RESPIRI LIMITED

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 2017
Previous Reporting Period:	Financial year ended 30 June 2016

The results of Respiri Limited for the year ended 30 June 2017 are as follows:

Revenue	Up	22.86%	to	$840,233
Loss after tax attributable to members	Down	37.12%	to	($2,522,052)
Net loss for the period attributable to members	Down	37.12%	To	($2,522,052)

Brief explanation of figures reported above

The loss for the Group after income tax for the reporting period was $2,522,052 (2016: $4,010,944)
For further details relating to the current period's results, refer to the Review of Operations contained within this document.

Dividends

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

Net Tangible Assets

	30 June 2017	30 June 2016
Net Tangible Assets	$1,674,609	$3,667,019
Shares (No.)	433,383,224	432,383,224
Net Tangible Assets (cents)	0.39	0.85

Loss per Share

	30 June 2017	30 June 2016
Basic/Diluted loss per share (cents)	0.58	1.34

Status of Audit of Accounts

This Appendix 4E is based on accounts which have been audited. The audit report is included within the financial report which accompanies this Appendix 4E.

RESPIRI LIMITED

ABN 98 009 234 173

Annual Financial Report

For the Year ended 30 June 2017

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Review of Operations

Respiri is a healthcare technology business focused on innovative solutions to help people better self-manage and maintain control of their asthma. Our technology comprises breath sensors to capture and transmit breath sounds to the software platform that provides the analysis to detail and measure wheeze in real-time. Our app and revolutionary software platform is the engine of Respiri's business model.

Accordingly, the principal focus during the year was to complete the core technology infrastructure. In addition, we explored collaborative partner opportunities that included fast tracking the development of a new breath sensor that will replace the 2013 model.

Effective asthma care requires adherence to prescribed medication and daily monitoring of symptoms and triggers as part of a personalised asthma action plan. Adherence to asthma plans is generally poor. Clinical studies show that 30-70% of adults and children with asthma do not take their medication as prescribed and, despite the fact that they are four times less likely to be hospitalised for an attack, only 30% have an asthma action plan.

Health authorities universally agree that user-centred digital solutions for patient self-management will help improve the individual's quality of life and reduce the financial burden on clinical services.

Respiri breaks new ground in what can be accomplished through software with automated monitoring of wheeze, the primary symptom of asthma. The proprietary technology provides objective wheeze measurement, in real-time, and the supporting app features help the user enrich this data with correlating medication use and presence of other symptoms and environmental triggers.

New Staff Member Appointed

Respiri works with outsourced Melbourne-based partners with 'best in class' global practices to deliver our software and hardware technology solutions. Future technology upgrades called for the appointment of an experienced biomedical engineer with specialist skills in acoustic monitoring to complement our engineering teams here in Melbourne. Dr Samaneh Sarraf joined Respiri and reports directly to the CEO. Dr Sarraf is from Calgary in Canada where she had been developing medical devices for the diagnosis and management of sleep apnea. Dr Sarraf completed her Ph.D. at the University of Manitoba under the supervision of one of Respiri's scientific advisors, Prof. Zahra Moussavi.

App Technology

Currently, asthma action plans are supplied to diagnosed asthmatics in paper format, demanding considerable time and effort. Simple diary apps exist, but deliver a poor user experience as they require too much manual data input and do not record objective symptom measurements. Inaccuracies, recall bias and interpretation are likely to occur without automated data-capture.

Respiri's technology solution has been designed with the user in mind. It provides real-time monitoring in the automated measurement of the primary asthma symptom and delivers feedback on how this symptom correlates to allergic triggers, other symptoms and medication adherence. Respiri's visual representation of personal asthma trends, along with reminders and alerts, is designed to help change life-long everyday usage and habit. Importantly, Respiri's data-capture will provide healthcare professionals with an objective picture on the level of the patient's asthma control to better tailor their treatment.

Real-time data-capture and objective symptom monitoring supported by user-centred design is the important differentiator between Respiri's technology and the numerous diary apps available.

Key advances during the year

App development progress

Our first stage app, tested in the Australian market in 2013, was unreliable, not robust and could not be operated without a WIFI connection. Wheeze measurement was extremely slow as recorded breath sounds were uploaded to a back end cloud server. It took minutes to return a wheeze rate to the app. The app did not have noise cancellation properties and was prone to crashing during recording and processing. The overall unreliability of the app made for a poor user experience.

We have now completed the development of a new app with more rapid processing of information, reliable breath sound detection, noise cancellation and a suite of consumer-friendly outputs.

Our software partner harnessed the processing power of the smartphone to house the proprietary acoustic respiratory monitoring (ARM) technology in the app rather than the cloud and processing of information is performed in real-time to retain a result in 5 seconds. Patients can now measure wheeze symptoms without a WIFI connection. Data is automatically uploaded to the cloud when a WIFI connection is available and the patients' digital asthma history is secured in the cloud.

The latest generation app allows users to set preventer medication rem inders, log symptoms, allergy triggers and relevant medication dosage. The new app has been through a rigorous quality assurance process and is proven to be robust, reliable and scalable.

AirSonea's Health Chart clearly shows the correlation between WheezeRATE, adherence to medication schedule (green dot) symptoms & triggers (red dot) and the effectiveness of reliever medication (yellow dot).

This example shows spikes in the WheezeRATE when the preventer medication has been missed. After the user takes their reliever, the WheezeRATE drops.

European CE Mark Approval Received

The first generation AirSonea technology and software received initial regulatory approval in the UK, Europe and Australia as a Class I medical device. The world leading, updated AirSonea is classified as Class IIa medical device and as such, underwent a greater level of assessment by a third party, the notified body, to achieve the updated CE Mark.

This assessment and approval is a critical step, which validates the progress made to improve the AirSonea technology to be the gold standard non-invasive, objective monitoring of asthma. It also completes the European regulatory approval process to the highest level.

Further validation of algorithm accuracy

Respiri's core software for objectively detecting and measuring wheeze has been clinically validated in publications and university research studies as well as being used in major hospitals globally.

Following continued improvements to the device software and firmware, including enhancements to noise cancellation, completed in the previous year, Respiri successfully verified once again the ability of the AirSonea® day device to reliably detect wheezing in subjects. In a research study led by Professor Edward Naureckas MD at the University of Chicago, Respiri demonstrated 85% agreement between a panel of certified pulmonary physicians and our AirSonea technology for the presence of or absence of wheeze (79% sensitivity and 91% specificity).

Future Development

The directors of Respiri are confident that their decision in July 2017 to commit resources to the development of a next generation breath sensor to replace the 2013 model strongly positions the company for commercialisation. The market ready product will comprise an advanced new model breath sensor and a clinically proven technology platform, with a user-friendly consumer app.

The completion of this final commercialisation step will set Respiri apart as a healthcare technology company from most biotech and medical companies still undergoing clinical and research trials and place Respiri in a stronger position to negotiate partnerships. Partnering activity is progressing on several fronts and to timelines appropriate for the complexity and importance of these transactions.

For and on behalf of the Company,

Mr Leon L'Huillier
Executive Chairman

Dated this the 29th Day of August 2017

Directors' Report

The Directors' of Respiri ("RSH", "Respiri" or "the Group") formerly iSonea ("ISN") submit herewith the annual report for the Group for the financial year ended 30 June 2017. In order to comply with the Corporations Act 2001 the directors' report as follows:

Directors

The names of the Directors in office at any time during the year, or since the end of the year, are as follows:

Mr Leon L'Huillier	**Executive Chairman**
Appointed to the Board	4th February 2014
Last elected by Shareholders	28th November 2014
Experience	Mr Leon L'Huillier is an experienced Chairman, Company Director and Chief Executive with a strong background in the health sector. He has substantial experience across a range of industries, government, the not for profit sector and sport. He is Deputy Chair Australian Prostate Cancer Research, a former Director and Audit Chairman of Woolworths Limited, and other listed public companies. Mr L'Huillier was foundation Chair of the Vision CRC at The University of NSW, a former Chairman of the Royal Children's Hospital Brisbane, former Chairman of the Australian Health Ministers Advisory Council, a former Director of the National Health and Medical Research Council, St. Vincent's Hospital Melbourne and the Microsurgery Foundation. Mr L'Huillier was Chief Executive of the Health Department, Victoria and Chairman and Chief Executive of the Transport Accident Commission (TAC) when the TAC established Victoria's first major Trauma Centre at the Alfred Hospital and introduced the innovative road safety campaigns that contributed to a 50% reduction in the Victorian road toll in the early 90s.
Qualifications	MBA, MPhil, BCom (Hons), FAICD
Interest in shares and options	5,106,267 Ordinary Shares and 4,000,000 Unlisted Options
Committees	*Not Applicable*
Directorships held in other listed entities	No other Public Company Directorships in the past three years

