

ASX:RSH OTCQB:RSHUF

2nd November 2023

Response to ASX query letter – re. Appendix 4C

Ms. Melissa Kostopoulos
Adviser, Listings Compliance
ASX Limited
Melbourne VIC.

Email: listingscompliancemelbourne@asx.com.au

Dear Melissa,

Respiri Limited (Respiri or the Company) responds to the ASX letter dated 27 October 2023:

1: *Please confirm if RSH still expects to continue to have the same level of net operating cash outflows of approximately \$1,884k (paragraph A(ii)). If not, please provide details*

Yes, current forecast is showing net operating cash outflow of \$1.8m for the December 2023 quarter

2. *Please confirm the amount of funds, being RSH's cash on hand and financing facilities, available to RSH at the date of this letter. Please provide details of any financing facilities included in this amount.*

As at date of ASX letter (27/10) approx. AUD \$160k represents cash on hand, which includes \$100k received from director loans

3: *Please confirm the amount and the due date of the second tranche payment for the Access Telehealth acquisition (paragraph D)*

The Access Managed Services business continues to meet or exceed commercial and business development expectations determined as part of the original due diligence process. However, certain agreed technical warranty milestones under the Sale and Purchase Agreement have not been met at this point in time and the Board does not believe that any payable in relation to the second tranche to Access Telehealth is required at this time. The Company is in discussions with the vendor in respect of these matters

4: *Please provide:*

4.1 *RSH's expected cash flow for October 2023;*

4.2 *RSH's projected cash flow for November 2023; and*

4.3 *RSH's projected cash flow for December 2023.*

Please refer to the spreadsheet attached to this letter (ASX RESPONSE - RSH CFF Oct-Dec 2023 v 01.11.23)

The October 2023 net cash outflow was \$453k.

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5: Please provide ASX a copy of any calculations underpinning RSH's response to Question 4 and the cash flow forecasts referred to in Paragraph E (not for release to the market).

Please refer to the spreadsheet attached to this letter (ASX RESPONSE - RSH CFF Oct-Dec 2023 v 01.11.23)

6: Does RSH still expect to "reach operating financial breakeven in late calendar year 2024" (paragraph B(iii)).

6.1 If so, please provide the basis for this view and explain why positive monthly cash flows are forecasted to be achieved approximately a year later (paragraph A(ix))

6.2 If not, please provide grounds for its forward-looking statement on 4 May 2023 (paragraph B(iii)) and explain what has changed.

Yes. Current US operations cashflow forecast supports operating financial breakeven in late calendar year 2024. This is further explained in the response to question 7 and 8 below.

7. When does RSH expect to generate "in excess of US\$1.1M in annualised revenues" from the new customers described in its Quarterly Cash Flow Report (paragraph A(viii))? When does RSH expect to receive the cash flows from the new customers

Annualised revenues of US\$1.1M are based upon:

- signing of new customers;
- deal structure with those customers that generate revenues and the cash receipts that follow
- on-boarding of patients provided by those customers to the Access Telehealth service;

Current US operations cashflow forecasts show the group receiving in excess of US \$1.1m revenue in the second half of financial year 2024 (ie by June 2024)

8. Do the directors of RSH still consider RSH to be a going concern

Based upon contracts signed, new contracts that are being finalised, new opportunities in the pipeline, onboarding rate of patients within these contracted healthcare organizations, and revenues that flow from patients who are in the Access Telehealth system, the Board considers RSH to be a going concern.

9. Is RSH's view that RSH is a going concern dependent on raising additional capital (paragraph C)? If so, please outline how much capital RSH expects it needs to raise (i) this year and (ii) in the next 12 months

Before RSH can achieve breakeven, it is reliant upon the raising of new equity capital.

RSH expects it will need to raise (i) AU\$1.3 million this calendar year and (ii) AU\$2.5m in the next 12 months.

