

Pro-rata Rights Issue

Details of a 1 for 2 renounceable entitlement offer of ordinary shares in Respiri Limited (**New Shares**) at an offer price of A\$0.03 per New Share

This offer closes at 5.00pm (WST) on 15 June 2016

This is an important document which is accompanied by an Entitlement and Acceptance Form for you to subscribe for new ordinary shares in Respiri Limited. They should be read in their entirety.

This document is not a prospectus and does not contain all of the information that an investor may require in order to make an informed investment decision regarding the Shares offered under this document.

Please read this document carefully and call your stockbroker, accountant, or other professional adviser if you have any queries.

Pro-rata Rights Issue

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Corporate Directory

RESPIRI LIMITED

ABN 98 009 234 173

DIRECTORS

Mr Leon L'Huillier (Chairman)

Mr David Ashmore

Mr Ross Blair-Holt

Dr Timothy Oldham

Mr John Ribot-de-Bresac

SECRETARIES

Mr Peter Vaughan

Mr Phillip Hains

REGISTERED OFFICE

Level 29, South Tower

525 Collins Street

Melbourne VIC 3000 Australia

Telephone 1800 476 683

Facsimile +61 (0)3 9822 7735

SHARE REGISTRY

Security Transfer Registrars Pty Ltd

770 Canning Highway

Applecross WA 6153

POSTAL ADDRESS FOR RETURN OF ACCEPTANCES

Respiri Limited

Security Transfer Registrars Pty Ltd

PO Box 535

Applecross WA 6953

Website

To view annual reports, shareholder and company information, news announcements, background information on the Company's businesses and historical information, visit <http://www.respiri.com.au/>.

Chairman's Letter

Dear shareholder,

I am pleased to offer you the opportunity to participate in the Respire Limited ACN 009 234 173 (**Respire** or the **Company**) rights issue. Each Eligible Shareholder is being offered the right to acquire additional fully paid ordinary shares in the Company (**New Shares**) at an issue price of \$0.03 per New Share, to raise up to \$4,323,832.23 (**Rights Issue**). The number of New Shares to which you are entitled is specified in the enclosed Entitlement and Acceptance Form. This has been determined on the basis of 1 New Share for every 2 Shares registered in your name as at 5.00pm (WST) on Tuesday 24 May 2016.

The Rights Issue has been fully underwritten by the Company's mandated brokers Patersons Securities Limited.

In addition to being able to apply for New Shares in the manner described in this Offer Booklet, Eligible Shareholders also will have the opportunity to apply for New Shares that are not subscribed for under the Rights Issue (**Shortfall Shares**).

The Rights Issue and the Shortfall Shares are collectively referred to as 'the **Offer**'.

Respire Limited is an Australian medical device company that first listed on the ASX in 2006. Respire Limited (ASX:RSH) recently changed its name from iSonea Limited (ASX:ISN) to reflect a fundamental business transformation and its focus on respiratory health. Respire will continue to develop consumer technology for the monitoring and management of asthma that will deliver improved confidence for patients (and their carers and physicians) in their ability to manage and control this chronic and sometimes debilitating condition.

The Company will use the proceeds of this issue to provide working capital for its commercialisation activities that constitute a clear proposed pathway to monetise the business:

- Complete the current independent AirSonea research study at the University of Chicago.
- Progress current regulatory submissions for AirSonea in FDA and CE.
- Undertake a market pilot in Australia with a major pharmacy chain.
- Deliver sales and distribution agreements and collaborative technology partnerships.

Respire operates in an industry subset of the globally attractive health and technology sectors and the increasing adoption of self-monitoring health and wellness trackers sees it well-positioned as one of the few companies in the world producing the next wave of consumer focused technology for complex, chronic disease management.

The Directors believe the Respire rights issue is an attractive investment opportunity for the following reasons:

- New board, management and technology partners have transformed the business
- Asthma is a major global problem that is poorly managed & controlled
 - Over 350 million people globally suffer from asthma. Poor asthma management is a major economic burden for society and reduces the quality of life for patients.
 - Prevalence is increasing fastest in low and middle income countries, especially Asia, with urbanisation, high smoking rates and frequent pollution causing respiratory problems.
- Wheeze is the most common symptom of asthma (The Global Asthma Report 2014)
 - Other symptoms of asthma include chest tightness, shortness of breath and cough.

- Respire has leading edge core technology to detect and measure wheeze
 - One of the few medical device companies globally with the advanced technology to participate in the home monitoring of asthma, a chronic disease.
 - Acoustic sensors, proprietary algorithms and software platforms will participate in the next big global technology trend.
 - Clinical research on Respire's wheeze detection technology has been published by world leading physicians and scientists in 14 publications. Its clinically proven technology has been sold to major hospitals across the world.
- No known competition
 - The Company's technology replaces outdated, difficult to use products such as peak flow meters.
- Home monitoring via smartphones is a key driver of growth
 - Explosive growth of smart phone apps and mobile technology platforms.
 - Home (self) monitoring of fitness and wellness is a current major global trend.
 - Next wave is more complex medical devices for chronic diseases.
- Quickly scalable business
 - An over-the-counter product without the need for GP prescriptions.
 - Use online marketing and distribution to complement the traditional channels.

This Offer Booklet contains information about the Offer, the Company and the key risks associated with investing in the Company's Shares.

I encourage you to carefully read this Offer Booklet before making an investment decision. This is a speculative investment. If there is any matter on which you require further information, you should consult your stockbroker, accountant or other professional adviser.

On behalf of your Directors I recommend this issue to you and look forward to your support and participation.

Yours faithfully,



Leon M. L'Huillier
Executive Chairman

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OF AMERICA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS

This letter, the accompanying materials and the Acceptance Form do not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any U.S. Person. They may not be distributed to, or relied upon by, persons in the United States or who are, or are acting for the account or benefit of, U.S. Persons. Neither the Rights nor New Shares have been, or will be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States. The Rights may not be taken up by persons in the United States or by persons who are, or are acting for the account or benefit of a U.S. Person. The New Shares may not be offered, or sold, or resold, in the United States or to, or for the account or benefit of, a U.S. Person except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and any applicable securities laws of any state or other jurisdiction of the United States.

Important information

This information is important and requires your immediate attention.

This document is not a prospectus

This booklet and enclosed Entitlement and Acceptance Form (**Offer Booklet**) have been prepared by Respiri Limited ACN 009 234 173 (**Company**). This Offer Booklet is dated 19 May 2016.

This Offer Booklet is not a prospectus under the *Corporations Act 2001* (Cth) (**Corporations Act**) and has not been lodged with the Australian Securities and Investments Commission (**ASIC**). It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the Shares offered in the Offer Booklet.

You should read this Offer Booklet carefully and in its entirety before deciding whether to invest in New Shares. In particular, you should consider the risk factors outlined in the 'Key Risks' section of this Offer Booklet, that could affect the performance of the Company or the value of an investment in the Company.

The Company has applied for the grant by ASX of official quotation of the New Shares.

Section 708AA of the Corporations Act

This Offer Booklet has been prepared in accordance with section 708AA of the Corporations Act (as notionally modified by legislative instrument 2016/84). In general terms, section 708AA permits certain companies to undertake pro-rata rights issues without being required to use or provide shareholders a prospectus or other disclosure document.

Accordingly, the level of disclosure in this Offer Booklet is significantly less than the level of disclosure required in a prospectus. Eligible Shareholders should rely on their knowledge of the Company, refer to disclosures made by the Company to ASX and consult their professional advisers before deciding to apply under the Rights Issue.

Regular reporting and disclosure

The Company is a disclosing entity for the purposes of the Corporations Act and is therefore subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purposes of ASX making that information available to the market. In particular, the Company has an obligation (subject to certain limited exceptions) to notify ASX once it is, or becomes, aware of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Company's securities. All announcements made by the Company are available from ASX's website www.asx.com.au.

