ANNUAL REPORT

For the year end 30 June 2018

RESPIRI

A Breath of Fresh Ideas

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RESPIRI

A Breath of Fresh Ideas

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REVIEW OF OPERATIONS

Respiri Limited's mission is to profoundly improve the quality of life for millions of families affected by asthma and dramatically reduce hospital admissions and the economic burden of asthma.

This past year has seen your company make huge strides forward in that mission with the commitment of the directors in July 2017 to the development of the next generation breath sensor to replace the 2013 AirSonea model and complete its innovative wheeze detection and asthma management ecosystem.

In parallel with technology commercialisation partner, Grey Innovation's design and build of the advanced breath sensor, Respiri's clinically validated smart app has not only be developed for Android to complement the iOS platform by software partner Two Bulls, but totally re-imagined in the 'game space' to specifically engage our defined primary target audience of children with asthma and their parents.

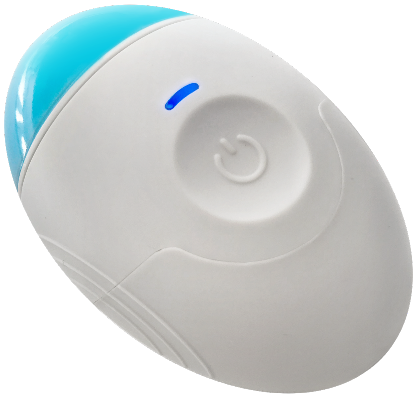
In October 2017, the board appointed former senior global Pfizer executive, Mario Gattino as Chief Executive Officer to lead your company into its commercialisation phase as it looks to launch the next generation product in key markets in 2019. Mr Gattino joined the board as executive director following the Annual General Meeting in December 2017.

Since that time, your board together with the management team, has worked diligently to achieve each critical step throughout the year with resources, both human and capital, channelled into the delivery of what is a revolutionary product to address an unmet need on a global scale, and benefit you, our shareholders.

A BREATH OF FRESH IDEAS

Energised by the commitment to build the Gen II breath sensor and further develop the smart app for our defined target market, the operations team completed the first marketing prototype, featuring an appealing, modern design, superior ergonomics and improved acoustic properties. Completed in April 2017, ahead of schedule, this initial prototype showcased our innovative product with investors, health bodies and potential industry partners in Australia, the UK and the US.

This milestone coincided with the successful $3.0 million capital raising via private placement to sophisticated and professional investors, providing your company with a strengthened cash position and the financial capacity to accelerate activity across the stated milestones.



Gen II Marketing Prototype

During the last quarter of the 2018 financial year, your operations team has worked to deliver on each of the stated milestones and inflection points of our timeline to launch including, but not limited to:

- Development of Android platform to parity with existing iOS platform, in effect doubling the size of the target market at launch (based on current distribution of smart phones)
- Appointment of Quality Assurance and Regulatory Manager to establish our local Quality Management System (QMS) and ISO 13485 certification (for manufacturers of medical devices) and facilitate regulatory approvals in target launch markets
- Early collaboration with identified Australian manufacturer to facilitate a smooth transfer from developers to high capacity manufacturing capabilities
- Reviewed current IP and identified opportunities to strengthen the portfolio

CLINICAL AND REAL-WORLD STUDIES PLANNING

Respiri's market research over the years has shown that endorsement from health care providers is an important driver for customers of our revolutionary asthma management ecosystem. As is the case with any innovation, people, universally, need reassurance from their doctor, that the product is safe and can be trusted, particularly when the primary target audience is parents of children with asthma who experience day to day anxiety as they manage this life-threatening chronic disease.

Thus, the successful launch of our product, firstly in the UK and Australia followed by the US, requires support from leading academics, clinicians and Key Opinion Leaders (KOLs) There is strong demand for new technologies to help reduce the burden of asthma in the UK. During May 2018, following on from an introductory visit in January, the CEO gained commitments from leading universities and research institutes to perform studies and clinical trials critical to secure endorsement from the National Health System (NHS) and peak asthma bodies.

The first meeting of Respiri's new Medical and Scientific Advisory Board will take place in London at the end of October to agree on study protocols that will support launch activity and health care provider communications. Delegates include Professor Aziz Sheikh OBE, Usher Institute, Edinburgh, Professor Jonathan Grigg, Paediatric Respiratory and Environmental Medicine, Queen Mary University of London, Dr Mark Levy, Respiratory Lead for Harrow CGC and from Melbourne, Professor Bruce Thompson Head of Physiology Services, Alfred Hospital and President-elect of the Thoracic Society of Australia and New Zealand. Professor Thompson has joined Respiri as Chair of the Australian Medical and Scientific Advisory Board and Product Portfolio Development Lead.

During the pivotal May trip, which included attendance at the Digital MedTech Conference in San Francisco, the relationship with the Scripps Translational Science Institute (STSI) Division of Digital Medicine in San Diego, California was re-established with the most senior leadership at the institute recognising the Respiri platform as 'unique, very promising and with great potential'. Further meetings regarding real-world studies with this world-renowned research facility, under the supervision of the most influential physicians in connected health and MedTech, will take place once we have completed product development.

SELLING THE RESPIRI STORY

The capital raising conducted in April also helped facilitate the planning of our launch strategy in the initial target markets of UK and Australia.

Ms Wani Wall, who has been consulting to your company across multiple disciplines including product management and marketing communications since March 2014, came on board in a full-time capacity as our first Chief of Customer Experience and Communications (CXO) on 1 June 2018. With a broad skill set and deep understanding of the product offering, Wani brings decades of experience influencing customers in a range of sectors including entertainment, sport, banking, health, government and education.

While assisting the CEO with the development of the go-to-market strategy covering brand, consumer research, online platform sales and creative campaigns, Wani works with Dr Samaneh Sarraf, Chief Research Officer (CRO) responsible for algorithm development and our technical partners, Grey Innovation and Two Bulls overseeing all aspects of product development. Duties also include the establishment of our local Quality Management System and preparation of the regulatory approval documentation with assistance from Quality Assurance and Regulatory consultant, Mr George Loizou of Compliance Management Solutions (CMS).

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BOARD RENEWAL

As foreshadowed in the Chairman's Address at the Annual General Meeting on 14 December 2017, Respiri announced the appointment of two new directors with significant combined medical device development, commercialisation, marketing and finance expertise. Such relevant device sector and market experience is crucial as your company transitions from a developer of innovative wheeze detection and asthma management technologies to product commercialisation activities in 2019. Mr Mark Ziirsen and Mr Brendan Mason were appointed to the Board of Directors on 30 May 2018. At the same time, long serving directors, Mr Leon L'Huillier and Mr John Ribot-de-Bresac transitioned from the board and Mr Ziirsen assumed the role of non-executive chairman on 14 June 2018.

On 23 October 2018, Respiri appointed Dr Thomas G Duthy as a director. Dr Duthy brings extensive medical device and biotechnology experience as well as deep investor relations and corporate development expertise. His most recent role was Global Head of Investor Relations and Corporate Development, Sirtex Medical Limited (ASX:SRX) and prior to that, he was an equity research analyst covering healthcare and biotechnology with Taylor Collison Limited.

We thank the outgoing directors for their significant contribution to Respiri's development over the years. As a result of these collective efforts, we now have a solid platform from which your company can grow and thrive.

EXECUTE, EXECUTE, EXECUTE

Your CEO and operations team continue to work at significant pace to deliver on the stated milestones towards the successful launch of our asthma management ecosystem in 2019. The final medical device breath sensor prototype design, developed with learnings from the pressure testing of the marketing prototype, is on schedule, as is android development and the design for development of the new smart app with enhanced user experience (UX) for children with asthma and their families.

The Respiri Quality Management System and regulatory approval facilitation for target markets has commenced and planning of clinical studies with leading research universities and institutes is underway. Early collaboration with our Australian based contract manufacturer has commenced, thus ensuring the timely and cost-effective purchase of new tooling and bulk quantities of components and the important go-to-market strategy is in development.

As was the case last financial year, the anticipated receipt of research and development tax incentives will help improve our cash position as we continue to execute and meet each of the milestones on the journey to commercial success and revenue generation from this much-needed technology solution for people with asthma and the best possible outcome for you, our shareholders.