The company is presently in discussions with a number of potential investors and is confident that it will be able to meet its capital requirements. However as at today's date, these discussions are incomplete and the company is not in a position to provide further details.

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10. Please confirm that RSH is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.

The Company has and continues to be in compliance with listing rule 3.1; there is no information about its financial condition that should be provided to ASX in accordance with that rule that has not already been released to the market.

11: Please confirm that RSH's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of RSH with delegated authority from the board to respond to ASX on disclosure matters

The Board of Respiri Limited have authorised and approved the responses to questions raised by ASX in accordance with its published continuous disclosure policy.

This letter has been approved by the Board of Respiri Limited.

Mr Marjan Mikel

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Executive Chairman

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27 October 2023

Reference: 83076

Mr Andrew Metcalfe
Company Secretary
Respiri Limited
Level 9, 432 St Kilda Road
Melbourne, Vic 3004

By email: Andrew@accosec.com

Dear Mr Metcalfe

Respiri Limited ('RSH'): Appendix 4C Query

ASX refers to the following:

- A. RSH's announcement titled "Quarterly Activities/Appendix 4C Cash Flow Report" for the quarter ending 30 September 2023 lodged on the ASX Market Announcements Platform ('MAP') on 26 October 2023, which disclosed (relevantly):
- i. At item 8.1, that RSH incurred net operating cash outflows of \$1,884k for the quarter.
 - ii. In response to the question in Item 8.6.1, as to whether RSH expected to continue to have the current level of net operating cash flows, RSH responded "Yes".
 - iii. At item 8.3, that RSH had 548k of funding available, following proceeds from issues of equity securities of \$4,784k in the quarter.
 - iv. In response to the question in Item 8.6.2, RSH responded *"The company will seek to raise new capital from existing and new investors by way of private placement to meet working capital requirements and continue the expansion of its US operation. The company is expecting to receive \$0.545 million in R&D tax incentive post quarter end."*
 - v. At item 1.1 that RSH had inflows from receipts from customers of \$19k for the quarter.
 - vi. RSH's and its now wholly-owned subsidiary Access Telehealth's new customers in the US would *"[c]ollectively... generate in excess of US\$1.1M in annualised revenues."*
 - vii. *"Unaudited pre-acquisition quarter-on-quarter revenue for Access Telehealth grew by 24% from USD\$0.059m in June 2023 to \$0.074m in September 2023."*
 - viii. *"At the date of this report, Respiri/Access had enrolled about 1,000 patients into the RPM program... the average RPM monthly fee for service has increased to approximately USD\$85."*
 - ix. *"December Quarter Revenue is forecast to be significantly higher... the company trends towards positive monthly cash flow which is forecast to be achieved in the second half of CY 2024."*
- B. RSH's response to ASX's Query Letter dated 4 May 2023 and released on MAP on 10 May 2023, which disclosed (relevantly, emphasis added):
- i. The receipt of cash flows following the execution of contracts may take 6 – 9 months.
 - ii. *"Respiri is currently planning an equity raise that is expected to fund the Company's operations for the next 12 months as it grows its US revenue base through its RPM partner(s)."*

