

Annual Report

2023



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Recce Pharmaceuticals Ltd (ASX: **RCE**, FSE: **R9Q**) is developing a new class of Synthetic Anti-Infectives designed to address the urgent global health problems of antibiotic-resistant superbugs.

Recce's anti-infective pipeline includes three patented, broad-spectrum, synthetic polymer anti-infectives: RECCE® 327 as an intravenous and topical therapy that is being developed for the treatment of serious and potentially life-threatening infections due to Gram-positive and Gram-negative bacteria including their superbug forms; RECCE® 435 as an oral therapy for bacterial infections; and RECCE® 529 for viral infections. Through their multi-layered mechanisms of action, Recce's anti-infectives have the potential to overcome the hypercellular mutations of bacteria – the challenge of all existing antibiotics to date.

The US Food and Drug Administration has awarded RECCE® 327 Qualified Infectious Disease Product designation under the Generating Antibiotic Initiatives Now (GAIN) Act – labelling it for Fast Track Designation, plus 10 years of market exclusivity post approval. Further to this designation, RECCE® 327 has been included on The Pew Charitable Trusts Global New Antibiotics in Development Pipeline as the world's only synthetic polymer and sepsis drug candidate in development. RECCE® 327 is not yet market approved for use in humans with further clinical testing required to fully evaluate its safety and efficacy.

Recce wholly owns its automated manufacturing, which is supporting present clinical trials. Recce's anti-infective pipeline seeks to exploit the unique capabilities of its technologies targeting synergistic, unmet medical needs.

Business Highlights

Below are listed the main corporate developments for the FY23 period between July 2022 and June 2023.



Commercial and Operational

- Recce delivered Opening R&D Address at World Anti-Microbial Resistance Congress 2022
- Western Australian Government Sponsorship received for BIO Korea 2023
- Alistair McKeough appointed to Board of Directors
- Dr John Prendergast appointed as Executive Chairman
- Total of A\$4.31m received from R&D Rebate Payments
- Anti-Infective Research Unit established at Murdoch Children's Research Institute



Pre-Clinical and Clinical

- RECCE® 327 (R327) shown to significantly reduce SARS-CoV-2 in hamsters
- Positive safety data from 7th cohort of Phase I clinical trial evaluating RECCE® 327 intravenous formulation in healthy male volunteers
- Diabetic Foot Infections (DFI)
 - Ethics Approval received to start Phase I/II DFI study
 - Outpatient nurses appointed for DFI Phase II study
- Urinary Tract Infection (UTI)/Urosepsis
 - Human Research Ethics Approval (HREC) received to start Phase I/II Rapid Infusion UTI/Urosepsis trial
 - CMAX Research Facility selected for Phase I/II Rapid Infusion UTI/Urosepsis trial
 - Site expansion and additional HREC approval received for Phase I/II Rapid Infusion UTI/Urosepsis trial
 - (Post FY23) First cohort dosed in RECCE® 327 Phase I/II Rapid Infusion UTI/Urosepsis clinical trial



Regulatory

- RECCE® Trademark registered in Hong Kong and Israel
- New Family 4 patent granted for RECCE® Anti-Infectives in Australia





Dr John Prendergast
Executive Chairman

Letter from the Chairman

Dear Fellow Shareholders,

I am pleased to provide our annual report and operating review for FY23 from which we continue to lay solid foundations that will support long-term sustainable growth for shareholders.

“

This year marks seven years since Recce's listing on the Australian Securities Exchange, an occasion that gave me cause to reflect upon the Company's remarkable journey so far.

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This year marks seven years since Recce's listing on the Australian Securities Exchange, an occasion that gave me cause to reflect upon the Company's remarkable journey so far. Thanks to the dedication of our team, Recce is forging a path that recognises it as a global leader in the field of anti-infectives. Recce is leading the way towards new and transformative therapeutics for treating severe infections.

Foundations for growth in place

While the Company's first years were focused on pre-clinical activities, establishing manufacturing capabilities and growing our clinical expertise, this reporting period was a robust year for Recce. We successfully completed a number of important milestones, including the delivery of comprehensive first safety data for our lead compound, R327, in healthy volunteers, that lays the foundation for the potential of R327 to become a first-line treatment for unmet medical needs.

As the clinical safety data builds, and as the potential to use R327 in a broader set of indications and formulations grows, Recce has worked tirelessly to prepare for the next round of studies that will aim to accelerate R327's development and bring this innovative therapy to market. These upcoming studies include a trial to determine the optimal intravenous dose levels for the treatment of sepsis, urosepsis and urinary tract infections, which have critical unmet medical needs.

At the same time, our topical treatment programs for burns and diabetic foot ulcer infections continue to progress and are attracting strong interest from industry-leading clinicians and potential commercial partners in Australia and overseas.

Several important pre-clinical programs demonstrating the activity of our lead compound against several World Health Organisation priority pathogens, including *Streptococcus pneumoniae* and *Mycobacterium abscessus*, are all steadily advancing towards first-in-human studies.

Financial and reputational strength to transform Recce over the coming years

I am pleased to report that as a result of our operational achievements and the favourable Australian tax incentive on Research & Development activities, Recce is well placed to fund its progress towards the achievement of a number of key clinical milestones over the coming quarters.

Thanks to its increasing international activities, Recce is building momentum and garnering broader attention as a leader in the field of anti-infectives, resulting in opening new doors with potential partners, be it pharmaceutical companies or international and domestic organisations. Highlighting this awareness is the Company's recent invitation to present the opening R&D address at the prestigious World Anti-Microbial Resistance Congress 2023. We are also delighted to have been invited by the US Defense Department to hold a presentation on infectious diseases at the 2023 Military Health System Research Symposium in August 2023.

A bright future

In the coming 12 months, we expect to expand our clinical therapeutic programs with a number of new Phase II studies. We expect to see our manufacturing capability expanded and our production facility in Sydney capable of supplying our ongoing clinical trials.

Our pipeline of programs and growing in-house capabilities ensure Recce maintains its leadership position in the global anti-infective space – a sector that has garnered increasing interest from international investment and pharmaceutical industries.

Recce has a clear vision for the future and the team is focused on delivering on our priorities to bring innovative anti-infectives to market, delivering value to all our stakeholders and shareholders.

Governance priorities

Another foundation for growth and the many opportunities before us is our focus on best-practice governance, which is always a major focus of the Board.

The composition of the Board is always a priority. We aim to have the right skills and expertise to navigate our industry and the broader environment.

In line with the planned expansion of our clinical programs, the Board of Directors has been refreshed with new appointments throughout

the year as part of the Company's ongoing succession planning to ensure the skills and experience is commensurate with Recce's growth and future focus.

I am pleased to have welcomed Alistair McKeough as Non-Executive Director. He brings a wealth of legal expertise to complement the diverse skills and experience of our Board. We also welcomed Maggie Niewidok as our new Company secretary.

Looking ahead

On behalf of the board, I would like to thank James Graham, our CEO, the management team and all our clinical and commercial partners, for their personal commitment, dedication, and contributions to the success of Recce this year.

Most assuredly, I would also like to thank our shareholders for their ongoing support which has been an important contribution to our success.

The coming years present great opportunities for our business to tackle one of the world's biggest healthcare challenges: the unprecedented threat of antimicrobial resistance.

Our mission at Recce is to impact this global issue. I, along with James Graham, our Managing Director and CEO, and the entire Recce team look forward to pursuing this challenge with you.

Again, thank you for your most welcome continued support.



John Prendergast
Chair



James Graham
Managing Director and Chief Executive Officer

Letter from the CEO

Dear Shareholders,

FY23 has been another significant year for Recce, a transformational one. We completed our first in-human safety and tolerability study with excellent results and progressed to a Phase I/II Rapid Infusion UTI/Urosepsis clinical trial.

“

Recce's progress and success this year is a direct reflection of the focus and dedication of our growing team combined with the significant medical potential of our new generation anti-infectives.

”

As we work towards initiating our Phase II study for R327 in UTI/Urosepsis and studies for our new gel formulation of R327 in diabetic foot ulcer and burn wound infections, we aim to have data from a number of these programs in FY 2024.

Our clinical progress confirms the robustness of the safety profile of R327, the world's first new class of anti-infective with a novel and differentiated Mechanism of Action in over 30 years. These very promising safety data are also



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Recce's clinical programs are advancing towards a market actively seeking new antibiotic and anti-infective solutions. Market awareness and demand is evolving rapidly.

”

a major achievement and a sound foundation for the many studies to now follow.

Recce's progress and success this year is a direct reflection of the focus and dedication of our growing team combined with the significant medical potential of our new generation of anti-infectives.

Aside from the usual challenges of leading an early-stage biotech, Recce has achieved all this despite a global pandemic, geopolitical unrest and instability in financial markets.

Our long-term opportunity for growth

The challenge for an opportunity-rich business like Recce, seeking to commercialise high value clinical assets with multiple therapeutic applications globally, is to remain focused while simultaneously building the broad foundations for expansion into addressing major unmet medical needs.

I believe we have delivered the right balance of focus on near-term priorities and commitment to long-term opportunities while maintaining a lean and efficient organisation.

We continued to collaborate with a number of highly qualified medical investigators in Australia and expanded our network around the world, most notably in the US with strong interest from US Key Opinion Leaders, the US military as well as industrial partners based in the US.

On a personal note, I am constantly inspired by the conversations we have with patients with drug-resistant infections and clinicians tasked with treating these unmet medical needs; witnessing the incredible potential for real-life impact that our drug can have on those who need it most.

Culture and values

Our ability to help improve the lives of people facing the threat of antibiotic-resistant infections is increasing every day, through our clinical trials and special access programs.

This is where our people and our shareholders can be incredibly proud. Recce's progress does not happen without a talented group of committed people.

While our teams connect virtually and in person across different offices and time zones, they remain motivated and dedicated. Recce is building a unique culture that will form a solid foundation as we strive to address the global health threat posed by antibiotic-resistant superbugs.

Recce has demonstrated it can effectively advance several clinical programs while simultaneously building the necessary commercial and clinical relationships to support our future success.

An opportune time

In the coming year we will focus on completing the next phase of our clinical program while building on the achievements of the previous 12 months.

Recce's clinical programs are advancing towards a market actively seeking new antibiotic and anti-infective solutions. Market awareness and demand is evolving rapidly.

Evidence of this came with the US House of Representatives and Senate moving to revive the PASTEUR Act in an effort to revitalise antibiotic development in the US. PASTEUR, which stands for **Pioneering Antimicrobial Subscriptions To End Upsurging Resistance**, has strong bipartisan support because of its balanced approach to the development of urgently needed new antibiotics and antifungals. Every 15 minutes, a person in the United States dies from an infection resistant to treatment with existing antimicrobial drugs. Sepsis is the United States' most expensive condition in aggregate to treat in the hospital, costing the healthcare system US\$57bn annually in inpatient costs. Sepsis has even become the leading cause of deaths in US hospitals and Recce is a potential solution for this, with extremely promising pre-clinical and clinical results for R327 in that indication.

While pharmaceutical companies have mostly stayed away from anti-infectives for the last 20 years, the strong medical need is driving a resurgence of interest with a steady increase in the number of large pharmaceutical companies becoming more active in the sector via acquisitions, partnerships and collaborations over the past 12 months.

Outlook

In closing, I would like to thank the Recce team, our shareholders, clinical partners and the many who make it possible to deliver our strategy and support our goal of bringing effective new anti-infective treatments to millions of people with life-threatening infections and to protect the health of communities everywhere.

Recce is one of just a small group of global companies solely dedicated to the development and commercialisation of new antibiotic solutions. The depth of our innovative pipeline differentiates us and strengthens our position in this dynamic and promising field of medical innovation.

It is an exciting time to be a part of Recce as we actively deliver on our clinical and operational objectives.

