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 2021
Previous Reporting Period:	Financial year ended 30 June 2020

Results for Announcement to the market

The results of Respiri Limited for the year ended 30 June 2021 are as follows:

Revenue	Down	47.1%	to	$1,165,307
Loss after tax attributable to members	Up	52.1%	to	($11,040,347)
Net loss for the period attributable to members	Up	52.1%	to	($11,040,347)
Net cash used in operating activities	Up	56.6%	To	($7,339,097)

Brief explanation of figures reported above

During the year Respiri completed an oversubscribed $12,500,000 share placement to institutional, professional and sophisticated Australian investors and included a number of new institutional investors onto the share register with strong support from our existing investors. The additional funding has provided Respiri with the financial flexibility to meet stated corporate objectives, which included the commercial launch of wheezo® in Australia, which occurred during the year and in the longer term progressive commercial launches in key offshore markets including the US and Europe/UK.

The Company recorded revenue from sales of wheezo® devices of $270,074, representing initial sales to contracted pharmacy banner groups and additional online wheezo® orders. Overall revenue is down due to a decrease in R&D grant income compared to prior year.

Product manufacturing cost of sales of $1,263,452 reflect the costs associated with initial scale up manufacturing and inventory build including long lead time componentry for devices to support expected future demand. Advertising and marketing costs for the year of $2,185,086 include costs associated with the launch of wheezo® in Australia during the year, promotional activities and costs associated with the patient experiential program. Employee, consulting and corporate costs of $4,964,796 reflect the additional headcount required to support Respiri's corporate objectives, including manufacturing, quality, regulatory and commercial personnel.

At year end the company held $537,046 in inventories and $7,973,188 in cash on hand.

For further details relating to the current period's results, refer to the Letter to Shareholders 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 2021	30 June 2020
Net Tangible Assets/(Liabilities)	$7,570,162	$2,494,776
Shares (No.)	722,840,790	651,714,790
Net Tangible Assets (cents)	1.05	0.38

Loss per Share

	30 June 2021	30 June 2020
Basic/Diluted loss per share (cents)	1.58	1.27

Status of Audit of Accounts

This Financial Report (included in the attached Annual Report of the Company) is based upon financial statements for the Company for the year ended 30 June 2021 that have been audited. The independent audit report which is included in this document contains a material uncertainty related to going concern paragraph.