Mr John Ribot-de-Bresac	**Independent Non-Executive Director**
Appointed to the Board	4th February 2014
Last elected by Shareholders	22nd November 2016
Experience	Mr John Ribot-de-Bresac has extensive experience and a strong record of achievement as a senior executive across the sport, leisure and hospitality industries including in strategy development and implementation. Following a distinguished sports career where he received the Australian Sports Medal, he was instrumental in the establishment of the Brisbane Broncos and Melbourne Storm, in executive Director roles, and as chairman of the Brisbane Roar. Mr Ribot-de-Bresac serves as Director of Trustee of Melbourne Olympic Park Trust, Executive Chairman of Queensland Clubs Management (QCM), and owns hospitality venues throughout Queensland. Mr Ribot-de-Bresac previously served as Director of Victorian Major Events Committee.
Interest in shares and options	7,983,614 Ordinary Shares and 2,000,000 Unlisted Options
Committees	Member of the Remuneration & Nomination Committee Member of the Audit, Risk and Compliance Committee
Directorships held in other listed entities	No other Public Company Directorships in the past three years

Dr Timothy Oldham	Independent Non-Executive Director
Appointed to the Board	6th January 2014
Last elected by Shareholders	28th November 2015
Experience	Dr Timothy Oldham has more than a decade of direct life sciences business development, alliance management, market entry, and sales & marketing experience in Europe, Asia and Australia. He is a former CEO of Cell Therapies Pty Ltd, a leading Asia Pacific provider of collection, manufacturing, delivery and distribution capabilities for stem cell therapies and regenerative medicine and was President of Asia Pacific for Hospira, Inc. (2007 to 2012), having held a variety of senior management roles with Mayne Pharma (2002 to 2007) prior to its acquisition by Hospira. These roles encompass the development and commercialisation of pharmaceuticals, devices, biologics and cellular therapies. Prior to this, Dr Oldham was an engagement manager with McKinsey & Co (1997 to 2001). He has been chairman of the European Generic Medicines Association Biosimilars and Biotechnology Committee, a Director of the Generic Medicines Industry Association and Alliance for Regenerative Medicine and a member of the Pharmaceutical Industry Strategy Group. He is also a Director of Acrux Ltd (ASX:ACR).
Qualifications	BSc (Hons), LLB (Hons), PhD, GAICD
Interest in shares and options	126,392 Ordinary Shares and 2,000,000 Unlisted Options
Committees	Chairman and Member of the Audit, Risk and Compliance Committee; and Chairman and Member of the Remuneration & Nomination Committee
Directorships held in other listed entities	*Listed Directorships held now or in the past 3 years:* Acrux Limited (ASX Listed: ACR) Non-Executive Director (Since Oct 2013)

Mr David Ashmore	Independent Non-Executive Director
Appointed to the Board	19th June 2014
Resigned from the Board	26th October 2016
Qualifications	FCA, GAICD and F.FIN

Mr Ross Blair-Holt	Non-Executive Director
Appointed to the Board	28th November 2014
Resigned from the Board	26th October 2016
Qualifications	BCom, FCPA

Company Secretaries

Ms Jenni Lightowlers	**Company Secretary**

Ms Lightowlers was appointed as Company Secretary on 17th May 2017

Ms Lightowlers is a founding Partner of Francis Abourizk Lightowlers (FAL). Prior to establishing FAL in 1993, she worked for the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and Allens Linklaters (as it is now known). She is arguably Australia's leading authority on establishing research entities such as industry growth and innovation centres, and Cooperative Research Centres (CRCs). She is also recognised as a leading lawyer in the life sciences (health, bio-security, bio-technology and medical devices), commercial and intellectual property sectors. She advises clients on a wide range of issues including funding; corporate structuring; constitutions; governance; company secretarial matters and directors' duties; R&D agreements; taxation matters; IP protection; management, commercialisation and licensing; employment and workplace relations law; and general corporate and commercial matters. On commercial IP issues, she is considered "an esteemed presence in the marketplace" (IAM Licensing 250).

Ms Lightowlers was appointed Acting Head of Deakin Law School in May 2017. She is considered one of Australia's leading advisors to universities (both in Australia and the South Pacific), and has a deep understanding of the university and higher education sectors, particularly their compliance and operational issues. In addition, she is a Deputy Chancellor of Deakin University. She is also a Member of Deakin's University Council; Chair of the University Legislation Committee; Member of the Chancellor's Advisory Committee; and Member of the Advisory Committee to the Law School. Her expertise also extends to Government, having drafted, evaluated and structured legislation for Australian governments, prepared Ministerial briefing and policy papers, and provided advice on multi-lateral treaties in the Pacific Region.

Mr Philip Hains	**Joint Company Secretary**
Resigned on	17th May 2017

Mr Peter Vaughan	**Joint Company Secretary**
Resigned on	17th May 2017

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 Company's principal activities during the financial year.

Operating and Financial Review

The loss of the Company after income tax for the financial year was $2,522,052 (2016: $4,010,944). This result has been achieved after fully expensing all research and development costs.

The 'Review of Operations' Report provides further details regarding the progress made by the Company since the prior financial period, which have contributed to its result for the year.

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 2017 financial year.

Significant Changes in the State of Affairs

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

Matters Subsequent to Reporting Period

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the economic entity, the result of those operations or the state of affairs of the economic entity in subsequent financial years.

Likely Developments and Expected Results

For further information in relation to Company's future Developments and Events please refer to the 'Review of Operations Report'.

Environmental Regulations

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Risk Management

The Audit, Risk and Compliance Committee 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 Audit, Risk and Compliance Committee and senior management continue to identify the general areas of risk and their impact on the activities of the Company. The potential risk areas for the Company include:

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

- occupational health and safety and equal opportunity law.

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

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

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

Healthcare Technology Companies – Inherent Risks

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

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

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

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

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

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

As a result, you are cautioned not to rely on forward-looking statements. Consideration should be given to these, and other risks concerning the Company's research and development program referred to in this Directors' Report and in the Company's 'Review of Operations' Report as contained in this Financial Report for the year ended 30 June 2017.

Meetings of Directors

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

Director	Directors' Meetings		Committee Meetings			
			Audit, Risk & Compliance		Remuneration & Nomination	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Mr Leon L'Huillier	12	12	2	2	-	-
Mr John Ribot-de-Bresac	12	12	2	2	1	1
Dr Timothy Oldham	12	10	2	2	1	1
Mr David Ashmore	4	4	-	-	-	-
Mr Ross Blair-Holt	4	4	-	-	-	-

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

In addition, the Board routinely discusses audit issues and establishes special purpose and ad hoc committees to meet on regular basis to address various matters.

As at the date of this report, the Company had an Audit, Risk & Compliance Committee and a Remuneration & Nominations Committee, with membership of the committees as follows:

Position	Audit, Risk & Compliance Committee	Remuneration & Nominations Committee
Chairman	Dr Timothy Oldham	Dr Timothy Oldham
Member	Mr John Ribot-de-Bresac	Mr John Ribot-de-Bresac

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 2017 the Company did not engage the external auditor to provide non-audit services.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 for the year ended 30 June 2017 has been received and can be found in the 'Auditor's Independence Declaration' section of this Annual Report.

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:

ASX Code	Date of Expiry	Exercise Price	No. under Option
RSH	30 November 2019	$0.28	10,000,000
RSH	24 February 2022	$0.10	10,000,000

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 and includes the Boards Skills Matrix 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.

Directors:

Name	Position	Appointment / Resignation
Mr Leon L'Huillier	Executive Chairman	Appointed Chairman on 4th Feb 2014
Mr John Ribot-de-Bresac	Non-Executive Director	Appointed Non-Executive Director on 4th Feb 2014
Dr Timothy Oldham	Non-Executive Director	Appointed Non-Executive Director on 6th Jan 2014
Mr David Ashmore	Non-Executive Director	Appointed on 19th Jun 2014 and Resigned on 21st Oct 2016
Mr Ross Blair-Holt	Non-Executive Director	Appointed on 28th Nov 2014 and Resigned on 21st Oct 2016

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 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 2016 on its remuneration practices. The Remuneration Report was adopted at the 2016 AGM by more than 75% 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 2017 financial year.