Additionally the Company is also required to prepare and lodge yearly and half yearly financial statements accompanied by a directors' statement and report and an audit review or report. These reports are released to ASX and published on the Company and ASX websites.

Future performance and forward looking statements

Neither the Company nor any other person warrants or guarantees the future performance of the Company, the New Shares or any return on any investment made pursuant to this Offer Booklet. Forward looking statements, opinions and estimates provided in the Offer Booklet are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

Forward looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. They are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and the Board, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Offer Booklet.

Past performance

Investors should note that the past share price performance of the Company provides no guidance as to its future share price performance.

This Offer Booklet is not investment advice

The Offer Booklet is not a prospectus under the Corporations Act and has not been lodged with ASIC. It is also not financial product advice or investment advice nor a recommendation to acquire New Shares. It has been prepared without taking into account your investment objectives, financial circumstances or particular needs. The Company is not licensed to provide financial product advice in respect of the New Shares.

The Offer Booklet does not purport to contain all the information that you may require to evaluate a possible application for New Shares.

Before deciding whether to take up your entitlements to New Shares under the Rights Issue, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If, after reading the Offer Booklet, you have any questions about the Rights Issue, you should contact your stockbroker, accountant or other independent professional adviser.

Shareholders to consider individual taxation consequences

There may be tax consequences associated with being issued New Shares under the Rights Issue. These consequences will vary depending on the circumstances of each individual shareholder. Shareholders should consult their professional tax advisers in this regard.

None of the Company, its officers, employees and advisers is able to give you advice about the specific tax consequences for you. This Offer Booklet is not giving tax advice.

Information availability

Eligible Shareholders in Australia and New Zealand can obtain a further copy of this Offer Booklet during the period of the Rights Issue by contacting the Share Registry on the numbers listed in the Corporate Directory in this booklet.

Persons accessing the electronic version of this Offer Booklet should ensure that they download and read the entire Offer Booklet. The electronic version of this Offer Booklet on the Company's website will not include an Entitlement and Acceptance Form. A replacement Entitlement and Acceptance Form can be requested by calling the Company's Share Registry on 08 9315 2333 (if within Australia) or +61 8 9315 2333 (if outside Australia) between 10.30am to 7.00pm (Melbourne time) Monday to Friday..

Each applicant for New Shares submits to the non-exclusive jurisdiction of the courts of Victoria, Australia.

Foreign jurisdictions

This Offer Booklet has been prepared to comply with the requirements of the securities laws of Australia and New Zealand.

New Zealand

The New Shares being offered under this Offer Booklet are also being offered to Eligible Shareholders with registered addresses in New Zealand in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2013* (New Zealand) (**NZ Exemption Notice**). The disclosure materials are being distributed in New Zealand only to persons to whom securities may be offered in New Zealand under the NZ Exemption Notice. This Offer Booklet is not an investment statement, prospectus or product disclosure statement under New Zealand law, and may not contain all the information that an investment statement, prospectus or product disclosure statement under New Zealand law is required to contain.

This Offer Booklet has not been registered, filed with or approved by any New Zealand regulatory authority under or in connection with the *Securities Act 1978* (New Zealand) or the *Financial Markets Conduct Act 2013* (New Zealand).

In accordance with relevant New Zealand securities law, a person who, as at the date of this Offer Booklet (19 May 2016) was registered as a holder of Shares with a New Zealand address, but who on the Record Date, being 7.00pm (Melbourne time) on Tuesday 24 May 2016, no longer holds Shares, is not eligible to participate in this Rights Issue.

The offer of the New Shares will comply with the laws of Australia applicable to the offer of the New Shares.

The taxation treatment of Australian securities is not the same as for New Zealand securities. The offer of the New Shares may involve a currency exchange risk as they will be quoted on the ASX in Australian dollars.

Other foreign jurisdictions

The information in this Offer Booklet does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Rights Issue, the Rights or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand.

The distribution of this Offer Booklet (including an electronic copy) outside Australia and New Zealand is restricted by law. If you come into possession of this Offer Booklet, you should observe such restrictions and should seek your own advice on such restrictions. Any non-compliance with these restrictions may contravene applicable securities laws.

Nominees and custodians

Due to legal restrictions, nominees and custodians may not send copies of this Offer Booklet or any material relating to the Rights Issue or accept the Rights Issue in relation to any person in the United States, any person that is, or is acting for the account or benefit of, a U.S. Person, or to any person in any other jurisdiction outside Australia or New Zealand, or as the Company may otherwise permit in compliance with applicable law.

Restrictions

The following international selling restrictions relate to the issue of New Shares under the Rights Issue:

This Offer Booklet does not constitute an offer of shares for sale in the United States, or to any person that is or is acting for the account or benefit of any U.S. Person, or in any other place in which, or to any person to whom, it would not be lawful to make such an offer.

Neither the Rights nor the New Shares have been or will be registered under the Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons.

Appointment of Nominee

The Company intends to appoint a nominee to act on its behalf to seek to arrange for the sale of the Rights of those shareholders and to pay such shareholders the net proceeds of sale (if any) in Australian dollars. Further details of this process is set out in section 2.

Privacy

Chapter 2C of the Corporations Act requires information about you as a Shareholder (including your name, address and details of your Shares) to be included in the public register of the Company. Information is collected to administer your Shares. Your personal information may be disclosed to the Company. You can obtain access to your personal information by contacting the Share Registry at the address or telephone number listed in the corporate directory. The Share Registry's privacy policy is available on its website <https://www.securitytransfer.com.au/>.

No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw the application once it has been accepted.

Disclaimer of representations

No person is authorised to give any information, or to make any representation, in connection with the Rights Issue that is not contained in this Offer Booklet.

Any information or representation that is not in this Offer Booklet may not be relied on as having been authorised by the Company, or its related bodies corporate in connection with the Rights Issue. Except as required by law, and only to the extent so required, none of the Company, or any other person, warrants or guarantees the future performance of the Company or any return on any investment made pursuant to this Offer Booklet.

Governing law

This Offer Booklet, the Rights Issue and the contracts formed on acceptance of the Entitlement and Acceptance Forms are governed by the laws applicable in Victoria, Australia.

Key Offer terms and dates

1. Key offer terms

Key offer terms	
Issue Price	\$0.03 per New Share payable in full on application ¹
Rights	1 New Share for every 2 Shares held on the Record Date
Shortfall participation rights	Eligible Shareholders also will have the opportunity to apply for Shortfall Shares.
Record Date	Tuesday 24 May 2016 (7:00pm Melbourne time)
Discount to the last closing price before the announcement of the Rights Issue (i.e. the closing price of the Shares on 13 May 2016), being \$0.032 (3.2 cents) per Share	6.3%
Discount to the Volume Weighted Average Price (VWAP) for the one month before the announcement of the Rights Issue (19 May 2016), being \$0.033 (3.3 cents) per Share	9.1%
Discount to the VWAP for the three months before the announcement of the Rights Issue (19 May 2016), being \$0.032 (3.2 cents) per Share	6.3%
Discount to the VWAP for the six months before the announcement of the Rights Issue (19 May 2016), being \$0.032 (3.2 cents) per Share	6.3%
Approximate number of New Shares to be issued under the Rights Issue	144,127,741
Amount to be raised under the Rights Issue (excluding expenses)	\$4,323,832.23
Approximate number of Shares on issue following the Rights Issue	432,383,224

¹ All references in this document to A\$ are to Australian dollars.