RESPIRI

ABN 98 009 234 173

Appendix 4E
Preliminary Final Report

For the year ended 30 June 2021

RESPIRI

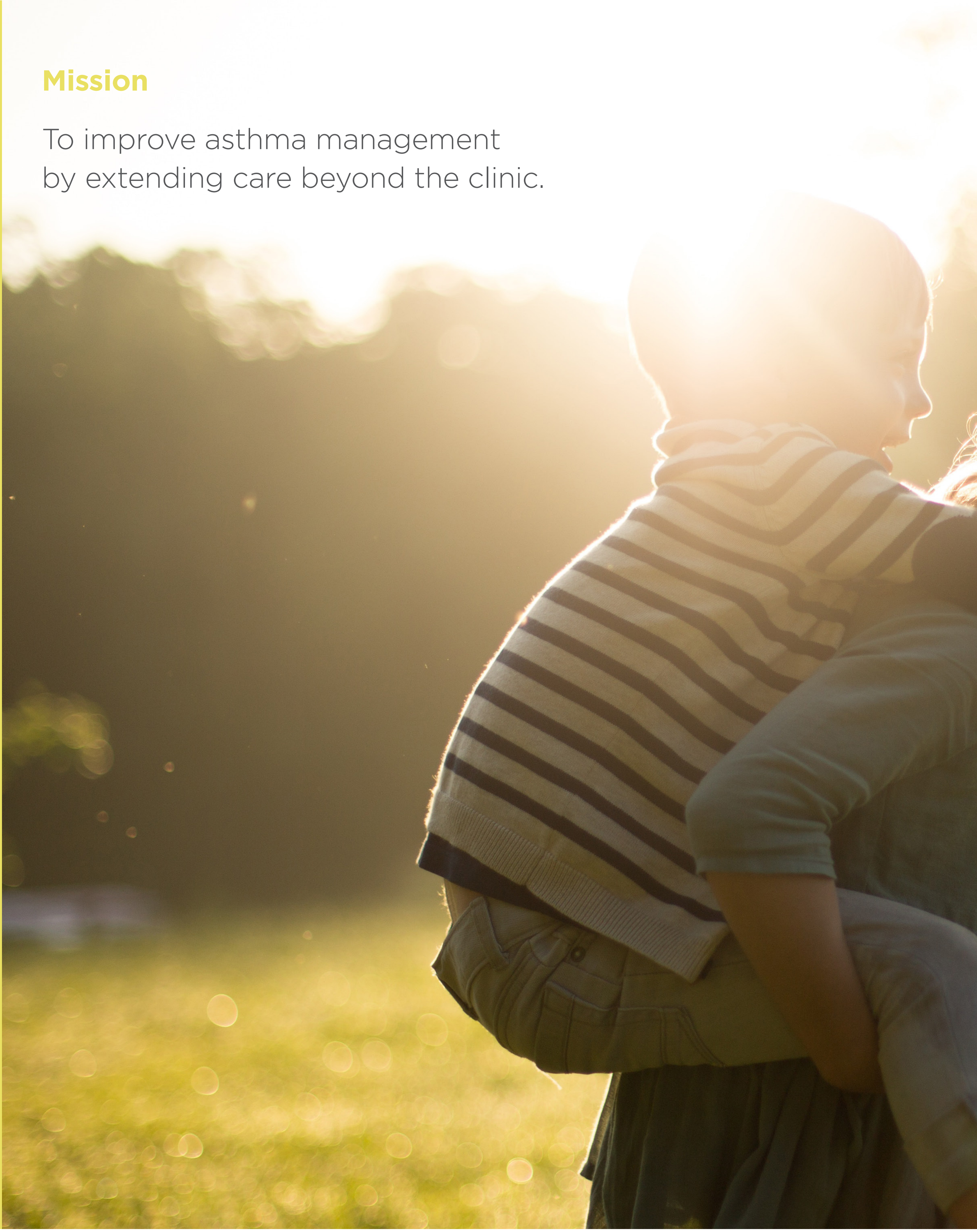
ANNUAL REPORT
2021

Vision

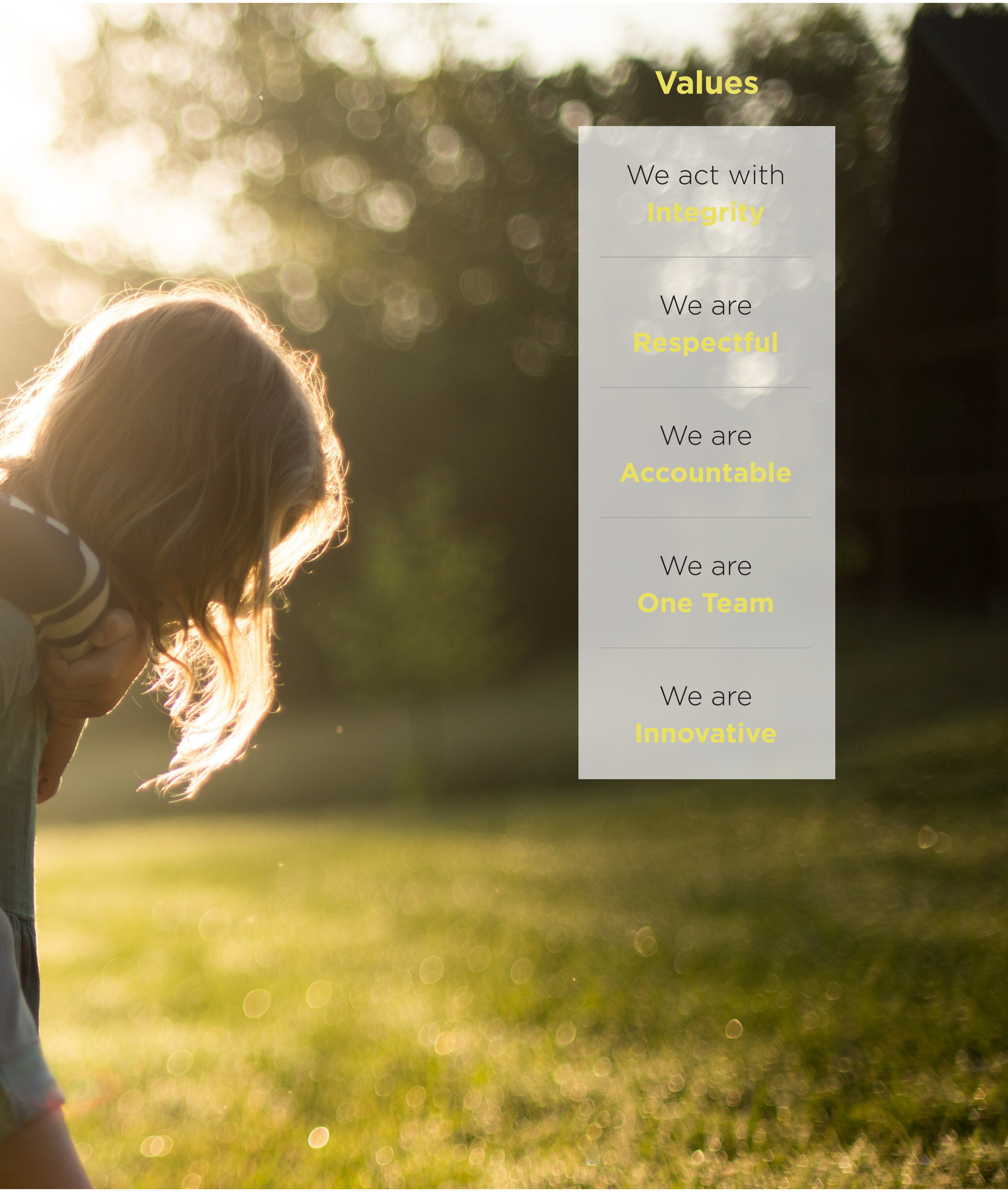
A world without the challenges of asthma.

Mission

To improve asthma management
by extending care beyond the clinic.



Chairman & CEO Update



Chairman & CEO Update

> "Significant progress was also made in both commercialisation and clinical development partnership discussions in the target markets of United Kingdom and USA."

Dear Fellow Shareholders,

On behalf of the Board of Directors of Respiri Limited we are proud to present the company's Annual Report for the year ended 30 June 2021.

This year has been an exceptionally productive and busy period for Respiri, with a resolute focus on the Australian launch of wheezo®, in partnership with Cipla which was achieved on time and on budget, despite significant COVID-19 headwinds including various state lockdowns. Significant progress was also made in both commercialisation and clinical development partnership discussions in the target markets of United Kingdom and USA.

In March 2021, the Company announced the receipt of 510(k) clearance from the US Food and Drug Administration (FDA) for wheezo®, thereby permitting Respiri to market and sell wheezo in the United States as a class II medical device, along with the wheezo® App. This clearance by one of the most stringent health regulators globally represents a step-change in technology for patients with respiratory disorders seeking an easy, effective and reproducible measurement of wheeze and associated App that provides patients with one-stop respiratory shop. Importantly the Company continues to use the GINA (Global Initiative for Asthma) guidelines as a strategic filter for all of its patient-centric initiatives. The Company's plans to launch its UK operations in Q4 2021 and enter the US market in Q3 2022 remains on track.

Operational achievements

Further detail on some of the key achievements during the year are outlined below.

Pharmacy Banner Groups – During the year the company has continued to grow the contracted pharmacy banner group footprint for making wheezo® available for sale to patients and commenced the roll out of the important in-pharmacy education and patient engagement programs that will aid with in-store pharmacist/patient engagement this includes both the Respiri Connect Care Nurse team and the roll out of the Pharmacy Platform Group's asthma professional service program that was developed in conjunction with Respiri. Major banner groups agreements secured in the year take the total number of banner group to 14 and pharmacies covered by agreements to 1,600 representing approximately 35% of the total number of ex-hospital community pharmacies across Australia. To continue to bolster the pharmacy sales and educational resource, Respiri contracted the services of Hahn Healthcare contract sales force services. Hahn is a respected organisation whose services are used by pharmaceutical and healthcare companies to sell their products. Hahn will sell to those pharmacies that are not target clients for the Cipla sales force and will provide additional Connect Care Nurse services to accelerate the educational programs with pharmacies that are stocking wheezo®.

International Expansion – The Company has advanced discussions with potential marketing/distribution partners in the United States. The Company commissioned an independent expert evaluation of its wheezo® device (and associated App) to assess its eligibility to qualify for Remote Patient Monitoring (RPM) Current Procedural Terminology (CPT) code reimbursement – a significant insurance reimbursement regime which exists in the US market. The expert, based in the USA, is an experienced advisor to US CPT coding committees and MACRA task forces. The Medicare Access and CHIP Reauthorization Act (MACRA) is a law that governs how the US federal government pays / reimburses physicians. In summary, the expert concluded that wheezo® analyses breath sounds for the presence of a wheeze and that in the expert's opinion, breath sounds and wheezing are physiologic parameters, which indicates that wheezo® potentially qualifies for Remote Patient Monitoring CPT Codes.

Significant progress was also made in both commercialisation and clinical development partnership discussions in the United Kingdom. As per MHRA requirements, the Company appointed European Device Solutions (UK) Ltd as the UK Responsible Person (UK-RP) and has demonstrated that wheezo® will perform safely and achieve the stated performance claims for its intended use.

As a result, Respiri can now apply the new UK Conformity Assessed (UKCA) mark on wheezo®. UKCA marking is a new UK product marking that is used for goods being placed on the market in Great Britain (England, Scotland and Wales). It is a prerequisite for the approval of products following Brexit and indicates conformity with applicable regulatory requirements. UKCA replaces CE marking, which can still be used in the UK until 31 March 2021 for products that are currently being sold in the UK but CE cannot be used for any products that have not been sold in the UK market after January 1, 2021.

Accordingly, this process fulfils a commercial requirement for wheezo®, which is due to be launched in the UK in Q4 CY 2021.

The asthma Telehealth/Remote Patient Monitoring Program – developed together with respiratory specialist Dr Kevin Chan (a leading Respiratory Physician working at Campbelltown Hospital & Sydney Adventist Hospital, Wahroonga) commenced in June and 28 patients with moderate to severe persistent asthma were enrolled into the program. Patients are given a wheezo® and a smart inhaler providing them and the physician with a more comprehensive respiratory digital platform solution that allows for objective assessments to be made in real time from the real world where asthma problems occur. Program outcomes are being carefully monitored. It is planned that this programme will be scaled to other Respiratory physicians and also create a potential corporate health respiratory offering for employers/companies. The programme will also provide a template for a contemplated United States reimbursement business model.

Manufacturing – Significant progress has continued throughout the year with manufacturing and production of wheezo resulting in world class capabilities. Current design Production Quality is excellent with rejection/fall out rates <0.42%. Further, improvements in Cost Of Goods (COGS) have further initial quotes for manufacturing wheezo model 4.0 indicate COGS of US$35, which is the target price the Company set. This version of wheezo® will commence manufacturing in mid-2022 once current ordered batches are completed. Significant work has been dedicated to ensuring the Company has successfully secured sufficient chip inventory in a period of ongoing global supply shortfalls.

Shareholders

We would like to thank all shareholders for their continued support of the company. The board was pleased with the response to the oversubscribed $12.5m share placement to institutional, professional and sophisticated Australian investors and included a number of new institutional investors onto the share register with strong support from our existing investors earlier in the year.

We remain committed to delivering on the achievements to date and committed milestones ahead including the successful launch into the UK and US markets.

Thank you for the trust that you have placed in us as a board and executive team and the commitment you continue to show to the Company.