Mr Mario Gattino
Chief Executive Officer

23 October 2018

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DIRECTORS' REPORT

The Directors' of Respiri ("RSH", "Respiri" or "the Group") formerly iSonea ("ISN") submit herewith the annual financial report for the Group for the financial year ended 30 June 2018. 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 MARIO GATTINO	CEO & EXECUTIVE DIRECTOR
Appointed to the Board	14th December 2017
Last elected by Shareholders	N/A
Experience	Mr Mario Gattino has over 25 years' experience in senior leadership positions within the medical industry. His track record in commercialising and managing sales of drug and medical device products in multiple countries will be invaluable in helping Respiri achieve its commercial milestones. Mr Gattino has held senior leadership positions in Pfizer, one of the world's largest pharmaceutical companies in the USA and Europe. He is an expert in sophisticated stakeholder management, portfolio and business development via M&A and licensing, brand commercialisation, business innovation and profit generation. Other key roles he has held include Managing Director for Perrigo ANZ, a company that makes a wide range of consumer healthcare products and was the key advisor to an in-vitro diagnostic start-up where he developed its global commercialisation strategy and successfully raised capital.
Qualifications	MBA, Bachelor of Applied Science (Medical Administration), Graduate Diploma in Management. GAICD
Interest in shares and options	420,000 Ordinary Shares and 20,000,000 Unlisted Options
Committees	N/A
Directorships held in other listed entities	No other Public Company Directorships in the past three years

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MR BRENDAN MASON	DIRECTOR
Appointed to the Board	30th May 2018
Last elected by Shareholders	N/A
Experience	Mr Brendan Mason is a med-tech and China market entry specialist, leading Cochlear Limited (ASX:COH) entry into Greater China as General Manager from 2007 to 2014. Mr Mason was responsible for market development, sales, marketing, distribution, regulatory affairs, customer support, IP protection and clinical trials for the Greater China region. He oversaw rapid growth of the business through drivers that required funding and reimbursement, infrastructure development and increasing consumer awareness through managing key opinion leaders and key government stakeholders. Previously, Mr Mason worked at Lucent as the Executive Director responsible for Telstra, Lucent's largest account in Asia. He is a past board member, treasurer, and chairman of the Australian Chamber of Commerce, Beijing, where he established the government relations committee to provide advice to Chinese government and Australian member companies. Mr Mason is Managing Director of Orcoda Limited (ASX:ODA). He is on the advisory board of a federal government funded program for MedTech companies who aspire to export.
Qualifications	EMBA, Business Administration and Management, Post Graduate Diploma in Operations, Business Operations
Interest in shares and options	No Ordinary Shares and no Unlisted Options
Committees	Chairman and Member of Remuneration & Nomination Committee Member of Audit, Risk and Compliance Committee
Directorships held in other listed entities	CEO and Managing Director of Orcoda Limited (ASX:ODA) [formerly SmartTrans Holdings Limited (ASX:SMA)]

MR MARK ZIIRSEN	NON-EXECUTIVE CHAIRMAN
Appointed to the Board	30th May 2018
Last elected by Shareholders	N/A
Experience	Mr Mark Ziirsen is a former Director of Finance and IT, Asia Pacific at Cochlear Limited (ASX:COH) and Chief Financial Officer of Admedus Limited (ASX: AHZ). Mr Ziirsen is a highly strategic senior finance leader with proven commercial acumen. He brings a strong track record of delivering growth and significant improvement across multiple industry sectors and geographies in executive roles with market leading international organisations. His strong finance and operational credentials are complemented by extensive corporate finance, governance, risk management, strategy, M&A and investor relation skills.
Qualifications	MBA, International business, B.Comm and CPA
Interest in shares and options	No Ordinary Shares and no Unlisted Options
Committees	
Directorships held in other listed entities	Past Non-Executive Director and Chair of Audit Committee of Orcoda Limited (ASX:ODA) [formerly SmartTrans Holdings Limited ASX:SMA)]

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DIRECTORS' REPORT continued

MR LEON L'HUILLIER	NON-EXECUTIVE CHAIRMAN
Appointed to the Board	4th February 2014
Resigned from the Board	30th May 2018
Qualifications	MBA, MPhil, BCom (Hons), FAICD

MR JOHN RIBOT-DE-BRESAC	INDEPENDENT NON-EXECUTIVE DIRECTOR
Appointed to the Board	4th February 2014
Resigned from the Board	30th May 2018

DR TIMOTHY OLDHAM	INDEPENDENT NON-EXECUTIVE DIRECTOR
Appointed to the Board	6th January 2014
Resigned from the Board	14th December 2017
Qualifications	BSc (Hons), LLB (Hons), PhD, GAICD

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DIRECTORS' REPORT continued

Company Secretaries

MR JULIAN ROCKETT	COMPANY SECRETARY

Mr Julian Rockett was appointed as Company Secretary on 3rd July 2018.

Julian is a qualified corporate lawyer and listed company secretary. His background in law has included corporate compliance, advising on initial public offerings, mergers and acquisitions, reverse take-overs and capital raising for ASX listed entities. His diverse ASX listed company secretary experience includes supporting listed companies across the fintech, artificial intelligence, logistics, equity, mining, energy, technology and commercial property sectors.

MS JENNI LIGHTOWLERS	COMPANY SECRETARY
Resigned on	3rd July 2018

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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 $3,207,220 (2017: $2,522,052). This result has been achieved after fully expensing all research and development costs.

During the reporting period, it accelerated activity in the execution of its platform technology development and commercialisation strategy to deliver the world's first objective home monitoring solution for people with asthma based on clinically proven automated wheeze detection technology.

Highlights

- Committed resources to complete the clinically validated Respiri asthma monitoring ecosystem and commenced development of the next generation (Gen II) breath sensor to replace the 2013 AirSonea. Melbourne based engineering firm, Grey Innovation appointed in September 2017.
- December 2017, former Pfizer global executive, Mr Mario Gattino commenced as CEO and Executive Director to lead the Company through its commercialisation phase.
- April 2018, completed a successful $3.0 million capital raising via private placement to sophisticated and professional investors at 8.0cts per share providing the Company with the financial capacity to fund the last phase of Gen II device development and progress the commercialisation strategy.
- Communicated consistently on the proposed use of these funds to accelerate our activity across the stated milestones, augmenting existing capital to provide a clear runway to commercial launch and optimise the execution of the plan.
- April 2018 a functional demonstration prototype of the Gen II breath sensor was completed well ahead of schedule. The demonstration prototype was showcased at the Digital MedTech Conference in San Francisco for the first time to leading global experts, innovators and key decision makers in development of digital health devices, tools and services.
- Technology partner, Two Bulls commenced development of the Android platform to parity with existing iOS platform to increase Respiri's global market penetration; in parallel, started enhanced design of the smart app to improve engagement for the primary target market of children with asthma and their parents/carers.
- Commenced application for local ISO 13485 certification, the international quality management standard for medical devices required to facilitate the regulatory approvals process for the new product.
- Board changes were made with the resignation of Dr Timothy Oldham on 14 December 2017 and Chairman, Mr Leon L'Huillier and Non-Executive Director, Mr John Ribot De-Bresac on 30 May 2018. Mr Mark Ziirsen and Mr Brendan Mason were appointed on 30 May, bringing medical device technology skills and relevant sector and market experience to the Company as it positions itself for commercialisation. Mr Ziirsen was appointed as Non-Executive Chairman on 14 June 2018.
- Appointed consulting Product Manager, Ms Wani Wall, as Chief Customer Experience and Communications Officer (CXO) to drive launch plans.
- Received $1.6m in Research and Development Tax Incentive in the 2018 financial year relating to the claims for the 2015, 2016, and 2017 financial years. The Company expects to receive further Research and Development Tax Incentive in relation to its 30 June 2018 activities in September/October 2018.
- Started the process of evaluating other Australian based activity beyond Research and Development that has the potential to qualify for increased Government funding/grants

The Company has communicated consistently on defined milestones that focus on the work that is required to achieve the finished medical device, capacity to manufacture 1000+ units to highest quality standards and obtain regulatory approval in target markets for successful commercial launch in Q3/FY19.

Through this diligent and disciplined approach, we de-risk the business model with each successful milestone, transitioning from an R&D, development stage entity towards a commercially-driven company to deliver significant revenue streams in 2019, working towards profitability, self -funding and ultimately growth in investor returns while improving the quality of life for millions of people with asthma.