2. Indicative timetable²

Event	Date
Announcement of Rights Issue	Thursday 19 May 2016
The Company to give an Appendix 3B to the ASX and lodge a notice under section 708AA(2)(f) of the Corporations Act	Thursday 19 May 2016
The Company to send notice to Eligible Shareholders containing information required by Appendix 3B	Friday 20 May 2016
"Ex date" - the date on which Shares are quoted ex- entitlement basis. Rights trading commences	Monday 23 May 2016
"Record Date" - the date for determining entitlements of Eligible Shareholders to participate in the Rights Issue (7.00pm Melbourne time)	Tuesday 24 May 2016 (7:00pm Melbourne time)
Anticipated dispatch of offer materials and Entitlement and Acceptance Form to Shareholders (and announcement to ASX that this has occurred)	Friday 27 May 2016
Rights trading ends	Tuesday 7 June 2016
Last day to extend the Applications Closing Date	Thursday 9 June 2016
Last date for receipt of Entitlement and Acceptance Forms and payment (Applications Closing Date) (5:00pm WST)	Wednesday 15 June 2016 (5:00pm WST)
The Company to notify ASX of under subscriptions	Friday 17 June 2016
The Company to issue New Shares under the Rights Issue, and confirm to ASX all information required by Appendix 3B	Wednesday 22 June 2016
Normal trading commences	Thursday 23 June 2016
Dispatch of Holding Statements	Thursday 23 June 2016

3. Timetable is subject to change

Applicants are encouraged to submit their Entitlement and Acceptance Form as soon as possible after the Rights Issue opens. The Company reserves the right, subject to consultation with the Underwriter and the Corporations Act, ASX Listing Rules and other applicable laws to vary the dates of the Rights Issue, including extending the Rights Issue or accepting late applications, either generally or in particular cases, without notice.

No cooling off rights apply to the Offer.

² The above timetable is indicative only and subject to change. The Company, subject to the Corporations Act, the ASX Listing Rules and other applicable laws, has the right to vary any of the above dates without notice. The commencement of quotation of New Shares is subject to confirmation from ASX.

4. Enquiries

If you have any questions in relation to the Offer, you should consult your stockbroker, accountant or other independent professional adviser.

If you have any questions in relation to how to complete the Entitlement and Acceptance Form, please contact the Company's Share Registry on 08 9315 2333 (if within Australia) or +61 8 9315 2333 (if outside Australia) between 10.30am to 7.00pm (Melbourne time) Monday to Friday.

Details of the Offer

1. Summary of the Offer

The Company is conducting a pro-rata renounceable rights issue offering Eligible Shareholders in Australia and New Zealand 1 New Share for every 2 Shares held at 7.00pm (Melbourne time) on 24 May 2016 (**Record Date**) at an issue price of \$0.03. The Issue Price per New Share is payable in full on application.

Based on the current capital structure of the Company, a maximum of 144,127,741 New Shares may be issued under the Rights Issue in order to raise up to \$4,323,832.23 for the Company.

1.1 Purpose of the Offer

The Company is making the Offer to raise funds in to order to fund the following initiatives:

Initiative	Amount
Ongoing Research & Development for product enhancement, pharmacy and consumer pilots	\$1,650,000
Working capital and commercialisation	\$2,293,000
Costs of the Offer	\$381,000
Total	\$4,324,000

1.2 Rights Issue

Each Eligible Shareholder is entitled to apply for 1 New Share for every 2 Shares held on the Record Date. You may apply for a lesser number of New Shares should you wish to only take up a portion of your entitlements under the Rights Issue.

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. If you have more than one registered holding of shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Rights for each separate holding.

1.3 Issue Price

The Issue Price payable for each New Share is \$0.03.

Eligible Shareholders will not be required to pay brokerage or other fees in respect of New Shares acquired under the Rights Issue.

1.4 Shortfall securities

In addition to being able to apply for New Shares, Eligible Shareholders also will have the opportunity to apply for Shortfall Shares.

The Shortfall Shares will be issued at the same price and on the same terms as the New Shares. Eligible Shareholders may only make an application for Shortfall Shares if they accepted their maximum entitlement of New Shares under the Rights Issue.

Shortfall Shares will only be issued if the Rights Issue is undersubscribed and will only be issued to the extent necessary to make up any shortfall in subscriptions. If the Company receives applications for Shortfall Shares that would result in the Rights Issue being oversubscribed then the Company will scale back all applications to the extent of the oversubscription at the Directors'

discretion, in consultation with the Underwriter. In the event of a scale back, all Application Monies received but not applied towards subscriptions under the Rights Issue will be refunded as soon as practicable without interest.

No Shortfall Shares will be issued to an Applicant if to do so would result in a breach of the ASX Listing Rules, the Corporations Act or any other law, including (without limitation) the restrictions on obtaining or increasing relevant interests of greater than 20% of the Company's issued voting shares under Chapter 6 of the Corporations Act. No interest will be paid on Application Monies returned.

Any Application made by Investment Holdings Pty Ltd (**Investment Holdings**) for Shortfall Shares will only be considered after all other applications made by other Shareholders to participate have been satisfied. Further details of Investment Holdings can be found in section 6.2.

1.5 Allotment of Shortfall Shares

The Company may, following the Closing Date of the Offer, and subject to the Corporations Act and the ASX Listing Rules and the Underwriting Agreement, accept applications for the issue of any or all of the Shortfall Shares that are not successfully subscribed for under the Offer at an issue price not less than the price being offered under this Offer Booklet. The Company may pay fees or commissions determined at the time of offering or issuing New Shares from the shortfall.

Recipients of Shortfall Shares need not be existing shareholders of the Company.

1.6 Closing Date

Applications under the Offer must be received by no later than 5.00pm (WST) on the Closing Date of Wednesday 15 June 2016.

1.7 Directors' Intentions in Respect of Rights

As at the date of this Offer Booklet, all Directors have either a direct or indirect interest in Shares. Set out below is a table summarising the Rights of each Director (based on their current holding) and how they intend to treat their Rights:

Director	Shares	Entitlement	Offer Intentions
Mr Leon L'Huillier	3,296,282	1,648,141	Participate in full
Mr David Ashmore	486,449	243,224	Participate in full
Mr Ross Blair-Holt*	1,815,000	907,500	Participate in full
Dr Timothy Oldham	65,000	32,500	Participate in full
Mr John Ribot-de-Bresac	5,300,000	2,650,000	Participate in full

*In addition to the 1,815,000 Shares owned by Mr Ross Blair-Holt, Mr Ross Blair-Holt. has a relevant interest in 48,000,000 shares held by Investment Holdings Pty Ltd.

Each of the Directors of the Company has also entered into a sub-underwriting agreement with the Underwriter. Details of this arrangement are set out in section 1.10 below.

1.8 Major Shareholder Intentions in respect of Rights

Investment Holdings holds 48,000,000 shares in the Company, and as set out in section 6.2 has agreed to invest an aggregate amount of \$1 million in the Rights Issue.

Investment Holdings has entered into a sub-underwriting agreement with the Underwriter, to sub-underwrite the Offer as follows:

- (a) Investment Holdings will take up its full Rights Issue Entitlement under the Offer, being 24,000,000 Rights with an aggregate Issue Price of \$720,000; and
- (b) it will acquire up to 8.1% of the Shortfall Shares, subject to a maximum of 9,333,334 Shortfall Shares with an aggregate Issue Price of \$280,000.

Investment Holdings will therefore invest up to a maximum of \$1,000,000 worth of shares (**IH Sub-Underwriting Commitment**).

Investment Holdings will not receive any sub-underwriting fees in respect of the IH Sub-Underwriting Commitment.

1.9 Underwriting

The Offer is fully underwritten by the Underwriter. Details of the Underwriting Agreement, including the fees and other amounts payable to the Underwriter, are set out in section 7.1 of this Offer Booklet.