Nicholas Smedley
Executive Chairman

Marjan Mikel
CEO and
Managing Director

Financial Statements

Respiri Limited

ABN 98 009 234 173

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For the Year Ended 30 June 2021

Respiri Limited

ABN 98 009 234 173

Directors' Report
30 June 2021

The Directors of Respiri Limited ("RSH", "Respiri", "Company" or "the Group") submit herewith the annual financial report of the Group for the financial year ended 30 June 2021. 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
Appointed to the Board	30 October 2019
Last elected by Shareholders	16 December 2020
Experience	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.
Qualifications	B.Com
Interest in shares and options	14,209,668 Ordinary Shares and 77,500,000 Unlisted Options
Directorships held in other listed entities	AD1 Holdings Limited Vortiv Limited

Mr Marjan Mikel	CEO and Executive Director
Appointed to the Board	25 November 2019
Last elected by Shareholders	16 December 2020
Experience	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 Resmed Ltd as a joint venture/shareholder partner.
Qualifications	BSc(Hons), Grad Dip Ed, MCom; MAICD
Interest in shares and options	3,308,687 Ordinary Shares and 90,000,000 Unlisted Options
Directorships held in other listed entities	N/A

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Directors' Report
30 June 2021

Directors (continued)

Dr Thomas Duthy	Non-Executive Director
Appointed to the Board	11 February 2020
Last elected by Shareholders	16 December 2020
Experience	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).
Qualifications	B.Sc. (Hons.), Ph.D, MBA
Interest in shares and options	745,454 Ordinary Shares and 30,000,000 Unlisted Options
Directorships held in other listed entities	Invex Therapeutics Limited

Company secretary

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

Mr Beard is a skillful and adaptable Certified Practicing 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.

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 $11,040,347 (2020: $7,260,935). This result has been achieved after fully expensing all research and development costs.

Respiri Limited

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Directors' Report
30 June 2021

Operating and Financial review (continued)

During the year the Company has continued to grow the contracted pharmacy banner group footprint for making wheezo® available for sale to patients and commenced the roll out of the important in-pharmacy education and patient engagement programs. The Company has advanced discussions with potential marketing/distribution partners in the United States and significant progress was also made in both commercialisation and clinical development partnership discussions in the United Kingdom.

Significant progress has continued throughout the year with manufacturing and production of wheezo® resulting in world class capabilities. Further improvements in Cost Of Goods (COGS) for manufacturing wheezo® model 4.0 indicate COGS of US$35, which is the target price the Company set. Significant work has been dedicated to ensuring the Company has successfully secured sufficient chip inventory in a period of ongoing global supply shortfalls.

The asthma Telehealth/Remote Patient Monitoring Program developed together with respiratory specialist Dr Kevin Chan (a leading Respiratory Physician working at Campbelltown Hospital & Sydney Adventist Hospital, Wahroonga) commenced in June 2021 and 22 patients with moderate to severe persistent asthma were enrolled into the program. The program will also provide a template for a contemplated United States reimbursement business model.

Corporate & Financial Highlights

During the year Respiri completed an oversubscribed $12,500,000 share placement to institutional, professional and sophisticated Australian investors and included a number of new institutional investors onto the share register with strong support from our existing investors. The additional funding has provided Respiri with the financial flexibility to meet stated corporate objectives, which included the commercial launch of wheezo® in Australia, which occurred during the year and in the longer term progressive commercial launches in key offshore markets including the US and Europe/UK.

The Company recorded revenue from sales of wheezo® devices of $270,074, representing initial sales to contracted pharmacy banner groups and additional online wheezo® orders.

Product manufacturing cost of sales of $1,263,452 reflect the costs associated with initial scale up manufacturing and inventory build including long lead time componentry for devices to support expected future demand. Advertising and marketing costs for the year of $2,185,086 include costs associated with the launch of wheezo® in Australia during the year, promotional activities and costs associated with the patient experiential program. Employee, consulting and corporate costs of $4,964,796 reflect the additional headcount required to support Respiri's corporate objectives, including manufacturing, quality, regulatory and commercial personnel.

At year end the company held $537,046 in inventories and $7,973,188 in cash on hand.

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 2021 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.

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Directors' Report
30 June 2021

Matters Subsequent to Reporting Period

The Victorian Government extended a Declaration of a State of Emergency from the 29 July 2021 and “Stage 4” restrictions continued to apply to Metro Melbourne. This event does not affect amounts recognised in the 2020/21 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 2021/22.

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 Board has established a formal process in relation to the maintenance of an internal risk register which is updated and reviewed by the Board at its monthly meetings. 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;
- other government regulations including those specifically relating to the biomedical and health industries; and

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Directors' Report
30 June 2021

Risk Management (continued)

> 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.

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 Nicholas Smedley	11	11	-	-	-	-
Mr Marjan Mikel	11	11	-	-	-	-
Dr Thomas Duthy	11	11	-	-	-	-

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Directors' Report

30 June 2021

Meetings of Directors (continued)

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 2021 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 2021 has been received and can be found on page 19 of the financial report.

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Directors' Report
30 June 2021

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	4,000,000	(a)
16	RSHAC		0.20	6,000,000	(a)
17	RSHAC		0.30	8,000,000	(a)
18	RSHAA	17 Dec 2025	0.30	65,000,000	
19	RSHAA	17 Dec 2025	0.30	10,000,000	

a) Options granted at EGM held in May 2020. Issued in 3 tranches with different vesting conditions. Of the 3 tranches, 1 has not yet been allotted to members. See Note 23.

b) Issued in 5 tranches with different vesting conditions. See Note 23.

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.

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Directors' Report
30 June 2021

Remuneration Report (Audited) (continued)

Names	Position	Appointment/Resignation
Directors		
Mr Marjan Mikel	CEO Executive Director	
Mr Nicholas Smedley	Non-Executive Director Executive Chairman	
Dr Thomas Duthy	Non-Executive Director	
Other KMP		
Mr Philippe Ludekens	General Manager - Commercial Operations	Resigned 21 May 2021
Dr Samaneh Sarraf Shirazi	Chief Research Officer	
Mr Peter Hildebrandt	Chief Operating Officer	Appointed on 1 November 2020
Mr Theo Antonopoulos	Chief Commercial Officer	Appointed on 7 June 2021

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 AGM or throughout 2021 on its remuneration practices. The Remuneration Report was adopted at the 2021 AGM by more than 93% 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.

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 2021 financial year.

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Directors' Report

30 June 2021

Remuneration Report (Audited) (continued)

	Net (Loss)/ Profit $	Share Price at Balance Sheet Date $	Loss per Share (cents) $
Financial Year			
2021	(11,040,347)	0.07	(1.58)
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)

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.

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Directors' Report

30 June 2021

Remuneration Report (Audited) (continued)

Details of Remuneration for the Year Ended 30 June 2021

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	
2021	**$**	**$**	**$**	**$**	**$**	**$**
Directors						
Mr Marjan Mikel	428,306	-	-	21,694	1,106,111	**1,556,111**
Dr Thomas Duthy	60,000	-	-	-	345,734	**405,734**
Mr Nicholas Smedley	203,636	-	-	-	929,581	**1,133,217**
Professor Bruce Thompson	1,344	-	-	128	-	**1,472**
Other KMP						
Mr Philippe Ludekens	214,659	-	-	18,597	56,523	**289,779**
Mr Peter Hildebrandt	156,667	-	-	14,883	79,067	**250,617**
Mr Theo Antonopoulos	18,333	-	-	1,742	1,493	**21,568**
Dr Samaneh Sarraf Shirazi	167,458	-	-	15,909	56,523	**239,890**
	1,250,403	-	-	**72,953**	**2,575,032**	**3,898,388**

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 2021, of the total granted, 8,800,000 options with a fair value of $180,119 have not yet been formally allotted.