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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 2018 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

Former Directors' Options

At the 2017 Annual General Meeting on 14 December 2017, shareholders approved the issue of 14,000,000 options to two directors who subsequently resigned on 30 May 2018 and that the Company has determined were not issued and have not vested. The financial statements have been prepared reflecting the Company's position. The former directors have communicated to the Company that they disagree with the Company's determination that the options were not issued and have not vested, and it is possible that they may take legal action against the Company. The Company has rejected their view and will, should it be required to do so, strongly defend its position.

In the event that the Company was required to recognise that the options were issued and had vested, a non-cash share-based payments expense of $934,000 would be recognised in the remuneration report and consolidated statement of profit and loss and other comprehensive income for the year ended 30 June 2018 and the net loss for the year then ended would have been $4.1million.

Likely Developments and Expected Results

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

Environmental Regulations

The 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 as contained in this Financial Report for the year ended 30 June 2018.

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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		Committee Meetings: Remuneration & Nomination	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Mr Mario Gattino	14	14	-	-	-	-
Mr Mark Ziirsen	-	-	-	-	-	-
Mr Brendan Mason	-	-	-	-	-	-
Mr Leon L'Huillier	19	19	1	1	1	1
Mr John Ribot-de-Bresac	19	18	1	1	1	1
Dr Timothy Oldham	5	5	1	1	1	1

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 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	Mr Mark Ziirsen	Mr Brendan Mason
Member	Mr Brendan Mason	Mr Mark Ziirsen

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 2018 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 2018 has been received and can be found in the 'Auditor's Independence Declaration' section of this Annual Report.

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DIRECTORS' REPORT continued

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	31 December 2023	$0.03	6,000,000[1]
RSH	31 December 2024	$0.03	6,000,000[1]
RSH	31 December 2025	$0.03	8,000,000[1]

[1]Issued in 3 tranches with different vesting conditions. See Note 23.

There were no listed options outstanding at the reporting date.

Corporate Governance

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

Remuneration Report (Audited)

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

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

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

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

Directors:

Name	Position	Appointment / Resignation
Mr Mario Gattino	CEO and Executive Director	Appointed CEO and Executive Director on 14th Dec 2017
Mr Brendan Mason	Non-Executive Director	Appointed Non-Executive Director on 30th May 2018
Mr Mark Ziirsen	Non-Executive Chairman	Appointed Non-Executive Chairman on 30th May 2018
Mr Leon L'Huillier	Chairman	Appointed on 4th Feb 2014, resigned on 30th May 2018
Mr John Ribot-de-Bresac	Non-Executive Director	Appointed on 4th Feb 2014, resigned on 30th May 2018
Dr Timothy Oldham	Non-Executive Director	Appointed on 6th Jan 2014, resigned on 14th Dec 2017

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 2017 on its remuneration practices. The Remuneration Report was adopted at the 2017 AGM by more than 71% 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.

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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 2018 financial year.

Financial Year	Net (Loss)/Profit	Share Price at Balance Date $ AUD	Loss per Share cents per share
2018	(3,207,220)	$0.10	(0.73)
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 (KPIs).

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.

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DIRECTORS' REPORT continued

Details of Remuneration for Year Ended 30 June 2018

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	Total
	Cash salary and fees	Cash Bonus	Consulting Fees	Superannuation Contribution	Shares/Options	$AUD
30 June 2018	$AUD	$AUD	$AUD	$AUD	$AUD	
Directors						
Mr Leon L'Huillier	108,333	-	125,000	-	-[1]	233,333
Mr John Ribot-de-Bresac	-	-	-	-	-[1]	-
Dr Timothy Oldham	20,000	-	-	-	-	20,000
Mario Gattino	192,500	-	-	12,400	129,312[1]	334,212
Brendan Mason	-	-	-	-	-	-
Mark Ziirsen	-	-	-	-	-	-
	320,833	**-**	**125,000**	**12,400**	**129,312**	**587,545**

1. The shareholders have approved the issuance of 34,000,000 unlisted RSH Options to Directors in accordance with resolution 3 of Company's 2017 Annual General Meeting. The Company has since determined that 14,000,000 options to former Directors were not issued and have not vested. Refer to contingent liability note (see Note 20) for more information
2. 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.

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DIRECTORS' REPORT continued

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	
	Cash salary and fees	Cash Bonus	Consulting Fees	Superannuation Contribution	Shares/Options	Total $AUD
30 June 2017	$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[4]	15,583	-	-	-	-	15,583
Mr Ross Blair-Holt[4]	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.
4. Directors resigned on 26th October 2016.

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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	
	2018	2017	2018	2017	2018	2017
Directors						
Mr Leon L'Huillier (resigned on 30th May 2018)	100%	79%	-	-	-	21%
Mr John Ribot-de-Bresac (resigned on 30th May 2018)	-	9%	-	-	-	91%
Dr Timothy Oldham (resigned on 14th Dec 2017)	100%	49%	-	-	-	51%
Mr David Ashmore (resigned on 26th Oct 2016)	-	100%	-	-	-	-
Mr Ross Blair-Holt (resigned on 26th Oct 2016)	-	100%	-	-	-	-
Mr Mario Gattino (appointed on 14th Dec 2017)	61%	-	-	-	39%	-
Mr Brendan Mason (appointed on 30th May 2018)	-	-	-	-	-	-
Mr Mark Ziirsen (appointed on 30th May 2018)	-	-	-	-	-	-

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

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 2018 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 2018.

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
14 Dec 2017	31 Dec 2020	31 Dec 2023	$0.03	$0.10	No[1]	$0.048
14 Dec 2017	31 Dec 2020	31 Dec 2024	$0.03	$0.15	No[1]	$0.092
14 Dec 2017	31 Dec 2020	31 Dec 2025	$0.03	$0.20	No[1]	$0.112

[1] See Note 23 for details of vesting conditions.

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

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

The exercise price of options granted under this plan shall be determined by the Committee in its sole discretion. The plan rules contain a restriction on removing the 'at risk' aspect of the instruments granted to executives.

Plan participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it vests.

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DIRECTORS' REPORT continued

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	
	2018	2017	2018	2017	2018	2017
Directors						
Mr Leon L'Huillier	-[1]	4,000,000	-	4,000,000	-	4,000,000
Mr John Ribot-de-Bresac	-[1]	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	-	-
Mario Gattino	20,000,000[1]	-	-	-	-	-
Brendan Mason	-	-	-	-	-	-
Mark Ziirsen	-	-	-	-	-	-
	20,000,000	**8,000,000**	**-**	**12,000,000**	**-**	**8,000,000**

1. The shareholders have approved the issuance of 34,000,000 unlisted RSH Options to Directors in accordance with resolution 3 of Company's 2017 Annual General Meeting. The Company has since determined that 14,000,000 options to former Directors were not issued and have not vested. Refer to contingent liability note (see Note 20) for more information.
2. Refer to Page 22 for closing balance of options held by each Director and Key Management Personnel of Respiri Limited, including their personally related parties, as at 30 June 2018.

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 2018	Balance at Start of the Year	Granted as Compensation	Shares from Options Exercised	Net Change Other	Balance at End of the Year
Directors					
Mario Gattino	-	-	-	420,000[2]	420,000
Brendan Mason	-	-	-	-	-
Mark Ziirsen	-	-	-	-	-
	-	**-**	**-**	**420,000**	**420,000**
Mr Leon L'Huillier	**5,106,267**	**-**	**-**	**-**	**5,106,2671**
Mr John Ribot-de-Bresac	**7,983,614**	**-**	**-**	**-**	**7,983,6141**
Dr Timothy Oldham	**126,392**	**-**	**-**	**(28,033)**	**98,3591**
	13,216,273	**-**	**-**	**(28,033)**	**13,188,240**

1. Directors resigned during the Financial Year 2018.
2. Purchased upon appointment.

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 relevant interest in 71,999,999 shares held by Investment Holdings Pty Ltd

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DIRECTORS' REPORT continued

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 2018	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	-[1]	-	-	4,000,000	4,000,000	-
Mr John Ribot-de-Bresac	2,000,000	-[1]	-	-	2,000,000	2,000,000	-
Dr Timothy Oldham	2,000,000	-	-	-	2,000,000	2,000,000	-
Mr Mario Gattino	-	20,000,000[1]	-	-	20,000,000	-	20,000,000
Mr Brendan Mason	-	-	-	-	-	-	-
Mr Mark Ziirsen	-	-	-	-	-	-	-
	8,000,000	**20,000,000**	**-**	**-**	**28,000,000**	**8,000,000**	**20,000,000**

1. The shareholders have approved the issuance of 34,000,000 unlisted RSH Options to Directors in accordance with resolution 3 of Company's 2017 Annual General Meeting. The Company has since determined that 14,000,000 options to former Directors were not issued and have not vested. Refer to contingent liability note (see Note 20) for more information.
2.