The Underwriter may appoint sub-underwriters to sub-underwrite the Offer at its discretion in addition to those referred to in section 1.10 immediately below.

The maximum number of Shares under which the Underwriter (including sub-underwriters) will hold after completion of the Rights Issue and assuming a 100% shortfall under the Rights Issue and the assumptions noted above is 144,127,741 Shares and a voting power of 33.3%.

Assumptions:

- a total of 432,383,224 Shares are on issue after the Offer; and
- no additional securities are issued by the Company.

1.10 Sub-underwriting

In addition to the IH Sub-Underwriting Commitment, the Directors of the Company (the **Director Sub-Underwriters**) have entered into a sub-underwriting agreement with the Underwriter whereby agreement has been reached for the Director Sub-Underwriters to sub-underwrite the Offer as follows:

- (a) each Director will take up their full Rights Issue Entitlements under the Offer (as set out in section 1.7 above); and
- (b) each Director will acquire a specified proportion of the Shortfall Shares up to the respective maximums (when added to their Rights Issue Entitlements) as set out in the table below:

Director	Maximum sub-underwritten Shares	Maximum sub-underwritten amount
Mr Leon L'Huillier	3,333,334	\$100,000
Mr John Ribot-de-Bresac	3,000,000	\$90,000
Mr Ross Blair-Holt	1,333,334	\$40,000
Mr David Ashmore	666,667	\$20,000
Dr Timothy Oldham	333,334	\$10,000

(together, the **Director Sub-Underwriting Commitment**)

No Director Sub-Underwriter will receive any sub-underwriting fees in respect of their respective Director Sub-Underwriting Commitments.

Each director has agreed to take up his full Rights under the Offer, which will relieve them of their respective Director Sub-Underwriting Commitment to the extent of those Rights.

1.11 What are the costs associated with the Company making this Offer?

The total estimated expenses of the Offer payable by the Company, including share placement commissions and fees, accounting fees, legal fees, lodgement fees, listing fees, fees for other advisers, offer booklet design, printing, advertising and other miscellaneous expenses (including taxes and other government charges), will be approximately \$381,000 (excluding GST).

The following table shows a breakdown of the estimated costs of the Offer (excluding GST):

Particulars	Amount
Legal, administrative and regulatory	\$72,000
Printing, postage and dispatch costs	\$40,000
Lead Manager Fee	\$60,000
Underwriting Fee	\$209,000
Total	\$381,000

For the avoidance of doubt, no other fees are payable by the Company in connection with the Offer, including to any Directors.

2. Eligible Shareholders

This Offer Booklet contains an Offer to Eligible Shareholders in Australia or New Zealand.

To qualify for the Offer, a Shareholder must:

- (a) be registered as a Shareholder at as at the Record Date;
- (b) have an address in Australia or New Zealand as recorded on the Company's share register as at the Record Date;
- (c) not be in the United States and must not be a U.S. Person and not be acting for the account or benefit of a person located in the United States or a U.S. Person; and
- (d) be eligible under all applicable securities laws to receive an offer under the Rights Issue without any requirement for a prospectus, disclosure document, or any lodgement, filing, registration or qualification,

(Eligible Shareholders).

The Offer is not being extended to any Shareholder outside Australia and New Zealand.

The Rights of shareholders who are not Eligible Shareholders will be issued to and sold (provided there is an available market for them and a premium over the expenses of sale can be obtained) by a nominee appointed by the Company and approved by ASIC, at prices and in the manner determined by the nominee in its discretion for the benefit of those shareholders. Neither the Company nor the nominee will be liable for any failure to sell the rights at a particular price or time, or at all. The net proceeds of any sale will be distributed in Australian dollars to shareholders on whose behalf the rights were sold. If the nominee considers that there is not an

available market for the rights, unless the Company elects to deal with them under the process for dealing with the Shortfall, the Entitlements will be allowed to lapse.

3. Rights and liabilities attaching to Shares

New Shares issued under this Offer Booklet will be fully paid ordinary shares in the capital of the Company and will rank equally with all Shares, including for any dividend paid after the date of issue of the New Shares.

The rights and liabilities attaching to Shares are set out in the Company's constitution and are regulated by the Corporations Act, the general law, the ASX Listing Rules and the ASX Settlement Rules.

4. Offer timetable³

The Offer will open for receipt of acceptances on Friday 27 May 2016. The Closing Date and time for acceptances and payments is 5.00pm (WST) on Wednesday 15 June 2016, subject to the Company varying the Closing Date in accordance with the Corporations Act and ASX Listing Rules and the consent of ASX.

A detailed timetable is included in paragraph 2 of the 'Key Offer terms and dates' section of this Offer Booklet.

5. Effect of the Offer on the Company

Pro forma statement of financial position

To illustrate the effect of the Offer on the Company, the Company's pro forma statement of financial position as at 31 December 2015 is set out below.

The pro forma financial information in this section is presented for illustrative purposes only. If the Offer had occurred in the past, the Company's financial information would likely have been different from that presented here.

The pro forma financial information in this section is based on the Company's half year accounts for the financial half year ended 31 December 2015. It has been prepared in accordance with the recognition and measurement principles of Australian International Financial Reporting Standards. The pro forma financial information is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by the Australian accounting standards applicable to annual financial reports prepared in accordance with the Corporations Act.

Respiri Limited	31 December 2015	31 December 2015
Consolidated Statement of Financial Position	(Audited)	(Pro Forma position [] and proposed Rights Issue)
	\$ AUD	\$ AUD
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$1,428,336	\$5,371,138

³ Dates and times are indicative only and subject to change at the discretion of the Company. Unless otherwise stated, all times and dates refer to the time as it is in Melbourne, Australia.

Respiri Limited	31 December 2015	31 December 2015
Consolidated Statement of Financial Position	(Audited)	(Pro Forma position [] and proposed Rights Issue)
	\$ AUD	\$ AUD
Trade and other receivables	\$66,037	\$66,037
Inventories	\$420,000	\$420,000
Other	\$154,587	\$154,587
Total Current Assets	\$2,068,960	\$6,011,762
<u>Non-Current Assets</u>		
Property, plant and equipment	\$66,326	\$66,326
Other intangible assets	\$467,288	\$467,288
Other	\$2,909	\$2,909
Total Non-Current Assets	\$536,523	\$536,523
TOTAL ASSETS	\$2,605,483	\$6,548,285
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Trade and other payables	\$1,312,342	\$1,312,342
Borrowings	-	-
Total Current Liabilities	\$1,312,342	\$1,312,342
<u>Non-Current Liabilities</u>		
Other financial liabilities	-	-
Total Non-Current Liabilities	\$0	\$0
TOTAL LIABILITIES	\$1,312,342	\$1,312,342
NET ASSETS	\$1,293,141	\$5,235,943
<u>EQUITY</u>		
Issued capital	\$95,149,981	\$99,092,783
Reserves	\$66,007	\$66,007
Accumulated Losses	(\$93,922,847)	(\$93,922,847)
TOTAL EQUITY	\$1,293,141	\$5,235,943

6. Effect on capital structure

6.1 Effect on existing capital structure

Assuming that the maximum number of New Shares are issued under the Rights Issue, the capital structure of the Company will be as follows:

Shares	Number
--------	--------

Shares	Number
Shares on issue as at 19 May 2016	288,255,483*
New Shares offered under the Rights Issue as per this Offer Booklet	144,127,741
Total Shares on issue on close of the Rights Issue	432,383,224

* Includes 6,666,667 number of ordinary shares to be issued to CFO Solutions on the date of this offer booklet in consideration for services previously undertaken by CFO Solutions.

At the date of this Offer Booklet, the Company also has 15,143,060 options on issue. The options do not carry an entitlement to participate in the Offer unless exercised prior to the Record Date.