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- iii. *“Respiri anticipates that increased exposure of the wheezo® RPM program in the US medical market, the continued expansion of its operations in the USA, the onboarding of patients into the wheezo® RPM program and continued use of its wheezo® device, that it **will reach operating financial breakeven in late calendar year 2024.**”*
- C. The Going Concern Statement under Note 1 of RSH’s financial statements for the period ending 30 June 2023 and published on MAP on 31 August 2023 which disclosed that (relevantly, emphasis added):
- “As disclosed in the financial statements, the Group incurred a loss of \$5,775,290 and had net cash outflows from operating activities of \$4,490,186 for the year ended 30 June 2023.*
- The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors.*
- *The Group has 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 cash flow forecasts include further capital raising over the next 12 months.***
 - *As described in Note 23 the Group successfully raised \$3,900,000 post period end through a placement offering.*
 - *The Directors believe that there are reasonable ground 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.”*
- D. RSH’s announcement titled “Respiri to Acquire US-based Remote Patient Monitoring (RPM) Company Access Managed Services LLC (ACCESS), Raise A\$6.5 million and Appoint New Director” on MAP on 23 May 2023 which disclosed that the payment for Access Telehealth would consist of:
- “Upfront payment (first tranche) of US\$1.25 Million to be paid by Respiri at completion of the proposed transaction”*
 - “A second tranche of US\$0.25 Million is payable in three months post-close and once handover is completed”*
 - “A third tranche payable twelve months post close of up to US\$1.5 Million should RPM patient enrolment exceed 6,000 per month.”*
- E. RSH’s announcement titled “Respiri Completes Acquisition of Access Managed Services LLC” and released on MAP on 14 August 2023 which disclosed that RSH had made the first tranche payment of US\$1.25m.
- F. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities.
- G. Listing Rule 12.2, which states:
- “An entity’s financial condition (including operating results) must, in ASX’s opinion, be adequate to warrant the continued quotation of its securities and its continued listing.”*
- H. Section 14 of Guidance Note 14, which states:
- “Any forward looking statements in an announcement... must be based on reasonable grounds or else by law they will be deemed to be misleading.”*
- I. Section 1041H(1) of the Corporations Act 2001 (Cth) which states:
- “A person must not, in this jurisdiction, engage in conduct, in relation to a financial product or a financial service, that is misleading or deceptive or is likely to mislead or deceive.”*

Request for information

Having regard to the above, ASX asks RSH to respond separately to each of the following questions and requests for information:

1. Please confirm if RSH still expects to continue to have the same level of net operating cash outflows of approximately \$1,884k (paragraph A(ii)). If not, please provide details.
2. Please confirm the amount of funds, being RSH's cash on hand and financing facilities, available to RSH at the date of this letter. Please provide details of any financing facilities included in this amount.
3. Please confirm the amount and the due date of the second tranche payment for the Access Telehealth acquisition (paragraph D).
4. Please provide:
 - 4.1 RSH's expected cash flow for October 2023;
 - 4.2 RSH's projected cash flow for November 2023; and
 - 4.3 RSH's projected cash flow for December 2023.
5. Please provide ASX a copy of any calculations underpinning RSH's response to Question 4 and the cash flow forecasts referred to in Paragraph E (not for release to the market).
6. Does RSH still expect to "reach operating financial breakeven in late calendar year 2024" (paragraph B(iii))?
 - 6.1 If so, please provide the basis for this view and explain why positive monthly cash flows are forecasted to be achieved approximately a year later (paragraph A(ix)).
 - 6.2 If not, please provide grounds for its forward-looking statement on 4 May 2023 (paragraph B(iii) and explain what has changed.
7. When does RSH expect to generate "in excess of US\$1.1M in annualised revenues" from the new customers described in its Quarterly Cash Flow Report (paragraph A(viii))? When does RSH expect to receive the cash flows from the new customers?
8. Do the directors of RSH still consider RSH to be a going concern?
9. Is RSH's view that RSH is a going concern dependent on raising additional capital (paragraph C)? If so, please outline how much capital RSH expects it needs to raise (i) this year and (ii) in the next 12 months.
10. Please confirm that RSH is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.
11. Please confirm that RSH's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of RSH with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEDT Thursday, 2 November 2023**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, RSH's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require RSH to request a trading halt immediately.

Your response should be sent to me by e-mail at ListingsComplianceMelbourne@asx.com.au. It should not be sent directly to the ASX Market Announcements Office.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in RSH's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to RSH's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that RSH's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

Although ASX does not currently intend to release a copy of this letter, your reply and any other related correspondence between us to the market, we nonetheless reserve the right to do so under Listing Rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Melissa Kostopoulos
Senior Adviser, Listings Compliance