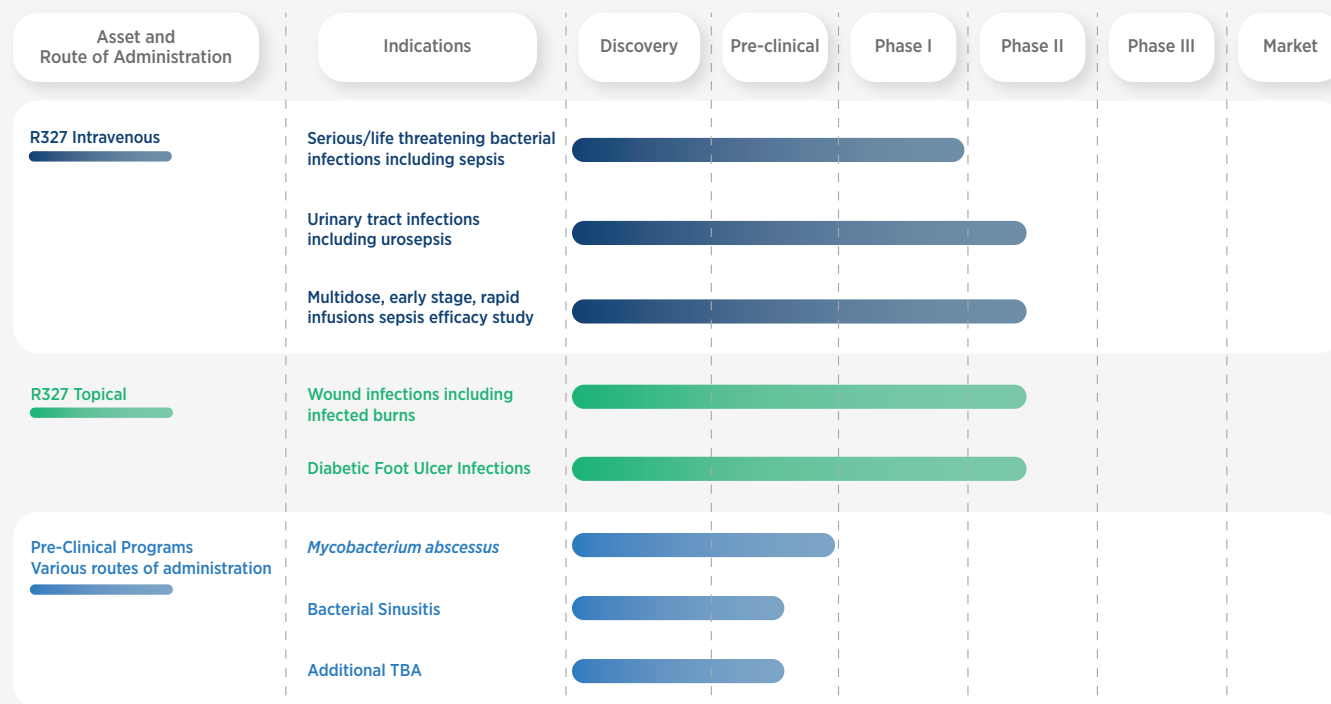


James Graham

Managing Director and Chief Executive Officer

Overview of Clinical Activities

The Company has focused its efforts on progressing its clinical trials and pre-clinical programs. Commercial, clinical and operational goals and objectives were met, with key highlights being the conclusion of the Phase I Intravenous clinical trial of R327 and the initiation of new clinical trials for multiple routes of administration, including intravenous and topical.



Financially, the Company has been able to remain well-funded while delivering on multiple clinical objectives. Supported by the Australian Government's Research and Development Tax Incentive, the Company remains well placed to continue its clinical progress into the next financial year.

Supporting clinical trials, the Anti-Infective Research Unit that was established at Murdoch Children's Research Institute has continued to advance potential pre-clinical indications by conducting high-quality research at a world-leading medical R&D organisation.

Human Clinical Trials



R327 Intravenous (I.V.) formulation

Study 001 – Phase I I.V. Clinical Trial

Conducted at Adelaide's CMAX clinical trial facility, the Company's first-in-human Phase I clinical trial is an ascending dose, randomised, placebo-controlled, parallel, double-blind, single-dose study (Trial ID ACTRN12621001313820).

Dosing has been completed, with a total of 80 healthy subjects intravenously dosed (60 with R327 and 20 with placebo) to evaluate the safety and pharmacokinetics of R327. The Company completed dosing of 8 Cohorts with a dose ceiling of 6,000mg, a 120-fold increase on Cohort One (50mg dose). No serious adverse events were observed in subjects dosed with R327.

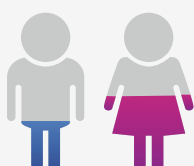
Post FY23 (19 July, 2023) the Company announced that independent examiners confirmed that the Phase I clinical trial data review was complete and all primary study end-points were achieved.

Study 003 – Phase I/II Rapid Infusion UTI/Urosepsis I.V. Clinical Trial

Following the completion of Phase I I.V. Clinical Trial (Study 001), Australia's HREC (Human Research Ethics Committees) approved R327 to be evaluated at faster infusion rates in both male and female healthy subjects. Testing R327 in female subjects is of utmost importance since women have a much higher likelihood than men of developing UTI that could lead to urosepsis. Post FY23 (10 July, 2023) the first cohort, which included first female subject, was already dosed successfully with 2,500mg of R327.

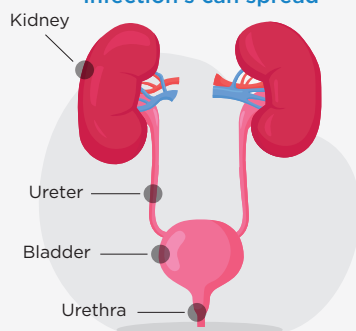
The Phase I/II trial is assessing R327 as an intravenous dose at faster infusion rates across three cohorts as a broad spectrum anti-infective to assess R327's potential as a treatment option in UTI/Urosepsis across the patient infectious disease journey (underlying infection>septic state) positioning it for therapy in this area of unmet medical need. On dosing days, plasma and urine will be collected up to 24 hours post-dose to evaluate R327's antibacterial properties.

UTI/Urosepsis Overview



About **half of women** and more than **one in 10 men** will get a urinary tract infection (UTI) in their lifetime.

Where Urinary Tract Infection's can spread



Urosepsis

Although UTI is often uncomplicated and easy to treat, sometimes bacteria can infect your bloodstream. This condition is called **urosepsis**, and it can be deadly.

Previous years have demonstrated the likelihood of antibiotics killing most UTIs is rapidly dropping.

What is Urosepsis?

Urosepsis is sepsis caused by infections of the urinary tract. **Urosepsis in adults comprises approximately 20-30% of all sepsis cases.**

Urinary Tract Infection

is an infection in any part of the urinary system. The most common UTI is cystitis, which is an infection of the bladder. Other UTIs involve the urethra or kidneys.

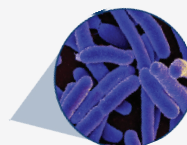
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MILLION

individuals had UTIs in 2019 worldwide

75%

of the UTI cases are caused by *Escherichia coli*

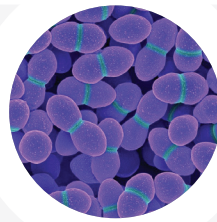


80%

are resistant to at least two antibiotics

92%

of bacteria that cause UTIs are resistant to at least one common antibiotic



Topical Programs

Study 101 – Phase I/II Topical Diabetic Foot Infection Clinical Trial

Currently conducting the largest Diabetic Foot Infection (DFI) Clinical Trial ongoing in Australia, the Company has built out its topical broad-spectrum bacterial infection treatment programs through a new Phase I/II clinical trial for DFI at a leading Australian teaching hospital.

The trial received Human Research Ethics Committee approval to begin and will enrol up to 32 patients. It will be conducted at Sydney South West's Limb Preservation and Wound Research Unit, located at the Ingham Institute of Medical Research. This unit was selected for its innovative and ground-breaking focus on wounds of the limbs and limb loss, an under-researched area in Australian healthcare.

The Company is exploring R327 as a preventative treatment for DFI, an ever-increasing problem in the Western World and which leads to 25% of Diabetic Foot Ulcer cases in the U.S. requiring amputation at some point. Moreover, the total medical costs for treating diabetic foot diseases in the U.S. are estimated at US \$9-13 billion every year.

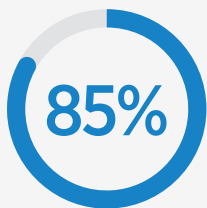
The trial has expanded its clinical trial sites to multiple states, including CMAX Clinical Research (South Australia) and Scientia Clinical Research (New South Wales), allowing the study to be expedited and to broaden the patient population across multiple world class facilities.

Administering the drug at faster rates, especially within a GP setting or an Acute patient setting, is important as this allows the infection to be treated more rapidly. The 2021 Surviving Sepsis Campaign (SCC) guidelines strongly recommend that the administration of intravenous broad-spectrum antibiotics should be initiated as soon as possible, preferably within an hour of sepsis recognition.

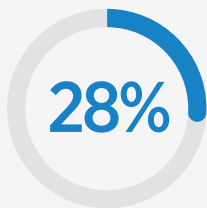
DFI Overview



of the patients with diabetes undergo nontraumatic foot amputations



of the diabetes-related amputations precede foot ulceration



is the 3-year cumulative mortality rate for DFU patients

Diabetic Foot Infections

are a common complication of diabetes that is not being managed through methods such as diet, exercise, and insulin treatment. Ulcers are formed as a result of skin tissue breaking down and exposing the layers underneath.



Diabetic foot infection is one of the **common**, **costly**, and **severe** complications of diabetes.

Outpatient Nurses Appointed and Patient Population Increased

- The Phase I/II clinical trial of R327 is supported by in-home nurses trained in R327 DFI treatment protocols, broadening treatable DFI trial patient population.
- Services provided by Ascott nurses will be adhering to national and international clinical trial regulatory requirements
 - Collecting vital signs, conducting basic wound assessment and cleaning
 - Administering R327 as a topical agent
 - Performing concomitant medicant and adverse event monitoring and recording

Study 102 – Phase I/II Topical Burn Wound Infection Clinical Trial

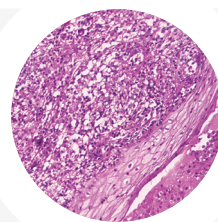
The Phase I/II Topical Burn Wound Infection Clinical Trial has produced patient examples with multiple bacterial species in and surrounding wound. Growth swabs were taken and revealed to include pathogens from the ESKAPE group of bacteria.

Following treatment with R327, favourable signs were observed including:

- Healthy skin growth
- Reduced swelling
- Reduced infection
- Indication of tissue penetration to the side of underlying infection



Recce is working to expand the number of domestic and international clinical sites involved in this trial with expected progress in FY 2024.



Pre-Clinical Programs

The Company has established an Anti-Infective Research Unit (AIR Unit) located within the Murdoch Children's Research Institute, one of the top three children's research institutes worldwide, to accelerate pre-clinical activities. Based in Melbourne, one of the world's most innovative cities for world-leading medical research and development, the dedicated research within Recce's AIR Unit will streamline ongoing pre-clinical programs and explore new research development opportunities.

Targeted at discovering pre-clinical indications with in-human clinical trial potential, the AIR Unit will focus on advancing pre-clinical indications such as *M. abscessus* and Bacterial Sinusitis. The unit is equipped with fit-for-purpose laboratory space and a dedicated Murdoch Children's team with access to a large bank of infectious disease strains and other expertise.



Murdoch Children's Research Institute. Photo taken by John Gollings.

Conference Engagement

Key Events with Investors, Key Opinion Leaders, and Global Conferences

The Company has increased its presence at global conferences and interactions with Key Opinion Leaders in order to increase investment opportunities and engagement within the sepsis and antimicrobial resistance community.

Attendance at global investor and industry events has allowed the Company to expand its business development programs, and network with potential partners.

Recce also intensified its institutional investor access throughout the year, in particular the APAC Region, Europe and the United States, aimed at building long-term and broader relationships.



See below the conferences the Company participated in throughout the financial year:

2022	Jan 2022		JP Morgan LifeSci Advisors Corporate Access Event San Francisco, USA
	Jul 2022		ASM Annual Scientific Conference Sydney, AUS
	Sep 2022		World AMR Congress Washington DC, USA Sepsis Alliance Summit Virtual Sepsis Awareness Month Virtual
	Oct 2022		ESCMID/ASM Conference on Drug Development - Research Abstract and Poster Presentation Dublin, Ireland
2023	Feb 2023		High Net Worth Investor Event Zurich, Switzerland
	Mar 2023		High Net Worth Investor Event Geneva, Switzerland Wholesale Investor Emergence Sydney Sydney, AUS Wholesale Investor Emergence London London, UK
	Apr 2023		Sepsis Alliance AMR Conference Virtual
	May 2023		BIO Korea 2023 Seoul, South Korea
	June 2023		BIO International Convention Boston, USA ASM Microbe Houston, USA

Board of Directors and Key Management Personnel



Dr John Prendergast

Executive Chairman

BSc (Hons), MSc (UNSW),
PhD (UNSW), CSS (HU)

Based in the US, Dr Prendergast is the current Chairman and Co-founder of Palatin Technologies, Inc. (NYSE: PTN) and Lead Director of Nighthawk Biosciences (NYSE: HHWK). With extensive experience in the international commercialisation of pharmaceutical technologies, Dr Prendergast has been responsible for the approval of three new drug applications.