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Directors' Report
30 June 2021

Remuneration Report (Audited) (continued)

Details of Remuneration for the Year (continued) Ended 30 June 2021

	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 Key Management Personnel						
Mr Philippe Ludekens	94,032	-	-	8,933	15,986	118,951
Dr Samaneh Sarraf Shirazi	164,459	-	-	15,623	15,986	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

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

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Directors' Report
30 June 2021

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	
	2021	2020	2021	2020	2021	2020
	%	%	%	%	%	%
Directors						
Mr Nicholas Smedley (appointed on 30 October 2019)	**18**	7	**-**	-	**82**	93
Mr Marjan Mikel (appointed on 25 November 2019)	**29**	18	**-**	-	**71**	82
Dr Thomas Duthy (appointed on 11 February 2020)	**15**	10	**-**	-	**85**	90
Mr Mario Gattino (appointed on 14 December 2017, resigned 25 November 2019)	**-**	40	**-**	-	**-**	60
Mr Ross Blair-Holt (appointed on 27 November 2018, resigned 15 November 2019)	**-**	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)	**80**	87	**-**	-	**20**	13
Mr Peter Hildebrandt (appointed 1st November 2020)	**68**	-	**-**	-	**32**	-
Mr Theo Antonopoulos (appointed 7th June 2021)	**93**	-	**-**	-	**7**	-
Dr Samaneh Sarraf Shirazi (appointed 4 February 2019)	**76**	92	**-**	-	**24**	8
Ms Koswani Wall (appointed on 1 June 2018, resigned 13 December 2019)	**-**	100	**-**	-	**-**	-

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.

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Directors' Report
30 June 2021

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 2021 equity had been issued to 3 directors & 6 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 Sep2020	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
22 Oct 2020	1 Nov 2021	1 Nov 2023	0.20	N/A	No	0.074
21 Dec 2020	21 Dec 2020	17 Dec 2025	0.30	N/A	Yes	0.022
7 Jun 2021	7 Jun 2022	7 Jun 2024	0.20	N/A	No	0.015

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.

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Directors' Report

30 June 2021

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	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Directors						
Mr Nicholas Smedley	**30,000,000**	47,500,000	**-**	-	**30,000,000**	30,000,000
Mr Marjan Mikel	**30,000,000**	60,000,000	**-**	-	**30,000,000**	30,000,000
Dr Thomas Duthy	**5,000,000**	25,000,000	**-**	-	**10,000,000**	5,000,000
Mr Mario Gattino	**-**	-	**-**	8,000,000	**12,000,000**	-
Mr Ross Blair-Holt	**-**	-	**-**	-	**-**	-
Other Key Management Personnel						
Mr Philippe Ludekens	**-**	2,000,000	**-**	-	**-**	-
Mr Peter Hildebrandt	**2,000,000**	-	**-**	-	**-**	-
Mr Theo Antonopoulos	**2,000,000**	-	**-**	-	**-**	-
Dr Samaneh Sarraf Shirazi	**-**	2,000,000	**-**	-	**-**	-
Ms Koswani Wall (resigned on 13 December 2019)	**-**	-	**-**	10,000,000	**-**	-
	69,000,000	136,500,000	**-**	18,000,000	**82,000,000**	65,000,000

Refer to Page 16 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 2021.

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Directors' Report
30 June 2021

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 2021						
Directors						
Mr Nicholas Smedley	14,059,668	-	-	150,000	(a)	14,209,668
Mr Marjan Mikel	2,643,119	-	-	665,568	(b)	3,308,687
Dr Thomas Duthy	745,454	-	-	-	(c)	745,454
Other Key Management Personnel						
Mr Philippe Ludekens	-	-	-	-		-
Mr Peter Hildebrandt	-	-	-	-		-
Mr Theo Antonopoulos	-	-	-	-		-
Dr Samaneh Sarraf Shirazi	-	-	-	-		-
	17,448,241	**-**	**-**	**815,568**		**18,263,809**

a) 150,000 fully paid shares were purchased in Dec 2020. At year end, nil shares are held directly and 14,209,668 held indirectly.

b) 148,148 fully paid shares were purchased in Dec 2020, and a further 517,420 shares were purchased in June 2021. At year end, 1,490,506 shares are held directly, 1,818,181 held indirectly.

c) At year end, nil shares are held directly and 745,454 held indirectly.

	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	-	-	-	14,059,668	14,059,668
Mr Marjan Mikel	-	-	-	2,643,119	2,643,119
Dr Thomas Duthy	-	-	-	745,454	745,454
Prof Bruce Thomson (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)	-
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	-	-	16,327,818	18,227,447

Respiri Limited

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Directors' Report

30 June 2021

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 2021							
Directors							
Mr Nicholas Smedley	47,500,000	30,000,000	-	-	77,500,000	60,000,000	17,500,000
Mr Marjan Mikel	60,000,000	30,000,000	-	-	90,000,000	60,000,000	30,000,000
Dr Thomas Duthy	25,000,000	5,000,000	-	-	30,000,000	10,000,000	20,000,000
Other Key Management Personnel							
Mr Philippe Ludekens	2,000,000	-	-	- (a)	2,000,000	2,000,000	-
Mr Peter Hildebrandt	-	2,000,000	-	- (a)	2,000,000	-	2,000,000
Mr Theo Antonopoulos	-	2,000,000	-	- (a)	2,000,000	-	2,000,000
Dr Samaneh Sarraf Shirazi	2,000,000	-	-	- (a)	2,000,000	2,000,000	-
	136,500,000	69,000,000	-	-	205,500,000	134,000,000	71,500,000

a) 20,000,000 unlisted options were granted to senior management personnel at the May 2020 EGM. As at 30 June 2021, of the total granted, 8,800,000 options with a fair value of $180,119 have not yet been formally allotted.

Respiri Limited

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Directors' Report

30 June 2021

Remuneration Report (Audited) (continued)

(b) Options and Rights (continued)

	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)	6,000,000	12,000,000	-
Mr Ross Blair-Holt	-	-	-	-	-	-	-
Prof Bruce Thompson	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Other Key Management Personnel							
Mr Philippe Ludekens	-	2,000,000	-	-	2,000,000	-	-
Dr Samaneh Sarraf Shirazi	-	2,000,000	-	-	2,000,000	-	-
Ms Koswani Wall (resigned on13 December 2019)	10,000,000	-	-	(10,000,000)	-	-	-
	24,000,000	136,500,000	-	(18,000,000)	142,500,000	12,000,000	-

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Directors' Report
30 June 2021

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; - Peter Hildebrandt, one months' notice of termination by the employee and the Company; - Theo Antonopoulos, one months' notice of termination by the employee and the company; and - Samaneh Shirazi, one months' notice of termination by the employee and 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 27th day of August 2021

Melbourne, Australia

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Respiri Limited for the year ended 30 June 2021, 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: 27 August 2021
Melbourne, Victoria

Respiri Limited

ABN 98 009 234 173

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2021

	Note	2021 $	2020 $
Revenue			
Operating revenue	3	**270,074**	-
Non-operating revenue		**1,352**	1,660
Other income	3	**1,165,921**	2,205,307
Total revenue		**1,437,347**	2,206,967
Expenses	4		
Cost of sales		**(1,263,452)**	-
Consulting, employee and director		**(3,330,901)**	(1,738,111)
Equity-based payment	23	**(2,530,169)**	(3,270,907)
Corporate administration		**(1,633,895)**	(1,526,472)
Depreciation		**(79,601)**	(10,380)
Marketing and promotion		**(2,185,086)**	(783,872)
Research and development		**(1,387,084)**	(2,035,426)
Travel		**(67,506)**	(102,734)
Loss before income tax expense from continuing operations		**(11,040,347)**	(7,260,935)
Income tax expense	5	**-**	-
Loss after income tax for the year		**(11,040,347)**	(7,260,935)
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		**(19,833)**	(7,573)
Total comprehensive loss for the year		**(11,060,180)**	(7,268,508)
Loss attributable to:			
Members of the parent entity		**(11,040,347)**	(7,260,935)
Total comprehensive loss attributable to:			
Members of the parent entity		**(11,060,180)**	(7,268,508)
Basic loss per share (cents)		**(1.58)**	(1.27)
Diluted loss per share (cents)		**(1.58)**	(1.27)

Respiri Limited

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Statement of Financial Position
As At 30 June 2021

	Note	2021 $	2020 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	**7,973,188**	3,552,334
Trade and other receivables	10	**135,986**	8,199
Inventories	14	**537,046**	309,219
Other assets	13	**298,978**	561,363
TOTAL CURRENT ASSETS		**8,945,198**	4,431,115
NON-CURRENT ASSETS			
Property, plant and equipment	12	**162,374**	187,725
Other assets	13	**-**	64
TOTAL NON-CURRENT ASSETS		**162,374**	187,789
TOTAL ASSETS		**9,107,572**	4,618,904
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	**1,294,633**	1,131,283
Borrowings	16	**-**	717,144
Other financial liabilities	17	**171,255**	147,655
Deferred revenue		**857**	-
TOTAL CURRENT LIABILITIES		**1,466,745**	1,996,082
NON-CURRENT LIABILITIES			
Other financial liabilities	17	**70,665**	128,046
TOTAL NON-CURRENT LIABILITIES		**70,665**	128,046
TOTAL LIABILITIES		**1,537,410**	2,124,128
NET ASSETS		**7,570,162**	2,494,776
EQUITY			
Issued capital	18	**127,090,401**	113,694,614
Reserves	19	**6,826,043**	4,106,097
Retained earnings		**(126,346,282)**	(115,305,935)
TOTAL EQUITY		**7,570,162**	2,494,776

The accompanying notes form part of these financial statements.