Financial Year	Net (Loss)/Profit	Share Price at Balance Date $ AUD	Loss per Share cents per share
2017	(2,522,052)	$0.04	(0.58)
2016	(4,010,944)	$0.04	(1.34)
2015	($5,464,443)	$0.06	(1.94)
2014	($10,309,957)	$0.24	(3.91)
2013	($5,580,768)	$0.36	(2.55)
2012*	($5,585,172)	$0.05*	(9.69)*

* Share prices have been normalised for consideration of the capital consolidation performed in Aug 2012.

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 and there are currently no other staff or contractors who do.

Details of Remuneration for Year Ended 30 June 2017

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

	Short-term Employment Benefits			Post-Employment Benefits	Share-based Payments[3]	Total
	Cash salary and fees	Cash Bonus	Consulting Fees	Superannuation Contribution	Shares/Options	
30 June 2017	$AUD	$AUD	$AUD	$AUD	$AUD	$AUD
Directors						
Mr Leon L'Huillier	27,849	-	300,000[2]	-	86,840[1]	414,689
Mr John Ribot-de-Bresac	4,375	-	-	-	43,421[1]	47,796
Dr Timothy Oldham	41,458	-	-	-	43,421[1]	84,879
Mr David Ashmore	15,583	-	-	-	-	15,583
Mr Ross Blair-Holt	11,375	-	-	-	-	11,375
	100,640	**-**	**300,000**	**-**	**173,682**	**574,322**

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

1. Issue of 8,000,000 unlisted RSH options to Directors as approved by shareholders in accordance with resolution 2 of Company's 2016 Annual General Meeting.
2. Mr Leon L'Huillier received additional fees for consulting services performed as Executive Director for the year.
3. Remuneration in the form of share based payments are "at risk" as they are subject to vesting conditions based on length of service. Please see Note 23 for the determination of the fair value of the shares/options granted.

Details of Remuneration for Year Ended 30 June 2016

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

	Short-term Employment Benefits			Post-Employment Benefits	Share-based Payments[3]	Total
	Cash salary and fees	Cash Bonus	Consulting Fees	Superannuation Contribution	Shares/Options	
30 June 2016	$AUD	$AUD	$AUD	$AUD	$AUD	$AUD
Directors						
Mr Leon L'Huillier	100,000	-	300,000[2]	-	-	400,000
Mr John Ribot-de-Bresac	52,500	-	-	-	-	52,500
Dr Timothy Oldham	57,500	-	-	-	-	57,500
Mr David Ashmore	55,000	-	-	-	-	55,000
Mr Ross Blair-Holt	52,500	-	-	-	180[1]	52,680
	317,500	**-**	**300,000**	**-**	**180**	**617,680**

Note: For the date of appointment and resignation of each Director and Executive please refer to page 10 of the Directors Report.

1. Issue of 2,000,000 unlisted RSHAW Options to Directors as approved by shareholders in accordance with resolution 3 of Company's 2015 Annual General Meeting.
2. Mr Leon L'Huillier received additional fees for consulting services performed as Executive Director for the period from February 2015.
3. Remuneration in the form of share based payments are "at risk" as they are subject to vesting conditions based on length of service

At Risk Income as a Proportion of Total Remuneration

All Executive Directors and 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.

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	
	2017	2016	2017	2016	2017	2016
Directors						
Mr Leon L'Huillier	79%	100%	-	-	21%	-
Mr John Ribot-de-Bresac	9%	100%	-	-	91%	-
Dr Timothy Oldham	49%	100%	-	-	51%	-
Mr David Ashmore	100%	100%	-	-	-	-
Mr Ross Blair-Holt	100%	99.70%	-	-	-	0.30%

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 a discretionary bonus approved by the board in respect of performance during the current year.

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 2017 equity had been issued to 8 employees in USA and 2 employees in Israel under ESOP.

No new equity was issued under ESOP in the Financial Year 2017.

The terms and conditions of each grant of options affecting Director and 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
22 Nov 2016	22 Nov 2016	30 Nov 2019	$0.285	N/A	Yes	$0.022

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.

Details of options over ordinary shares in the Company provided as remuneration to each Director of the company and each of the 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	
	2017	2016	2017	2016	2017	2016
Directors						
Mr Leon L'Huillier	4,000,000[1]	-	4,000,000	-	4,000,000	-
Mr John Ribot-de-Bresac	2,000,000	-	2,000,000	-	2,000,000	-
Dr Tim Oldham	2,000,000	-	2,000,000	-	2,000,000	-
Mr David Ashmore	-	-	2,000,000	-	-	-
Mr Ross Blair-Holt	-	2,000,000	2,000,000	-	-	2,000,000
	8,000,000	**2,000,000**	**12,000,000**	**-**	**8,000,000**	**2,000,000**

1. On 17 May 2017 the Remuneration Committee has recommended that the 4,000,000 options granted to Mr Leon L'Huillier at the 2016 Annual General Meeting be cancelled and replaced with 20,000,000 options with varied terms subject to shareholders' approval at the 2017 Annual General Meeting.

No shares have been issued to the Directors in the current or proceeding financial year in their capacity as a director or as a result of exercise of any options.

(a) Shareholdings

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

30 June 2017	Balance at Start of the Year	Granted as Compensation	Shares from Options Exercised	Net Change Other	Balance at End of the Year
Directors					
Mr Leon L'Huillier	5,106,267	-	-	-	5,106,267
Mr John Ribot-de-Bresac	7,983,614	-	-	-	7,983,614
Dr Timothy Oldham	126,392	-	-	-	126,392
	13,216,273	**-**	**-**	**-**	**13,216,273**
Mr David Ashmore	770,341	-	-	(770,341)[1]	-
Mr Ross Blair-Holt	74,763,396[2]	-	-	(74,763,396)[1]	-
	75,533,737	**-**	**-**	**75,533,737**	**-**

1. Directors resigned during the Financial Year 2017.
2. In addition to the 2,763,397 shares owned by Mr Ross Blair-Holt, Mr Ross Blair-Holt has a relevant interest in 71,999,999 shares held by Investment Holdings Pty Ltd.

30 June 2016	Balance at Start of the Year	Granted as Compensation	Shares from Options Exercised	Net Change Other	Balance at End of the Year
Directors					
Mr Leon L'Huillier	3,296,282	-	-	1,809,985	5,106,267
Mr John Ribot-de-Bresac	5,300,000	-	-	2,683,614	7,983,614
Dr Timothy Oldham	65,000	-	-	61,392	126,392
Mr David Ashmore	486,449	-	-	283,892	770,341
Mr Ross Blair-Holt	49,800,000	-	-	24,963,396	74,763,396[1]
	58,947,731	**-**	**-**	**29,802,279**	**88,750,010**

1. In addition to the 2,763,397 shares owned by Mr Ross Blair-Holt, Mr Ross Blair-Holt has a relevant interest in 71,999,999 shares held by Investment Holdings Pty Ltd.

b) Options and Rights

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

30 June 2017	Balance at Start of the Year	Granted as Compensation	Options Exercised	Net Change Other	Balance at End of the Year	Vested and Exercisable	Unvested
Directors							
Mr Leon L'Huillier	4,000,000	4,000,000[2]	-	(4,000,000)[1]	4,000,000[3]	4,000,000	-
Mr John Ribot-de-Bresac	2,000,000	2,000,000[2]	-	(2,000,000)[1]	2,000,000	2,000,000	-
Dr Timothy Oldham	2,000,000	2,000,000[2]	-	(2,000,000)[1]	2,000,000	2,000,000	-
Mr David Ashmore	2,000,000	-	-	(2,000,000)[1]	-	-	-
Mr Ross Blair-Holt	2,000,000	-	-	(2,000,000)[1]	-	-	-
	12,000,000	**8,000,000**	**-**	**(12,000,000)**	**8,000,000**	**8,000,000**	**-**

1. Represents options expired during the Financial Year 2017
2. Issue of 8,000,000 unlisted RSH options to Directors as approved by shareholders in accordance with resolution 2 of Company's 2016 Annual General Meeting.
3. On 17 May 2017 the Remuneration Committee has recommended that the 4,000,000 options granted to Mr Leon L'Huillier at the 2016 Annual General Meeting be cancelled and replaced with 20,000,000 options with varied terms subject to shareholders' approval at the 2017 Annual General Meeting.