6.2 Details of substantial holders

Based on publicly available information as at the date of this Offer Booklet, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
Investment Holdings Pty Ltd	48,000,000	16.7%

In accordance with the IH Sub-Underwriting Agreement set out in section 1.8, Investment Holdings has agreed to invest an aggregate amount of \$1 million in the Offer. This means that Investment Holdings will take up its entitlements in full under the Offer (\$720,000) with the balance of \$280,000 used to subscribe for Shortfall Shares. However, any Application for Shortfall Shares made by Investment Holdings will only be considered after all other applications for Shortfall Shares made by other shareholders who are not sub-underwriters have been satisfied. If the Company receives applications for Shortfall Shares by the Applications Closing Date that would result in the Rights Issue being oversubscribed, Investment Holdings will not be allocated any of the Shortfall Shares.

In the event that all Rights are accepted, there will no change to the substantial holders on completion of the Offer.

6.3 Effect of the Offer on the control of the Company

The Company has entered into an underwriting agreement with the Underwriter under which the Underwriter has agreed to fully underwrite the Offer. A summary of the material terms of the Underwriting Agreement is set out in Section 7.1 of this Offer Booklet.

As noted in section 1.8, in addition to the Director Sub-Underwriting Commitment, the Company's major shareholder, Investment Holdings has entered into a sub-underwriting agreement with the Underwriter, to sub-underwrite the offer as follows:

- (a) Investment Holdings will take up its full Rights Issue Entitlement under the Offer, being 24,000,000 Rights with an aggregate Issue Price of \$720,000; and
- (b) it will acquire up to 8.1% of the Shortfall Shares, subject to a maximum of 9,333,334 Shortfall Shares with an aggregate Issue Price of \$280,000.

Investment Holdings will therefore invest a maximum of \$1,000,000 worth of shares.

If Investment Holdings, the Directors and all non-related sub-underwriters take up their entitlements and Shares in accordance with their respective sub-underwriting agreements with the Underwriter, and no other Shareholders take up their entitlements, Investment Holdings will have a relevant interest in approximately 18.8% of the issued Shares on completion of the Offer.

In respect of any shortfall, any Application for Shortfall Shares made by Investment Holdings will only be considered after all other applications made by other shareholders to participate have been satisfied.

The Directors of the Company consider, having regard to all available options, that entering into an Underwriting Agreement with the Underwriter in light of the IH Sub-Underwriting Commitment, provides the Company with the highest degree of certainty that the Offer will be successful.

The potential effect that the issue of the New Shares under the Offer will have on the control of the Company is described below. The actual effect on control will depend on the level of subscription by Eligible Shareholders (other than the Rights Issue Entitlements of Investment Holdings and the Directors) pursuant to the Offer.

Event	Shares held by Investment Holdings Pty Ltd	Voting power of Investment Holdings Pty Ltd	Total Shares on issue
Date of Offer Booklet	48,000,000	16.7%	288,255,483
After completion of the Offer			
Fully subscribed	72,000,000	16.7%	432,383,224
75% subscribed	74,333,333	17.2	432,383,224
50% subscribed	76,666,667	17.7	432,383,224
25% subscribed	79,000,000	18.3	432,383,224
0% subscribed	81,333,334	18.8	432,383,224

Note: for each scenario, the following assumptions have been made:

- total shares on issue includes 6,666,667 number of ordinary shares to be issued to CFO Solutions on the date of this offer booklet in consideration for services previously undertaken by CFO Solutions;
- the Company's current capital structure does not change;
- Investment Holdings take up its full IH Sub-Underwriting Commitment..

The number of Shares held by Investment Holdings and its voting power in each scenario in the table above show the potential effect of the sub-underwriting arrangements of the Offer. However, it is unlikely that no Shareholders, other than Investment Holdings and the Directors, will take up Rights under the Offer.

6.4 Potential dilutive effects of the Offer

Shareholders should note that if they do not participate in the Offer, their holdings may be significantly diluted (as compared to their holdings and the number of Shares on issue as at the date of this Offer Booklet).

The following are examples of how dilution may affect Shareholders that do not participate in the Offer, assuming that the maximum number of New Shares available under the Offer are issued.

Example Shareholder	Holdings as at Record Date	% at Record Date	Entitlement under the Rights Issue	Holdings if Entitlements not taken up	% following allotment of Shares
Shareholder 1	10,000,000	3.5%	5,000,000	10,000,000	2.3%
Shareholder 2	7,500,000	2.6%	3,750,000	7,500,000	1.7%
Shareholder 3	5,000,000	1.7%	2,500,000	5,000,000	1.2%
Shareholder 4	2,500,000	0.9%	1,250,000	2,500,000	0.6%

Note: for each scenario, the following assumptions have been made:

1. Fractional entitlements have been rounded up to the nearest whole number;
2. Assumes no further Shares are issued;
3. The dilutionary effect shown in the table is the maximum percentage on the assumption that those Rights not accepted are placed under the shortfall.

7. Additional Information

7.1 Material Agreements

Underwriting Agreement

Pursuant to the Underwriting Agreement, the Underwriter has agreed to fully underwrite the Rights Issue. Pursuant to the Underwriting Agreement, the Company has agreed to:

- pay the Underwriter an underwriting fee of 6% on the amount underwritten less 4% of the amount sub-underwritten by Investment Holdings Pty Ltd and the Directors (being approximately \$209,000); and
- pay the Underwriter a Lead Manager fee of \$60,000.

If the Underwriter is required to subscribe for the entire amount of the underwritten securities then its interest in the Company would potentially be approximately 33.3%. The Underwriter has informed the Company that it has sub-underwriting commitments from sub-underwriters for all of the underwritten shares.

The Underwriting Agreement contains customary representations, warranties and indemnities given by the Company for an agreement of this nature.

The obligation of the Underwriter to underwrite the Offer is subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement on the occurrence of specified events including:

- **(Indices fall):** the All Ordinaries Index (IRESS XAO.ASX) or the S&P/ASX 200 (IRESS:XJO.ASX) or the S&P/ASX Small industrials (IRESS:XSI.ASX) as published by ASX is at any time after the date of the Underwriting Agreement 10% or more below its respective level as at the close of business on the Business Day prior to the date of this Agreement;
- **(Share Price):** the volume weighted average price of ordinary fully paid shares of the Company trading on the ASX under the ASX code of "RSH" over any four consecutive days is a price that is less than the price;
- **(No Official Quotation):** Official quotation has not been granted for all the Shares offered under the Rights Issue by the date upon which the Company is required to give notice to the Underwriter of any shortfall securities or, having been granted, is subsequently withdrawn, withheld or qualified;

- **(Supplementary Offer Booklet):**
 - the Underwriter, having elected not to exercise its right to terminate its obligations, forms the view on reasonable grounds that a supplementary or replacement Offer Booklet should be lodged with ASX and the Company fails to lodge a supplementary or replacement Offer Booklet in such form and content and within such time as the Underwriter may reasonably require; or
 - the Company lodges a supplementary or replacement Offer Booklet without the prior written agreement of the Underwriter;
- **(Non compliance with disclosure requirements):** it transpires that the Offer Booklet does not contain all the information required by the Corporations Act;
- **(Misleading Offer Booklet):** it transpires that there is a statement in the Offer Booklet that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Offer Booklet or if any statement in the Offer Booklet becomes or misleading or deceptive or likely to mislead or deceive or if the issue of the Offer Booklet is or becomes misleading or deceptive or likely to mislead or deceive;
- **(Restriction on allotment):** the Company is prevented from allotting the shares offered under the Rights Issue to the Underwriter within the time required by the Underwriting Agreement, the Corporations Act, the ASX Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi governmental agency or authority;
- **(Withdrawal of consent to Offer Booklet):** any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Offer Booklet or to be named in the Offer Booklet, withdraws that consent;
- **(ASIC application):** an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Offer Booklet, the date upon which the Company is required to notify the Underwriter of any shortfall securities has arrived, and that application has not been dismissed or withdrawn;
- **(Takeovers Panel):** the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel;
- **(Hostilities):** there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of this agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, or the Peoples Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- **(Authorisation):** any authorisation which is material to anything referred to in the Offer Booklet is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter;
- **(Indictable offence):** a director or senior manager of the Company or any of its subsidiaries is charged with an indictable offence; or
- **(Termination Events):** any of the following events occurs:
 - **(Default):** default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;