Respiri Limited

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Statement of Changes in Equity

For the Year Ended 30 June 2021

2021

	Issued Capital $	Option Reserve $	Foreign Translation Currency Reserve $	Accumulated Losses $	Total $
Balance at July 1, 2020	113,694,614	4,429,194	(323,097)	(115,305,935)	2,494,776
Loss after income tax expense for the year	-	-	-	(11,040,347)	(11,040,347)
Other comprehensive income for the year, net of tax	-	-	(19,833)	-	(19,833)
Total comprehensive income for the year	-	-	(19,833)	(11,040,347)	(11,060,180)
Transactions with Equity holders in their capacity as Equity holders					
Shares issued	13,000,200	-	-	-	13,000,200
Capital raising costs	(547,350)	-	-	-	(547,350)
Options exercised	942,937	(292,937)	-	-	650,000
Options issued	-	1,617,742	-	-	1,617,742
Options cancelled	-	(72,509)	-	-	(72,509)
Options forfeited/lapsed	-	(2,756)	-	-	(2,756)
Share-based payment expense	-	1,490,239	-	-	1,490,239
Balance at 30 June 2021	127,090,401	7,168,973	(342,930)	(126,346,282)	7,570,162

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity

For the Year Ended 30 June 2021

2020

	Issued Capital	Option Reserve	Foreign Translation Currency Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at July 1, 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.

Respiri Limited

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Statement of Cash Flows
For the Year Ended 30 June 2021

	Note	2021 $	2020 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**270,931**	-
Payments to suppliers and employees (inclusive of GST)		**(8,777,301)**	(6,894,923)
Interest received		**1,352**	1,660
Grant income		**129,211**	-
R&D tax refund		**986,710**	2,155,307
ATO cashflow boost		**50,000**	50,000
Net cash used in operating activities	22	**(7,339,097)**	(4,687,956)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchases of plant and equipment		**(54,252)**	(12,863)
Net cash used in investing activities		**(54,252)**	(12,863)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issues of securities		**12,430,200**	8,531,528
Proceeds from exercise of options		**650,000**	-
Capital raising costs		**(547,350)**	(425,382)
Repayment of from borrowings		**(744,515)**	(146,808)
Net cash provided by financing activities		**11,788,335**	7,959,338
Net increase in cash and cash equivalents held		**4,394,986**	3,258,519
Cash and cash equivalents at beginning of year		**3,552,334**	306,655
Effects of exchange rate changes on cash and cashequivalents		**25,868**	(12,840)
Cash and cash equivalents at end of financial year	9	**7,973,188**	3,552,334

Respiri Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2021

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.

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 2021 was authorised for issue in accordance with a resolution of the Directors on 26th August 2021.

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 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 statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred a loss of $11,040,347 and had net cash outflows from operating activities of $7,339,097 for the year ended 30 June 2021.

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.

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:

Respiri Limited

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Notes to the Financial Statements
For the Year Ended 30 June 2021

1 Summary of Significant Accounting Policies (continued)

Going Concern Basis (continued)

- The Group completed an oversubscribed $12,500,000 share placement in October 2020 resulting in cash and cash equivalents of $7,973,188 on hand at 30 June 2021. As at that date the Group had net current assets of $7,478,453 and net assets of $7,570,162.

- The Group has prepared budgets and cash flow forecast for the next 12 months from the date of this report which indicate the Group will have a positive cash balance during this period.

- The Group has generated revenue in the year ended 30 June 2021 of $270,074 and is expecting to continue to increase revenue over the next 12 months.

- The Directors believe that 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.

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 Company" 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 2021 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.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

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.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

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 'weighted average' 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%

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For the Year Ended 30 June 2021

1 Summary of Significant Accounting Policies (continued)

(e) Property, plant and equipment (continued)

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 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

Lease assessment at contract inception

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.

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.

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Notes to the Financial Statements
For the Year Ended 30 June 2021

1 Summary of Significant Accounting Policies (continued)

(f) Leases (continued)

Lease liability (continued)

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.

(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.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Summary of Significant Accounting Policies (continued)

(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.

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;

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Notes to the Financial Statements
For the Year Ended 30 June 2021

1 **Summary of Significant Accounting Policies (continued)**

(i) Foreign currency transactions and balances (continued)

Group companies (continued)

- 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.

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.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Summary of Significant Accounting Policies (continued)

(k) Provisions (continued)

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).

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

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.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Summary of Significant Accounting Policies (continued)

(m) Revenue and other income (continued)

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.

(p) Earnings per share

Basic earnings per share

Basics 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 2021.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Summary of Significant Accounting Policies (continued)

(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.

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 Black Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Segment Reporting

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 21.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

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.

	2021	2020
	$	$
Statement of Financial Position		
Assets		
Current assets	**8,927,189**	4,409,427
Non-current assets	**165,130**	190,479
Total Assets	**9,092,319**	4,599,906
Liabilities		
Current liabilities	**1,417,618**	1,972,140
Non-current liabilities	**70,665**	128,046
Total Liabilities	**1,488,283**	2,100,186
Equity		
Issued capital	**127,090,401**	113,694,614
Accumulated losses	**(126,655,338)**	(115,624,088)
Reserves	**7,168,973**	4,429,194
Total Equity	**7,604,036**	2,499,720
Statement of Profit or Loss and Other Comprehensive Income		
Loss after income tax	**(11,031,250)**	(7,278,391)
Total comprehensive income	**(11,031,250)**	(7,278,391)

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

	2021	2020
	$	$
Operating revenue		
- Wheezo Device Sales	**269,342**	-
- Subscriptions Sales	**732**	-
Total Revenue	**270,074**	-

The group derives its sales revenue from the sale of Wheezo devices and from the sale of subscriptions for its Wheezo app.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

3 Revenue and Other Income (continued)

Revenue from the sale of Wheezo devices is based on the contracted sales price. Revenue is recognised at the point in time when control passes to the customer with the exact timing dependent on the agreed sales terms for each contract.

	2021	2020
	$	$
Other Income		
- R&D concession (a)	**986,710**	2,155,307
- Grant Income	**129,211**	-
- ATO cashflow boost	**50,000**	50,000
	1,165,921	2,205,307

a) The value of any allocable R&D tax concession refund with respect to eligible R&D expenditures incurred during the financial year 2021 has not yet been determined and have therefore not been included within the financial statements for financial year 2021.