James Graham

Managing Director and
Chief Executive Officer

BCom (Entrepreneurship), GAICD

Mr Graham is the Chief Executive Officer of Recce Pharmaceuticals. He was formerly Executive Director and has extensive experience in marketing, business development and commercialisation of early-stage technologies with global potential. Mr Graham has served on Recce's Board of Directors for six years and has invested in almost every capital raise to date with a focus on expanding Recce's commercial opportunities and clinical initiatives.



Michele Dilizia

Executive Director and
Chief Scientific Officer

BSc (Med Sci), Grad Dip Bus (Mkting),
BA (Journ), GAICD, MASM

Ms Dilizia is a co-inventor and qualified medical scientist with a specialisation in medical microbiology and regulatory affairs. She successfully co-led the research and development of Recce's suite of anti-infective compounds, resulting in a portfolio of granted patents across the globe, including a Qualified Infectious Disease Product designation with the U.S. Food and Drug Administration (FDA).



Dr Justin Ward

Executive Director and
Principal Quality Chemist

BSc (Chem), PhD (Chem),
MRACI, CChem, MPharm

Dr Ward is a qualified Chemist and Pharmacist with over 20 years of pharmaceutical and biotech industry experience in quality control, quality assurance, product research and development with leading pharmaceutical companies, including Pfizer. Dr Ward previously held a technical role with Pfizer, involving providing data for regulatory submissions to the FDA and TGA.



Dr Alan Dunton

Non-Executive Director

BSc (BioChem) Hons, M.D. (NYU)

Based in the US, Dr Dunton is Director of Palatin Technologies. He has over three decades of senior pharmaceutical experience including as President and MD of Janssen Research Foundation (Johnson & Johnson). Dr Dunton has advanced approximately 20 blockbuster drugs through regulatory review and commercialisation at Fortune 500 companies including Roche.



Alistair McKeough

Non-Executive Director
(Prandium Capital)

Mr McKeough is an experienced executive and solicitor. Before being appointed as a non-executive director in 2022, Alistair served as Recce's company secretary and he has been involved with the company since 2017. Alistair has extensive experience in a variety of private and listed corporations across many sectors, including professional services, technology, financial services, charities, health, biotech, childcare and education. Recent roles include Managing Director of a legal practice specialising in equity capital markets and advice to listed companies and as part of the senior leadership team at share registry, Automic Group.



Arthur Kollaras

Principal Engineer & Head
of Manufacturing

BSc, BEng (Chem), PhilEng (Enviro),
MIEAust, MISPE

Mr Kollaras is highly qualified in chemical engineering and microbiology. He has significant experience taking a new technology concept from pilot plant to full-scale international production under FDA standards.



Justin Reynolds

Chief Financial Officer
(Pitcher Partners)

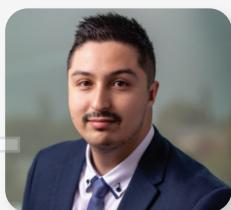
Mr Reynolds is a Partner at Pitcher Partners Sydney. His experience with multinational companies has led him to developing expertise as an Outsourced Financial Controller.



Maggie Niewidok

Company Secretary
(Kardos Scanlan)

Ms Niewidok is an admitted lawyer with the firm Kardos Scanlan Corporate Lawyers. She is an experienced corporate lawyer and is the Company Secretary to various ASX-Listed and unlisted companies, across a range of industries.



Daniel Astudillo

Head of Marketing

BCom (Marketing), BA (Spanish), MBA

Mr Astudillo has over seven years of expertise in pharmaceuticals and clinical trials sector. He specialises in crafting impactful digital marketing campaigns and effectively engaging key investors in the healthcare sector.



Thomas Jarrett

Operations Manager

BSc (Bioengineering)

With a background in bioengineering, Mr Jarrett is an experienced pilot plant operations manager overseeing all manufacturing activities, including quality assurance programs and strategic process improvements.

Financial Report

Recce Pharmaceuticals Ltd

(Formerly Recce Ltd) and Controlled
Entities ABN 73 124 849 065 Consolidated
Financial Report for the year ended
30 June 2023

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Directors' Report

For the year ended 30 June 2023

Your Directors present their report on Recce Pharmaceuticals Ltd (the 'Company') and controlled entities (the 'Group') for the year ended 30 June 2023.

Directors

The following persons held office as Directors of the Company during the year and up to the date of this report:

Dr John Prendergast

Executive Chairman (effective 5 September 2022)

Mr James Graham

Managing Director & Chief Executive Officer

Ms Michele Dilizia

Executive Director and Chief Scientific Officer

Dr Justin Ward

Executive Director and Principal Quality Chemist

Dr Alan Dunton

Non-Executive Director & Chief Medical Advisor

Mr Alistair McKeough

Non-Executive Director (effective 1 September 2022)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Information on Directors

Dr John Prendergast

Chairman (Executive)

Qualifications

BSc (Hons), M.Sc. and Ph.D., C.S.S. (Admin & Mgmt)

Experience

Dr Prendergast is currently Non-Executive Chairman and Co-Founder of Palatin Technologies developing targeted therapeutics for the treatment of diseases with significant unmet medical need and Lead Director of Nighthawk Biosciences, Inc., a publicly traded, clinical stage immunomodulatory company.

He was previously a member of the board of the life science companies, Avigen, AVAX Technologies and MediciNova Inc and also as a member of the Advisory Board for the Institute for the Biotechnology of Infectious Diseases (IBID) at the University of Technology Sydney, now called the ithree Institute.

Prior to that he was a Managing Director of The Castle Group Ltd., a New York medical venture capital firm. Dr Prendergast held Post-Doctoral Fellowships in the Department of Biochemistry and Molecular Biology, Harvard University and at the Center for Research on Blood Diseases in Paris with Professor Jean Dausset (Nobel Prize, 1980).

During his career, Dr Prendergast has been responsible for the approval of three (3) New Drug Applications.

Dr Prendergast received his M.Sc. and Ph.D. from the University of New South Wales, Sydney, Australia and a C.S.S. in administration and management from Harvard University.

Interest in Shares and Options

250,000 Ordinary Shares

2,175,000 Unlisted Options

Special Responsibilities

Member of the Audit & Risk Management Committee

Member of the Nomination & Remuneration Committee

Directorships held in other listed entities during the last three years

Palatin Technologies, Inc. (NYSE: PTN)

Heat Biologics, Inc. (NASDAQ: HTBX)

Mr James Graham

Director (Executive) and Chief Executive Officer

Qualifications

BCom (Entrepreneurship), GAICD

Experience

Mr Graham is Chief Executive Officer and Executive Director of the Company.

Mr Graham has a background in marketing, business development and commercialisation of early stage technology with global potential.

Mr Graham continues to work closely with the growth and direction of Company, routinely investing alongside shareholders in capital rounds to date.

Interest in Shares and Options

Direct ownership

2,250,000 Unlisted Options

Indirect ownership

6,531,932 Ordinary Shares

Special Responsibilities

Member of the Audit and Risk Management Committee

Directorships held in other listed entities during the last three years

Nil

Ms Michele Dilizia

Director (Executive) and Chief Scientific Officer

Qualifications

BSc (Med Sci), Grad Dip Bus (Mkting), BA (Journ), GAICD, MASM

Experience

Ms Dilizia is a Qualified Medical Scientist with specialisation in medical microbiology. Previously, she had a successful executive career in public relations and marketing for a leading retail chain.

Ms Dilizia was a market research consultant, which included marketing development of health-care and pharmaceutical products.

Interest in Shares and Options

3,543,485 Ordinary Shares

1,500,000 Unlisted Options

Special Responsibilities

Nil

Directorships held in other listed entities during the last three years

Nil

Directors' Report Continued

For the year ended 30 June 2023

Dr Justin Ward

Director (Executive)

Qualifications

BSc (Chem), PhD (Chem), MRACI, Chartered Chemist, MPharm

Experience

Dr Ward is qualified chemist with specialisation in pharmaceutical quality management and product development.

Before Recce Pharmaceuticals, he held a technical speciality and special project leadership role with Pfizer Pharmaceuticals, involving providing data for the regulatory submissions to the FDA and TGA.

After Pfizer, he was the Laboratory Manager for Solbec, involving, again as presently, drug specifications and pharmaceutical trials for the ASX-Listed company.

Most recently, he was Quality Manager at Phebra and responsible for product quality and release of all drugs of the company with the TGA.

Interest in Shares and Options

Direct ownership

158,966 Ordinary Shares

600,000 Unlisted Options

Special Responsibilities

Nil

Directorships held in other listed entities during the last three years

Nil

Dr Alan Dunton

Director (Non-Executive) and Chief Medical Advisor

Qualifications

M.D. New York University School of Medicine

B.S. Biochemistry. (Magna cum laude) State University School of New York at Buffalo

Experience

Dr Dunton has held leadership positions at various biotechnology and pharmaceutical companies including serving as president and chief executive officer at Panacos Pharmaceuticals, Inc., Metaphore Pharmaceuticals, Inc., and chief operating officer at Emisphere Technologies, Inc.

Dr Dunton served in several positions at Johnson and Johnson including president and managing director at the Janssen Research Foundation where he was responsible for leading over 2,000 professionals worldwide and prior to this as vice president of global clinical research and development at the R.W. Johnson Pharmaceutical Research Institute. During his career, Dr Dunton has been responsible for the approval of approximately 20 New Drug Applications; an amalgamation of prescription and OTC products.

Dr Dunton earned his medical degree from New York University School of Medicine following his bachelor's degree in biochemistry from the State University of New York at Buffalo. Dr Dunton then completed his fellowship in clinical pharmacology at New York Hospital/Cornell University Medical Center and, in 1987, was awarded The Nellie Westerman Prize from the American Federation for Clinical Research (AFCR) for his work in medical ethics.

Interest in Shares and Options

Direct ownership

60,000 Ordinary Shares

1,125,000 Unlisted Options

Indirect ownership

10,000 Ordinary Shares

Special Responsibilities

Chairman of the Nomination & Remuneration Committee
Member of the Audit & Risk Management Committee

Directorships held in other listed entities during the last three years

Palatin Technologies, Inc. (NYSE: PTN)
Oragenics, Inc. (NYSE: OGEN)
CorMedix, Inc. (NYSE: GRMD)
Regeneus Ltd (ASX: RGS)

Mr Alistair McKeough

Director (Non-Executive)

Qualifications

BA, LLB, LLM

Experience

Mr McKeough is an experienced executive and solicitor. Before being appointed as a non-executive director on 1 September 2022, Alistair served as Recce's company secretary and he has been involved with the company since 2017.

Alistair has extensive experience in a variety of private and listed corporations across many sectors, including professional services, technology, financial services, charities, health, biotech, child care and education. He recently stepped down as Managing Director of a legal practice specialising in equity capital markets and advice to listed companies and as part of the senior leadership team at share registry, Automic Group.

Interest in Shares and Options

Indirect ownership

25,000 Ordinary Shares

1,125,000 Unlisted Options

Special Responsibilities

Chairman of the Audit & Risk Management Committee
Member of the Nomination & Remuneration Committee

Directorships held in other listed entities during the last three years

Nil

Chief Financial Officer

Justin Reynolds

Experience

Justin Reynolds is a Partner at Pitcher Partners Sydney.

Mr Reynolds' experience with multinational companies has led to him developing particular expertise as an Outsourced Financial Officer. He and his team provide their clients with the peace of mind that comes from high quality, technically expert outsourced accounting.

Mr Reynolds' has a broad range of experience having dealt with a variety of different sized organisations from small family business to multinational companies and high net worth individuals.

