

27 January 2021

December 2020 Quarterly Cash Flow and Quarterly Activities Report

Respiri Limited (ASX:RSH) (“Respiri” or the “Company”), an eHealth SaaS Company supporting respiratory health management, today announces the Appendix 4C quarterly cash flow and activities for the 3 month period ended 31 December 2020.

Operating Highlights

The December quarter was an exceptionally productive and busy period for Respiri, with a resolute focus on the Australian launch of wheezo, in partnership with Cipla which was achieved on time and on budget, despite significant COVID-19 headwinds including a complete lockdown in the State of Victoria. In addition, the Company successfully completed a major manufacturing cost-out initiative with its manufacturing partner Entech Electronics, resulting in a reduction in the costs of goods sold by up to 85% on prior levels.

Additionally, the Company negotiated changes to payment terms that are expected to materially improve the Company’s working capital requirements in CY2021 and beyond, whereby payment will now be made on delivery of manufactured units as opposed to upfront payment terms with Entech.

Based on pharmacy-level feedback and in consultation with Respiri’s Australian exclusive sales and marketing partner Cipla, the Company revised down the wheezo unit pricing and increased the monthly subscription fee to drive demand for patients more sensitive to upfront device costs. As a result, Cipla have committed to increase the initial minimum order quantity by 250% to 7,000 units. Over a two year period, this change is expected to deliver a 9% increase in average customer gross margins and 18% over the life of a customer.

The Company continues to develop and improve upon the wheezo technology platform by way of investment into Research and Development. In October, the Company filed an additional patent application based on improvements made to the wheezo™ algorithm over the last 6 months by the Company’s development team. The additional Intellectual Property (IP) relates principally to a method of processing recordings of a subject’s breathing, whereby an analysis algorithm processes the sound signal and marks periods containing pitch that is characteristic of wheeze via the trachea while concurrently eliminating background noise. The result is an improved level of detection and a standardised and reproducible measure of wheeze. The Company continues to progress its clinical development plans, which aims to standardise wheeze definition through objective measures and not subjective assessments.

In December, the Company announced a sales and marketing partnership with the Pharmacy 4 Less group of pharmacies for the sale of wheezo devices commencing in early 2021 across their pharmacy network. With a network of over 100 stores across Australia, the Pharmacy 4 Less group is built on a foundation of professional expertise and personal service. Respiri will support the group with a commitment to build a relevant training program focused on asthma management using wheezo.

Respiri also successfully onboarded the Pharmacy Platform Group during the quarter and is the leading independently owned pharmacy services business in Australia, operating across all sectors of the pharmacy industry. The Group has combined Advantage Pharmacy, Chemist Discount, Pharmacy

Catalyst and Instigo and represents over 350 pharmacy members and an additional 500 pharmacy clients.

Shortly after the end of the quarter, Respiro announced the SuperChem pharmacy network will commence sales of wheezo, taking the total number of pharmacies onboarded with wheezo to approximately 460.

The Company is in active discussions with a number of additional pharmacy banner groups, representing a pharmacy footprint of over 1,000 stores across Australia. The Company expects to make further ASX announcements once these discussions are finalised and initial orders have commenced.

In addition during December the Company held several successful media events to mark the launch of wheezo with ambassador and former Australian cricket captain Michael Clarke and the Carlton Football Club where wheezo will be an official Co-Major partner for the 2021 AFLW season. The launch of wheezo attracted national media coverage from Channel 7 and Channel 10 News, 2GB and 4BC radio and various other editorial coverage.

The Company continued its regulatory dialogue with the United States Food and Drug Administration (US FDA) relating to the filing for regulatory clearance of wheezo in the US via the 510(k) process for wheezo™ and the associated software system.

The clearance, if granted, will allow Respiro to market and sell wheezo in the US for the detection and monitoring of respiratory wheeze, reported as the wheeze rate. The Company anticipates receiving regulatory clearance during the current quarter. This would represent a major milestone for the Company into the new year.

Corporate & Financial Highlights

In October, Respiro completed an oversubscribed \$12.5m share placement to institutional, professional and sophisticated Australian investors and included a number of new institutional investors onto the share register with strong support from our existing investors. The additional funding provides Respiro with the financial flexibility to meet stated corporate objectives, which included the commercial launch of wheezo™ in Australia, which occurred during the quarter and in the longer term progressive commercial launches in key offshore markets including the US and Europe/UK. The capital raised is expected to fully fund the Company to a sustainable cash flow breakeven position, which is forecast to occur in the second half of FY22.

The Company recorded cash receipts from customers of \$0.17m, representing initial sales to Cipla under the Exclusive Sales/Marketing, Distribution & Logistics Agreement signed in July 2020 and additional online wheezo orders.

Product manufacturing and operating costs of \$0.94m reflect the costs associated with initial scale up manufacturing and inventory build including long lead time componentry for 25,000 devices to support expected future demand. Advertising and marketing costs of \$0.52 million include costs associated with the launch of wheezo in Australia during the quarter, promotional activities and costs associated with the patient experiential program. Administration and corporate costs of \$0.68m reflect the additional headcount required to support Respiro's corporate objectives, including manufacturing, quality, regulatory and commercial personnel.