- **(Incorrect or untrue representation):** any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;
- **(Contravention of constitution or Act):** a material contravention by a Relevant Company of any provision of its constitution, the Corporations Act, the ASX Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
- **(Adverse change):** an event occurs which gives rise to a material adverse effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of the Company or any subsidiary including, without limitation, if any forecast in the Offer Booklet becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;
- **(Error in Due Diligence Results):** it transpires that any of the due diligence results or any part of the verification material was false, misleading or deceptive or that there was an omission from them;
- **(Significant change):** a 'new circumstance' as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
- **(Public statements):** without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer or the Offer Booklet;
- **(Misleading information):** any information supplied in writing at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the affairs of the Company or any subsidiary is or becomes materially misleading or deceptive or likely to materially mislead or deceive;
- **(Official Quotation qualified):** the official quotation is qualified or conditional other than as set out in the definition of 'Official Quotation' within the ASX Listing Rules;
- **(Change in Act or policy):** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;
- **(Prescribed Occurrence):** a specified prescribed occurrence occurs;
- **(Suspension of debt payments):** the Company suspends payment of its debts generally;
- **(Event of Insolvency):** an event of insolvency occurs in respect of the Company or any subsidiary;
- **(Judgment against a Relevant Company):** a judgment in an amount exceeding \$25,000 is obtained against a the Company or any subsidiary and is not set aside or satisfied within 7 days;
- **(Litigation):** litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced or threatened against

any the Company or any subsidiary, other than any claims disclosed to the Underwriter in writing prior to the date of this Agreement or foreshadowed in the Offer Booklet;

- **(Board and senior management composition):** there is a change in the composition of the Board or a change in the senior management of the Company before completion of the Offer without the prior written consent of the Underwriter;
- **(Change in shareholdings):** there is a material change in the major or controlling shareholdings of a the Company or any subsidiary or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to the Company or any subsidiary;
- **(Timetable):** there is a delay in any specified date in the Offer timetable which is greater than 3 business days;
- **(Force Majeure):** a force majeure affecting the Company's business or any obligation under the Agreement lasting in excess of 7 days occurs;
- **(Certain resolutions passed):** a the Company or any subsidiary passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
- **(Capital Structure):** any the Company or any subsidiary alters its capital structure in any manner not contemplated by the Offer Booklet;
- **(Investigation):** any person is appointed under any legislation in respect of companies to investigate the affairs of a the Company or any subsidiary; or
- **(Market Conditions):** a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

7.2 Consents to be named and the inclusion of information

Security Transfer Registrars Pty Ltd has given and, as at the date hereof, not withdrawn, its written consent to be named as Share Registry in the form and context in which it is named. Security Transfer Registrars has had no involvement in the preparation of any part of the Offer Booklet other than being named as Share Registry to the Company. Security Transfer Registrars has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Offer Booklet.

Patersons Securities Limited has given, and at the date of this Offer Booklet, has not withdrawn, its consent to be named as Lead Manager and Underwriter to the offer of securities under this Offer Booklet, in the form and context in which it is named.

Patersons Securities Limited was not included in the preparation of any part of this Offer Booklet and did not authorise or cause the issue of this Offer Booklet. The Underwriter makes no express or implied representation or warranty in relation to Respire, this Offer Booklet or the Offer and does not make any statement in this Offer Booklet, nor is any statement in it based on any statement made by Patersons Securities Limited. Patersons Securities Limited expressly disclaims and takes no responsibility for any material in, or omission from, this Offer Booklet other than the reference to its name.

8. Issue of New Shares

New Shares under the Offer are expected to be issued on or around Wednesday 22 June 2016 (subject to change at the discretion of the Company).

The Company reserves the right (in its absolute discretion) to reduce the number of New Shares allocated to Eligible Shareholders, or persons claiming to be Eligible Shareholders, if their claims prove to be overstated or otherwise incorrect or if they fail to provide information to substantiate their claims.

9. ASX Listing

The Company has applied to ASX for the grant of official quotation of the New Shares. It is expected that normal trading on ASX will commence in relation to New Shares issued under this Offer Booklet on Thursday 23 June 2016.

The Company will have no responsibility and disclaims all liability (to the maximum extent permitted by law, including for negligence) to persons who trade New Shares before the New Shares are listed on the official list of ASX or before they receive their written confirmation of issue, whether on the basis of confirmation of the allocation provided by the Company, the Share Registry, or otherwise.

Neither ASX nor any of its officers accepts any responsibility for the contents of this Offer Booklet.

10. Ineligible Foreign Shareholders

The New Shares being offered under this Offer Booklet are being offered to Shareholders with registered addresses in Australia or New Zealand.

The Company has determined that it is not economically viable for it to make offers to Ineligible Foreign Shareholders due to the cost of meeting compliance requirements with securities laws in each applicable jurisdiction in which Ineligible Foreign Shareholders reside.

The Company reserves the right in its absolute discretion to offer the Right Issue to a Shareholder with an address in the Company's share register outside Australia or New Zealand if the Company is satisfied that it is not precluded from lawfully issuing New Shares to that Shareholder either unconditionally or after compliance with conditions which the Directors in their sole discretion regard as acceptable.

This Offer Booklet does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register the New Shares or otherwise permit an offering of New Shares in any jurisdiction outside of Australia or New Zealand.

The distribution of this Offer Booklet outside Australia or New Zealand may be restricted by law. If you come into possession of this Offer Booklet, you should observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws.

11. Enquiries

If you have any queries or questions in relation to the details of the Offer or the Company in general, you should contact the Company on 1800 476 632.

12. Key Risks

12.1 Introduction

A number of risks and uncertainties, which are both specific to the Company and of a more general nature, may affect the future operating and financial performance of the Company and the value of the Company's shares. You should carefully consider the following risk factors, as well as the other information provided to you by the Company in connection with the Rights Issue, and consult your financial and legal advisers before deciding whether to invest in the New Shares.

The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties that the Company is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect the Company's operating and financial performance.

12.2 Overview of risks

An investment in Respiro Shares is subject to investment and other known and unknown risks, including possible loss of income and principal invested. The Company has implemented strategies, actions, systems and safeguards for known risks, however, some risks are beyond its control. Consequently, the prevailing price or value of New Shares issued under the Offer may be less than the Offer Price.

In any event, the Company does not guarantee any particular rate of return, the performance of the Company, the payment of any dividends, the repayment of capital from the Company, any price for Shares or any particular tax treatment.

12.3 General risks

Investors should be aware that there are risks associated with any investment listed on ASX. There are various risks that may significantly impact the Company, its performance and the prices of its Shares.

The value of the Company's shares may rise above or fall below the Issue Price, depending on the financial condition and operating performance of the Company.

Further, the price at which the Company's shares trade on ASX may be affected by a number of factors unrelated to the financial and operating performance of the Company and over which the Company and its directors have no control. These external factors include:

- global economic conditions;
- investor sentiment in the local and international stock markets;
- natural disasters;
- changes in fiscal, monetary, regulatory and other government policies; and
- geo-political conditions such as acts or threats of terrorism or military conflicts.