Company Secretary

Maggie Niewidok

Maggie is an admitted lawyer and employee of Kardos Scanlan Corporate Lawyers. Maggie is an experienced corporate lawyer and is the Company Secretary to various ASX listed and unlisted companies, across a range of industries.

Principal Activity

The Group is pioneering the development and commercialisation of a drug discovery and development business commercialising new Classes of synthetic anti-infectives with broad spectrum activity designed to address the urgent global health threat of antibiotic resistant superbugs and emerging viral pathogens. Its patented lead candidate, RECCE® 327 has been developed for the treatment of blood infections and sepsis derived from *E. coli* and *S. aureus* bacteria – including their superbug forms.

Review of Operations

On 11 July 2022, the Company announced the appointment of Dr Philip Sutton as Vice President of Translational Sciences.

On 5 August 2022, the Company settled its legal dispute in relation to the Class C and Class D Performance shares issued to former directors/KMP with the cash payment of \$1,417,527 as full and final settlement of all matters in the dispute. This amount was recognised as a provision at 30 June 2022.

On 22 August 2022, the Company announced Phase I intravenous (IV) clinical trial of RECCE® 327 Cohort 7 at 6,000mg (120-fold increase on Cohort One 50mg dose) over 1 hour I.V. infusion, with no serious adverse events among 10 healthy male subjects.

On 1 September 2022, the Company announced the appointment of Alistair McKeough as Non-Executive Director and Maggie Niewidok as Company Secretary.

On 5 September 2022, the Company announced the appointment of Dr John Prendergast as Executive Chairman.

Directors' Report Continued

For the year ended 30 June 2023

On 27 September 2022, the Company provided an updated timeline on its clinical programs with several significant data read-outs in 2022 and 2023.

On 18 October 2022, the Company provided an update on the findings in SARS-CoV-2 studies undertaken by an independent, third party contract research organisation.

On 9 December 2022, the Company announced it had received Human Research Ethics Committee approval to start its Phase I/II clinical trial assessing R327 as a spray-on, broad-spectrum antibiotic therapy for mild skin and soft tissue diabetic foot infections.

On 15 December 2022, the Company announced the commencement of an Anti-Infective Research Unit through the execution of a research collaboration agreement with Murdoch Children's Research Institute, securing a dedicated Murdoch Children's research team of infectious disease experts, fit-for-purpose laboratory space, access to a library of clinical isolates and drug-resistant pathogens.

On 10 January 2023, the Company announced the Australian Patent Office issued notification of intent to grant Recce's Patent Family 3 'Anti-Virus Agent and Method for Treatment of Viral Infection'.

On 25 January 2023, the Company announced an advance payment of \$1,908,039 from Radium Capital (Radium) for Recce's future Research and Development (R&D) tax incentive.

On 2 February 2023, the Company announced it had been issued a trademark for RECCE® from the Trade Marks Registry Intellectual Property Department in Hong Kong.

On 20 February 2023, the Company announced it had selected South Australia's CMAX Clinical Research as the independent trial facility to conduct a Phase I/II intravenous (IV) clinical trial of its lead pipeline candidate RECCE® 327 (R327) in healthy male and female subjects.

On 4 March 2023, the Company announced further non-dilutive funds from Radium for A\$973,144 of Recce's future Research and Development (R&D) tax incentive.

On 11 April 2023, the Company announced the Australian Patent Office issued notification of intent to grant the first of Recce's new Patent Family 4 for RECCE's anti-infectives 'Process for Preparation of Biologically Active Copolymer', expiry 2041.

On 12 April 2023, the Company announced it had been issued Trade Mark Registration for RECCE® from the Israeli Patent Office, Trademarks Department.

On 17 April 2023, the Company announced it had received Human Research Ethics Committee (HREC) approval to start its Phase I/II intravenous (IV) clinical trial of its lead pipeline compound RECCE® 327 (R327) in healthy male and female subjects.

On 8 May 2023, the Company announced it had received sponsorship from the West Australian Government to attend BIO Korea 2023.

On 29 May 2023, the Company announced it had awarded and on-boarded outpatient nurses from leading healthcare provider Ascott (an IQVIA Company) broadening the Company's Diabetic Foot Infection (DFI) trial patient population.

On 29 June 2023, the Company announced it had received approval from the Human Research Ethics Committee (HREC) to expand its Faster Infusion, Phase I/II Urinary Tract Infections (UTI) intravenous clinical trial of its lead product, RECCE® 327 (R327), to Scientia Clinical Research.

The operating loss has increased to \$13,077,422 (2022: loss of \$10,986,277) as a result of increased expenditure in consulting and research and development costs. The annual loss was after a R&D tax incentive of \$4,311,202 (2022: \$3,084,955).

The loss per share has increased during the year to 7.52 cents (2022: 6.31 cents).

The Group's focus is on progressing RECCE® 327's multiple ongoing human clinical trials, in parallel to the suite of pre-clinical programs.

Dividends Paid or Recommended

No dividends have been paid or declared for payment during the year and at the date of this report.

Options

During the financial year, the Company issued 1,125,000 (2022: 435,000) options to acquire ordinary shares in the Company at exercise prices and dates as disclosed in Note 19 to the consolidated financial statements. 607,400 options were exercised for \$102,043 during the financial year (2022: 1,156,565 options were exercised for \$287,408).

Significant Changes in State of Affairs

No significant changes in the Group's state of affairs occurred during the year.

Environmental Issues

The Group's operations are not subject to significant environmental regulations under the law of the Commonwealth or of a State or Territory. The policy is to comply with or exceed its environmental obligations in each jurisdiction in which it operates. No known environmental breaches have occurred.

Future Developments, Prospects and Business Strategies

The Group continues its strategy of having its antibiotic drug tested for safety, efficacy and chemistry to enable the Group to lodge its application for Investigational New Drug (IND) status with the Food and Drug Administration (FDA) in the USA.

The current economic model for developing new antibiotics has failed. There are virtually no practical economic incentives and most regulatory authorities have not prioritised these. Accordingly, there are significant opportunities for the Company in developing a new class of Synthetic Anti-Infectives designed to address the urgent global health problems of antibiotic-resistant superbugs and emerging viral pathogens.

There are many risks associated with this:

- (a) **Research and development** – May not be successful or commercially exploitable
- (b) **Changes in laws and regulations** – The introduction of new legislation or amendments to existing legislation may adversely impact the Company's operations
- (c) **Competition** – The pharmaceutical industry is intensely competitive and the Company may be beaten to market by one or more of its competitors
- (d) **Intellectual property** – May not be capable of being legally protected
- (e) **Risk of delay and continuity of operations** – Any disruption or delay to any key inputs could impact adversely on the Company
- (f) **Research and Development Grant** – There is no guarantee the program will continue. The eligibility criteria may change or an audit may require repayment in certain circumstances
- (g) **Key personnel** – Key personnel may leave and be difficult to replace or may leave to work with a competitor
- (h) **Product liability and uninsured risks** – The Company is exposed to potential product liability risks which are inherent in the research and development, manufacturing and marketing and use of its technology or products developed.

Events Subsequent to Reporting Period

On 12 July 2023, the Company announced the receipt of an advance payment of \$801,604 from Radium Capital against the R&D refund due from the Australian Taxation Office.

On 28 July 2023, the Company announced the receipt of \$98,428 as a Canadian Government R&D rebate.

On 11 September 2023, the Company announced it would raise \$8m less costs via a placement and a further \$3m via a pro-rata non-renounceable entitlement offer.

On 18 September 2023, the Company confirmed the issue of 18,181,819 new shares in respect of the placement.

On 29 September 2023, the Company announced that it had raised \$2,715,272 via the pro-rata non-renounceable entitlement offer and as a result of this, the Company will issue 6,171,048 new shares.

Other than the above, no matters or circumstances have arisen since the end of the financial year, which significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or state of affairs of the Group in future financial years.

Going Concern

The Directors believe that the Group is in a position to meet all its commitments as and when they fall due. Refer to Note 3 to the consolidated financial statements for further details.

Insurance of Officers

During the financial year, the Company paid a premium for an insurance policy insuring all Directors and Officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against the amount of the premium.

Proceedings on Behalf of Group

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervened in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any other such proceedings during the year.

Remuneration Report (Audited)

The remuneration report details the Key Management Personnel (KMP) remuneration arrangements for the Group, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

For the purposes of this Remuneration Report, KMP includes the following Directors and Senior Executives who were engaged by the Company at any time during the year ended 30 June 2023:

(i) Directors

Dr John Prendergast	Executive Chairman
Dr Alan Dunton	Non-Executive Director & Chief Medical Advisor
Mr Alistair McKeough	Non-Executive Director
Mr James Graham	Managing Director & Chief Executive Officer
Ms Michele Dilizia	Executive Director & Chief Scientific Officer
Dr Justin Ward	Executive Director & Principal Quality Chemist

(ii) Key Management Personnel

Mr Arthur Kollaras	Principal Engineer & Head of Manufacturing
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Directors' Report Continued

For the year ended 30 June 2023

The Remuneration Report covers the following matters:

- (A) Principles used to determine the nature and amount of remuneration;
- (B) Executive service agreements;
- (C) Details of remuneration;
- (D) Share-based remuneration;
- (E) Other transactions with Key Management Personnel; and
- (F) Other information.

(A) Principles Used to Determine the Nature and Amount of Remuneration

In determining competitive remuneration rates, the Board seeks independent advice on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans.

Independent advice may also be obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

Executive Remuneration

The Group's Remuneration Policy for Executive and Non-Executive Directors is designed to promote superior performance and long-term commitment to the Group. Executives receive a base remuneration which is market related, and may be entitled to performance based remuneration at the ultimate discretion of the Board.

Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is in the interests of the Group and shareholders to do so.

Executive remuneration and other terms of employment are normally reviewed annually by the Board having regard to performance, relevant comparative information and expert advice.

The Group's reward policy reflects its obligation to align executive's remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Group. The principles underpinning the Group's remuneration policy are that:

- Reward reflects the competitive global market in which we operate;
- Rewards to executives are linked to creating value for shareholders;
- Remuneration arrangements are equitable and facilitate the development of senior management across the consolidated entity; and
- Where appropriate senior managers may receive a component of their remuneration in equity securities to align their interests with those of the shareholders.

The total remuneration of executives and other senior managers consists of the following:

- (a) **Salary** – Executive Directors and senior managers receive a sum payable fortnightly in cash;
- (b) **Long-term incentives** – Executive Directors may participate in share option/performance right schemes with the prior approval of shareholders. Other senior managers may also participate in employee share option/performance right schemes, with any option/performance right scheme, with any option/performance rights issues generally being made in accordance with thresholds set in plans approved by shareholders. The Board however, considers it appropriate to retain the flexibility to issue options/performance rights to executives outside of approved employee option/performance right plans in exceptional circumstances; and
- (c) **Other benefits** – Executive Directors and senior managers are eligible to participate in superannuation schemes and other appropriate additional benefits. Cash bonuses are not subject to any specific performance terms and conditions.

Non-Executive Remuneration

Shareholders approve the maximum aggregate remuneration for Non-Executive Directors. The full Board recommends the actual payments to Directors and the Board is responsible for ratifying any recommendations, if appropriate. The maximum approved aggregate remuneration approved for Non-Executive Directors is currently \$180,000.

It is recognised that Non-Executive Directors' remuneration is ideally structured to exclude equity based remuneration. However, whilst the Group remains small, and the full Board, including the Non-Executive Directors are included in the operations of the Group more closely than may be the case with larger companies, the Non-Executive Directors are entitled to participate in equity based remuneration schemes subject to shareholders approval.

The Directors' believe that as at this stage, there is no relationship between the remuneration policy and performance.

All Directors are entitled to have their indemnity insurance paid by the Group.

(B) Service Agreements

Name	Base Salary	Performance-Based Incentives	Term	Notice Period
Dr John Prendergast ¹	-	Nil	No fixed term	3 months
Ms Michele Dilizia	\$350,000 pa	Nil	No fixed term	3 months
Mr James Graham	\$450,000 pa	Nil	No fixed term	3 months
Mr Justin Ward ²	\$280,000 pa	Nil	No fixed term	4 weeks
Mr Arthur Kollaras ³	-	Nil	No fixed term	4 weeks
Dr Alan Dunton ⁴	-	Nil	No fixed term	4 weeks
Mr Alistair McKeough ⁵	-	Nil	No fixed term	4 weeks

1 Entered into a consultancy agreement with the Company effective 26 February 2023. Remunerated monthly consulting and services fee of US \$20,833.33 totalling US\$250,000 per annum.