30 June 2016	Balance at Start of the Year	Granted as Compensation	Options Exercised	Net Change Other	Balance at End of the Year	Vested and Exercisable	Unvested
Directors							
Mr Leon L'Huillier	4,000,000	-	-	-	4,000,000	4,000,000	-
Mr John Ribot-de-Bresac	2,000,000	-	-	-	2,000,000	2,000,000	-
Dr Timothy Oldham	2,000,000	-	-	-	2,000,000	2,000,000	-
Mr David Ashmore	2,000,000	-	-	-	2,000,000	2,000,000	-
Mr Ross Blair-Holt	-	2,000,000[1]	-	-	2,000,000	2,000,000	-
	10,000,000	**2,000,000**	**-**	**-**	**12,000,000**	**12,000,000**	**-**

1. Issue of 2,000,000 unlisted RSHAW Options to Directors as approved by shareholders in accordance with resolution 3 of Company's 2015 Annual General Meeting.

The Directors and Key Management Personnel are subject to service agreements with normal commercial terms and conditions and are rolling with no fixed term. The terms of these agreements state that 3 months notice of termination must be given by either party.

This is the end of the Audited Remuneration Report.

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

Mr Leon L'Huillier
Executive Chairman

Dated this the 29th August 2017
Melbourne, Australia

Deloitte Touche Tohmatsu
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29 August 2017

The Board of Directors
Respiri Limited
Level 29, South Tower
525 Collins Street
MELBOURNE VIC 3000

Dear Board Members

Respiri Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Respiri Limited.

As lead audit partner for the audit of the financial statements of Respiri Limited for the financial year ended 30 June 2017, 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.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Anneke Du Toit
Partner
Chartered Accountants

RESPIRI LIMITED

Annual Financial Statements
For the year ended 30 June 2017

For the Year Ended 30 June 2017

	Note	Consolidated 30 June 2017 $ AUD	Consolidated 30 June 2016 $ AUD
Revenue			
Operating Revenue	3	-	4,966
Non-operating Revenue	3	14,630	6,121
Other Income	3	825,603	672,789
Total Revenue		**840,233**	**683,876**
Expenses	4		
Amortisation expenses		(263,419)	(187,214)
Consulting, employee and director expenses		(760,197)	(1,067,464)
Equity-based payment expenses	23	(217,102)	(360)
Corporate administration expenses		(827,054)	(579,338)
Depreciation expenses		(31,549)	(44,999)
Marketing and promotion expenses		(92,015)	(32,218)
Research and development expenses		(1,124,865)	(1,310,723)
Travel expenses		(46,084)	(108,571)
Impairment of Inventory and other current assets	4	-	(1,363,933)
Loss before income tax expense from continuing operations		**(2,522,052)**	**(4,010,944)**
Income tax expense	5	-	-
Loss after income tax for the year		**(2,522,052)**	**(4,010,944)**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(3,408)	(16,149)
Total comprehensive loss for the year		**(2,525,460)**	**(4,027,093)**
Loss attributable to members of the parent entity		(2,522,052)	(4,010,944)
Total comprehensive loss attributable to members of the parent entity		(2,522,052)	(4,027,093)
Basic loss per share (cents per share)	8	(0.58)	(1.34)
Diluted loss per share (cents per share)	8	(0.58)	(1.34)

The accompanying notes form part of these financial statements.

As at 30 June 2017

	Note	Consolidated 30 June 2017 $ AUD	Consolidated 30 June 2016 $ AUD
ASSETS			
Current Assets			
Cash and cash equivalents	9	1,562,920	4,502,078
Trade and other receivables	10	866,171	80,399
Other assets	14	66,190	73,820
Total Current Assets		**2,495,281**	**4,656,297**
Non-Current Assets			
Property, plant and equipment	12	19,897	50,097
Intangible assets	13	122,974	368,922
Other assets	14	3,086	2,885
Total Non-Current Assets		**145,957**	**421,904**
TOTAL ASSETS		**2,641,238**	**5,078,201**
LIABILITIES			
Current Liabilities			
Trade and other payables	15	830,743	1,029,348
Other financial liabilities	16	12,912	12,912
Total Current Liabilities		**843,655**	**1,042,260**
TOTAL LIABILITIES		**843,655**	**1,042,260**
NET ASSETS		**1,797,583**	**4,035,941**
EQUITY			
Issued capital	17	99,382,258	99,312,258
Reserves	18	(69,940)	44,356
Accumulated Losses		(97,514,735)	(95,320,673)
TOTAL EQUITY		**1,797,583**	**4,035,941**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2017

	Issued Capital $ AUD	Option Reserve $ AUD	Foreign Currency Translation Reserve $ AUD	Accumulated Losses $ AUD	Total $ AUD
Balance at 30 June 2015	**95,149,981**	**445,306**	**(267,485)**	**(91,427,405)**	**3,900,397**
Loss after income tax expense for the year	-	-	-	(4,010,944)	(5,464,443)
Other comprehensive income for the year, net of tax	-	-	(16,149)	-	167,035
Total Comprehensive Income for the year	**-**	**-**	**(16,149)**	**(4,010,944)**	**(4,027,093)**
Transactions with Equity holders in their capacity as equity holders:					
Shares Issued	4,523,833	-	-	-	4,523,833
Capital Raising Costs	(361,556)	-	-	-	(361,556)
Options Issued	-	360	-	-	360
Transfers to/from reserves[1]	-	(117,676)	-	117,676	-
Balance at 30 June 2016	**99,312,258**	**327,990**	**(283,634)**	**(95,320,673)**	**4,035,941**
Loss after income tax expense for the year	-	-	-	(2,522,052)	(2,522,052)
Other comprehensive income for the year, net of tax	-	-	(3,408)	-	(3,408)
Total Comprehensive Income for the year	**-**	**-**	**(3,408)**	**(2,522,052)**	**(2,525,460)**
Transactions with Equity holders in their capacity as equity holders:					
Shares Issued	70,000	-	-	-	70,000
Capital Raising Costs	-	-	-	-	-
Options Issued	-	217,102	-	-	217,102
Transfers to/from reserves[1]	-	(327,990)	-	327,990	-
Balance at 30 June 2017	**99,382,258**	**217,102**	**(287,042)**	**(97,514,735)**	**1,797,583**

1. To transfer the value of lapsed/expired options from the reserve to accumulated losses.

The accompanying notes form part of these financial statements.

For the Year Ended 30 June 2017

	Note	Consolidated 30 June 2017 $ AUD	Consolidated 30 June 2016 $ AUD
Cash flows from operating activities			
Receipts from customers		518	5,238
Payments to suppliers and employees (inclusive of GST)		(2,927,942)	(3,073,447)
Interest received		14,112	6,121
R&D tax refund		-	672,789
Net cash flows used in operating activities	**22a**	**(2,913,312)**	**(2,389,299)**
Cash flows related to investing activities			
Payments for purchases of plant and equipment		(582)	(18,387)
Net cash flows used in investing activities		**(582)**	**(18,387)**
Cash flows related to financing activities			
Proceeds from issues of securities		-	4,323,833
Capital raising costs		-	(361,556)
Other		-	(407)
Net cash flows from financing activities		**-**	**3,961,870**
Net (decrease)/increase in cash and cash equivalents		(2,913,894)	1,554,184
Cash and cash equivalents at the beginning of the year		4,502,078	3,008,627
Effects of exchange rate changes on cash and cash equivalents		(25,264)	(60,733)
Cash and cash equivalents at the end of the year	**9**	**1,562,920**	**4,502,078**

The accompanying notes form part of these financial statements.

Note 1 - Statement 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 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 2017 was authorised for issue in accordance with a resolution of the Directors on the 29th Day of August 2017.

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, except for the revaluation of certain non-current assets and financial instruments. 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.

Critical Accounting Estimates and Judgements

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:

<u>Share-based payment transactions</u>
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.

