 May 2023	0.078	0.100	77.15%	-	0.27%	0.030
7,000,000 (a)	16 Jun 2020	1 Jul 2022	0.083	0.100	78.01%	-	0.27%	0.029
10,000,000 (b)	16 Jun 2020	1 Jul 2024	0.083	0.100	78.01%	-	0.26%	0.042

- (a) Options have vested
- (b) Options will vest after 23 September 2020

Respiri Limited

ABN 98 009 234 173

Notes to the Financial Statements For the Year Ended 30 June 2020

23 Share-based Payments (continued)

(c) Movement in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year:

	2020 No. of Options	2020 Weighted Average Exercise Price \$	2019 No. of Options	2019 Weighted Average Exercise Price \$
Outstanding at the beginning of the year	59,000,000	0.08	30,000,000	0.12
Granted	174,500,000	0.20	15,000,000	0.08
Adjustment for granted in prior period	-	-	14,000,000	0.03
Exercised	-	-	-	-
Expired/lapsed	(18,000,000)	-	-	-
Cancelled	(24,000,000)	-	-	-
Outstanding at year-end	191,500,000	0.21	59,000,000	0.08
Exercisable at year-end	82,000,000	0.10	29,000,000	0.13

(d) Share options exercised during the year

No options were exercised during the financial year 2020.

(e) Share options outstanding at the end of the year

The options outstanding at 30 June 2020 had a weighted average exercise price of \$0.21 (2019: \$0.08) and a weighted average remaining contractual life between 0.5 to 6.5 years. Exercise price range from \$0.03 (2019: \$0.005) to \$0.6(2019: \$0.28) in respect of options outstanding at 30 June 2020.

Respiri Limited

ABN 98 009 234 173

Notes to the Financial Statements For the Year Ended 30 June 2020

23 Share-based Payments (continued)

(f) Share-based payments expense

	2020	2019
	\$	\$
Share-based payments		
- options issued to directors	2,798,586	347,353
- options issued to suppliers (a)	403,828	270,887
- options issued to other key management personnel	78,075	6,908
- options issued to employees	39,038	-
- options issued to former CEO (b)	413,434	-
- options to former CXO cancelled (c)	(6,908)	-
- options to former CEO cancelled (b)	(51,318)	-
- options issued to former directors	-	934,438
	<u>3,674,735</u>	<u>1,559,586</u>

- a) The Company issued 5,000,000 options to its Brand ambassador for sponsorship services rendered, and issued 17,000,000 options to consultants for capital raising services.
- b) The shareholders approved the issuance of 20,000,000 unlisted RSH Options to the former CEO in accordance with resolution 3b of the 2018 Annual General Meeting. The Company subsequently cancelled Tranches 2 (6,000,000) and 3 (8,000,000) of these options following the former CEO's resignation in October 2019. The matter was in dispute and has since been resolved with the tranche 2 options reinstated and expense recognised in the 2020 financial year.
- c) The Company cancelled 10,000,000 options issued to former CXO following resignation in December 2019.

24 Related Party Transactions

The Group's related parties comprise of subsidiaries and key management personnel.

Disclosures relating to key management personnel are set out in the remuneration report. Transactions between the parent company and its subsidiaries are eliminated on consolidation and are not disclosed in this note.

As part of its April 2020 placement, 7,515,453 fully paid ordinary shares were issued to the Company directors.

25 Events Occurring After the Reporting Date

The Victorian Government announced a State of Disaster on the 2 August 2020 and "Stage 4" restrictions were applied to Metro Melbourne. This event does not affect amounts recognised in the 2019/20 financial statements. At this stage, it is not possible to estimate what if any affect this will have on the company's financial performance during 2020/21.