2 Entered into an employment agreement with the Company effective 10 March 2023. Total remuneration excluding super is \$280,000 plus superannuation.

3 Entered into a consultancy agreement with the Company effective 1 October 2021. Remunerated at the rate of \$400 per hour.

4 Remunerated monthly consulting fees of US\$468.75 per hour plus monthly director fees of \$6,250.

5 Entered into a consultancy agreement with the Company effective 1 September 2022. Remunerated monthly consulting fees of \$6,770.83.

(C) Details of Remuneration

Director and other KMP Remuneration

Details of the nature and amount of each element of the remuneration of each KMP are shown in the table below:

Name	Short-term benefits, cash salary and fees \$	Accrued Long Service Leave \$	Superannuation (post-employment benefit) \$	Termination payments \$	Bonus \$	Share-based payments \$	Total \$	Percentage Performance Related %
Directors								
M Dilizia	367,650	64,191	27,500	-	80,000	-	539,341	14.8
J Graham	550,849	69,455	19,423	-	135,000	-	774,727	17.4
J Prendergast	369,848	-	-	-	-	-	369,848	-
J Ward	249,620	30,928	26,210	-	-	-	306,758	-
A Dunton	72,500	-	-	-	-	-	72,500	-
A McKeough ¹	66,937	-	-	-	-	325,217	392,154	-
Executives								
A Kollaras	288,800	-	30,324	-	-	-	319,124	
	1,966,204	164,574	103,457	-	215,000	325,217	2,774,452	

1 Appointed 1 September 2022.

Directors' Report Continued

For the year ended 30 June 2023

Year ended 30 June 2022

Name	Short-term benefits, cash salary and fees \$	Accrued Long Service Leave \$	Superannuation (post-employment benefit) \$	Termination payments \$	Bonus \$	Share-based payments \$	Total \$	Percentage Performance Related %
Directors								
M Dilizia	230,000	40,042	29,900	-	69,000	-	368,942	18.7
J Graham	328,403	38,459	46,340	-	135,000	-	548,202	24.6
J Prendergast	120,000	-	-	-	-	-	120,000	-
J Ward	176,066	14,298	17,607	-	-	-	207,971	-
A Dunton	60,000	-	-	-	-	-	60,000	-
Executives								
A Kollaras	168,347	-	12,515	-	-	117,925	298,786	39.5
	1,082,815	92,800	106,362	-	204,000	117,925	1,603,901	

(D) Share-Based Remuneration

Year ended 30 June 2023

(i) Issue of ordinary shares

There were no ordinary shares issued to Directors or KMP as part of their compensation during the year ended 30 June 2023.

(ii) Issue of options

The following options were issued on 15 November 2022 as part of remuneration under a share-based payment.

Name	Options Issued	
	No.	\$
Executives		
A McKeough	1,125,000	325,217
	1,125,000	325,217

The terms and conditions of each grant of options affecting remuneration in the current reporting period are as follows:

- exercise price: \$1.56
- grant date 15 November 2022
- grant date share price: \$0.69
- value per option at grant date \$0.28908
- grant date 15 November 2022
- dividend yield: 0.0%;
- risk-free rate based on the Australian Treasury bond rate for five years, to align with the term of the options: 3.44%;
- expected volatility derived from the share volatility of compatible listed companies over five years, to align with the term of the options: 70%; and
- expected life of the Share Option: five years.

(iii) Issue of performance shares

There were no performance shares issued to Directors or KMP as part of their compensation during the year ended 30 June 2023.

Year ended 30 June 2022

(i) Issue of ordinary shares

There were no ordinary shares issued to Directors or KMP as part of their compensation during the year ended 30 June 2022.

(ii) Issue of options

The following options were issued on 11 February 2022 as part of remuneration under a share-based payment.

Name	Options issued	
	No.	\$
Executives		
A McKeough	200,000	117,925
	200,000	117,925

The terms and conditions of each grant of options affecting remuneration in the current reporting period are as follows:

- exercise price: \$1.56
- grant date 11 February 2022
- grant date share price: \$1.15
- value per option at grant date \$0.58963
- issue date 11 February 2022
- dividend yield: 0.0%;
- risk-free rate based on the Australian Treasury bond rate for five years, to align with the term of the options: 1.92%;
- expected volatility derived from the share volatility of compatible listed companies over five years, to align with the term of the options: 68.94%; and
- expected life of the Share Option: five years.

(iii) Issue of performance shares

There were no performance shares issued to Directors or KMP as part of their compensation during the year ended 30 June 2022.

1,356,249 Class C and 1,356,249 Class D performance shares were converted to ordinary shares during the year. These related to ex-employees and the performance shares were fully expensed during the 30 June 2016 financial year.

Equity Instrument Disclosures Relating to KMP

(a) Ordinary Shares

The movement of the numbers of shares in the Company for the year ended 30 June 2023 held by the Directors of the Company and other KMP of the Group, including their personally related parties, are set out below:

Name	Balance at 1 July 2022	Net Change Other	Share-based Payment	Balance at 30 June 2023
Directors				
M Dilizia	3,543,485	-	-	3,543,485
J Graham	6,031,932	500,000	-	6,531,932
J Prendergast	250,000	-	-	250,000
J Ward	158,966	-	-	158,966
A Dunton	60,000	10,000	-	70,000
A McKeough	25,000	-	-	25,000
Executives				
A Kollaras	67,155	-	-	67,155
	10,136,538	510,000	-	10,646,538

Directors' Report Continued

For the year ended 30 June 2023

(b) Performance Shares

There are no performance shares outstanding as at 30 June 2023.

(c) Options

The movement of the numbers of options in the Company for the year ended 30 June 2023 held by the Directors of the Company and other KMP of the Group, including their personally related parties, are set out below:

Name	Balance at 1 July 2022	Share-based payments	Balance at 30 June 2023
Directors			
J Graham	2,250,000	-	2,250,000
M Dilizia	1,500,000	-	1,500,000
A Dunton	1,125,000	-	1,125,000
J Prendergast	2,175,000	-	2,175,000
J Ward	600,000	-	600,000
A McKeough	-	1,125,000	1,125,000
Executives			
A Kollaras	600,000	-	600,000
	8,250,000	1,125,000	9,375,000

(E) Other Transactions with KMP

During the financial year, consulting fees for technical services totalling \$1,029,537 (2022: \$727,348) were paid to an entity associated with Mr A Dunton. Additionally consulting fees for professional services totalling \$105,000 (2022: \$Nil) were paid to an entity associated with Mr A McKeough. All payments were made on normal commercial terms and conditions. There were no other related party transactions during the financial year other than loans to key management personnel (refer below).

(F) Other Information

Loans to key management personnel

An amount of \$104,388 (2022: \$388,734) was advanced to Mr James Graham as an unsecured loan. The amount outstanding at reporting date including accrued interest was \$112,836 (2022: \$400,234). The loan is interest bearing at the rate of 5% per annum. Interest accrued on the loan amounted to \$8,448 (2022: \$11,500). The loan is repayable within 12 months of reporting date.

At year end, expense advances repayable by Mr James Graham totalled \$Nil (2022: \$Nil).

There were no other loans, payables, receivables or other transactions at the end of the financial year with Directors and other KMP and their related parties of the Company or the Group.

Two strikes Rule in Respect to the Adoption of the Remuneration Report

The Corporations Act 2001 includes a 'two strikes' rule with regard to the adoption of Remuneration Reports. The 'two strikes' rule provides that if 25% or more of the votes cast on the resolution to adopt the Remuneration Report at two consecutive Annual General Meetings are against the resolution, the Company must at the later Annual General Meeting put a resolution to the shareholders proposing to convene another shareholder meeting to consider the spill of the Board ('Spill Resolution').

Under the Corporations Act 2001, the Company must have a minimum of three Directors at all times. The Corporations Act 2001, provides guidance in circumstances where either or both of the Directors are not re-elected by way of ordinary resolution, then they will be taken to have been appointed as Directors by resolutions passed at the Spill Meeting so that the Company maintains the required three Directors.

For the purposes of determining the length of time in office for future retirements by rotation, each Director who is re-elected at the Spill Meeting is considered to have been in office from the time of their previous rotation.

At the Annual General Meeting held in November 2022, the Company received a 'For' vote of 94.2% on its Remuneration Report for the 2022 financial year (2021: 98.28%). The group did not receive any specific remuneration related feedback from shareholders at either meeting.

No remuneration consultants were engaged during the year.

End of remuneration report.

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report have been rounded to the nearest dollar, unless otherwise stated.

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



Dr John Prendergast
Executive Chairman

29 September 2023

Auditor's Independence Declaration



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Australia

DECLARATION OF INDEPENDENCE BY NIEL SMITH TO THE DIRECTORS OF RECCE PHARMACEUTICALS LIMITED

As lead auditor of Recce Pharmaceuticals Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Recce Pharmaceuticals Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'N Smith', is written over a light grey circular stamp.

Neil Smith
Director

BDO Audit (WA) Pty Ltd
Perth
29 September 2023

Corporate Governance Statement

This corporate governance statement sets out Recce Pharmaceuticals Ltd's (**Company**) current compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Fourth Edition) (**ASX Principles and Recommendations**). The ASX Principles and Recommendations are not mandatory.

However, this corporate governance statement discloses the extent to which the Company has followed the ASX Principles and Recommendations. This corporate governance statement is current as at 29 September 2023 and has been approved by the board of the Company (**Board**).

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
1: Lay solid foundations for management and oversight		
1.1 A listed entity should have and disclose a board charter setting out:	YES	The Board is responsible for the corporate governance of the Company.
(a) the respective roles and responsibilities of its board and management; and	YES	The Board has adopted a Board Charter which outlines the manner in which its powers and responsibilities will be exercised, discharged or delegated, having regard to principles of good corporate governance and applicable laws.
(b) those matters expressly reserved to the board and those delegated to management.	YES	A copy of the Board Charter is available on the Company's website at the following URL: https://www.recce.com.au/index.php/company/corporate-governance .
1.2 A listed entity should:		
(a) undertake appropriate checks before appointing a director or senior executive, or putting someone forward for election as a director; and	YES	(a) The Nomination and Remuneration Committee is responsible for recommendations to the Board for the selection and appointment of members of the Board. The Company's Nomination and Remuneration Committee Charter requires the Nomination and Remuneration Committee to undertake appropriate checks before the Board appoints a person or puts forward a candidate to security holders for election as a director.
(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	YES	(b) All material information relevant to the decision on whether or not to elect any potential directors, including information relating to their qualifications, experience and proposed roles within the Board are provided to shareholders in the Company's notices of meetings.
1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	YES	The Company Secretary position is directly accountable to the Board through the Chairperson on all matters relevant to the proper functioning of the Board. The Company Secretary is accessible to all Directors.
1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	YES	The Company Secretary position is directly accountable to the Board through the Chairperson on all matters relevant to the proper functioning of the Board. The Company Secretary is accessible to all Directors.