<u>Provision for impairment of receivables</u>
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Impairment of assets

The consolidated entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the consolidated entity makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Operating Segments

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.

Going Concern Basis

The consolidated financial statements have been prepared on a going concern basis.

For the year ended 30 June 2017, the group incurred a loss after tax of $2,522,052 (2016: $4,010,944). In the same period the Company experienced a net cash outflow of $2,913,894 (2016: inflow of $1,554,184). The Company had net assets of $1,797,583 (2016: $4,035,941).

As at 30 June 2017, the group had $1.5m of cash and cash equivalents on hand and are in a strong cash position following the receipt of the 2016 Research & Development (R&D) tax concession refund of $825,603 in July 2017. A cash flow forecast for the next 12 months prepared by management has indicated the group will have sufficient cash assets to be able to meet its debts as and when they fall due throughout the coming 12 months as they continue to develop the technologies of the Company.

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

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for an accounting period that begins on or after 1 July 2016.

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

- AASB 1057 Application of Australian Accounting Standards and AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised Australian Accounting Standards in issue but not yet effective

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Ref	Title	Summary	Application date of standard	Impact on financial report	Application date
AASB 9	*Financial Instruments and its consequential amendments*	Completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. Accounting for financial liabilities continues to be measured in accordance with AASB 139, with one exception, the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks.	1 Jan 18	The company is still determining if there will be any potential impact	1 Jul 18
AASB 15	*Revenue from Contracts with Customers*	This amends AASB 18 'Revenue', AASB 111 'Construction Contracts' and revenue-related interpretations. The amendment establishes a new control-based revenue recognition model, which changes the basis for deciding whether revenue is to be recognised over time or at point in time.	1 Jan 18	The company is still determining if there will be any potential impact	1 Jul 18

Ref	Title	Summary	Application date of standard	Impact on financial report	Application date
AASB 16	*Leases*	The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. The standard outlines the recognition and measurement requirements for 'right-of-use' assets on the statement of financial position.	1 Jan 19	The company is still determining if there will be any potential impact	1 Jul 19
AASB 2016-5	*Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*	AASB 2016-5 amends AASB 2 Share-based Payment (July 2015) as a consequence of the issuance of International Financial Reporting Standard Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) by the International Accounting Standards Board in June 2016.	1 January 2018	The company is still determining if there will be any potential impact	1 Jul 2018
AASB Interpretation 22	*Foreign Currency Transactions and Advance Consideration*	AASB Interpretation 22 addresses how to determine the date of the foreign currency transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part it) on the derecognition of a non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.	1 January 2018	The company is still determining if there will be any potential impact	1 Jul 2018

Accounting Policies

(a) *Basis of Consolidation*

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

A list of controlled entities is contained in Note 11 to the financial statements. All controlled entities have a 30 June 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.

(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 accrued and disclosed as revenue within profit or loss for the year that the 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.

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

(d) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. The cost of inventories comprises cost of purchase and costs incurred in bringing inventories to their present location and condition. Cost of purchased inventories are 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) 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 assets are:

Class of Plant & Equipment	Depreciation Rate
Furniture & fittings	6 - 15%
Computer equipment	15 - 33%
Medical equipment	15%

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

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present values of minimum lease payments. Lease payments are allocated between the principal components of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the assets useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

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

(g) Financial Assets and Liabilities

Recognition

Financial assets and liabilities are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and are no longer controlled by the entity. A financial liability is removed from the Statement of Financial Position when the obligation specified in the contract is discharged or cancelled or expired.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest rate method less impairment.

Financial Liabilities

Financial liabilities are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist.

A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

Non-derivative financial liabilities are recognised at amortised cost using the effective interest rate method, comprising original debt less principal payments, amortisation and impairment.

(h) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to Profit or Loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(i) 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.

(j) 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.

Group Companies

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

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

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

(k) 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.

Share-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.

(l) Provisions

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

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

(m) 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.

(n) Revenue

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

<u>Interest</u>
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).

<u>Sale of goods</u>
Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

<u>Government Grants</u>
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.

<u>Other revenue</u>
Other revenue is recognised when it is received or when the right to receive payment is established.

<u>R&D Tax Concession Refunds</u>
R&D Tax concession refunds are recognised where there is reasonable assurance that the tax refunds will be received and all attached conditions will be complied with.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. 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.

(p) 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.

(q) 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.

Note 2 - Parent Entity Information

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.

	Parent Entity	
	30 June 2017 $ AUD	30 June 2016 $ AUD
Statement of Financial Position		
Assets		
Current Assets	2,412,843	4,438,747
Non-Current Assets	9,927	14,063
Total Assets	**2,422,770**	**4,452,810**
Liabilities		
Current Liabilities	296,843	330,366
Total Liabilities	**296,843**	**330,366**
Net Assets	**2,125,927**	**4,122,444**
Equity		
Issued Capital	99,382,258	99,312,258
Reserves	217,102	327,990
Accumulated Losses[1]	(97,473,433)	(95,517,804)
Total Equity	**2,125,927**	**4,122,444**
Statement of Profit or Loss and Other Comprehensive Income		
Loss after income tax	(2,283,619)	(2,147,770)
Total Comprehensive Income	**(2,283,619)**	**(2,147,770)**

1. Includes transfer of lapsed/expired options from reserve of $327,990 (2016: $117,676).

Parent Entity Contingencies and Commitments

Parent Entity does not have any contingent liabilities and commitments.

Expenditure Commitments

Parent Entity does not have any expenditure commitments.

Parent Entity Guarantees in Respect of the Debts of its Subsidiaries

The Parent Entity has no guarantees in respect of its subsidiaries.

Note 3 - Revenue

	30 June 2017 $ AUD	30 June 2016 $ AUD
Revenue		
Operating Revenue		
Sales - Medical Devices	-	4,966
Grant Received	-	-
Total Operating Revenue	**-**	**4,966**
Non-operating Revenue		
Interest	14,112	6,121
Other Revenue (Quality Assurance)	518	-
Total Non-Operating Revenue	**14,630**	**6,121**
Total Revenue	**14,630**	**11,087**
Other Income		
R&D Tax Concession Received [1]	825,603	672,789
Total Other Income	**825,603**	**672,789**
	840,233	**683,876**

1. The R&D tax concession refund receivable as at 30 June 2017 (received in July 2017) for eligible expenditure incurred during the financial year 2016 of $825,603 has been included in the financial year 2017. The financial year 2016 comparative relates to R&D tax concession refund for the financial year 2015 of $672,789 received in the financial year 2016.

   The value of any allocable R&D tax concession refund with respect to eligible R&D expenditures incurred during the financial year 2017 has been estimated but not yet been accurately determined and therefore has not been included within the financial statements for financial year 2017.

Note 4 - Expenses

		30 June 2017 $ AUD	30 June 2016 $ AUD
Expenses			
a)	**Amortisation expenses**	**263,419**	**187,214**
b)	**Consulting, employee and director expenses**		
	Consulting expenses	158,119	549,553
	Employee expenses	201,438	200,411
	Director expenses	400,640	304,469
	Director superannuation expenses - defined contribution fund	-	13,031
		760,197	**1,067,464**
c)	**Equity-based payment expenses**	**217,102**	**360**
d)	**Corporate administration expenses**		
	Audit and accounting fees	102,089	61,600
	Foreign exchange (gain)/loss	3,416	(105,273)
	Corporate administration expenses	681,711	571,837
	Office rentals under operating leases	34,504	34,652
	Other	5,334	16,522
		827,054	**579,338**
e)	**Depreciation expenses**	**31,549**	**44,999**
f)	**Marketing and promotion expenses**	**92,015**	**32,218**
g)	**Research and development expenses**	**1,124,865**	**1,310,723**
h)	**Travel expenses**	**46,084**	**108,571**
i)	**Impairment expenses**	**-**	**1,363,933**
Total Expenses		**3,362,285**	**4,694,820**

There were no cost of inventories recognised as an expense in the financial year 2017 in respect to write-downs of inventory (2016: $777,500) and no cost in respect to write-downs of inventory prepayments to net realisable value (2016: $564,868) determined by management.