At the 2020 annual EGM held on 26 May 2020, shareholders approved the issue of 20 million unlisted options to senior management personnel of the Company as an incentive in lieu of cash. These options have a number of performance related vesting conditions attached to them and a value of \$117,113 as at 30 June 2020. 14 million of the 20 million options were not formally issued until 21st August 2020 and were held in Trust until this date.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Respiri Limited

ABN 98 009 234 173

Notes to the Financial Statements For the Year Ended 30 June 2020

26 Financial Risk Management

The Group holds the following financial instruments:

	2020	2019
	\$	\$
Financial assets		
Cash and cash equivalents	3,552,334	306,655
Trade and other receivables	8,199	161,566
Total financial assets	3,560,533	468,221
Financial liabilities		
Trade and other payables	1,131,283	1,756,955
Other borrowings	717,144	806,442
Other financial liabilities	275,701	45,986
Total financial liabilities	2,124,128	2,609,383

(a) Foreign exchange risk

The Group engages in international purchase transactions and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the US dollar (USD) and Israeli shekel (ILS). The parent has minimal exposure to foreign exchange risk as it does not hold any foreign currency cash reserves and only makes minor foreign currency payments. The Group does not make use of derivative financial instruments to hedge foreign exchange risk.

The carrying amount of the foreign currency denominated monetary assets and liabilities at the reporting date is as follows, all amounts in the table below are displayed in \$AUD at year-end spot rates:

	2020	2019
	\$	\$
Cash and trade and other receivables		
- ILS	4,400	4,068
- USD	-	44,190
	4,400	48,258
Trade and other payables		
- ILS	(11,029)	(28,130)
- USD	-	(36,545)
	(11,029)	(64,675)

Notes to the Financial Statements
For the Year Ended 30 June 2020

26 Financial Risk Management (continued)

Sensitivity Analysis

The following tables demonstrate the sensitivity to a reasonably possible change in USD and ILS exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives and embedded derivatives. The Group's exposure to foreign currency changes for all other currencies is not material.

	2020		2019	
	+5%	-5%	+5%	-5%
USD				
Effect on profit before tax	-	-	382	(382)
ILS				
Effect on profit before tax	331	(331)	1,203	(1,203)

(b) Interest rate risk

The Group's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities.

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk (against the implied 30 day bank bill rate). The table also represents the quantitative impact on the financial statements should the variation occur.

	Carrying amount	Weighted average interest rate	(1%) effect on profit before tax	1% effect on profit before tax
	\$	%	\$	\$
30 June 2020				
Financial assets				
Cash and cash equivalents	3,552,334	0.90	(35,523)	35,523
Total (decrease)/increase	3,552,334	-	(35,523)	35,523
Financial liabilities				
Fundsquire loan	(717,144)	0.90	7,171	(7,171)
Total (decrease)/increase	(717,144)	-	7,171	(7,171)
30 June 2019				
Financial assets				
Cash and cash equivalents	306,655	1.67	(3,067)	3,067
Total (decrease)/increase	306,655	-	(3,067)	3,067
Financial liabilities				

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Respiri Limited

ABN 98 009 234 173

Notes to the Financial Statements For the Year Ended 30 June 2020

26 Financial Risk Management (continued)

(c) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has no significant concentration of credit risk in the current or prior year.

The Group ensures that surplus cash is invested with financial institutions of appropriate credit worthiness and limits the amount of credit exposure to any one counter party.

(d) Liquidity risk

Liquidity risk is the risk that the Group will not pay its debtors when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by maintaining sufficient bank balances to fund its operations and the availability of funding through committed credit facilities.

Management manages this risk by monitoring rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows. The table below analyses the Group's financial liabilities.

	0-12 months \$	Maturing 1 to 3 years \$	Total \$
30 June 2020			
Trade and other payables	1,131,283	-	1,131,283
Other borrowings	717,144	-	717,144
Lease liabilities	47,693	128,046	175,739
	<u>1,896,120</u>	<u>128,046</u>	<u>2,024,166</u>
30 June 2019			
Trade and other payables	1,756,955	-	1,756,955
Other borrowings	806,442	-	806,442
	<u>2,563,397</u>	<u>-</u>	<u>2,563,397</u>

(e) Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain a capital structure that maximises shareholder value. In order to maintain or achieve an optimal capital structure, the Group may issue new shares or reduce its capital, subject to the provisions of the Group's constitution.