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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. This did not proceed as planned.

DIRECTORS' REPORT continued

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 Mark Ziirsen

Non-Executive Chairman

Dated this the 31st August 2018
Melbourne, Australia

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AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Respiri Limited
Level 29, South Tower
525 Collins Street
Melbourne VIC 3000

31 August 2018

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 2018, 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

Liability limited by a scheme approved under Professional Standards Legislation

Member of Deloitte Touche Tohmatsu Limited

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ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Note	Consolidated 30 June 2018 $ AUD	Consolidated 30 June 2017 $ AUD
Revenue			
Non-operating Revenue	3	17,612	14,630
Other Income	3	861,455	825,603
Total Revenue		**879,067**	**840,233**
Expenses	4		
Amortisation		(118,610)	(263,419)
Consulting, employee and director		(1,039,026)	(760,197)
Equity-based payment	23	(129,312)	(217,102)
Corporate administration		(1,104,311)	(827,054)
Depreciation		(6,838)	(31,549)
Marketing and promotion		(22,826)	(92,015)
Research and development		(1,512,288)	(1,124,865)
Travel		(153,076)	(46,084)
Loss before income tax expense from continuing operations		**(3,207,220)**	**(2,522,052)**
Income tax expense	5	-	-
Loss after income tax for the year		**(3,207,220)**	**(2,522,052)**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(18,862)	(3,408)
Total comprehensive loss for the year		**(3,226,082)**	**(2,525,460)**
Loss attributable to members of the parent entity		**(3,207,220)**	**(2,522,052)**
Total comprehensive loss attributable to members of the parent entity		**(3,226,082)**	**(2,525,460)**
Basic loss per share (cents per share)	8	(0.73)	(0.58)
Diluted loss per share (cents per share)	8	(0.73)	(0.58)

The accompanying notes form part of these financial statements

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STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	Consolidated 30 June 2018 $ AUD	Consolidated 30 June 2017 $ AUD
ASSETS			
Current Assets			
Cash and cash equivalents	9	2,418,427	1,562,920
Trade and other receivables	10	118,763	866,171
Other assets	14	109,833	66,190
Total Current Assets		**2,647,023**	**2,495,281**
Non-Current Assets			
Property, plant and equipment	12	10,951	19,897
Intangible assets	13	-	122,974
Other assets	14	2,985	3,086
Total Non-Current Assets		**13,936**	**145,957**
TOTAL ASSETS		**2,660,959**	**2,641,238**
LIABILITIES			
Current Liabilities			
Trade and other payables	15	997,234	830,743
Other financial liabilities	16	12,912	12,912
Total Current Liabilities		**1,010,146**	**843,655**
TOTAL LIABILITIES		**1,010,146**	**843,655**
NET ASSETS		**1,650,813**	**1,797,583**
EQUITY			
Issued capital	17	102,332,258	99,382,258
Reserves	18	40,510	(69,940)
Accumulated Losses		(100,721,955)	(97,514,735)
TOTAL EQUITY		**1,650,813**	**1,797,583**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Issued Capital $ AUD	Option Reserve $ AUD	Foreign Currency Translation Reserve $ AUD	Accumulated Losses $ AUD	Total $ AUD
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**
Loss after income tax expense for the year	-	-	-	(3,207,220)	(3,207,220)
Other comprehensive income for the year, net of tax	-	-	(18,862)	-	(18,862)
Total Comprehensive Income for the year	**-**	**-**	(18,862)	(3,207,220)	**(3,226,082)**
Transactions with Equity holders in their capacity as equity holders:					
Shares Issued	3,200,000	-	-	-	3,200,000
Capital Raising Costs	(250,000)	-	-	-	(250,000)
Options Issued	-	129,312[2]	-	-	129,312
Balance at 30 June 2018	**102,332,258**	**346,414**	**(305,904)**	**(100,721,955)**	**1,650,813**

1. To transfer the value of lapsed/expired options from the reserve to accumulated losses.
2. The shareholders have approved the issuance of 34,000,000 unlisted RSH Options to Directors in accordance with resolution 3 of Company's 2017 Annual General Meeting. The Company has since determined that 14,000,000 options to former Directors were not issued and have not vested. Refer to contingent liability note (see Note 20) for more information

The accompanying notes form part of these financial statements

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STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Note	Consolidated 30 June 2018 $ AUD	Consolidated 30 June 2017 $ AUD
Cash flows from operating activities			
Receipts from customers		2,255	518
Payments to suppliers and employees (inclusive of GST)		(3,781,680)	(2,927,942)
R&D tax refund[1]		1,687,058	-
Net cash flows used in operating activities	**22a**	**(2,092,367)**	**(2,927,424)**
Cash flows related to investing activities			
Interest received		15,357	14,112
Proceeds from sales of plant and equipment		1,404	-
Payments for purchases of plant and equipment		(7,902)	(582)
Net cash flows used in investing activities		**(8,859)**	**13,530**
Cash flows related to financing activities			
Proceeds from issues of securities		3,000,000	-
Capital raising costs		(50,000)	-
Net cash flows from financing activities		**2,950,000**	**-**
Net (decrease)/increase in cash and cash equivalents		866,492	(2,913,894)
Cash and cash equivalents at the beginning of the year		1,562,920	4,502,078
Effects of exchange rate changes on cash and cash equivalents		(10,985)	(25,264)
Cash and cash equivalents at the end of the year	9	**2,418,427**	**1,562,920**

1. Total R&D tax concession refund received in the financial year 2018 consists of $108,058 of additional refund for the financial year 2015, $825,603 for the financial year 2016, and $753,397 for the financial year 2017.

The accompanying notes form part of these financial statements

NOTES TO THE 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 addresses of its registered office and principal place of business are disclosed in company details (see Note 27).

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.

Statement of Compliance

The financial report of Respiri Limited (the Company) for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on the 31st Day of August 2018

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:

Share-based payment transactions

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

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NOTES TO THE FINANCIAL STATEMENTS continued

Provision for impairment of receivables

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.

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. The operating segments of the Group are determined to be Australia and Israel. For more information, refer to Note 21.

Going Concern Basis

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

The Group is involved in significant development activity and as such, expects to be cash absorbing until its technologies are commercialised. For the year ended 30 June 2018, the Group recorded losses before taxation of $3,207,220 (2017: $2,552,052) and experienced net operating cash outflows of $2,092,367 (2017: $2,927,424). The Group has continued to receive Research and Development Tax Incentive income in relation to these activities, including $1,687,058 cash received in the 2018 financial year relating to the claims for the 2015, 2016, and 2017 financial years. The Group was also successful in raising additional capital of $3,000,000 in April 2018 to assist with its planned milestones.

The Group will require additional funding sources in order to meet its planned milestones. The Group has a number of alternative funding options that it is currently considering to assist in meeting future cash flow commitments relating to funding its path to commercialisation of its technologies. Whilst no decision has been made in relation to these proposals as at the date of these financial statements, the directors believe there are reasonable grounds to expect that the Group has the capacity to raise capital. The Group has a strong track record of accessing capital when it is required to advance our portfolio.

In conjunction with the above, the Group also expects to receive further Research and Development Tax Incentive income in relation to its 30 June 2018 activities. The Directors expect payment for its financial year-end 2018 research and development activities in September/October 2018. The Group is also evaluating other Australian based activity beyond R&D that has the potential to qualify for increased Government funding (e.g. manufacturing and export of our technology).

The Group has also made substantial progress in restructuring of the Israel office and continues to closely monitor its development and overhead expenditure. The Board decision to relocate the technology development activity to our Australian based hardware and software R&D teams has resulted in multiple benefits. Firstly, with our R&D activity being conducted in Australia, we have been able to increase funding from the Research and Development Tax Incentive. Secondly, it has provided increased coordination and efficiency for our development goals in 2018. Based on the above the directors believe the going concern basis of preparation to be appropriate.

Should the Group be unable to achieve the matters set out above, a material uncertainty would exist as to whether the Group will be able to continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might by necessary should the Group not continue as a going concern.