4 Expenses

	2021	2020
	$	$
Consulting, employee and director		
Consulting expenses	**1,430,493**	436,958
Employee expenses	**1,186,772**	570,793
Director expenses	**713,636**	730,360
	3,330,901	1,738,111
Equity-based payment	**2,530,169**	3,270,907
Corporate administration		
Audit and accounting fees	**180,016**	185,104
Foreign exchange loss/(gain)	**45,700**	5,266
Corporate administration expenses	**1,357,596**	1,272,356
Office rentals	**50,583**	63,747
	1,633,895	1,526,473
Depreciation	**79,602**	10,380
Marketing and promotion	**2,185,087**	783,872
Research and development	**1,387,084**	2,035,426
Travel	**67,506**	102,734
Total expenses	**11,214,244**	9,467,903

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Notes to the Financial Statements

For the Year Ended 30 June 2021

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:

	2021	2020
	$	$
Loss before income tax	**(11,040,347)**	(7,260,935)
Tax	**27.50 %**	27.50 %
Income tax benefit calculated	**(3,036,095)**	(1,996,757)
Add:		
Tax effect of amounts which are not deductible in calculating income tax:		
- share-based payments expenses	**695,796**	899,499
- other expenses not deductible	**42,547**	24,289
Other non-assessable income	**(285,095)**	(606,459)
Other deductible items	**(93,306)**	18,932
Deferred tax assets relating to tax losses and temporary differences not recognised	**2,676,153**	1,660,496
Income tax expense	**-**	-

(b) Unrecognised deferred tax assets and liabilities

	2021	2020
	$	$
Deferred tax assets and liabilities are attributable to the following:		
- tax losses	**25,511,746**	22,812,318
- prepayments	**(56,663)**	(45,735)
- provision	**35,894**	16,500
- accrual	**22,999**	54,740
	25,513,976	22,837,823

(c) Components of tax expense

The components of tax expense comprise:

	2021	2020
	$	$
Current tax	**-**	-
Deferred tax	**-**	-
Income tax expense	**-**	-

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Notes to the Financial Statements

For the Year Ended 30 June 2021

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 $30,039,956 (2020: $21,605,123) relate to losses generated from 22 November 2006 to 30 June 2021. 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:

	2021	2020
	$	$
Short-term employee benefits	**1,250,404**	1,192,398
Post-employment benefits	**72,952**	91,192
Share-based payments (Note 23)	**2,575,030**	3,185,766
	3,898,386	4,469,356

7 Auditors' Remuneration

	2021	2020
	$	$
Remuneration of Company's auditor, RSM, for:		
- auditing or reviewing the financial report of the Group	**45,000**	40,000
	45,000	40,000
Remuneration of Subsidiary Company's auditor, Ernst & Young Israel, for:		
- auditing or reviewing the financial report of the subsidiary (a)	**9,334**	9,378
Total	**54,334**	49,378

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

8 Loss per Share

	2021	2020
	$	$
Basic loss per share (cents)	**(1.58)**	(1.27)
Diluted loss per share (cents)	**(1.58)**	(1.27)
(a) Net loss used in the calculation of basic and diluted loss per share	**(11,040,347)**	(7,260,935)
(b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted loss per share	**699,081,480**	570,054,649

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.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

9 Cash and Cash Equivalents

	2021	2020
	$	$
Cash at bank	**7,973,188**	3,552,334
	7,973,188	3,552,334

The interest rates on cash at bank on 30 June 2021 was 0.9% (2020: 0.9%). 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

	2021	2020
	$	$
CURRENT		
Trade receivables	**96,000**	-
Other receivables (a)	**39,986**	8,199
	135,986	8,199

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.

11 Controlled Entities

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2021	Percentage Owned (%)* 2020
Parent Entity			
Respiri Limited	Australia	**-**	-
Subsidiaries of Respiri Limited			
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.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

12 Property, plant and equipment

	2021	2020
	$	$
Office equipment		
At cost	**8,610**	4,145
Accumulated depreciation	**(354)**	(6)
Total office equipment	**8,256**	4,139
Computer equipment and software		
At cost	**(60,127)**	42,305
Accumulated depreciation	**86,521**	(29,577)
	26,394	12,728
Right-of-Use asset		
At cost	**199,916**	175,740
Accumulated depreciation	**(72,192)**	(4,882)
Total Right-of-Use asset	**127,724**	170,858
Total property, plant and equipment	**162,374**	187,725

(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-Use Asset	Total
	$	$	$	$
Year ended 30 June 2021				
Balance at the beginning of year	**4,139**	**12,728**	**170,858**	**187,725**
Additions	**4,465**	**25,665**	**24,176**	**54,306**
Disposals	**-**	**(55)**	**-**	**(55)**
Depreciation expense	**(348)**	**(11,944)**	**(67,310)**	**(79,602)**
Balance at the end of the year	**8,256**	**26,394**	**127,724**	**162,374**

	Office Equipment	Computer Equipment	Right-of-Use 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

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Notes to the Financial Statements

For the Year Ended 30 June 2021

13 Other assets

	2021	2020
	$	$
CURRENT		
Prepayments	**192,775**	146,366
Deposits	**36,203**	48,997
Provision for unpaid share capital	**70,000**	-
Prepaid materials	**-**	366,000
	298,978	561,363
NON-CURRENT		
Other	**-**	64
	-	64

14 Inventories

	2021	2020
	$	$
CURRENT		
Inventories	**537,046**	309,219
	537,046	309,219

15 Trade and Other Payables

	2021	2020
	$	$
CURRENT		
Trade payables	**1,080,478**	870,436
Accrued expenses	**214,155**	260,847
	1,294,633	1,131,283

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 26(a) for more information on the Group's foreign currency risk management policy.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

16 Borrowings

	2021	2020
	$	$
Opening balance	**717,144**	806,442
Add: Loan drawdown (a)	**-**	1,265,864
Add: Capitalised interest	**27,370**	121,922
Less: Repayments	**(744,514)**	(1,477,084)
Closing balance	**-**	717,144

a) Short term R&D credit loan facility of $600,182 provided by Fundsquire in the prior year based on 80% of expected FY2020 R&D tax refund at interest rate of 1.75% per month was repaid in full in September 2020.

17 Other Financial Liabilities

	2021	2020
	$	$
CURRENT		
Lease liabilities	**71,805**	47,694
Other financial liability (a)	**12,912**	12,912
Other financial liability unsecured	**86,538**	87,049
	171,255	147,655

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

	2021	2020
	$	$
NON-CURRENT		
Lease liabilities	**70,665**	128,046
Total	**70,665**	128,046

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Notes to the Financial Statements

For the Year Ended 30 June 2021

18 Issued Capital

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

	2021 No.	2021 $	2020 No.	2020 $
Fully paid ordinary shares				
Balance at beginning of the year	651,714,790	113,694,614	525,883,098	106,043,361
Shares issued during the year	71,126,000	13,650,200	128,956,692	8,616,165
Options exercised during the year (a)	-	292,937	(3,125,000)	(250,000)
Transaction costs relating to share issues	-	(547,350)	-	(714,912)
Total issued capital	722,840,790	127,090,401	651,714,790	113,694,614

a) In December 2020, 5,000,000 options were exercised by Fawkner Capital for the equivalent number of ordinary shares, and in March 2021 a further 500,000 options were exercised by Baker Young for the equivalent number of shares.

During the year-ended 30 June 2021, the Company issued the following securities:

Date	Details	No. of Shares	Issue Price $	Total Value $
21 Jul 2020	Issue of shares to former CEO for part of legal settlement as announced to the market on 29 June 2020	625,000	0.0800	50,000
21 Jul 2020	Issue of shares to former CEO for part of legal settlement as announced to the market on 29 June 2020	500,000	0.1000	50,000
28 Oct 2020	Issue of shares to certain professional and sophisticated investors as announced to the market on 20 October 2020	62,500,000	0.2000	12,500,000
28 Oct 2020	Issue of shares in lieu of cash payment for services rendered as announced to the market on 20 October 2020	2,000,000	0.2000	400,000
28 Oct 2020	Issue of shares upon exercise of Options as announced to the market on 28 October 2020	2,000,000	0.1200	240,000
26 Nov 2020	Issue of shares to certain professional and sophisticated investors as announced to the market on 20 October 2020	1,000	0.2000	200
19 Jan 2021	Issue of shares upon exercise of Options as announced to the market on 18 January 2021	3,000,000	0.1200	360,000
18 Mar 2021	Issue of shares upon exercise of Options as announced to the market on 18 March 2021	500,000	0.1000	50,000
		71,126,000		13,650,200

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Notes to the Financial Statements

For the Year Ended 30 June 2021

18 Issued Capital (continued)

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.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