Note 5 - Income Tax Expenses

		30 June 2017 $ AUD	30 June 2016 $ AUD
a)	**The prima facie tax on loss from ordinary activities before the loss is reconciled to the income tax as follows:**		
	Loss before income tax	(2,522,052)	(4,010,944)
	Income tax benefit calculated at 27.50% (2016:30%)	(693,564)	(1,203,283)
	Tax effect of amounts which are not deductible in calculating income tax:		
	- impairment and amortisation expenses	72,440	56,164
	- share-based payments expenses	59,703	36,420
	- other expenses not deductible	40,161	-
	Other non-assessable income	(227,041)	-
	Other deductible items	(66,510)	(100,740)
	(Over)/Under provision of income tax in previous year relating to correction of estimate	-	-
	Deferred tax assets relating to tax losses and temporary differences not recognised	814,811	1,211,439
	Income tax expense	**-**	**-**
b)	**Unrecognised Deferred Tax Assets and Liabilities**		
	Deferred tax assets and liabilities are attributable to the following:		
	- Tax losses	17,706,079	16,873,220
	- Prepayments	(18,202)	(22,146)
	- Inventory	-	-
	- Provision	5,212	11,022
	- Accruals	48,232	64,414
	Net deferred tax assets not recognised	**17,741,321**	**16,926,510**
c)	**Components of Tax**		
	The components of tax expense comprise:		
	- Current Tax	-	-
	- Deferred Tax	-	-
	Income tax expense	**-**	**-**

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 Australia of $17,667,469 (2016: 17,487,211) relate to losses generated from 22 November 2006 to 30 June 2017. 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.

Note 6 - Key Management Personnel Compensation

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

	30 June 2017 $ AUD	30 June 2016 $ AUD
Short-term employee benefits	400,640	617,500
Post-employment benefits	-	-
Share-based payments[1]	173,682	180
	574,322	**617,680**

1. Refer to Note 23 for reconciliation.

Note 7 - Auditor's Remuneration

	30 June 2017 $ AUD	30 June 2016 $ AUD
Remuneration of Company's Auditor, Deloitte Touche Tohmatsu for:		
- auditing or reviewing the financial report of the Group	92,150	61,000
	92,150	**61,000**
Remuneration of Subsidiary Company's Auditor, Ernst & Young Israel for:		
- auditing or reviewing the financial report of the subsidiary[1]	9,939	9,979
	102,089	**70,979**

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

Note 8 - Loss per Share

	30 June 2017	30 June 2016
Basic loss per share (cents)	(0.58)	(1.34)
Diluted loss per share (cents)	(0.58)	(1.34)
a) Net loss used in the calculation of basic and diluted loss per share	(2,522,052)	(4,010,944)
b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted loss per share	432,717,471	298,893,092

c) Potential ordinary shares, including options, are excluded from the weighted average number of shares used in the calculations of basic loss per share. Potential ordinary shares are not considered to be dilutive because the conversion of potential ordinary shares into ordinary shares would increase the basic loss per share.

Note 9 - Cash and Cash Equivalents

	30 June 2017 $ AUD	30 June 2016 $ AUD
Cash at Bank	1,562,920	4,502,078

The interest rate on cash at bank on 30th June 2017 was 0.9% (2016: 0.1%). The Group's exposure to interest rate risk is discussed in Note 26. 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.

Note 10 - Trade and Other Receivables

	30 June 2017 $ AUD	30 June 2016 $ AUD
Current		
Other Receivables[1]	866,171	80,399

1. Other receivables include GST/V.A.T receivable and the R&D tax concession refund (see Note 3)

Refer to Note 26 for more information on the Groups foreign currency risk management policy.

Note 11 - Controlled Entities

	Country of Incorporation	Percentage of Ownership* 30 June 2017	Percentage of Ownership* 30 June 2016
Parent Entity			
Respiri Limited	Australia	-	-
Subsidiaries of iSonea Limited			
KarmelSonix Australia Pty Ltd	Australia	100%	100%
iSonea (Israel) Limited	Israel	100%	100%
iSonea USA Inc.	United States of America	100%	100%

* Percentage of voting power is in proportion to ownership.

Note 12 - Property, Plant and Equipment

	30 June 2017 $ AUD	30 June 2016 $ AUD
Furniture & Fittings		
At cost	12,505	11,692
Accumulated depreciation	(6,759)	(5,451)
	5,746	**6,241**
Computer Equipment		
At cost	218,382	217,138
Accumulated depreciation	(204,859)	(181,181)
	13,523	**35,957**
Medical Equipment		
At cost	97,256	94,276
Accumulated depreciation	(96,628)	(86,377)
	628	**7,899**

a) Movement in Carrying Amounts

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

	Furniture & Fittings $ AUD	Computer Equipment $ AUD	Medical Equipment $ AUD	Total $ AUD
Balance as at 1 July 2015	5,830	40,632	28,349	74,811
Additions	1,160	16,672	555	18,387
Depreciation expense	(820)	(22,538)	(21,641)	(44,999)
Disposals of assets	-	-	-	-
Exchange adjustments	71	1,191	636	1,898
Carrying amount as at 30 June 2016	**6,241**	**35,957**	**7,899**	**50,097**
Additions	-	582	-	582
Depreciation expense	(884)	(23,294)	(7,371)	(31,549)
Disposals of assets	-	-	-	-
Exchange adjustments	389	278	100	767
Carrying amount as at 30 June 2017	**5,746**	**13,523**	**628**	**19,897**

Note 13 - Intangible Assets

	30 June 2017 $ AUD	30 June 2016 $ AUD
Intellectual Property		
At cost	2,011,157	1,993,686
Accumulated Amortisation	(1,888,183)	(1,624,764)
	122,974	**368,922**

	Acquired Intellectual Property $AUD
Balance as at 1 July 2015	**548,489**
Additions	-
Amortisation	(187,214)
Exchange adjustments	7,647
Carrying amount as at 30 June 2016	**368,922**
Additions	-
Amortisation	(263,419)
Exchange adjustments	17,471
Carrying amount as at 30 June 2017	**122,974**

Amortisation

Amortisation is charged on a straight-line basis over the expected life of the asset and begins when the asset is available for use. The Directors have determined that the asset was available for use on 1 January 2008 and the life of the intangible is 10 years. Intellectual property relates to acquired assets. Remaining useful life of intangible asset as at 30 June 2017 is 0.5 years.

Note 14 - Other Assets

	30 June 2017 $ AUD	30 June 2016 $ AUD
Current		
Prepayments	43,693	61,488
Deposits	22,497	12,332
	66,190	**73,820**
Non-Current		
Other	3,086	2,885
	3,086	**2,885**
	69,276	**76,705**

Note 15 - Trade and Other Payables

	30 June 2017 $ AUD	30 June 2016 $ AUD
Current		
Trade payables	268,470	435,827
Accrued expenses	562,273	593,521
	830,743	**1,029,348**

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 expense are non-interest bearing

Refer to Note 26 for more information on the Groups foreign currency risk management policy.

Note 16 - Other Financial Liabilities

	30 June 2017 $ AUD	30 June 2016 $ AUD
Current		
Chief Scientist [1]	12,912	12,912
	12,912	**12,912**

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

Note 17 - Issued Capital

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

	30 June 2017		30 June 2016	
	No.	$ AUD	No.	$ AUD
Fully Paid Ordinary Shares				
Balance at beginning of year	432,383,224	99,312,258	281,588,816	95,149,981
Shares issued during the year	1,000,000	70,000	150,794,408	4,523,833
Transactions costs relating to share issues	-	-	-	(361,556)
Total Issued Capital	**433,383,224**	**99,382,258**	**432,383,224**	**99,312,258**

During the Year ended 30 June 2017, the Company issued the following securities:

Date	Details	No.	Issue Price $ AUD	Total Value $ AUD
1 Mar 17	Issue of shares in lieu of cash payment for services rendered [1]	1,000,000	0.070	70,000
		1,000,000		**70,000**

1. $70,000 of this amount pertains to shares issued to a supplier in lieu of cash payment for services rendered.

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.

Note 18 - Reserves

	30 June 2017		30 June 2016	
	No.	$ AUD	No.	$ AUD
Options				
Balance at beginning of year	15,143,060	327,990	11,793,060	445,306
Unlisted Options issued during the year	20,000,000	217,102	4,000,000	360
Share issued from the exercise of options	-	-	-	-
Lapse of options due to nil exercise	(15,143,060)	(327,990)	(650,000)	(117,676)
Total Option Reserve	**20,000,000**	**217,102**	**15,143,060**	**327,990**
FX Reserve				
Balance at beginning of year	-	(283,634)	-	(267,485)
Other comprehensive income for the year, net of tax	-	(3,408)	-	(16,149)
Total FX Reserve	**-**	**(287,042)**	**-**	**(283,634)**
Total Reserves	**20,000,000**	**(69,940)**	**15,143,060**	**44,356**

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.