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NOTES TO THE FINANCIAL STATEMENTS continued

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 2017.

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

- AASB1048 Interpretations of Standards
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements to Australian Accounting Standards 2014-2016
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

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	Effective for reporting period beginning	Impact on financial report	Expected to be initially applied
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 does not expect any material impact as current rules are in line with the requirements and it does not apply hedge accounting.	30 Jun 19

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NOTES TO THE FINANCIAL STATEMENTS continued

Ref	Title	Summary	Effective for reporting period beginning	Impact on financial report	Expected to be initially applied
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 does not expect any material impact based on preliminary assessment performed on prospective product and customer type..	30 Jun 19
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 does not expect any material impact.	30 Jun 20
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 Jan 18	The Company does not expect any material impact as no modifications to share-based payments arrangements are likely to occur.	30 Jun 19
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 Jan 2018	The Company does not expect any material impact as current rules are in line with the requirements.	30 Jun 19

NOTES TO THE FINANCIAL STATEMENTS continued

Ref	Title	Summary	Effective for reporting period beginning	Impact on financial report	Expected to be initially applied
AASB 2017-1	*Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014–2016 Cycle and Other Amendments*	AASB 2017-1 amends AASB 1 First-time Adoption of Australian Accounting Standards (July 2015), AASB 128 Investments in Associates and Joint Ventures (August 2015) and AASB 140 Investment Property (August 2015). As a consequence of the issuance of International Financial Reporting Standards Transfers of Investment Property (Amendments to IAS 40) and Annual Improvements to IFRS Standards 2014-2016 Cycle and IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration by the International Accounting Standards Board (IASB) in December 2016.	1 Jan 2018	The Company does not expect any material impact as there will be minimal application.	30 Jun 19
AASB 2018-1	*Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle*	AASB 2018-1 amends AASB 3 Business Combinations (August 2015), AASB 11 Joint Arrangements (July 2015), AASB 112 Income Taxes (August 2015) and AASB 123 Borrowing Costs (August 2015). As a consequence of the issuance of International Financial Reporting Standard Annual Improvements to IFRS Standards 2015- 2017 Cycle by the International Accounting Standards Board (IASB) in December 2017.	1 Jan 19	The Company does not expect any material impact.	30 Jun 20

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.

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NOTES TO THE FINANCIAL STATEMENTS continued

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 recorded as revenue for the year when received, rather than when expenditure was incurred.

(c) Current and non-current classification

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

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(d) Inventories

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

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

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

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

(e) 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 transfer 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.

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NOTES TO THE FINANCIAL STATEMENTS continued

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

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

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.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial Liabilities

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

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

(h) Impairment of Assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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For certain categories of financial assets, such as trade receivables, assets that are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the entity's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

(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.

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

NOTES TO THE FINANCIAL STATEMENTS continued

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.

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(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.

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

Sale of goods
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.

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

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

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

Royalty payments are treated as a reduction of the liability.

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

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

(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.

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NOTES TO THE FINANCIAL STATEMENTS continued

(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.

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 2018 $ AUD	30 June 2017 $ AUD
Statement of Financial Position		
Assets		
Current Assets	2,588,775	2,412,843
Non-Current Assets	13,706	9,927
Total Assets	**2,602,481**	**2,422,770**
Liabilities		
Current Liabilities	537,289	296,843
Total Liabilities	**537,289**	**296,843**
Net Assets	**2,065,192**	**2,125,927**
Equity		
Issued Capital	102,332,258	99,382,258
Reserves	346,414	217,102
Accumulated Losses[1]	(100,613,480)	(97,473,433)
Total Equity	**2,065,192**	**2,125,927**
Statement of Profit or Loss and Other Comprehensive Income		
Loss after income tax	(3,140,047)	(2,283,619)
Total Comprehensive Income	**(3,140,047)**	**(2,283,619)**

1. There was no transfer of lapsed/expired options from reserve in the financial year 2018 (2017: $327,990)

Parent Entity Contingencies and Commitments

Parent Entity does not have any contingent liabilities and commitments.

Parent Entity Guarantees in Respect of the Debts of its Subsidiaries

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

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Note 3 - Revenue

	30 June 2018 $ AUD	30 June 2017 $ AUD
Revenue		
Non-operating Revenue		
Interest	15,357	14,112
Other Revenue	2,255	518
Total Non-Operating Revenue	**17,612**	**14,630**
Total Revenue	**17,612**	**14,630**
Other Income		
R&D Tax Concession Received [1]	861,455	825,603
Total Other Income	**861,455**	**825,603**
	879,067	**840,233**

1. The R&D tax concession refund of $861,455 recorded in the financial year 2018 consists of $108,058 of additional R&D tax concession refund for the financial year 2015 and the R&D tax concession refund of $753,397 for the financial year 2017. The financial year 2017 comparatives relates to R&D tax concession refund for the financial year 2016 of $825,603.

   The value of any allocable R&D tax concession refund with respect to eligible R&D expenditures incurred during the financial year 2018 has not yet been determined and have therefore not been included within the financial statements for financial year 2018.

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NOTES TO THE FINANCIAL STATEMENTS continued

Note 4 - Expenses

		30 June 2018 $ AUD	30 June 2017 $ AUD
Expenses			
a)	**Amortisation**	**118,610**	**263,419**
b)	**Consulting, employee and director**		
	Consulting expenses	292,241	158,119
	Employee expenses	286,634	201,438
	Director expenses	460,151	400,640
		1,039,026	**760,197**
c)	**Equity-based payment**	**129,312**	**217,102**
d)	**Corporate administration**		
	Audit and accounting fees	78,642	102,089
	Foreign exchange (gain)/loss	(2,665)	3,416
	Corporate administration expenses	998,264	681,711
	Office rentals	30,070	34,504
	Other	-	5,334
		1,104,311	**827,054**
e)	**Depreciation**	**6,838**	**31,549**
f)	**Marketing and promotion**	**22,826**	**92,015**
g)	**Research and development**	**1,512,288**	**1,124,865**
h)	**Travel**	**153,076**	**46,084**
Total Expenses		**4,086,287**	**3,362,285**

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NOTES TO THE FINANCIAL STATEMENTS continued

Note 5 - Income Tax Expenses

		30 June 2018 $ AUD	30 June 2017 $ 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	(3,207,220)	(2,522,052)
	Income tax benefit calculated at 27.50% (2017:27.50%)	(881,985)	(693,564)
	Tax effect of amounts which are not deductible in calculating income tax:		
	- impairment and amortisation expenses	32,618	72,440
	- share-based payments expenses	35,560	59,703
	- other expenses not deductible	10,527	40,161
	Other non-assessable income	(236,900)	(227,041)
	Other deductible items	(38,842)	(66,510)
	Deferred tax assets relating to tax losses and temporary differences not recognised	1,079,022	814,811
	Income tax expense	-	-
b)	**Unrecognised Deferred Tax Assets and Liabilities**		
	Deferred tax assets and liabilities are attributable to the following:		
	- Tax losses	18,821,228	17,706,079
	- Prepayments	(30,205)	(18,202)
	- Inventory	-	-
	- Provision	3,292	5,212
	- Accruals	26,028	48,232
	Net deferred tax assets not recognised	**18,820,343**	**17,741,321**
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 Australian entities alone of $20,082,070 (2017: 17,667,469) relate to losses generated from 22 November 2006 to 30 June 2018. 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.

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NOTES TO THE FINANCIAL STATEMENTS continued

Note 6 - Key Management Personnel Compensation

	30 June 2018 $ AUD	30 June 2017 $ AUD
Short-term employee benefits	460,151	400,640
Post-employment benefits	-	-
Share-based payments[1]	129,312	173,682
	589,463	**574,322**

1. Refer to Note 23 for reconciliation.

Note 7 - Auditor's Remuneration

	30 June 2018 $ AUD	30 June 2017 $ AUD
Remuneration of Company's Auditor, Deloitte Touche Tohmatsu for:		
- auditing or reviewing the financial report of the Group	72,050	92,150
	72,050	**92,150**
Remuneration of Subsidiary Company's Auditor, Ernst & Young Israel for:		
- auditing or reviewing the financial report of the subsidiary[1]	6,592	9,939
	78,642	**102,089**

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 2018	30 June 2017
Basic loss per share (cents)	(0.73)	(0.58)
Diluted loss per share (cents)	(0.73)	(0.58)
a) Net loss used in the calculation of basic and diluted loss per share	(3,207,220)	(2,522,052)
b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted loss per share	441,492,813	432,717,471

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

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NOTES TO THE FINANCIAL STATEMENTS continued

Note 9 - Cash and Cash Equivalents

	30 June 2018 $ AUD	30 June 2017 $ AUD
Cash at Bank	2,418,427	1,562,920

The interest rates on cash at bank on 30th June 2018 was 0.6% (2017: 0.9%). 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 2018 $ AUD	30 June 2017 $ AUD
Current		
Other Receivables[1]	118,763	866,171

1. Other receivables include GST/V.A.T receivable. The 30 June 2017 balance includes the R&D tax concession refund receivable of $825,603 for the financial year 2016. The refund was received in July 2017. (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 2018	 30 June 2017
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.