The Company's future dividend levels will be determined by the Board having regard to the operating results and financial position of the Company and there is no guarantee that any dividend will be paid or, if paid that they will be paid at previous levels.

Investors should note that the historic share price performance of shares in the Company provides no guidance as to its future share price performance.

12.4 Economic risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

12.5 Operating risks

Business specific risks that may impact significantly on the Company, its performance and the price of its Shares include:

- the overall performance of management and the ability of the Directors and senior management to manage business operations;
- the loss of one or more of the Company's key managers or executives;
- Medical device R&D involves scientific uncertainty and long lead times and there is no certainty that any particular event will occur within a set period or by a certain date;
- Due to the significant costs in medical device development it is common for medical device companies to partner with larger medical device or medical equipment manufacturing companies to help progress development of a medical device. Partnering can potentially reduce the development and commercial risk for the small medical device company by involving an experienced or a larger established medical device manufacturer and/or medical device marketing company in the medical device's development and commercialisation, however there is no guarantee that such arrangements will lead to the successful commercialisation of products, as a larger partner may not have the same motivation as the Company to quickly advance the product through clinical trials and commercialization;
- Intense competition exists in the medical device and mobile health app industries. The risk exists that one or more of the competitive products in development now or in the future may prove more efficacious, safer, more cost effective or more acceptable to patients than the Company's product;
- Medical device R&D and commercialisation activities generally require a high level of funding over a long period of time. There is no guarantee that substantial additional funding will not be required to complete the development and commercialisation of the Company's medical devices;
- Obtaining, securing and maintaining rights to technology and patents are an integral part of securing potential product value in the outcomes of medical device R&D. Competition in retaining and sustaining protection of technology and the complex nature of technologies can lead to patent disputes;
- The Company's business exposes it to potential product liability risks which are inherent in the R&D, preclinical study, clinical trials, manufacturing, marketing and use of medical device products in and with humans;
- The ability of the Company to pay any dividend in the future is dependent on many factors including the outcome of its R&D and its ability to commercialise any resultant product, at that time. The amount, timing and payment of any future dividend will depend on a range of factors including future capital and R&D requirements and the financial position generally of the Company at the time.

The above risks should not be taken to be exhaustive of the risks faced by the Company or its shareholders. Those risk factors, and others not specifically referred to above, may materially affect the financial performance of the Company and the value of its Shares in the future.

12.6 Low liquidity

The Company's shares trade infrequently on ASX. This can increase the volatility of the market price of Shares in the Company.

12.7 Taxation implications

Future changes in taxation law in Australia, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect taxation treatment of an investment in the Company's securities, or the holding or disposal of those securities.

Further, changes in taxation law, or to the way taxation law is interpreted in the various jurisdictions in which the Company operates, may impact the Company's future tax liabilities.

13. How to apply for New Shares

Please read carefully this Offer Booklet and other information made publicly available by Respire Limited.

13.1 What Eligible Shareholders may do

You should carefully consider how to deal with your Rights detailed in this Offer Booklet and then take action in accordance with the alternatives referred to below.

Eligible Shareholders may either:

- exercise their rights to participate in the Rights Issue in full;
- exercise their rights to participate in the Rights Issue in full and apply for Shortfall Shares as described in section 1.4;
- exercise their rights to participate in the Rights Issue in part and instruct their stockbrokers to sell the balance on the ASX;
- exercise their right to participate in the Rights Issue in part and allow the balance to lapse;
- instruct their stockbrokers to sell their Rights Issue Entitlements on the ASX;
- sell or transfer the whole or part of their Rights Issue Entitlements other than on the ASX;
or
- take no action under this Offer, thereby allowing their Rights to lapse.

Details of how to exercise these alternatives, and information regarding the transfer of Rights Issue Entitlements, is set out below.

Nominees holding on behalf of multiple beneficiaries should contact the Company if they propose taking up an entitlement for some accounts only and applying for Shortfall Shares on behalf of those accounts.

13.2 Choices available under Rights Issue

If you wish to take up all of your Rights to New Shares

If you decide to take up all your Rights under this Offer Booklet, you may:

- (a) complete and return the Entitlement and Acceptance Form with the requisite application monies (**Application Money**) by following the instructions set out on the Entitlement and Acceptance Form; or
- (a) complete a BPAY payment, in accordance with the instructions contained in section 13.3 of this Offer Booklet.

Selling your Rights Issue Entitlement on ASX

If you wish to sell your Rights Issue Entitlement on ASX, complete the appropriate section on the back of the accompanying Entitlement and Acceptance Form marked 'Instructions to Your Stockbroker' and lodge the Entitlement and Acceptance Form with your stockbroker as soon as possible, or otherwise provide instructions to your stockbroker regarding the number of Rights you wish to sell on ASX. You can sell your Rights on ASX from Monday 23 May 2016 until

5:00pm (WST) on Tuesday 7 June 2016. The Company accepts no responsibility for any failure by your stockbroker to carry out your instructions.

Taking up part of your Rights Issue Entitlement and selling the balance on ASX

If you wish to take up only part of your Rights Issue Entitlement, complete the accompanying Entitlement and Acceptance Form for the number of New Shares you wish to take up and follow the steps required in accordance with section 13.3. You may then provide instructions to your stockbroker in accordance with the section above regarding any remaining Rights you wish to sell on ASX.

Taking up part of your Rights Issue Entitlement and allowing the balance to lapse

If you wish to take up part of your Rights Issue Entitlement and allow the balance to lapse, complete the accompanying Entitlement and Acceptance Form for the number of New Shares you wish to take up and follow the steps required in accordance with section 13.3. Your Rights may have value. If you take no further action, the balance of your Rights Issue Entitlement will lapse and you will have forfeited any potential benefit to be gained from selling/trading your Rights.

Dealing with part or all of your Rights Issue Entitlement other than on the ASX

You may transfer all or part of your Rights to another person other than on ASX provided that the purchaser is not an Ineligible Foreign Shareholder or would not be an Ineligible Foreign Shareholder if the purchaser were the registered holder of New Shares.

If you wish to transfer all of your Rights Issue Entitlement to another person other than on ASX, forward a completed standard renunciation form (obtainable from the Company's Share Registry) and the applicable transferee's cheque or bank draft for any application money for the New Shares they wish to subscribe for to the Company's Share Registry by 5:00pm (WST) on Wednesday 15 June 2016. . Do not make any payment by way of BPAY for any Rights Issue Entitlement transferred to another person.

If you wish to transfer part of your Rights Issue Entitlement to another person other than on ASX only, but also want to take up some or all of the balance of your Rights Issue Entitlement, you will need to forward a completed standard renunciation form (obtainable from the Company's Share Registry) and the applicable transferee's cheque or bank draft for any Application Money in relation to the Rights you wish to transfer to the Company's Share Registry by 5:00pm (WST) on Wednesday 15 June 2016 and also complete the accompanying Entitlement and Acceptance Form in respect of the Rights you wish to take up. . You will need to lodge the form in accordance with the procedure in section 4.8. If you have transferred any Rights Issue Entitlement to another person, do not make any payment by way of BPAY for any Rights Issue Entitlement you wish to take up or any of the Rights Issue Entitlement you have transferred.

If the Share Registry receives both a completed renunciation form and a completed Entitlement and Acceptance Form in respect of the same Rights, the renunciation form will be given effect in priority to the acceptance.

Allow all or part of your Rights Issue Entitlement to lapse

Your Rights may have value. Rights are renounceable, which enable Eligible Shareholders who do not wish to accept some or all of their Rights Issue Entitlement to sell or trade all or part of their Rights on ASX. If you take no further action, the balance of your Rights Issue Entitlement will lapse and you will have forfeited any potential benefit to be gained from selling/trading your Rights.