The capital structure of the Group consists of equity attributed to equity holders of the Group, comprising contributed equity and reserves disclosed in Notes 18 and 19. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the Board by the Group's Management the Board monitors the need to raise additional equity from the equity markets.

Respiri Limited

ABN 98 009 234 173

Directors' Declaration

The directors of the Company declare that:

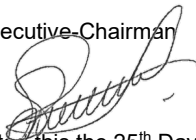
1. the financial statements and notes, as set out on pages 22 to 61, and the remuneration disclosures that are contained within the Remuneration Report within the Directors' report, set out on pages 8 to 20, are in with the *Corporations Act 2001* and:
 - a. In the directors' opinion there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable;
 - b. In the directors' opinion the financial statements and notes also comply with the International Financial Reporting Standards as disclosed in Note 1;
 - c. In the directors' opinion the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
 - d. The directors have been given the declaration required by s295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) *Corporations Act 2001*.

On behalf of the Directors

Mr Nicholas Smedley

Executive Chairman



Dated this the 25th Day of August 2020
Melbourne, Australia

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT To the Members of Respiri Limited

Opinion

We have audited the financial report of Respiri Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$7,260,935 and had net operating cash outflows from operating activities of \$4,687,956 during the year ended 30 June 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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RSM Australia Partners ABN 36 965 185 036

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed this matter
<p>Share based payments Refer to Note 23 in the financial statements</p>	
<p>Respiri Limited have an Employee's, Directors' and Consultants' Share and Option Plan (ESOP). The ESOP is intended to reward directors, employees and/or consultants for their contributions to the Group.</p> <p>We identified share-based payments as a key risk due the complexity in the valuation of the options issued, and the estimates made by management in relation to the achievement of vesting conditions.</p>	<p>Our audit procedures in relation to share based payments included:</p> <ul style="list-style-type: none"> • Assessing the reasonableness of option valuation inputs into the Black Scholes Option Valuation Model including assessment of the share volatility rates applied in comparison to entities in the similar industry; • Performing a recalculation the Black Scholes Option Valuation Model for a sample of options issued; • Testing a sample of options issued to signed ESOP agreements; • Reviewing the accounting for the share-based payments in accordance with AASB 2 Share-based Payments; and • Reviewing the reasonableness of management's estimates of the likelihood of the achievement of vesting conditions for the options issued.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Respire Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



RSM AUSTRALIA PARTNERS



B Y CHAN
Partner

Dated: 26 August 2020
Melbourne, Victoria

Respiri Limited

ABN 98 009 234 173

SHAREHOLDERS INFORMATION as at 24 August 2020

Equity security holders

Twenty largest quoted equity security holders

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

Holder	Ordinary shares held	% of total shares issued
INVESTMENT HOLDINGS PTY LTD <INVESTMENT HOLDINGS UNIT A/C>	72,008,027	11.03%
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	14,841,052	2.27%
NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	14,267,181	2.19%
MR PETER KARL BRAUN	13,654,325	2.09%
MR WILLIAM JOHN RICHARDS & MRS MARY MITCHELL RICHARDS <RICHARDS FAMILY S/FUND A/C>	9,790,000	1.50%
P & A MIHAILOU PTY LTD <MIHAILOU FAMILY A/C>	8,000,000	1.23%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,834,313	1.20%
LUHOPI PTY LTD <THE RIBOT FAMILY STTLMT A/C>	7,533,614	1.15%
MR GARY RONALD HEATH & MRS MELISSA LOUISE HEATH <G & M HEATH SUPERFUND A/C>	7,377,274	1.13%
DR BELINDA DEBORAH JACKSON	7,269,429	1.11%
COONAN FAMILY SUPERANNUATION FUND PTY LTD <COONAN FAMILY S/F A/C>	7,000,000	1.07%
EQUITAS NOMINEES PTY LIMITED <PB-600812 A/C>	6,642,449	1.02%
ATLANTIS INVESTIGATIONS PTY LIMITED <LARAYNE PORTER S/FUND A/C>	6,105,078	0.94%
MALLAMANDA PTY LTD <MALLAMANDA A/C>	6,087,203	0.93%
MR ROSS SPENCE BAYNES	5,500,000	0.84%
MORE INVESTMENT GROUP PTY LTD <BEAR SUPERFUND A/C>	5,151,818	0.79%
MRS MARY MITCHELL RICHARDS & MS KERRY MITCHELL MCCARTHY <EST ELEANOR MARY RYLANCE A/C>	5,050,000	0.77%
CLEMWELL PTY LTD <THE WELLS FAMILY A/C>	5,035,678	0.77%
DL MARSHALL SUPER PTY LTD <MARSHALL SUPER FUND A/C>	4,650,455	0.71%
OODACHI PTY LTD <P & M KERR FAMILY A/C>	4,545,455	0.70%