Corporate Governance Statement Continued

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
1.5 A listed entity should:		
(a) Have and disclose a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;	NO	(a) The Company has adopted a Diversity Policy which complies with the guidelines prescribed by the ASX Corporate Governance Council. The Diversity Policy is available on the Company's website at https://www.recce.com.au/index.php/company/corporate-governance .
(b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and	NO	<p>(b) The Diversity Policy:</p> <p>(i) provides a framework for the Company to set and achieve measurable objectives for achieving diversity;</p> <p>(ii) provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The Company is responsible for implementing, monitoring and reporting on the measurable objectives.</p> <p>A copy of the Diversity Policy is available on the Company's website at: https://www.recce.com.au/index.php/company/corporate-governance.</p>
<p>(c) disclose in relation to each reporting period:</p> <p>(1) the measurable objectives set for that period to achieve gender diversity;</p> <p>(2) the entity's progress towards achieving those objectives; and</p> <p>(3) either:</p> <p>A. the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined 'senior executive' for these purposes); or</p> <p>B. if the entity is a 'relevant employer' under the Workplace Gender Equality Act, the entity's most recent 'Gender Equality Indicators', as defined in and published under that Act.</p> <p>If the entity was in the S&P/ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.</p>	NO	<p>(c) As of 30 June 2023, the respective proportions of men and women on the Board, in Senior Executive positions and across the whole organisation are set out below:</p> <p>(i) 5 Directors of the Company's Board were male and 1 female;</p> <p>(ii) 57% of the Company's Senior Executives were male and 43% were female; and</p> <p>(iii) 44% of the Group's entire workforce (including Board members) were female and 56% were male.</p> <p>Senior Executives are defined as the Executive Directors and those with a direct report into the CEO.</p>

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
1.6 A listed entity should:		
(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and	YES	(a) The Nomination and Remuneration Committee is responsible for evaluating the performance of the Board and individual Directors on an annual basis. The process for this is set out in the Company's Nomination and Remuneration Committee Charter which is available on the Company's website at: https://www.recce.com.au/index.php/company/corporate-governance .
(b) disclose, for each reporting period, whether a performance evaluation has been undertaken in the reporting period in accordance with that process during or in respect of that period.	YES	(b) An informal evaluation of the performance of the board, its committees and its individual Directors was conducted in relation to the reporting period.
1.7 A listed entity should:		
(a) have and disclose a process for periodically evaluating the performance of its senior executives at least once every reporting period; and	YES	(a) The Nomination and Remuneration Committee is responsible for evaluating the performance of Senior Executives on an annual basis in accordance with the Company's Nomination and Remuneration Committee Charter which is available on the Company's website at: https://www.recce.com.au/index.php/company/corporate-governance .
(b) disclose, in relation to each reporting period, whether a performance evaluation has been undertaken in the reporting period in accordance with that process during or in respect of that period.	YES	(b) An evaluation of the Company's Senior Executives was conducted in relation to the reporting period.

Corporate Governance Statement Continued

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
2: Structure the Board to be effective and add value		
2.1 The board of a listed entity should:		
(a) have a nomination committee which:	YES	<p>The Company has established a Nomination and Remuneration Committee with Dr Alan Dunton, an independent Director, as Chair of the Committee.</p> <p>The Committee has three members, who are:</p> <p>(a) Dr Alan Dunton – Independent Non-executive Director;</p> <p>(b) Dr John Prendergast – Executive Director; and</p> <p>(c) Alistair McKeough – Independent Non-executive Director.</p> <p>The Committee met 4 times during the FY23 financial reporting period and the attendance of each member at those meetings is as follows:</p> <p>(a) Dr Alan Dunton – 4;</p> <p>(b) Dr John Prendergast – 4 ; and</p> <p>(c) Alistair McKeough – 3.</p> <p>A copy of the Nomination and Remuneration Committee Charter is available on the Company's website at: https://www.recce.com.au/index.php/company/corporate-governance.</p>
(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	N/A	
2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	YES	<p>The Board strives to ensure that it is comprised of Directors with a blend of skills, experience and attributes appropriate for the Company and its business. The Company has a board skills matrix, setting out the mix of skills and diversity of the current Directors of the Company. A copy of the Board Skills Matrix is available on the Company website at: https://www.recce.com.au/index.php/company/corporate-governance.</p>

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
2.3 A listed entity should disclose:		
(a) the names of the directors considered by the board to be independent directors;	YES	(a) Dr Alan Dunton and Alistair McKeough, are the only Directors of the Company considered independent.
(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and	YES	(b) Dr Alan Dunton and Alistair McKeough, are the only two Directors of the Company considered independent and do not have an interest, position, association or relationship of the type described in Box 2.3 of the ASX Principles and Recommendations. The Board assesses the independence of new Directors upon appointment and reviews Director independence as appropriate.
(c) the length of service of each director.	YES	(c) The date of appointment of each Director is as follows: <ul style="list-style-type: none"> • Dr John Prendergast – appointed on 23-04-2018; • James Graham – appointed on 23-06-2015; • Michele Dilizia – appointed on 26-06-2015; • Dr Justin Ward – appointed on 08-07-2019; • Dr Alan Dunton – appointed on 14-07-2020; and • Alistair McKeough – appointed on 01-09-2022.
2.4 A majority of the board of a listed entity should be independent directors.	NO	<p>The Board Charter requires that where practical the majority of the Board will be independent. The Board currently comprises a total of six Directors, of whom two are considered to be independent, being Dr Alan Dunton and Alistair McKeough.</p> <p>The Board does not currently consider an independent majority of the Board to be appropriate given:</p> <p>(a) the magnitude of the Company's operations; and</p> <p>(b) the relevant skills and experience of Ms Dilizia, Dr Dunton, Mr Graham, Mr McKeough, Dr Prendergast and Dr Ward mean that the Board is appropriately skilled at this stage, to further the progress and development of the Company.</p>
2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	NO	The Company's Executive Chairman, Dr Prendergast, does not satisfy the ASX Principles and Recommendations definition of an independent director. Mr James Graham is the CEO of the Company.

Corporate Governance Statement Continued

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
2.6 A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	YES	<p>The Nomination and Remuneration Committee is responsible to the Board for reviewing and recommending to the Board induction and professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.</p> <p>As a result, the Company has in place a program for the induction of new Directors which is tailored to each new Director depending on their personal requirements, background skills, qualifications and experience and includes the provision of a formal letter of appointment and an induction pack containing sufficient information to allow the new Director to gain an understanding of the business of the Company, and the roles, duties and responsibilities of Directors and the Executive Team.</p> <p>All Directors are encouraged to undergo continual professional development and, subject to prior approval by the Chairman, all Directors have access to numerous resources and professional development training to address any skills gaps</p>
3: Instill a culture of acting lawfully, ethically and responsibly		
3.1 A listed entity should articulate and disclose its values.	YES	<p>The Company values are:</p> <ul style="list-style-type: none"> (a) Integrity; (b) Inclusivity; (c) Innovation; (d) Respect; and (e) Accountability. <p>The Company values are published on the Company's website at: https://www.recce.com.au/index.php/company/corporate-governance.</p>
3.2 A listed entity should:		
(a) have and disclose a code of conduct for its directors, senior executives and employees; and	YES	<p>(a) The Board is committed to the establishment and maintenance of appropriate ethical standards in order to instil confidence in both clients and the community in the way the Company conducts its business. These standards are encapsulated in the Code of Conduct which outlines how the Company expects each person who represents it to behave and conduct business. The Company has a Code of Conduct which applies to all Directors, senior executives and employees and is available on the Company's website at: https://www.recce.com.au/index.php/company/corporate-governance.</p>
(b) ensure that the board or a committee of the board is informed of any material breaches of that code.	YES	<p>(b) The Company ensures that the Board is informed of any material breaches under the Code of Conduct Policy.</p>

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
3.3 A listed entity should:		
(a) have and disclose a whistleblower policy; and	YES	(a) The Company has adopted a Whistleblower Protection Policy which establishes a system for the reporting, investigation and rectification of wrongdoing. A copy of the Whistleblower Policy is available on the Company's website at: https://www.recce.com.au/index.php/company/corporate-governance .
(b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	YES	(b) Through ongoing reporting, whilst preserving confidentiality, the Board is provided periodic reports on any disclosures under the Whistleblower Policy.
3.4 A listed entity should:		
(a) have and disclose an anti-bribery and corruption policy; and	YES	(a) The Company has adopted an Anti-bribery and Corruption Policy which sets out the Company's policy in relation to bribery, corruption and related improper conduct and establishes a process for the reporting of such conduct. The Anti-bribery and Corruption Policy is available on the Company's website at: https://www.recce.com.au/index.php/company/corporate-governance .
(b) ensure that the board or committee of the board is informed of any material breaches of that policy.	YES	(b) Through on-going reporting, the Company ensures that the Board is informed of any material breaches under the Anti-bribery and Corruption Policy.

Corporate Governance Statement Continued

4: Safeguard the integrity of corporate reports

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
4.1 The board of a listed entity should:		
(a) have an audit committee which:	NO	<p>The Company has established an Audit and Risk Management Committee with Alistair McKeough, an independent Director, as Chair of the Committee. The Committee has three members, who are:</p> <p>(a) Alistair McKeough – Independent Non-executive Director;</p> <p>(b) Dr Alan Dunton – Independent Non-executive Director; and</p> <p>(c) Dr John Prendergast – Executive Director.</p> <p>The Committee met 5 times during the FY23 financial reporting period and the attendance of each member at those meetings is as follows:</p> <p>(a) Mr Alistair McKeough – 4;</p> <p>(b) Dr Alan Dunton – 5;</p> <p>(c) Dr John Prendergast – 5.</p> <p>A copy of the Audit and Risk Management Committee Charter is available on the Company's website at: https://www.recce.com.au/index.php/company/corporate-governance.</p>
(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and		
(2) is chaired by an independent director, who is not the chair of the board, and disclose:		
(3) the charter of the committee;		
(4) the relevant qualifications and experience of the members of the committee; and		
(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or		
(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	N/A	
4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	YES	<p>Prior to the execution of the financial statements of the Company, the Company's Executive Director and CFO provided the Board with written assurances that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal controls which is operating effectively in all material aspects in relation to the Company's financial reporting risks.</p>

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
<p>4.3 A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.</p>	YES	<p>The Board ensures that any periodic corporate report the Company releases to the market that has not been subject to audit or review by an external auditor discloses the process taken to verify the integrity of its content.</p> <p>The Company releases Half Year Financial Reports which are reviewed by external auditor, BDO, and Full Year Financial Reports which are audited by external auditor BDO.</p> <p>The Company is committed to providing clear, concise and effective disclosure in its corporate reports. The Company's goal is that periodic corporate reports will be accurate, balanced and provide investors with appropriate information to make informed investment decisions. The Company's process for verifying unaudited periodic corporate reports is as follows:</p> <ul style="list-style-type: none"> • reports are prepared by or under the supervision of subject matter experts; • material statements in the reports are reviewed for accuracy and material requirements and appropriately interrogated; • other than administrative announcements all the announcements must be approved by the Board. <p>This process is intended to ensure that all applicable laws, regulations and company policies have been complied with and that the source of the information is able to be verified and that appropriate approvals have been obtained before a report is released to the market.</p>
5: Make timely and balanced disclosure		
<p>5.1 A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.</p>	YES	<p>The Company is committed to providing timely, complete and accurate disclosure of information to allow a fair and well-informed market in its securities and compliance with the continuous disclosure requirements imposed by law, including the Corporations Act and the ASX Listing Rules. A copy of the Company's Continuous Disclosure Policy is available at: https://www.recce.com.au/index.php/company/corporate-governance.</p>
<p>5.2 A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.</p>	YES	<p>The Company ensure that the Board receives copies of all material market announcements promptly after they have been made.</p>
<p>5.3 A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.</p>	YES	<p>The Company ensure that ahead of any new and substantive investor or analyst presentations, a copy of the presentations materials are released to ASX Announcement Platform.</p>

Corporate Governance Statement Continued

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
6: Respect the rights of security holders		
6.1 A listed entity should provide information about itself and its governance to investors via its website.	YES	<p>The Company provides information about itself and its governance to its investors on the Company's website at: https://www.recce.com.au/index.php/company/corporate-governance.</p> <p>The Company will regularly update the website and contents therein as deemed necessary.</p>
6.2 A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	YES	<p>The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with its investors. The Strategy outlines a range of ways in which information is communicated to shareholders.</p> <p>A copy of the Company's Shareholder Communications Strategy policy is available on the Company's website at: https://www.recce.com.au/index.php/company/corporate-governance.</p>
6.3 A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.	YES	<p>The Company encourages shareholder participate at the Company's general meetings through various means including:</p> <ul style="list-style-type: none"> (a) having the opportunity to ask questions of Directors at all general meetings; (b) ensuring that the auditor is present at AGMs to take shareholder questions on any issue relevant to their capacity as auditor; (c) ensuring that Directors are available to answer shareholder questions submitted by telephone, email and other means (where appropriate); and (d) providing Shareholders with the option of appointing a proxy to vote on their behalf. <p>Traditionally, the key forum for two-way communication between the Company and its shareholders is its AGM.</p>
6.4 A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	YES	<p>All resolutions at a meeting of security holders are decided by a poll rather than a show of hands.</p>
6.5 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	YES	<p>Shareholders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX.</p> <p>Shareholders can also elect to receive electronic communications via the Company's registry, Automatic Registry Services.</p>

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
7: Recognise and manage risk		
7.1 The Board of a listed entity should:		
(a) have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or 	YES	<p>The Company has established an Audit and Risk Management Committee with Mr Alistair McKeough, an independent Director, as Chair of the Committee. The Committee has three members, who are:</p> <ul style="list-style-type: none"> (a) Alistair McKeough – Independent Non-executive Director; (b) Dr Alan Dunton – Independent Non-executive Director; and (c) Dr John Prendergast – Executive Chairman. <p>The Committee met 5 times during the FY23 financial reporting period and the attendance of each member at those meetings is as follows:</p> <ul style="list-style-type: none"> (a) Mr Alistair McKeough – 4; (b) Dr Alan Dunton – 5; (c) Dr John Prendergast – 5. <p>A copy of the Audit and Risk Management Committee Charter is available on the Company's website at: https://www.recce.com.au/index.php/company/corporate-governance.</p>
(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	N/A	
7.2 The board or a committee of the board should:		
(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and	YES	<p>The Audit and Risk Management Committee Charter sets out a requirement for the Audit and Risk Management Committee to review the Company's risk management framework on an annual basis.</p> <p>The Company monitors, evaluates and seeks to improve its risk management and internal control processes in line with the processes set out in its Risk Management Policy, a copy of which is available on the Company's website at: https://www.recce.com.au/index.php/company/corporate-governance.</p> <p>In addition, the Company has a number of other policies that directly or indirectly serve to reduce and/or manage risk, including:</p> <ul style="list-style-type: none"> (i) Continuous Disclosure Policy; (ii) Code of Conduct; and (iii) Trading Policy.