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NOTES TO THE FINANCIAL STATEMENTS continued

Note 12 - Property, Plant and Equipment

	30 June 2018 $ AUD	30 June 2017 $ AUD
Furniture & Fittings		
At cost	-	12,505
Accumulated depreciation	-	(6,759)
	-	**5,746**
Computer Equipment & Software		
At cost	188,981	218,382
Accumulated depreciation	(178,030)	(204,859)
	10,951	**13,523**
Medical Equipment		
At cost	35,442	97,256
Accumulated depreciation	(35,442)	(96,628)
	-	**628**

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 2016	6,241	35,957	7,899	50,097
Additions	-	582	-	582
Depreciation expense	(884)	(23,294)	(7,371)	(31,549)
Write Off/Disposals of assets	-	-	-	-
Exchange adjustments	389	278	100	767
Carrying amount as at 30 June 2017	**5,746**	**13,523**	**628**	**19,897**
Additions	-	7,902	-	7,902
Depreciation expense	(311)	(6,454)	(73)	(6,838)
Write Off/Disposals of assets	(5,435)	(4,020)	(555)	(10,010)
Exchange adjustments	-	-	-	-
Carrying amount as at 30 June 2018	**-**	**10,951**	**-**	**10,951**

NOTES TO THE FINANCIAL STATEMENTS continued

Note 13 - Intangible Assets

	30 June 2018 $ AUD	30 June 2017 $ AUD
Intellectual Property		
At cost	2,006,793	2,011,157
Accumulated Amortisation	(2,006,793)	(1,888,183)
	-	**122,974**

	Acquired Intellectual Property $AUD
Balance as at 1 July 2016	368,922
Additions	-
Amortisation	(263,419)
Exchange adjustments	17,471
Carrying amount as at 30 June 2017	122,974
Additions	-
Amortisation	(118,610)
Exchange adjustments	(4,364)
Carrying amount as at 30 June 2018	-

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. The asset is fully written down as at 30 June 2018

Note 14 - Other Assets

	30 June 2018 $ AUD	30 June 2017 $ AUD
Current		
Prepayments	94,299	43,693
Deposits	15,534	22,497
	109,833	**66,190**
Non-Current		
Other	2,985	3,086
	2,985	**3,086**
	112,818	**69,276**

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NOTES TO THE FINANCIAL STATEMENTS continued

Note 15 - Trade and Other Payables

	30 June 2018 $ AUD	30 June 2017 $ AUD
Current		
Trade payables	503,312	268,470
Accrued expenses	493,922	562,273
	997,234	**830,743**

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 2018 $ AUD	30 June 2017 $ AUD
Current		
Other Financial Liability[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 2018		30 June 2017	
	No.	$ AUD	No.	$ AUD
Fully Paid Ordinary Shares				
Balance at beginning of year	433,383,224	$99,382,258	432,383224	99,312,258
Shares issued during the year	40,000,000	3,200,000[1]	1,000,000	70,000
Transactions costs relating to share issues	-	(250,000)[1]	-	-
Total Issued Capital	**473,383,224**	**102,332,258**	**433,383,224**	**99,382,258**

During the Year ended 30 June 2018, the Company issued the following securities:

Date	Details	No.	Issue Price $ AUD	Total Value $ AUD
18 Apr 18	Issue of shares in lieu of cash payment for services rendered [1]	2,500,000	0.080	200,000
18 Apr 18	Issue of shares to certain professional and sophisticated investors as announced to the market on 10th April 2018	37,500,000	0.080	3,000,000
		40,000,000		**3,200,000**

1. $200,000 of this amount pertains to shares issued to the Lead Manager in lieu of cash payment for services rendered in connection with the share placement in April 2018.

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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 2018		30 June 2017	
	No.	$ AUD	No.	$ AUD
Options				
Balance at beginning of year	20,000,000	217,102	15,143,060	327,990
Unlisted Options issued during the year	20,000,000[1]	129,312	20,000,000	217,102
Lapse of options	-	-	(15,143,060)	(327,990)
Cancellation of options	(10,000,000)[2]	-	-	-
Total Option Reserve	**30,000,000**	**346,414**	**20,000,000**	**217,102**
FX Reserve				
Balance at beginning of year	-	(287,042)	-	(283,634)
Other comprehensive income for the year, net of tax	-	(18,862)	-	(3,408)
Total FX Reserve	**-**	**(305,904)**	**-**	**(287,042)**
Total Reserves	**30,000,000**	**40,510**	**20,000,000**	**(69,940)**

1. The shareholders have approved the issuance of 34,000,000 unlisted RSH Options to Directors in accordance with resolution 3 of Company's 2017 Annual General Meeting. The Company has since determined that 14,000,000 options to former Directors were not issued and have not vested. Refer to contingent liability note (see Note 20) for more information.
2. 10,000,000 Unlisted Options issued on 24 February 2017 exercisable at $0.10 on or before 24 February 2022 for corporate advisory consultant services compensation were cancelled in December 2017. No expense recognised given this has all occurred within the same financial year.

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.

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NOTES TO THE FINANCIAL STATEMENTS continued

Note 19 - Capital and Leasing Commitments

a) Operating Lease Commitments

	30 June 2018 $ AUD	30 June 2017 $ 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
- between 12 months and 5 years	-	-
	-	**21,162**

Haifa, Israel

The lease is a non-cancellable lease with a five-year term and has expired in 2018. There are no further lease commitments for the Israel operation.

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.

Former Directors' Options

At the 2017 Annual General Meeting on 14 December 2017, shareholders approved the issue of 14,000,000 options to two directors who subsequently resigned on 30 May 2018 and that the Company has determined were not issued and have not vested. The financial statements have been prepared reflecting the Company's position. The former directors have communicated to the Company that they disagree with the Company's determination that the options were not issued and have not vested, and it is possible that they may take legal action against the Company. The Company has rejected their view and will, should it be required to do so, strongly defend its position.

In the event that the Company was required to recognise that the options were issued and had vested, a non-cash share-based payments expense of $934,000 would be recognised in the remuneration report and consolidated statement of profit and loss and other comprehensive income for the year ended 30 June 2018 and the net loss for the year then ended would have been $4.1million.

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NOTES TO THE FINANCIAL STATEMENTS continued

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.

	----- Medical Devices ----- Segment		Segment	Corporate	Total
30 June 2018	**Australia**	**Israel**	**Total**		
	$ AUD	**$ AUD**	**$ AUD**	**$ AUD**	**$ AUD**
Segment Revenue					
External sales	-	-	-	-	-
Interest revenue	-	2,259	2,259	15,353	17,612
Other Income	861,455	-	861,455	-	861,455
Total Segment Revenue	**861,455**	**2,259**	**863,714**	**15,353**	**879,067**
Segment Expenses					
Segment Depreciation Expenses		(2,714)	(2,714)	(4,124)	(6,838)
Segment Expenses	(1,582,684)	(395,892)	(1,978,576)	(2,100,874)	(4,079,449)
Total Segment Expense	**(1,582,684)**	**(398,606)**	**(1,981,290)**	**(2,104,998)**	**(4,086,287)**
Income Tax Expense					
Net Result	**(721,229)**	**(396,347)**	**(1,117,576)**	**(2,089,645)**	**(3,207,220)**
Assets					
Segment assets	25,139	34,628	59,767	2,601,192	2,660,959
Total Assets	**25,139**	**34,628**	**59,767**	**2,601,192**	**2,660,959**
Liabilities					
Segment liabilities	404,816	31,856	436,672	573,474	1,010,146
Total Liabilities	**404,816**	**31,856**	**436,672**	**573,474**	**1,010,146**

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NOTES TO THE FINANCIAL STATEMENTS continued

	----- Medical Devices ----- Segment		Segment	Corporate	Total
30 June 2017	Australia	Israel	Total		
	$ AUD	$ AUD	$ 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**

Note 22 - Cash Flow Information

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

	30 June 2018 $AUD	30 June 2017 $AUD
Net Loss for the year	**(3,207,220)**	**(2,522,052)**
Add back depreciation expense	6,838	31,549
Add back amortisation expense	118,610	263,419
Add back share-based payments	129,312	217,102
Add back interest from investing activities	(15,357)	
Add back shares issued for nil consideration	-	70,000
Add back loss on disposal/write-off of assets	7,856	-
Add back foreign exchange adjustments	(2,663)	3,417
(Increases)/Decreases in Accounts Receivable[1]	747,410	(785,772)
Increases in Other Current Assets	(43,644)	7,630
(Decreases)/Increases in Accounts Payable	166,491	(198,605)
Net cash flows used in operating activities	**(2,092,367)**	**(2,913,312)**

Decrease in receivables balance relates to receipt of R&D tax concession receivable as at 30 June 2017 in the financial year 2018 (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.