19 Reserves

	2021 No.	2021 $	2020 No.	2020 $
Options				
Balance at beginning of the year	191,500,000	4,429,195	59,000,000	1,906,000
Unlisted options issued during the year (a)	75,000,000	1,494,743	174,500,000	3,319,526
Adjustment for options issued in prior year	-	-	-	413,433
Expense recorded over vesting period	-	1,613,237	-	-
Options exercised (b)	(5,500,000)	(292,937)	-	-
Options expired/forefeited (c)	-	(2,756)	(18,000,000)	(58,225)
Cancellation of options (d)	(2,000,000)	(72,509)	(24,000,000)	(1,151,540)
Balance at end of the year	259,000,000	7,168,973	191,500,000	4,429,194
FX Reserve				
Balance at beginning of the year	-	(323,097)	-	(315,524)
Other comprehensive income for the year, net of tax	-	(19,833)	-	(7,573)
Balance at end of the year	-	(342,930)	-	(323,097)
Total Reserves	259,000,000	6,826,043	191,500,000	4,106,097

a) 65,000,000 unlisted options were granted to directors and 10,000,000 were granted to employees/consultants at the Dec 2020 EGM. As at 30 June 2021 these options have been allotted to directors and consultants respectively.

b) In Dec 2020, 5,000,000 options were exercised by Fawkner Capital for the equivalent number of ordinary shares, and in March 2021 a further 500,000 options were exercised by Baker Young for the equivalent number of shares.

c) 250,000 unlisted options granted to former employee on 22 October 2020 were forfeited and returned to the ESOP pool following resignation.

d) 2,000,000 Unlisted Options issued to former employee on 26 May 2020 exercisable at 0.10 on or before 30 November 2024 were cancelled.

During the year-ended 30 June 2021, the Company issued the following options:

Date	Details	No. of options	Option fair value $	Total value $
21 Dec 2020	Issue to Directors - Class 18	65,000,000	0.0220	1,427,192
16 Feb 2021	Issue to Consultants for Corporate Advisory services rendered - Class 19	10,000,000	0.0220	67,551
		75,000,000		1,494,743

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Notes to the Financial Statements

For the Year Ended 30 June 2021

19 Reserves (continued)

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

On 21st February 2021 Isonea Ltd, a wholly owned subsidiary of Respiri Limited, received written confirmation from the Israel Innovation Authority (formerly Office of Chief Scientist) that the matter, to which the previously disclosed contingent liability related, is now closed. Accordingly there is no longer a contingent liability in relation to this matter and the directors resolved to place the company into voluntary liquidation in accordance with Israel Companies Law.

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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Notes to the Financial Statements

For the Year Ended 30 June 2021

21 Segment Reporting (continued)

	Medical Devices Segment Australia	Medical Devices Segment Israel	Segment Total	Corporate	Total
	$	$	$	$	$
30 June 2021					
Segment Revenue					
External sales	270,074	-	270,074	-	270,074
Other income	1,165,921	-	1,165,921	-	1,165,921
Total Segment Revenue	1,435,995	-	1,435,995	-	1,435,995
Interest revenue	-	-	-	1,352	1,352
Total Revenue	1,435,995	-	1,435,995	1,352	1,437,347
Segment Expenses	(2,650,993)	(109,166)	(2,760,158)	(9,610,047)	(12,370,205)
EBITDA	(1,214,998)	(109,166)	(1,324,163)	(9,610,047)	(10,934,210)
Segment depreciation expenses	-	-	-	(79,601)	(79,601)
Interest revenue	-	-	-	1,352	1,352
Finance costs	-	-	-	(27,888)	(27,888)
Profit/(loss) before income tax	(1,214,998)	(109,166)	(1,324,163)	(9,716,184)	(11,040,347)
Income tax expense	-	-	-	-	-
Profit/(loss) after income tax	(1,214,998)	(109,166)	(1,324,163)	(9,716,184)	(11,040,347)
Assets					
Segment assets	540,963	14,814	555,777	8,551,795	9,107,572
Total Assets	540,963	14,814	555,777	8,551,795	9,107,572
Liabilities					
Segment liabilities	-	49,127	49,127	1,488,282	1,537,410
Total Liabilities	-	49,127	49,127	1,488,282	1,537,410

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Notes to the Financial Statements
For the Year Ended 30 June 2021

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
Segment Expenses	(2,066,593)	(124,275)	(2,190,868)	(7,142,806)	(9,333,674)
EBITDA	88,714	(124,275)	(35,561)	(7,092,806)	(7,128,367)
Segment depreciation expenses	-	-	-	(10,380)	(10,380)
Interest revenue	-	-	-	1,660	1,660
Finance costs	-	-	-	(123,848)	(123,848)
Profit/(loss) before income tax	88,714	(124,275)	(35,561)	(7,225,374)	(7,260,935)
Income tax expense	-	-	-	-	-
Profit/(loss) after income tax	88,714	(124,275)	(35,561)	(7,225,374)	(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

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Notes to the Financial Statements

For the Year Ended 30 June 2021

22 Cash Flow Information

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

	2021	2020
	$	$
Net loss for the year	**(11,040,347)**	(7,260,935)
Non-cash flows in profit:		
- depreciation	**79,602**	10,380
- share-based payments	**3,432,716**	3,219,841
- capitalised interest on loan	**27,370**	121,922
- foreign exchange adjustments	**(45,700)**	5,266
- facility fees on loan	**-**	22,636
- lawsuit settlement - shares issued	**100,000**	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	**(57,787)**	153,368
- (increase)/decrease in other assets	**262,449**	(25,545)
- (increase)/decrease in inventories	**(227,826)**	(309,219)
- increase/(decrease) in trade and other payables	**163,350**	(625,670)
- (decrease)/increase in deferred revenue	**857**	-
- (decrease)/increase in other financial liabiltiies	**(33,781)**	-
Cashflows from operations	**(7,339,097)**	(4,687,956)

(b) Non-cash financing and investing activities

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

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 $
65,000,000	(a)	21 Dec 2020	17 Dec 2025	0.120	0.300	49.06%	-	0.36%	0.022

a) Options have vested.

The weighted average fair value of the share options granted during the financial year is $0.022 (2020: $0.034).

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Notes to the Financial Statements
For the Year Ended 30 June 2021

23 Share-based Payments (continued)

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

For the options granted during the 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	FV at grant date
10,000,000	(a)	16/02/2021	17/12/2025	0.140	0.300	49.06 %	-	0.36 %	0.022

a) Options will vest after 15 March 2022

(c) Movement in share options during the year

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

	2021 No. of Options	2021 Weighted Average Exercise Price $	2020 No. of Options	2020 Weighted Average Exercise Price $
Outstanding at the beginning of the year	191,500,000	0.21	59,000,000	0.08
Granted	75,000,000	0.30	174,500,000	0.20
Exercised	(5,500,000)	-	-	-
Expired/lapsed	-	-	(18,000,000)	-
Cancelled	(2,000,000)	-	(24,000,000)	-
Outstanding at year-end	**259,000,000**	**0.22**	**191,500,000**	**0.21**
Exercisable at year-end	172,500,000	0.17	82,000,000	0.10

(d) Share options exercised during the year

No. of Options		Exercise Date	Expiry Date	Share price at grant date	Exercise price
2,000,000	(a)	28/10/2020	21/12/2020	0.175	0.120
3,000,000	(a)	21/12/2020	21/12/2020	0.120	0.120
500,000	(b)	18/03/2021	28/05/2023	0.165	0.100

a) 2 million options were exercised for the equivalent number of shares in Oct 2020 and a further 3 million options were exercised for the equivalent number of shares in Dec 2020 by Fawkner Capital

b) 500,000 options were exercised for the equivalent number of shares in Mar 2021 by Baker Young Stockbrokers.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

23 Share-based Payments (continued)

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

The options outstanding at 30 June 2021 had a weighted average exercise price of $0.22 (2020:$0.21) and a weighted average remaining contractual life between 0.5 to 5.5 years.

Exercise price range from $0.03 (2020: $0.03) to $0.6 (2020: $0.6) in respect of options outstanding at 30 June 2021.