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Corporate Governance Statement Continued

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
(b) disclose in relation to each reporting period, whether such a review has taken place.	YES	The Audit and Risk Management Committee completed such a review during the current reporting period. Having conducted such reviews throughout the reporting period the Audit and Risk Management Committee resolved that the Company's risk management framework continues to be sound.
7.3 A listed entity should disclose:		
(a) if it has an internal audit function, how the function is structured and what role it performs; or	YES	N/A
(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.	YES	<p>The Audit and Risk Management Committee Charter provides for the Audit and Risk Management Committee to monitor the need for an internal audit function. At this stage, due to the current size and nature of the existing Board and the magnitude of the Company's operations the Company does not have an internal audit function.</p> <p>The Company has adopted a Risk Management Policy which the Company follows. The Board of the Company and the Audit and Risk Management Committee will periodically review the Company's operations to evaluate the effectiveness of risk management and internal control processes of the Company. In addition, the Audit and Risk Management Committee will directly monitor the potential exposures facing the Company through ongoing reporting by the CFO.</p> <p>For each reporting period the Company's external auditor also conducts a control review to consider and report on the risks facing the Company and the controls the Company has in place to mitigate those risks</p>
7.4 A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.	YES	All material risks to economic, environmental and social sustainability risks will be announced to the market, in accordance with the requirements of the ASX Listing Rules and otherwise within the Annual Report.
8: Remunerate fairly and responsibly		
8.1 The Board of a listed entity should:		
(a) (1) have a remuneration committee which: has at least three members, a majority of whom are independent directors; and	YES	The Company has established a Nomination and Remuneration Committee with Dr Alan Dunton, an independent Director, as Chair of the Committee.
(2) is chaired by an independent director, and disclose:		The Committee has three members, who are:
(3) the charter of the committee;		(a) Dr Alan Dunton – Independent Non-executive Director;
(4) the members of the committee; and		(b) Alistair McKeough – Independent Non-executive Director; and

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or		<p>(c) Dr John Prendergast – Executive Chairman.</p> <p>The Committee met 4 times during the FY23 financial reporting period and the attendance of each member at those meetings is as follows:</p> <p>(a) Dr Alan Dunton – 4;</p> <p>(b) Dr John Prendergast – 4; and</p> <p>(c) Mr Alistair McKeough – 3.</p> <p>A copy of the Nomination and Remuneration Committee Charter is available on the Company's website at: https://www.recce.com.au/index.php/company/corporate-governance.</p>
(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	N/A	
8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	YES	The structure and details of Directors' remuneration is disclosed in the 2023 Annual Report.
8.3 A listed entity which has an equity-based remuneration scheme should:		
(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and	YES	The Company's Nomination and Remuneration Committee is responsible for the review and recommendation to the Board of any equity-based remuneration schemes offered to Directors and employees of the Company. Further, in accordance with the Nomination and Remuneration Committee Charter, the Nomination and Remuneration Committee is also responsible for recommending, on a case by case basis, for scheme participants to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Scheme.
(b) disclose that policy or a summary of it.	YES	The Company's policy in this regard is set out in the Company's Nomination and Remuneration Committee Charter, a copy of which is available on the Company's website at: https://www.recce.com.au/index.php/company/corporate-governance .

Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Note	2023 \$	2022 \$
OTHER INCOME	5	4,431,406	3,175,953
EXPENSES			
Laboratory expenses		(7,167,133)	(6,223,502)
Employee benefits expenses	6	(3,610,301)	(2,031,393)
Share-based payments expense	23	(325,217)	(256,487)
Depreciation and amortisation expenses	13	(47,039)	(48,499)
Travel expenses		(962,910)	(484,281)
Patent related costs		(162,684)	(61,994)
Rental outgoings expenses		(176,994)	(85,127)
Finance costs	6	(172,623)	(2,416)
Other expenses	6	(3,585,001)	(3,825,574)
Amortisation: Leases	14	(170,116)	(139,173)
Interest expense: Leases		(10,642)	(9,510)
Advertising and marketing		(1,118,168)	(994,274)
		(17,508,828)	(14,162,230)
LOSS BEFORE INCOME TAX		(13,077,422)	(10,986,277)
Income tax expense	8	-	-
LOSS FOR THE YEAR		(13,077,422)	(10,986,277)
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(13,077,422)	(10,986,277)
		Cents	Cents
LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF RECCE PHARMACEUTICALS:			
Basic loss per share for the year	9	(7.52)	(6.31)
Diluted loss per share for the year	9	(7.52)	(6.31)

The above consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of
Financial Position
As at 30 June 2023

	Note	2023 \$	2022 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	1,561,579	11,581,934
Trade and other receivables	11	90,667	182,474
Other current assets	12	295,213	420,334
TOTAL CURRENT ASSETS		1,947,459	12,184,742
NON-CURRENT ASSETS			
Plant and equipment	13	362,837	371,243
Right of use asset	14	245,573	67,537
TOTAL NON-CURRENT ASSETS		608,410	438,780
TOTAL ASSETS		2,555,869	12,623,522
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	4,319,719	752,013
Provisions for employee benefits	16	299,201	202,548
Other provisions	17	83,054	1,417,527
Lease Liabilities	18	147,878	74,762
TOTAL CURRENT LIABILITIES		4,849,852	2,446,850
NON-CURRENT LIABILITIES			
Provisions for employee benefits	16	192,133	115,312
Lease Liabilities	18	102,688	-
TOTAL NON-CURRENT LIABILITIES		294,821	115,312
TOTAL LIABILITIES		5,144,673	2,562,162
NET ASSETS		(2,588,804)	10,061,358
EQUITY			
Share capital	19	44,111,963	43,968,321
Reserves	20	8,834,557	8,550,939
Accumulated losses		(55,535,324)	(42,457,902)
TOTAL EQUITY		(2,588,804)	10,061,358

The above consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Changes in Equity

For the year ended 30 June 2023

	Share Capital \$	Reserves \$	Accumulated Losses \$	Total \$
BALANCE AT 1 JULY 2021	43,297,310	8,678,057	(31,471,625)	20,503,742
COMPREHENSIVE INCOME:				
Loss for the year	-	-	(10,986,277)	(10,986,277)
Other comprehensive loss	-	-	-	-
	-	-	(10,986,277)	(10,986,277)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:				
Options issued to KMPs and employees	-	256,487	-	256,487
Conversion of option into ordinary shares	287,406	-	-	287,406
Transfer from reserve to share capital	383,605	(383,605)	-	-
	671,011	(127,118)	-	543,894
BALANCE AT 30 JUNE 2022	43,968,321	8,550,939	(42,457,902)	10,061,358
BALANCE AT 1 JULY 2022	43,968,321	8,550,939	(42,457,902)	10,061,358
COMPREHENSIVE INCOME:				
Loss for the year	-	-	(13,077,422)	(13,077,422)
Other comprehensive loss	-	-	-	-
	-	-	(13,077,422)	(13,077,422)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:				
Options issued to KMPs and employees	-	325,217	-	325,217
Conversion of options into ordinary shares	102,043	-	-	102,043
Transfer from reserve to share capital	41,599	(41,599)	-	-
	143,642	283,618	-	427,260
BALANCE AT 30 JUNE 2023	44,111,963	8,834,557	(55,535,324)	(2,588,804)

The above consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Cash Flows

For the year ended 30 June 2023

	Note	2023 \$	2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Australian Taxation Office		4,311,202	3,084,955
Payments to suppliers and employees		(15,694,642)	(12,174,716)
Interest received		59,583	79,498
Other income		54,014	-
Other (legal dispute settlement)		(1,417,527)	-
NET CASH USED IN OPERATING ACTIVITIES	21	(12,687,370)	(9,010,263)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of plant and equipment		(38,633)	(40,345)
NET CASH USED IN INVESTING ACTIVITIES		(38,633)	(40,345)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances to directors	24	(104,388)	(388,734)
Repayment of lease liabilities		(170,116)	(139,173)
Proceeds from exercise of options		102,043	287,408
Proceeds from borrowings		2,878,107	-
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES		2,705,647	(240,499)
Net (decrease)/increase in cash and cash equivalents held		(10,020,355)	(9,291,106)
Cash and cash equivalent at the beginning of the year		11,581,934	20,873,040
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	10	1,561,579	11,581,934

The above consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Financial Statements

For the year ended 30 June 2023

1: Corporate Information

The consolidated financial statements of Recce Pharmaceuticals Ltd ('the Company') and together with its controlled entities ('the Group') for the year ended 30 June 2023.

The Company is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX: RCE) and the Frankfurt Stock Exchange (FSE: R9Q).

2: Significant Accounting Policies

(a) New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(b) Basis of Preparation of the Financial Report

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the consolidated financial statements and notes of the Company and the Group comply with International Financial Reporting Standards (IFRS).

The consolidated financial statements have been prepared in accordance with the significant accounting policies disclosed below as adopted by the Group. Such accounting policies are consistent with the previous year unless stated otherwise.

The consolidated financial statements have been prepared on an accrual basis and are based on historical costs, except for the Consolidated Statement of Cash Flows.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise stated.

(c) Basis of Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign Currency Translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of the Group are expressed in Australian dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements. Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting year. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss.

Foreign exchange gains and losses are presented in profit or loss on a net basis within other income or other expenses, unless they relate to borrowings, in which case they are presented as part of finance costs.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was measured.

The functional currency of the subsidiaries is United States Dollars and British Pounds. At the end of the reporting year, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Recce Pharmaceuticals Ltd at the closing rate at the end of the reporting year and income and expenses are translated at the weighted average exchange rates for the year. All resulting exchange differences are recognised in other comprehensive income as a separate component of equity (foreign currency translation reserve). On disposal of a foreign entity, the cumulative exchange differences recognised in foreign currency translation reserves relating to that particular foreign operation is recognised in profit or loss.

(e) Revenue Recognition

Interest Income

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Research and Development (R&D) Tax Incentive

R&D tax incentives from the government (both Australian and overseas) are recognised when received or when the right to receive payment is established.

(f) Income Tax

The income tax expense for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income and equity are also recognised directly in other comprehensive income and equity, respectively.

The Company and its wholly-owned subsidiaries have implemented the tax consolidation legislation for the whole of the financial year. The Company is the head entity in the tax consolidated group. These entities are taxed as a single entity and deferred tax assets and liabilities have been offset in these consolidated financial statements.

(g) Impairment of Non-Financial Assets

At the end of each reporting year the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(h) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

(i) Fair Values

Fair values may be used for financial asset and liability measurement as well as for sundry disclosures.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is based on the presumption that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The principal or most advantageous market must be accessible to, or by, the Group.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use. In measuring fair value, the group uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

(j) Trade and Other Receivables

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward looking information to calculate the expected credit losses using a provision matrix.