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NOTES TO THE FINANCIAL STATEMENTS continued

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.

The weighted average fair value of the share options granted during the financial year is $0.087 (2017: $0.029). Expected volatility is based on the historical share price volatility over the past 2 years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after vesting date when the share price is two and a half times the exercise price.

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

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

No. of Options	Grant Date	Expiry date	Share price at grant date $ AUD	Exercise price $ AUD	Expected Volatility	Dividend yield	Risk-free interest rate	Fair value at grant date $ AUD
6,000,000[1]	14 Dec 17	31 Dec 23	$0.04	$0.03	136.00%	-	2.00%	$0.04753
6,000,000[2]	14 Dec 17	31 Dec 24	$0.04	$0.03	136.00%	-	2.00%	$0.09237
8,000,000[3]	14 Dec 17	31 Dec 25	$0.04	$0.03	136.00%	-	2.00%	$0.11227

1. Options will vest after 31 December 2018 subject to the Company's share price being $0.10 or greater on 10 trading days on any 20 sequential trading days in the three months commencing October 2018 and in the fifteen months subsequent to that date.
2. Options vest after 31 December 2019, subject to the Company's share being $0.15 or greater on 10 trading day on any 20 sequential trading days in the three months commencing October 2019 and in the fifteen months subsequent to that date.
3. Options will vest after 31 December 2020, subject to the Company's share price being $0.20 or greater on 10 trading days in the three months commencing October 2020 and in the fifteen months subsequent to that date.

Expected volatility was calculated using the Monte Carlo Simulation Model calculator.

c) Movements in share options during the year

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NOTES TO THE FINANCIAL STATEMENTS continued

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

	30 June 2018		30 June 2017	
	No. of Options	Weighted Average Exercise Price $ AUD	No. of Options	Weighted Average Exercise Price $ AUD
Outstanding at the beginning of the year	20,000,000	0.19	15,143,060	0.32
Granted	20,000,000[1]	0.03	20,000,000	0.19
Exercised	-	-	-	-
Expired/lapsed	-	-	(15,143,060)	-
Cancelled	(10,000,000)	-	-	-
Outstanding at year-end	**30,000,000**	**0.12**	**20,000,000**	**0.19**
Exercisable at year-end	10,000,000	0.12	20,000,000	0.19

1 The shareholders have approved the issuance of 34,000,000 unlisted RSH Options to Directors in accordance with resolution 3 of Company's 2017 Annual General Meeting. The Company has since determined that 14,000,000 options to former Directors were not issued and have not vested. Refer to contingent liability note (see Note 20) for more information

d) Share options exercised during the year

No options were exercised during the financial year 2018.

e) Share options outstanding at the end of the year

The options outstanding at 30 June 2018 had a weighted average exercise price of $0.03 (2017: 0.19) and a weighted average remaining contractual life between 1.5 to 7.5 years. Exercise prices range from $0.03 (2017: 0.10) to $0.28 (2017: 0.28) in respect of options outstanding at 30 June 2018.

f) Share based payments expense

	30 June 2018 $ AUD	30 June 2017 $ AUD
Share-based payments		
- Options issued to directors	129,312[1]	173,682
- Options issued to supplier	-	43,420
	129,312	**217,102**

1 The shareholders have approved the issuance of 34,000,000 unlisted RSH Options to Directors in accordance with resolution 3 of Company's 2017 Annual General Meeting. The Company has since determined that 14,000,000 options to former Directors were not issued and have not vested. Refer to contingent liability note (see Note 20) for more information

Note 24 - Subsequent Events

Other than the matters disclosed in the contingent liabilities note (see Note 20), there have been no other matters or circumstances since the end of the reporting period which 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.

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NOTES TO THE FINANCIAL STATEMENTS continued

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% (2017: 5.45%) per annum. As at 30 June 2018, the balance outstanding from subsidiaries was $55,461,191 (2017: $51,815,491) and the interest charged for the financial year was $1,610,064 (2017: $1,522,319). An accumulated provision for impairment of $55,461,191 (2017: $51,815,491) has been recognised by Respiri Limited against these loans. In the current period the parent recognised an impairment expense of $3,645,700 (2017: $3,095,590) 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 2018 $ AUD	30 June 2017 $ AUD
Financial Assets		
Cash and cash equivalents	2,418,427	1,562,920
Trade and other receivables	118,763	866,171
	2,537,190	**2,429,091**
Financial liabilities		
Trade and other payables	997,234	830,743
Other financial liabilities	12,912	12,912
	1,010,146	**843,655**

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 2018 $ AUD	30 June 2017 $ AUD
Cash and trade and other receivables		
- ILS	20,108	33,262
- USD	10,514	11,152
	30,622	**44,414**
Trade and other payables		
- ILS	(18,944)	(80,045)
- USD	(26,795)	(34,900)
	(45,739)	**(114,945)**

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
2018	5%	(814)
	(5%)	814
2017	5%	(1,187)
	(5%)	1,187

	Change in ILS Rate	Effect on profit before tax
2018	5%	59
	(5%)	(59)
2017	5%	(2,339)
	(5%)	2,339

b) Interest Rate Risk

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

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

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	30 June 2018			
	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	2,418,427	0.60	(24,184)	24,184
Total (decrease)/increase	2,418,427	-	(24,184)	24,184

	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

c) Credit Risk

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

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

d) Liquidity Risk

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

Management manages this risk by monitoring rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

	0-30 days $ AUD	31-60 days $ AUD	61-90 days $ AUD	90+ days $ AUD	Total $ AUD
2018 Trade and other payables	(875,753)	(20,506)	(64,789)	(36,186)	(997,234)
2017 Trade and other payables	(677,526)	(31,934)	(4,961)	(116,322)	(830,743)
2018 Trade and other receivables	118,763	-	-	-	118,763
2017 Trade and other receivables	866,171	-	-	-	866,171

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.

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NOTES TO THE FINANCIAL STATEMENTS continued

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

Registered Office

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AUSTRALIA 3000

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DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and the notes, as set out on pages 31 to 60, and the remuneration disclosures that are contained within the Remuneration report within the Directors' report, set out on pages 15 to 24, 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 Mark Ziirsen

Non-Executive Chairman

Dated this the 31st Day of August 2018

Melbourne, Australia

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INDEPENDENT AUDITOR'S REPORT

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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 2018, 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 2018 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of $3,207,220 and had a net cash outflow from operating activities of $2,092,367 for the year ended 30 June 2018. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Our procedures in relation to going concern included, but were not limited to:

- Inquiring of management and the directors as to knowledge of events and conditions that may impact the assessment on the Group's ability to continue as a going concern,
- Challenging the assumptions contained in management's forecast in relation to the Group's ability to continue as a going concern,
- Comparing the cash flow forecasts with the Board approved budgets, and
- Assessing the adequacy of the disclosure related to going concern in Note 1.

Emphasis of Matter
We draw attention to note 20 of the financial report, which describes a contingent liability in relation to a legal dispute. Our opinion is not modified in respect of this matter.

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

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Authorisation and Classification of Expenses A key measure of Respiri's performance is their level of expenditure incurred on the research and development of the "mobile wheeze monitoring system". The company incurred $1.5 million in relation to these expenses for the year ended 30 June 2018. 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 the design and implementation of key controls in respect of the expenditure process, and • testing on a sample basis, expenses including research and development expenses to assess whether they were appropriately recorded and classified. 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 2018, 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

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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.