Note 19 - Capital and Leasing Commitments

a) Operating Lease Commitments

	30 June 2017 $ AUD	30 June 2016 $ AUD
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Minimum lease payments payable:		
- not later than 12 months	21,162	47,487
- between 12 months and 5 years	-	19,786
	21,162	**67,273**

Haifa, Israel

The lease is a non-cancellable lease with a five-year term, expiring in 2018, with rent payable monthly in advance.

In order to secure the company's obligations, the Company gave a bank guarantee in the amount of ILS $50,000 to the lessor.

b) Other commitments

Respiri Limited has no other commitments.

Note 20 - Contingent Liabilities

Office of the Chief Scientist- Israel

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

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

Note 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.

30 June 2017	----- Medical Devices ----- Segment		Segment	Corporate	Total
	Australia $ AUD	Israel $ AUD	Total $ AUD	$ AUD	$ AUD
Segment Revenue					
External sales	-	-	-	-	-
Interest revenue	34	517	551	14,079	14,630
Other Income	825,603	-	825,603	-	825,603
Total Segment Revenue	**825,637**	**517**	**826,154**	**14,079**	**840,233**
Segment Expenses					
Segment Depreciation Expenses	-	(11,053)	(11,053)	(20,496)	(31,549)
Segment Expenses	(831,859)	(901,478)	(1,733,337)	(1,597,399)	(3,330,736)
Total Segment Expense	**(831,859)**	**(912,531)**	**(1,744,390)**	**(1,617,895)**	**(3,362,285)**
Income Tax Expense	-	-	-	-	-
Net Result	**(6,222)**	**(912,014)**	**(918,236)**	**(1,603,816)**	**(2,522,052)**
Assets					
Segment assets	23,307	196,555	219,862	2,421,376	2,641,238
Total Assets	**23,307**	**196,555**	**219,862**	**2,421,376**	**2,641,238**
Liabilities					
Segment liabilities	418,955	92,957	511,912	331,743	843,655
Total Liabilities	**418,955**	**92,957**	**511,912**	**331,743**	**843,655**

30 June 2016	----- Medical Devices ----- Segment Australia $ AUD	Israel $ AUD	Segment Total $ AUD	Corporate $ AUD	Total $ AUD
Segment Revenue					
External sales	-	4,966	4,966	-	4,966
Interest revenue	122	-	122	5,999	6,121
Other Income	672,789	-	672,789	-	672,789
Total Segment Revenue	**672,911**	**4,966**	**677,877**	**5,999**	**683,876**
Segment Expenses					
Segment Depreciation Expenses	(11,042)	(14,055)	(25,097)	(19,902)	(44,999)
Segment Expenses	(3,154,486)	(168,654)	(3,323,140)	(1,326,681)	(4,649,821)
Total Segment Expense	**(3,165,528)**	**(182,709)**	**(3,348,237)**	**(1,346,583)**	**(4,694,820)**
Income Tax Expense	-	-	-	-	-
Net Result	**(2,492,617)**	**(177,743)**	**(2,670,360)**	**(1,340,584)**	**(4,010,944)**
Assets					
Segment assets	111,696	483,169	594,865	4,483,336	5,078,201
Total Assets	**111,696**	**483,169**	**594,865**	**4,483,336**	**5,078,201**
Liabilities					
Segment liabilities	560,654	115,432	676,086	366,174	1,042,260
Total Liabilities	**560,654**	**115,432**	**676,086**	**366,174**	**1,042,260**

Note 22 - Cash Flow Information

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

	30 June 2017 $AUD	30 June 2016 $AUD
Net Loss for the year	**(2,522,052)**	**(4,010,944)**
Add back depreciation expense	31,549	44,999
Add back amortisation expense	263,419	187,214
Add back share based payments	217,102	360
Add back shares issued for nil consideration	70,000	-
Add back impairment of inventory	-	756,839
Add back foreign exchange adjustments	3,417	39,159
(Increases)/Decreases in Accounts Receivable[1]	(785,772)	(9,990)
Increases in Other Current Assets	7,630	629,896
(Decreases)/Increases in Accounts Payable	(198,605)	(47,493)
Decreases/(Increases) in Inventory	-	20,661
Net cash flows used in operating activities	**(2,913,312)**	**(2,389,299)**

1. Increase in receivables balance contains R&D tax concession (see note 10).

b) Non-Cash financing and investing activities

Please refer to Note 17 and 18 for further details regarding equity issued for nil cash consideration.

Note 23 - Share-based Payments

a) Employee share and option plan

At the Annual General Meeting held on 30 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 and providing incentives to key personnel for the growth and development of the Group. The Plan has been established to benefit personnel in Australia, Israel and USA.

No options were exercised or granted during the current or previous year under ESOP.

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

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

Grant Date	Expiry date	Share price at grant date $ AUD	Exercise price $ AUD	Expected Volatility	Dividend yield	Risk-free interest rate	Fair value at grant date $ AUD
22 Nov 16	30 Nov 19	$ 0.06	$ 0.285	109.40%	-	1.86%	$ 0.02171

Expected volatility was calculated using the Hoadley Historic Volatility calculator.

c) Movements in share options during the year

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

	30 June 2017		30 June 2016	
	No. of Options	Weighted Average Exercise Price $ AUD	No. of Options	Weighted Average Exercise Price $ AUD
Outstanding at the beginning of the year	15,143,060	0.32	11,793,060	0.32
Granted	20,000,000	0.19	4,000,000	0.28
Exercised	-	-	-	-
Expired/lapsed	(15,143,060)	-	(650,000)	-
Outstanding at year-end	**20,000,000**	**0.19**	**15,143,060**	**0.32**
Exercisable at year-end	20,000,000	0.19	15,143,060	0.32

All outstanding options are exercisable at the end of the respective period.

d) Share options exercised during the year

No options were exercised during the financial year 2017.

e) Share options outstanding at the end of the year

The options outstanding at 30 June 2017 had a weighted average exercise price of $0.19 and a weighted average remaining contractual life between 2 to 5 years. Exercise prices range from $0.1 to $0.28 in respect of options outstanding at 30 June 2017.

f) Share-based payments expense

	30 June 2017 $ AUD	30 June 2016 $ AUD
Share-based payments		
- Options issued to directors	173,682	180
- Options issued to suppliers	43,420	180
	217,102	**360**

Note 24 - Matters subsequent to Reporting Date

No matters or circumstances have arisen since the end of the reporting period that significantly affected or may significantly affect the operations of the consolidated entity, the result of those operations or the state of affairs of the economic entity in subsequent financial years.

Note 25 - Related Party Transactions

Respiri Limited loans funds to subsidiaries on an at-call basis and charges interest on the balance of the funds outstanding based on the Australian Taxation Office (ATO) benchmark interest rate of the prior year 5.45% (2016: 5.95%) per annum. As at 30 June 2017, the balance outstanding from subsidiaries was $51,815,491 (2016: $48,719,901) and the interest charged for the financial year was $1,522,319 (2016: $2,749,504). An accumulated provision for impairment of $51,815,491 (2016: $48,719,901) has been recognised by Respiri Limited against these loans. In the current period the parent recognised an impairment expense of $3,095,590 (2016: $6,599,621) on the loans to subsidiaries. All loans and interest are eliminated on consolidation.

Note 26 - Financial Risk Management

The Group's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. Price risk is not a risk exposure. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The Company and Group do not have written policies regarding risk management however, these risks are managed prudently by senior management.

The Group holds the following financial instruments:

	30 June 2017 $ AUD	30 June 2016 $ AUD
Financial Assets		
Cash and cash equivalents	1,562,920	4,502,078
Trade and other receivables	866,171	80,399
	2,429,091	**4,582,477**
Financial liabilities		
Trade and other payables	830,743	1,029,348
Other financial liabilities	12,912	12,912
	843,655	**1,042,260**

a) Foreign Currency 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:

	30 June 2017 $ AUD	30 June 2016 $ AUD
Cash and trade and other receivables		
- ILS	33,262	31,032
- USD	11,152	135,746
- EUR	-	28,153
	44,414	**194,931**
Trade and other payables		
- ILS	(80,045)	(102,520)
- USD	(34,900)	(35,808)
	(114,945)	**(138,328)**

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.