Total operating cash outflows for the December quarter were \$2.7m.

The Company closed the quarter with cash and cash equivalents of \$11.4m, driven by the \$12.5m share placement financing cash inflow as described above.

Payments to related parties of \$0.16m, consisted of fees payable to the Executive and Non-Executive Directors of the Company.

The Appendix 4C cash flow report is attached below.

Annual General Meeting

On 16 December 2020, Respiro held its 2020 Annual General Meeting (AGM) of investors by way of a fully virtual meeting platform. The Company elected to hold a virtual meeting consistent with the temporary modifications to the Corporations Act 2001 introduced by the Commonwealth Treasurer and noting the significant health concerns and restrictions issued by the respective Australian state and federal governments due to COVID-19.

Respiro's CEO Marjan Mikel updated investors on the achievements of the Company during FY20, including the Australian launch of wheezo along with material improvements in manufacturing costs and the roadmap for the 2021 financial year.

Respiro received strong shareholder support for each of the resolutions put forward at the AGM, with all resolutions passed by way of a poll.

- ENDS -

For further information, investors and media please contact:

Mr Marjan Mikel
CEO & Managing Director
Respiro Limited
P: +61 408 462 873
E: marjan@respiro.co

Mr Nicholas Smedley
Executive Chairman
Respiro Limited
P: +61 447 074 160
E: nicholas@respiro.co

This ASX announcement dated 27 January 2021 has been authorised for release by the Board of Directors of Respiro Limited.

About Respiro Limited

Respiro is an e-Health SaaS company supporting respiratory health management. Its world-first technology detects wheeze, a typical symptom of asthma, COPD and respiratory disease to provide an objective measure of airway limitation. wheezo, Respiro's innovative technology, comprises an eHealth app combined with a simple, easy to use, handheld device. wheezo is the first smart device to help improve asthma management by monitoring wheeze and documenting symptoms, signs, triggers, weather conditions and medication use. The asthma management platform also facilitates the sharing of data with caregivers, physicians and other health care professionals.

Respiro's mission is to help improve quality of life for hundreds of millions of children and adults around the world and dramatically reduce hospital admissions and the economic burden of asthma. Respiro Limited's operations are based in Melbourne, Australia.

For additional information about Respiro and its products, please visit www.respiro.co

About wheezo

Developed in Australia, with the support of respiratory specialists and other healthcare professionals, the innovative wheezo device analyses breath sounds for wheeze, and the eHealth App assists patients with managing their asthma by tracking symptoms, triggers, medication use and geo-specific weather conditions. The platform has been designed to extend asthma management beyond the clinic and make it easy to share information with doctors and make appropriate adjustments to asthma action plans. Better active management may lead to better outcomes and improved quality of life for the asthma patient.

For further information about wheezo, follow the online link <https://wheezo.com>

™ wheezo is a trademark of Respi Limited.

Forward Looking Statements

Certain statements made in this announcement are forward-looking statements. These forward looking statements are not historical facts but rather are based on Respi current expectations, estimates and projections about the industry in which Respi operates, and its beliefs and assumptions. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "guidance" and similar expressions are intended to identify forward looking statements and should be considered an at-risk statement. Such statements are subject to certain risks and uncertainties, particularly those risks or uncertainties inherent in the process of developing technology and in the endeavour of building a business around such products and services. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of Respi, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward looking statements. Respi cautions shareholders and prospective shareholders not to place undue reliance on these forward looking statements, which reflect the view of Respi only as of the date of this release. The forward looking statements made in this announcement relate only to events as of the date on which the statements are made. Respi will not undertake any obligation to release publicly any revisions or updates to these forward looking statements to reflect events, circumstances or unanticipated events occurring after the date of this announcement except as required by law or by any appropriate regulatory authority.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Respiri Limited (ASX: RSH)

ABN

98 009 234 173

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	173	173
1.2 Payments for		
(a) research and development	(464)	(641)
(b) product manufacturing and operating costs	(940)	(1,447)
(c) advertising and marketing	(519)	(811)
(d) leased assets	-	-
(e) staff costs	(312)	(651)
(f) administration and corporate costs	(680)	(1,376)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,037
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,741)	(3,715)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(7)	(16)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(7)	(16)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	12,430	12,430
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	360	600
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(547)	(547)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings - Fundsquire	-	(745)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other	-	-
3.10	Net cash from / (used in) financing activities	12,243	11,738
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,965	3,465
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,741)	(3,715)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7)	(16)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	12,243	11,738
4.5	Effect of movement in exchange rates on cash held	(24)	(36)
4.6	Cash and cash equivalents at end of period	11,436	11,436

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	11,436	1,965
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	11,436	1,965

6. Payments to related parties of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	163
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
Fees of Executive Director and Non-Executive Directors (excluding GST)		

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,741)
8.2 Cash and cash equivalents at quarter end (item 4.6)	11,436
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	11,436
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	4
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 January 2020.....

Authorised by: By the Board of Respire Limited

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.