Unquoted equity securities

Unquoted equity securities	Number on issue	Number of holders
Unquoted ordinary shares	1,125,000	1
Options over ordinary shares issued	191,500,000	17

Substantial holders

Holder	Designation	Ordinary shares held	% of total shares issued
INVESTMENT HOLDINGS PTY LTD	<INVESTMENT HOLDINGS UNIT A/C>	72,008,027	11.03%

Respiri Limited

ABN 98 009 234 173

Voting rights

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

Ordinary shares

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

There are no other classes of equity securities.

On-market buy-backs

There is no current on-market buy-back in relation to the Company's securities.

Securities subject to voluntary escrow

There are no securities subject to voluntary escrow.

Distribution of equitable securities

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

	Number of Holders of ordinary shares
1 to 1,000	117
1,001 to 5,000	181
5,001 to 10,000	456
10,001 to 100,000	1,298
100,001 and above	738

Unmarketable parcels

As at the above date there were 206 shareholders with unmarketable parcels on the register

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Respiri Limited

ABN 98 009 234 173

SHAREHOLDER ENQUIRIES

Shareholders with enquiries about their shareholdings should contact the Share Register:

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford, Victoria, 3067

Telephone: +61 (0)3 9415 4000
Facsimilie: +61 (0)3 9473 2500
Email: www.investorcentre.com/contact

CHANGE OF ADDRESS, CHANGE OF NAME, CONSOLIDATION OF SHAREHOLDINGS

Shareholders should contact the Share Registry via your *Investor Centre* portal.

REMOVAL FROM THE ANNUAL REPORT MAILING LIST

Shareholders who no longer wish to receive the Annual Report should notify the Share Registry via the shareholder's respective *Investor Centre* portal. These shareholders will continue to receive all other shareholder information.

TAX FILE NUMBERS

It is important that Australian resident shareholders, including children, have their tax file number or exemption details noted by the Share Registry.

CHESS (Clearing House Electronic Sub-register System)

Shareholders wishing to move to uncertified holdings under the Australian Stock Exchange (CHESS) system should contact their stockbroker.

UNCERTIFIED SHARE REGISTER

Shareholding statements are issued at the end of each month in which there is a transaction that alters the balance of your holding.

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Respiri Limited

ABN 98 009 234 173

STATUTORY INFORMATION

AUSTRALIAN COMPANY NUMBER (ACN)
009 234 173

Respiri Limited is a Public Company Limited by shares and is domiciled in Australia.

DIRECTORS

Mr Marjan Mikel
Mr Nicholas Smedley
Dr Thomas Duthy
Prof. Bruce Thompson
Mr Ross Blair-Holt
Mr Mario Gattino

Appointed on 25th November 2019
Appointed on 30th October 2019
Appointed on 11th February 2020
Resigned on 10th February 2020
Resigned on 15th November 2019
Resigned on 25th October 2019

COMPANY SECRETARY

Mr Alastair Beard

PRINCIPAL PLACE OF BUSINESS

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Telephone: +61 (0) 3 9286 8000

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330 Collins Street,
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Australia

WEBSITE

www.respiri.co

SECURITIES QUOTED

Australian Securities Exchange
- Ordinary Fully Paid Shares (Code: RSH)