If paying by BPAY:

To apply and pay via BPAY, you should:

- read this Offer Booklet and the Entitlement and Acceptance Form in their entirety and seek appropriate professional advice if necessary; and
- make your payment via BPAY for the number of Shares you wish to subscribe for (being the offer price of \$0.03 (3 cents) per New Share multiplied by the number of New Shares you are applying for) so that it is received no later than 5:00pm (WST) on Wednesday 15 June 2016, or such later date as the Company may specify. You can only make a payment via BPAY if you are the holder of an account with an Australian financial institution.

If you choose to pay via BPAY you are not required to submit the Entitlement and Acceptance Form. However, if you have transferred any of your Rights Issue Entitlements or you have had Rights Issue Entitlements transferred to you, BPAY must not be used.

If your BPAY payment is received by 5:00pm (WST) on Wednesday 15 June 2016 or such later date as the Company may specify, New Shares (offered on a 1 for 2 basis) up to the payment amount received are anticipated to be allotted to you on the Dispatch Date (which date may change without notice). The issue of any Shortfall Shares for which payment is received is dependent upon sufficient Shortfall Shares being available. Any payment made by BPAY for an amount greater than the amount of an Applicant's entitlement under the Rights Issue, will be taken to amount to an application for Shortfall Shares for the total of that additional amount.

Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. You may also have your own limit on the amount that can be paid via BPAY. It is your responsibility to check that the amount you wish to pay via BPAY does not exceed your limit.

If you have multiple holdings you will have multiple BPAY reference numbers. To ensure that you receive your entitlement in respect of each holding, you must use the customer reference number shown on each personalised Entitlement and Acceptance Form when paying for any New Shares that you wish to apply for in respect of that holding.

For payments by cheque or BPAY:

Your Application or payment may not be accepted if received after 5:00pm (WST) on the Closing Date or such later date as the Company may specify, in which case no New Shares would be issued to you in respect of that Application or payment, and any payment received will be refunded to you after the Allotment Date in accordance with the Corporations Act, without interest.

The Directors in consultation with the Underwriter may at their discretion issue New Shares in response to Entitlement and Acceptance Forms received after the Closing Date and time, but are under no obligation to do so.

The amount payable on Application will be deemed not to have been received until the Company is in receipt of cleared funds. Payments in cash will not be accepted.

If the amount of payment is insufficient to pay in full for the number of New Shares you applied for, or is more than the number of New Shares you applied for, you will be taken to have applied for such whole number of New Shares which you are entitled to and which is covered in full by your payment. Alternatively, the Company may in its discretion reject your Application, in which case any payment will be refunded to you after the Allotment Date in accordance with the Corporations Act, without interest.

If you apply for Shortfall Shares in excess of your entitlement and you are not allocated all or some of the Shortfall Shares applied for, the relevant payment in respect of the un-allocated Shortfall Shares will be refunded to you after the Allotment Date in accordance with the Corporations Act, without interest.

If you have any questions about your entitlement, please contact the Company's Share Registry on 08 9315 2333 (within Australia) or +61 8 9315 2333 (outside Australia). Alternatively, contact your stockbroker or other professional adviser.

The issue of New Shares will occur as soon as practicable after the Offer has closed. Thereafter, statements of your Share holdings will be despatched. It is the responsibility of recipients to determine their allocation prior to trading in New Shares. Recipients trading New Shares before they receive their statements will do so at their own risk. The Company may reject an Entitlement and Acceptance Form where payment of the Application Monies is not received or a cheque is not honoured, or without prejudice to its rights accept an Entitlement and Acceptance Form and issue New Shares in response to the acceptance and recover outstanding Application Monies from the recipient.

Subject to the requirements of the Corporations Act and the ASX Listing Rules, the Directors may (at their discretion) issue New Shares for which acceptances or payments have not been received by the Closing Date, up to the maximum number referred to in this Offer Booklet to third-party investors who may or may not be existing shareholders of the Company.

This Offer Booklet does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. Persons resident in countries outside Australia and New Zealand should consult their professional advisers as to whether any governmental or other consents are required or whether formalities need to be observed to enable them to acquire New Shares. Return of a duly completed Entitlement and Acceptance Form or payment will be taken by the Company to constitute a representation that there has been no breach of such requirements.

No account has been taken of the particular objectives, financial situation or needs of recipients of this Offer Booklet. Because of this, recipients of this Offer Booklet should have regard to their own objectives, financial situation and needs.

Recipients of this Offer Booklet should make their own independent investigation and assessment of the Company, its business, assets and liabilities, prospects and profits and losses, and the risks associated with investing in the Company. Independent expert advice should be sought before any decision is made to accept the Offer, or to acquire New Shares or other securities of the Company.

Glossary

Term	Definition
Allotment Date	the date on which the Shares are allotted under the Offer
Applicant	an Eligible Shareholder who submits an application for New Shares on the conditions set out in this Offer Booklet.
Application	an application for a specified number of New Shares by an Applicant under this Offer Booklet.
Applications Closing Date	the date on which the Rights Issue closes, expected to be 5.00pm (WST) on Wednesday 15 June 2016.
Application Money	monies received from persons subscribing for New Shares pursuant to the terms of the Rights Issue.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited ACN 008 624 691 or the financial market known as the Australian Securities Exchange operated by it, as the context requires.
ASX Listing Rules	the listing rules of ASX.
Board	the Directors acting as a board of the Company.
Business Day	a day on which both ASX and major Australian banks are open for trading in Melbourne.
Company	Respiri Limited ACN 009 234 173.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Directors	the directors of the Company.
Dispatch Date	Friday 27 May 2016
Eligible Shareholder	as defined in Section 2 of the 'Details of the Offer' section of this Offer Booklet.
Entitlement and Acceptance Form	the personalised form for participation in the Rights Issue attached to or accompanying this Offer Booklet.
Existing Shares	means the Shares on issue at the Record Date, being 288,255,483 fully paid Shares in the Company.
GST	Good and Services Tax.
Ineligible Foreign Shareholder	a Shareholder with an address in the Company's share register outside Australia or New Zealand, unless the Company is satisfied that it is not precluded from lawfully issuing New Shares to that Shareholder either unconditionally or after compliance with conditions which the Board in its sole discretion regards as acceptable and not unduly onerous.
Issue Price	the price payable for one New Share under this Offer Booklet, being \$0.03.

Term	Definition
New Share	a Share offered and issued under this Offer Booklet, the terms and conditions of which are set out in this Offer Booklet.
Offer	the offer in respect of the Rights Issue as detailed in this Offer Booklet.
Offer Booklet	this document dated 19 May 2016
Offer Period	Friday 27 May 2016 to Wednesday 15 June 2016 (or any other date as may be determined by the Company).
Opening Date	Friday 27 May 2016.
R&D	means research and development.
Record Date	7.00pm (Melbourne time) on Tuesday 24 May 2016.
Rights	the rights of Shareholders to participate in the renounceable pro-rata Rights Issue described in this Offer Booklet and subscribe for New Shares
Rights Issue	the 1:2 pro-rata renounceable rights issue under this Offer Booklet
Rights Issue Entitlements	means the entitlement to apply for New Shares under the Offer
Share	a fully paid ordinary share in the capital of the Company.
Share Registry	Security Transfer Registrars Pty Ltd.
Shareholder	a holder of at least one Share as recorded on the Company's share register.
Shortfall Shares	New Shares that are not subscribed for by the Applications Closing Date
Sub-Underwriters	the Director Sub-Underwriters and Investment Holdings Pty Ltd
Underwriter	Patersons Securities Limited ABN 69 008 896 311.
Underwriting Agreement	the agreement between the Company and the Underwriter dated 18 May 2016.
U.S. Person	has the same meaning given by Regulation S under the United State Securities Act of 1933, as amended.
WST	Western Standard (Perth) Time.