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.

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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.

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 pages 13 to 22 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Respiri Limited, for the year ended 30 June 2018, 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, 31 August 2018

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SHAREHOLDER INFORMATION as at 12 October 2018

Equity security holders

Twenty largest quoted equity security holders

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

Holder	Ordinary shares held	% of total shares issued
INVESTMENT HOLDINGS PTY LTD <INVESTMENT HOLDINGS UNIT A/C>	71,999,999	15.21%
MR PETER KARL BRAUN	12,005,000	2.54%
NETWEALTH INVESTMENT LTD <SUPER SERVICES A/C>	11,096,761	2.34%
NETWEALTH INVESTMENT LTD <WRAP SERVICES A/C>	9,154,660	1.93%
LUHOPI PTY LTD <THE RIBOT FAMILY SETTLEMENT A/C>	7,533,614	1.59%
INVIA CUSTODIAN PTY LIMITED <H C MITCHELL FAMILY S/F A/C>	7,369,957	1.56%
EQUITAS NOMINEES PTY LIMITED	6,642,449	1.40%
DR BELINDA DEBORAH JACKSON	6,539,562	1.38%
CLEMWELL PTY LTD <THE WELLS FAMILY A/C>	5,535,678	1.17%
NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETTLEMENT A/C>	5,350,000	1.13%
MR ROSS SPENCE BAYNES	5,309,500	1.12%
ATLANTIS INVESTIGATIONS PTY LIMITED <LARAYNE PORTER S/FUND A/C>	5,308,893	1.12%
MR WILLIAM JOHN RICHARDS & MRS MARY MITCHELL RICHARDS <RICHARDS FAMILY S/FUND A/C>	5,250,846	1.11%
MR STEPHEN RICHARD BARRETT <SR & A BARRETT SUPER A/C>	5,200,000	1.10%
LAVAL ENTERPRISES PTY LTD <LAVAL ENTERPRISES S/F A/C>	5,000,000	1.06%
MR GARY RONALD HEATH & MRS MELISSA LOUISE HEATH	4,919,720	1.04%
MR EMMANUEL JOSEPH DUVNJAK	4,686,846	0.99%
PRINCIPAL ASSET MANAGEMENT PTY LTD	4,315,733	0.91%
MR WILLIAM JOHN RICHARDS & MRS MARY MITCHELL RICHARDS <RICHARDS FAMILY S/F A/C>	4,100,000	0.87%
MR RAYMOND MARTIN HARVEY & MRS DORITH HARVEY <HARVEY SUPERFUND A/C>	3,858,000	0.81%

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SHAREHOLDER INFORMATION continued

Unquoted equity securities

Unquoted equity securities	Number on issue	Number of holders
Options over ordinary shares issued	30,000,000	5

Substantial holders

Substantial holders in the Company are set out below:

Holder	Designation	Number held	% of total shares issued
INVESTMENT HOLDINGS PTY LTD	INVESTMENT HOLDINGS UNIT A/C	71,999,999	15.21%

Voting rights

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

<u>Ordinary shares</u>

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

There are no other classes of equity securities.

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

Securities subject to voluntary escrow
There are no securities subject to voluntary escrow.

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

	Number of holders of ordinary shares
1 to 1,000	1,911
1,001 to 5,000	530
5,001 to 10,000	358
10,001 to 100,000	1,041
100,001 and above	498

Unmarketable parcels

As at the above date there were 2,362 shareholders with unmarketable parcels on the register.

SHAREHOLDER INFORMATION continued

SHAREHOLDER ENQUIRIES

Shareholders with enquirie 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.

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CORPORATE DIRECTORY

AUSTRALIAN COMPANY NUMBER (ACN)

009 234 173

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

DIRECTORS

Mr Mario Gattino	CEO and Executive Director (Appointed on 14 Dec 2017)
Mr Brendan Mason	Non-Executive Director (Appointed on 30 May 2018)
Mr Mark Ziirsen	Non- Executive Chairman (Appointed on 30 May 2018)

COMPANY SECRETARY
Mr Julian Rockett

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AUSTRALIA 3000
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770 Canning Highway
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Australia
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AUDITORS
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Melbourne, Victoria, 3000
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Telephone: +61 (0) 3 9671 7000

BANKERS
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330 Collins Street,
Melbourne, Victoria, 3000
Australia

WEBSITE
www.respiri.co

SECURITIES QUOTED

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

RESPIRI
A Breath of Fresh Ideas

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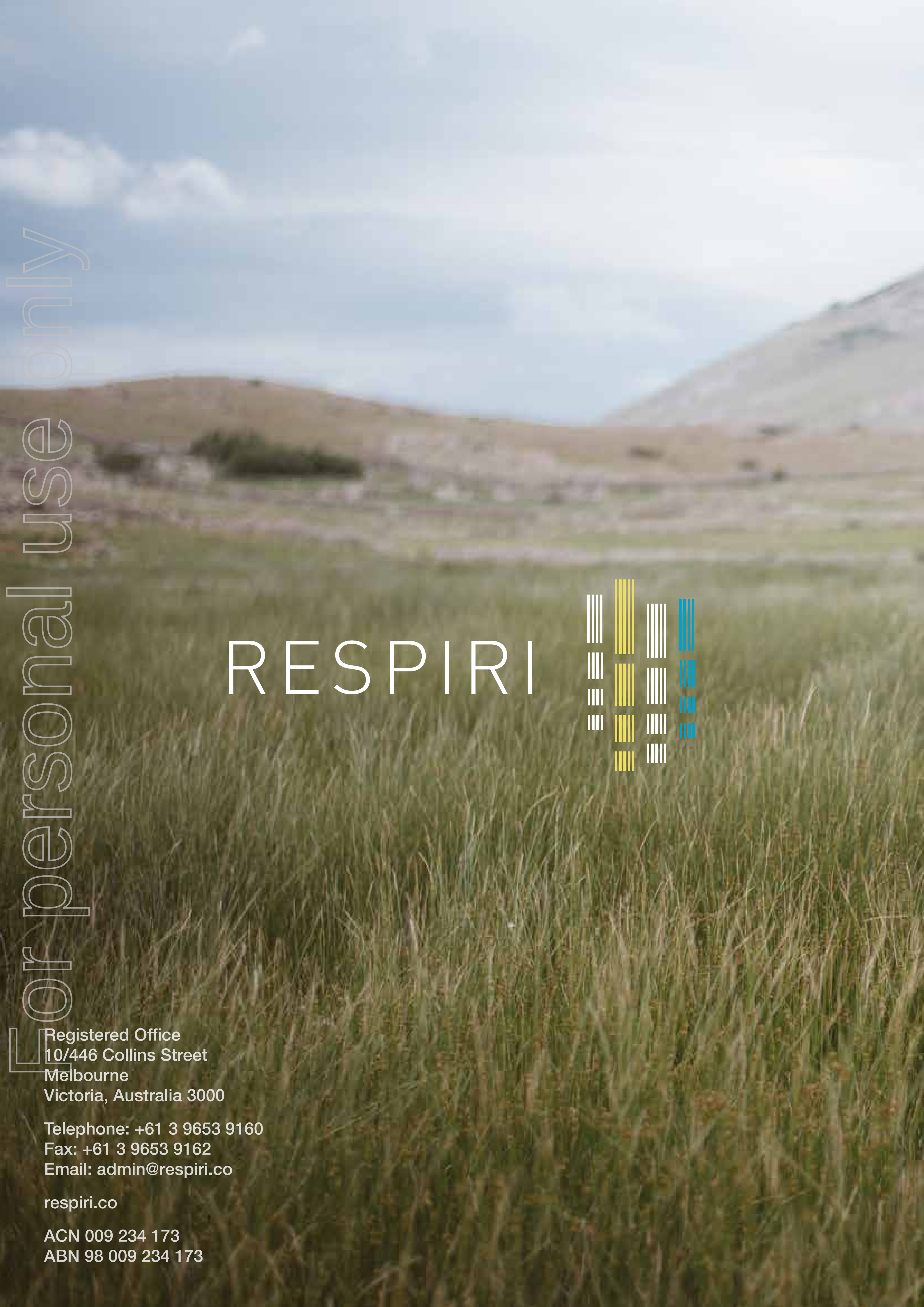

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