(f) Share-based payments expense

	2021	2020
	$	$
Share-based payments		
- options issued to directors	**2,381,425**	2,798,586
- options issued to suppliers (a)	**502,548**	403,828
- options issued to other key management personnel	**193,605**	78,075
- options issued to employees	**30,403**	39,038
- options issued to former CEO	**-**	413,434
- options to former CXO cancelled	**-**	(6,908)
- options to former CEO cancelled	**-**	(51,318)
- options to former employees cancelled (b)	**(72,509)**	-
- options to former employees forfeited (c)	**(2,756)**	-
- shares issued to suppliers (d)	**400,000**	-
	3,432,716	3,674,735

a) The Company issued 10,000,000 options to consultants for corporate advisory services in February 2021.

b) The Company cancelled 2,000,000 options issued to former employee following resignation in February 2021.

c) The Company recovered 250,000 options issued to former employee forfeited following resignation in March 2021.

d) The Company issued 2,000,000 shares to a consultant for corporate advisory services in October 2020.

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 December 2020 placement, 815,568 fully paid ordinary shares were issued to the Company Directors during the year.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

25 Events Occurring After the Reporting Date

The Victorian Government extended a Declaration of a State of Emergency from the 29 July 2021 and "Stage 4" restrictions continued to apply to Metro Melbourne. This event does not affect amounts recognised in the 2020/21 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 2021/22.

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.

26 Financial Risk Management

The Group holds the following financial instruments:

	2021 $	2020 $
Financial assets		
Cash and cash equivalents	**7,973,188**	3,552,334
Trade and other receivables	**135,986**	8,199
Total financial assets	**8,109,174**	3,560,533
Financial liabilities		
Trade and other payables	**1,294,633**	1,131,283
Other borrowings	**-**	717,144
Other financial liabilities	**171,255**	147,655
Other financial liabilities - Non-current	**70,665**	128,046
Total financial liabilities	**1,536,553**	2,124,128

(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:

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Notes to the Financial Statements
For the Year Ended 30 June 2021

26 Financial Risk Management (continued)

(a) Foreign exchange risk (continued)

	2021 $	2020 $
Cash and trade and other receivables		
- ILS	**6,167**	4,400
- USD	**-**	-
	6,167	4,400
Trade and other payables		
- ILS	**(36,215)**	(11,029)
- USD	**-**	-
	(36,215)	(11,029)

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.

	2021 +5%	2021 -5%	2020 +5%	2020 -5%
USD				
Effect on profit before tax	**-**	**-**	-	-
ILS				
Effect on profit before tax	**1,502**	**(1,502)**	331	(331)

(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.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

26 Financial Risk Management (continued)

(b) Interest rate risk (continued)

	Carrying amount	Weighted average interest rate	(1%) effect on profit before tax	1% effect on profit before tax
	$	%	$	$
30 June 2021				
Financial assets				
Cash and cash equivalents	7,973,188	0.01	(79,732)	79,732
Total (decrease)/increase	7,973,188	-	(79,732)	79,732
Financial liabilities				
Fundsquire loan	-	0.01	-	-
Total (decrease)/increase	-	-	-	-
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)

(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.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

26 Financial Risk Management (continued)

(d) Liquidity risk (continued)

	0-12 months $	Maturing 1 to 3 years $	Total $
30 June 2021			
Trade and other payables	1,294,633	-	1,294,633
Other borrowings	-	-	-
Lease liabilities	71,805	70,664	142,469
	1,366,438	70,664	1,437,102
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
	1,896,120	128,046	2,024,166

(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.

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Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 20 to 56, and the remuneration disclosures that are contained within the Remuneration Report within the Directors' report, set out on pages 7 to 18, 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 27th day of August 2021
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 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 2021 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.

RSM

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 $11,040,347 and had net operating cash outflows from operating activities of $7,339,097 during the year ended 30 June 2021. 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.

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
Share based payments Refer to Note 23 in the financial statements	
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. 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.	Our audit procedures in relation to share based payments included: • 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.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed this matter
Valuation of inventory Refer to Note 14 in the financial statements	
The Group has inventory with a carrying value of $537,046 as at 30 June 2021. The valuation of inventory is considered a Key Audit Matter, due to the estimates involved with determining the net realisable value of the newly launched products.	Our audit procedures included: • Testing inventory costing by verifying the key inputs in the costing calculations against supporting documentation; and • Evaluating the reasonableness of management's estimates of net realisable value, in consideration with the varying levels of gross margin achieved depending on the sales channel utilised.

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 2021, 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.

RSM

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 2021.

In our opinion, the Remuneration Report of Respiri Limited, for the year ended 30 June 2021, 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: 27 August 2021
Melbourne, Victoria

SHAREHOLDERS INFORMATION as at 25 August 2021

Equity security holders

Twenty largest quoted equity 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>	66,504,827	9.20%
MR PETER KARL BRAUN	15,004,325	2.08%
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	14,385,375	1.99%
NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	14,121,560	1.95%
MALLAMANDA PTY LTD <MALLAMANDA A/C>	8,597,203	1.19%
P & A MIHAILOU PTY LTD <MIHAILOU FAMILY A/C>	8,000,000	1.11%
ROSHERVILLE PTY LTD <AYTON SUPER FUND A/C>	8,000,000	1.11%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,741,488	1.07%
CITICORP NOMINEES PTY LIMITED	7,159,990	0.99%
COONAN FAMILY SUPERANNUATION FUND PTY LTD <COONAN FAMILY S/F A/C>	7,000,000	0.97%
EQUITAS NOMINEES PTY LIMITED <PB-600812 A/C>	6,642,449	0.92%
ATLANTIS INVESTIGATIONS PTY LIMITED <LARAYNE PORTER S/FUND A/C>	6,225,078	0.86%
CLEMWELL PTY LTD <THE WELLS FAMILY A/C>	6,035,678	0.83%
DR BELINDA DEBORAH JACKSON	5,903,111	0.82%
DIXSON TRUST PTY LIMITED	5,850,000	0.81%
MR ROSS SPENCE BAYNES	5,680,000	0.79%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	5,539,608	0.77%
MR WILLIAM JOHN RICHARDS & MRS MARY MITCHELL RICHARDS <RICHARDS FAMILY S/FUND A/C>	5,380,000	0.74%
MORE INVESTMENT GROUP PTY LTD <BEAR SUPERFUND A/C>	5,301,818	0.73%
MR GARY RONALD HEATH & MRS MELISSA LOUISE HEATH <G & M HEATH SUPERFUND A/C>	5,201,819	0.72%

Unquoted equity securities

No unquoted shares

Unquoted equity securities	Number on issue	Number of holders
Options over ordinary shares issued	259,000,000	19

Substantial Holders

Holder	Designation	Ordinary shares held	% of total shares issued
INVESTMENT HOLDINGS PTY LTD	<INVESTMENT HOLDINGS UNIT A/C>	66,504,827	9.20%

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	133
1,001 to 5,000	344
5,001 to 10,000	612
10,001 to 100,000	1749
100,001 and above	824

Unmarketable Parcels

As at 25th August 2021 there were 493 unmarketable parcels on the register

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.

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	Appointed on 25th November 2019
Mr Nicholas Smedley	Appointed on 30th October 2019
Dr Thomas Duthy	Appointed on 11th February 2020

COMPANY SECRETARY
Mr Alastair Beard

PRINCIPAL PLACE OF BUSINESS
Level 9, 432 St Kilda Road
Melbourne, Victoria
AUSTRALIA 3004
Telephone: +61 1300 11 7377

SHARE REGISTRY
Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford, Victoria, 3067
Australia
Telephone: +61 (0)3 9415 4000
Facsimile: +61 (0)3 9473 2500

AUDITORS
RSM Australia Pty Ltd
Level 21, 55 Collins Street
Melbourne, Victoria, 3000
Australia
Telephone: +61 (0) 3 9286 8000

WEBSITE
www.respiri.co

SECURITIES QUOTED

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

REGISTERED OFFICE
Level 10, 446 Collins Street
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AUSTRALIA 3000
Telephone: + 61 (0)3 9602 3366
Fax: + 61 (0)3 9602 3606

SOLICITORS
Gadens Lawyers
Level 13, Collins Arch
447 Collins Street
Melbourne, Victoria, 3000
AUSTRALIA
Telephone: +61 (0)3 9252 2555
Fax: +61 (0)3 9252 2500

BANKERS
National Australia Bank (NAB)
330 Collins Street,
Melbourne, Victoria, 3000
Australia

RESPIRI

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