	Change in USD Rate	Effect on profit before tax
2017	5%	(1,187)
	(5%)	1,187
2016	5%	4,997
	(5%)	(4,997)

	Change in ILS Rate	Effect on profit before tax
2017	5%	(2,339)
	(5%)	2,339
2016	5%	(3,574)
	(5%)	3,574

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.

	30 June 2017			
	Carrying Amount $ AUD	Weighted average interest rate %	(1%) effect on profit before tax $ AUD	1% effect on profit before tax $ AUD
Financial assets				
Cash and cash equivalents	1,562,920	0.90	(15,629)	15,629
Total (decrease)/increase	1,562,920	-	(15,629)	15,629

	30 June 2016			
	Carrying Amount $ AUD	Weighted average interest rate %	(1%) effect on profit before tax $ AUD	1% effect on profit before tax $ AUD
Financial assets				
Cash and cash equivalents	4,502,078	0.10	(45,021)	45,021
Total (decrease)/increase	4,502,078	-	(45,021)	45,021

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 creditors 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.

	0-30 days $ AUD	31-60 days $ AUD	61-90 days $ AUD	90+ days $ AUD	Total $ AUD
2017 Trade and other payables	(677,526)	(31,934)	(4,961)	(116,322)	(830,743)
2016 Trade and other payables	(1,029,348)	-	-	-	(1,029,348)
2017 Trade and other receivables	866,171	-	-	-	866,171
2016 Trade and other receivables	80,399	-	-	-	80,399

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 17 and 18. 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.

f) Fair Value Estimation

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values determined in accordance with the accounting policies disclosed in Note 1.

Note 27 - Company Details

The Company’s Registered Office and Principal Place of Business is:

Respiri Limited
Level 10, 446 Collins Street
Melbourne, Victoria
AUSTRALIA 3000

Ph: +61 (0)3 9602 3366
Fx: +61 (0)3 9602 3606

www.respiri.co
www.airsonea.com.au

Directors' Declaration

The Directors of the Company declare that:

1. the financial statements and the notes, as set out on pages 23 to 55, and the remuneration disclosures that are contained within the Remuneration report within the Directors' report, set out on pages 14 to 21, are in accordance with the Corporations Act 2001 and:

    a. In the director's 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 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 declarations required by s295A of the Corporations Act 2001

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

On behalf of the Directors

Mr Leon L'Huillier
Executive Chairman

Dated this the 29th Day of August 2017
Melbourne, Australia

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report to the Members of Respiri Limited

Report on the Audit of the Financial Report

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 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity 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 2017 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 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.

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 for 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.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Authorisation and Classification of Expenses The majority of Respiri's expenditure is incurred as a result of hardware and software development and mobile device application development for the commericialisation of the "mobile wheeze montinoring system". The company incurred $1.38 million in relation to these expenses for the year ended 30 June 2017. A key measure of Respiri's performance is their level of expenditure incurred on the research of the "mobile wheeze monitoring system". The authorisation and classification of expenses requires judgement, as the cash assets of the Group are primarily expensed in the research of the device, and therefore there is a risk that: • Expenses may be incorrectly classified and disclosed, and • Expenses may not be appropriately authorised.	 Our procedures included, but were not limited to: • Obtaining an understanding of the process undertaken by management to account for expenditure, with a particular focus on research expenditure, • Testing key controls in respect of the expenditure process, • Assessing the appropriateness of management's accounting policy for research expenditure, • Testing on a sample basis, research expenses to assess whether they were authorised in accordance with the Group's Delegation of Authority, and • Assessing documentation of research expenses for correct classification. We also assessed the appropriateness of the disclosures in note 4 to the financial statements.

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 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 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.

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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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 2017.

In our opinion, the Remuneration Report of Respiri Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Respiri Limited 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Anneke Du Toit
Partner
Chartered Accountants
Melbourne, 29 August 2017

NUMBER OF HOLDERS OF EQUITY SECURITIES

Ordinary Shares

433,383,224 (ASX: RSH) fully paid ordinary shares are held by 4,354 individual shareholders.

All ordinary shares carry one vote per share.

Options

Unlisted Options

20,000,000 (ASX: RSH) unlisted options exercisable at various prices on or before 24 February 2022, are held by 5 individual unlisted option holders.

Options do not carry a right to vote. Voting rights will be attached to the unissued shares when the options have been exercised.

DISTRIBUTION OF HOLDERS IN EQUITY SECURITIES

	NO. OF HOLDERS
	ORDINARY SHARES
1 - 1,000	1,953
1,001 - 5,000	558
5,001 - 10,000	378
10,001 - 100,000	1,003
100,001 +	462
Total number of shareholders	**4,354**
Unmarketable parcels	3,153

Shareholder Information *Continued.....*

TWENTY LARGEST HOLDERS OF QUOTED SECURITIES

	SHAREHOLDERS	NO. OF SHARES	%
1	INVESTMENT HOLDINGS PTY LTD	71,999,999	16.61%
2	HOLDREY PTY LTD	9,834,390	2.27%
3	MR PETER KARL BRAUN	8,000,000	1.85%
4	LUHOPI PTY LTD	7,533,614	1.74%
5	INVIA CUSTODIAN PTY LIMITED	7,369,957	1.70%
6	EQUITAS NOMINEES PTY LIMITED	6,642,449	1.53%
7	CLEMWELL PTY LTD	5,735,678	1.32%
8	MR EMMANUEL JOSEPH DUVNJAK	5,452,062	1.26%
9	ONE DOG ONE BONE PTY LTD	5,440,317	1.26%
10	THE CFO SOLUTION TEAM PTY LTD	5,213,334	1.20%
11	LAVAL ENTERPRISES PTY LTD	5,106,267	1.18%
12	PRINCIPAL ASSET MANAGEMENT PTY	4,315,733	1.00%
13	MR ROSS SPENCE BAYNES	4,059,500	0.94%
14	BT PORTFOLIO SERVICES LIMITED	3,976,741	0.92%
15	MR GARY RONALD HEATH & MRS MELISSA LOUISE HEATH	3,750,000	0.87%
16	DL MARSHALL SUPER PTY LTD	3,645,396	0.84%
17	ATLANTIS INVESTIGATIONS	3,594,136	0.83%
18	WINCONLON PTY LTD	3,561,080	0.82%
19	NAVIGATOR AUSTRALIA LTD	3,500,000	0.81%
20	RETZOS EXECUTIVE PTY LTD	3,300,000	0.76%
	TOTAL	**172,030,653**	**39.69%**
	TOTAL BALANCE OF REMAINING HOLDERS	261,352,571	60.31%
	TOTAL ON ISSUE	**433,383,224**	**100.00%**

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with Section 671B of the Corporations Act.

SUBSTANTIAL SHAREHOLDERS	NO. OF SHARES
Investment Holdings Pty Ltd	71,999,999
Total No. of shares held by Substantial Shareholders	**71,999,999**

SHAREHOLDER ENQUIRIES

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

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross, Western Australia, 6153

Telephone:	+61 (0)8 9315 2333
Facsimilie:	+61 (0)8 9315 2233
Email:	registrar@securitytransfer.com.au

CHANGE OF ADDRESS, CHANGE OF NAME, CONSOLIDATION OF SHAREHOLDINGS

Shareholders should contact the Share Registry to obtain details of the procedure required for any of these changes.

REMOVAL FROM THE ANNUAL REPORT MAILING LIST

Shareholders who wish to receive the Annual Report should advise the Share Registry in writing. 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.

Corporate Information

AUSTRALIAN COMPANY NUMBER (ACN)
009 234 173

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

DIRECTORS

Mr Leon L'Huillier	Executive Chairman
Mr John Ribot-de-Bresac	Non-Executive Director
Dr Timothy Oldham	Non-Executive Director
Mr David Ashmore	Non-Executive Director (Resigned on 26 October 2016)
Mr Ross Blair-Holt	Non-Executive Director (Resigned on 26 October 2016)

COMPANY SECRETARY
Ms Jenni Lightowlers

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SECURITIES QUOTED

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