Consolidated Financial Statements

For the year ended 30 June 2023

The Group has determined that the application of AASB 9 – Financial Instrument's impairment requirements does not have a material impact on receivables.

(k) Plant and Equipment

All plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairments.

All plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairments.

Depreciation on other assets is calculated on a reducing balance basis over the estimated useful life, or in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term, as follows:

- | | |
|--|---------------|
| - Certain laboratory machinery and equipment | 10 – 15 years |
| - Office improvements | 3 – 8 years |

Each class of plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairments.

Depreciation

Depreciation is calculated on a diminishing value basis over the estimated useful life as follows:

Class of Fixed Asset	Depreciation Rate
- Laboratory machinery and equipment	8% – 40%
- Office furniture and equipment	5% – 33%
- Computer equipment	33% – 67%
- Library and website costs	20% – 40%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting year.

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the assets' carrying amount and are included in profit or loss in the year that the item is derecognised.

(l) Research Expenditure

Research costs are expensed as incurred.

(m) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(n) Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the year of the loans and borrowings using the effective interest method.

Borrowings are derecognised from the statement of financial position when the obligation specified in the contract has been discharged, cancelled or expires. The difference between the carrying amount of the borrowing derecognised and the consideration paid is recognised in profit or loss as other income or finance costs.

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

(o) Other Liabilities

Other liabilities comprises non-current amounts due to related parties that do not bear interest and are repayable within 365 days of the end of the reporting year. As these are non-interest bearing, fair value at initial recognition requires an adjustment to discount these loans using a market-rate of interest for a similar instrument with a similar credit rating (Group's incremental borrowing rate). The discount is credited to profit or loss immediately and amortised using the effective interest method.

(p) Employee Benefit Provisions

Short-term employee benefit obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled wholly within 12 months after the end of the reporting year are recognised in other liabilities in respect of employees' services rendered up to the end of the reporting year and are measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable.

Other long-term employee benefits obligations

Liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the reporting year. They are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting year. Consideration is given to expected future salaries and wages levels, experience of employee departures and years of service. Expected future payments are discounted using Australian corporate bond rates at the end of the reporting year with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Regardless of when settlement is expected to occur, liabilities for long service leave and annual leave are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting year.

(q) Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be reliably estimated.

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(r) Contributed Equity

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

(s) Share-Based Payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(t) Earnings/(Loss) Per Share

Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company, adjusted for the after-tax effect of preference dividends on preference shares classified as equity, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

Diluted earnings/(loss) per share

Earnings/(loss) used to calculate diluted earnings/(loss) per share are calculated by adjusting the basic earnings/(loss) by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Consolidated Financial Statements

For the year ended 30 June 2023

(u) Goods and Services Tax (GST)

Revenues and expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(v) Accounting Standards Issued But Not Yet Effective

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting years, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements.

(w) Rounding of Amounts to Nearest Dollar

In accordance with *ASIC Corporations (Rounding of Financial/Directors' Reports) Instrument 2016/191*, the amounts in the consolidated financial statements have been rounded to the nearest dollar.

(x) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the consolidated financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Trinomial or Black-Scholes model taking into account the terms and conditions upon which the instruments

were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting year but may impact profit or loss and equity.

3: Going Concern

For the year ended 30 June 2023 the Group recorded a loss of \$13,077,422 (2022: \$10,986,277) and had net cash outflows from operating activities of \$12,687,370 (2022: \$9,010,263). As at 30 June 2023, the Company had a deficiency of total assets to total liabilities of \$2,588,804 and a deficiency in working capital of

\$2,902,393. The ability of the Group to continue as a going concern and being able to continue to fund its operating activities is dependent on securing additional funding through a share placement to new or existing investors and financial support through short-term loans, together with continuous receipt of the R&D tax rebate.

These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe there will be sufficient funds to meet the Company's working capital requirements. Based on the success of current progress in the Group, it is considered that re-financing through equity funds would be well supported. Additional funds will be raised via share placements and/or other financing options as required.

The financial statements have been prepared on the basis that the Group is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- As disclosed in Note 27, subsequent to year end, the Company has raised \$8 million before costs via a placement and a further \$2,715,272 via a pro-rata non-renounceable entitlement offer;
- The Company believes it can raise additional funding through debt or equity as required in the next twelve months from the date of this financial report;
- The Company has a recent proven history of successfully raising capital;
- Cash spending can be reduced or slowed below its current rate if required; and
- The Company continually receiving its Australian R&D tax rebates for R&D expenditure incurred in Australia and overseas.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern.

4: Segment Reporting

(a) Reportable segments

The Directors have considered the requirements of AASB 8 Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board of Directors) in allocating resources and have concluded that at this time there are no separate identifiable segments as the Group operates in only one business segment being research and development of pharmaceutical drugs. However, the Group operates in three geographic segment being Australia, UK and USA.

(b) Segment results

The following is an analysis of the Group's results by reportable segments:

	Segment revenue and other income for the year		Segment loss after tax for the year	
	2023 \$	2022 \$	2023 \$	2022 \$
Australia	4,340,868	2,835,787	(4,532,459)	(4,521,529)
USA	58,470	317,158	(61,051)	(505,694)
UK	32,068	23,008	(33,483)	(36,685)
Central Administration	-	-	(8,450,429)	(5,922,368)
	4,431,406	3,175,953	(13,077,422)	(10,986,277)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment loss represents the loss after tax incurred by each segment. This is the measure reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance.

(c) Segment assets and liabilities

	Segment assets at end of the financial year		Segment liabilities at end of the financial year	
	2023 \$	2022 \$	2023 \$	2022 \$
Australia	314,837	332,270	374,716	-
Central Administration	2,241,033	12,291,251	4,769,957	2,562,162
	2,555,869	12,623,522	5,144,673	2,562,162

There are no assets or liabilities in other countries.

(d) Segment net assets/(liabilities)

	2023 \$	2022 \$
Australia	(59,879)	332,270
Central Administration	(2,528,924)	9,729,088
	(2,588,804)	10,061,358

Consolidated Financial Statements

For the year ended 30 June 2023

	Note	2023 \$	2022 \$
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5: Revenue and Other Income

Other Income:

Research and Development (R&D) tax incentive		4,311,202	3,084,955
Interest income		66,190	90,998
Other income		54,014	-
Total other income		4,431,406	3,175,953

6: Expenses

Employee Benefits Expenses:

Salaries and wages		3,176,995	1,777,787
Superannuation expenses		241,149	170,718
Long service leave expenses		76,820	30,098
Payroll taxes		115,337	52,790
Total employee benefit expenses		3,610,301	2,031,393

Finance Costs:

Interest from short-term borrowings		167,395	644
Bank fees and charges		5,228	1,772
Total finance costs		172,623	2,416

Other Expenses:

Audit and review fees		59,880	52,499
Communication expenses		7,487	3,277
Computer maintenance and consumables		83,660	45,451
Consulting fees (Note 24)		1,775,074	818,791
Insurance expenses		88,538	73,529
Legal expenses		189,203	336,833
Legal dispute settlement (Note 17)		83,054	1,417,527
Listing and regulatory fees		80,373	89,796
Overseas listing and regulatory fees		65,551	59,693
Printing and stationery expenses		50,083	59,187
Roadshows and conferences		221,137	278,998
Sundry expenses		880,961	589,993
Total other expenses		3,585,001	3,825,574

2023
\$

2022
\$

7: Auditor's Remuneration

During the year, the following fees were paid or payable for services to BDO Audit (WA) Pty Ltd (BDO) and its related practices (also referred to hereafter as BDO, network firms of BDO and non BDO firms):

Audit services

- BDO for audit and review of the consolidated financial statements	59,880	52,499
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Non-audit services

- BDO	-	-
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8: Income Tax Expense

Loss before income tax	(13,077,422)	(10,986,277)
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The prima facie tax on loss from ordinary activities before income tax is reconciled to income tax as follows:

- Prima facie tax payable on loss from ordinary activities before income tax at 30% (2022: 30%)	(3,923,227)	(3,295,883)
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Add:

Non-allowable items:

- Share-based payments expense	97,565	76,946
- Expenses subject to R&D tax incentive	2,622,292	2,666,723
- Other non-allowable items	55,033	115,198

Less:

- Non assessable income	(1,294,816)	(926,230)
- Tax losses and deferred tax not recognised	2,443,153	1,363,246

Income tax attributable to the Group	-	-
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Deferred tax attributable to the Group

Tax losses carried forward	6,445,746	3,379,191
Accruals and provisions	183,666	99,848
Blackhole expenses	294,573	382,663
Patents	-	-
	6,923,985	3,861,702

Tax losses carried forward at 30 June 2023 total approximately \$21,485,819 (2022 \$13,039,568). The Group's ability to use losses in the future is subject to the companies in the Group satisfying the Continuity of Ownership Test or failing that, the Similar Business Test.

Consolidated Financial Statements

For the year ended 30 June 2023

2023
\$2022
\$

9: Loss Per Share

The following reflects the loss and share data used in the calculations of basic and diluted losses per share:

Loss attributable to the members of the Company	(13,077,422)	(10,986,277)
Weighted average number of shares	173,978,170	174,133,576
	173,978,170	174,133,576

Loss per share (cents per share):

Basic loss for the year attributable to the members of the Company	(7.52)	(6.31)
Diluted loss for the year attributable to the members of the Company	(7.52)	(6.31)

10: Cash and Cash Equivalents

Cash at bank	1,561,579	11,581,494
Cash on hand	-	440
	1,561,579	11,581,934

Cash at bank and on hand bear floating interest rates between 0.75% and 3.75% depending on the amount on deposit. Refer to Note 22 for additional risk exposure analysis.

11: Trade and Other Receivables

CURRENT

Sundry debtors	85	67,530
Net GST receivable	90,582	114,944
	90,667	182,474

Refer to Note 22 for additional risk exposure analysis.

	Note	2023 \$	2022 \$
12: Other Current Assets			
Prepayments		135,377	-
Rental deposits		47,000	20,100
Director loans	24	112,836	400,234
		295,213	420,334

13: Plant And Equipment

Laboratory machinery and equipment			
- at cost		559,825	542,153
- accumulated depreciation		(285,801)	(253,104)
		274,024	289,049
Office furniture and equipment			
- at cost		66,461	64,232
- accumulated depreciation		(45,034)	(40,610)
		21,427	23,622
Computer equipment			
- at cost		73,504	54,772
- accumulated depreciation		(46,950)	(39,456)
		26,554	15,316
Office improvements			
- at cost		78,646	78,646
- accumulated depreciation		(38,680)	(36,481)
		39,966	42,165
Library			
- at cost		4,379	4,379
- accumulated depreciation/amortisation		(3,533)	(3,321)
		846	1,058
Website Development			
- at cost		2,797	2,797
- accumulated depreciation/amortisation		(2,777)	(2,764)
		20	33
Total plant and equipment		362,837	371,243

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For the year ended 30 June 2023

Reconciliations

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current and previous financial year are set out below:

	Laboratory machinery and equipment \$	Office furniture and equipment \$	Computer equipment \$	Office improvements \$	Library and website costs \$	Total \$
2023						
Beginning of the year	289,049	23,622	15,316	42,165	1,091	371,243
Additions	17,672	2,229	18,732	-	-	38,633
Depreciation	(32,697)	(4,424)	(7,494)	(2,199)	(225)	(47,039)
End of the year	274,024	21,427	26,554	39,966	866	362,837
2022						
Beginning of the year	311,740	16,800	4,966	44,514	1,377	379,397
Additions	11,691	14,735	13,919	-	-	40,345
Depreciation	(34,382)	(7,913)	(3,569)	(2,349)	(286)	(48,499)
End of the year	289,049	23,622	15,316	42,165	1,091	371,243

	2023 \$	2022 \$
14: Right of Use Assets		
Land and buildings – right-of-use	415,689	206,710
Less: Current year amortisation	(170,116)	(139,173)
	245,573	67,537

The Company leases land and buildings for its offices under agreements of between one to five years. On renewal, the terms of the leases are renegotiated.

15: Trade and Other Payables

CURRENT

Unsecured liabilities

Trade payables	948,887	481,429
Employee related payables	111,153	173,277
Sundry creditors	211,418	97,307
	1,271,458	752,013

Secured liabilities

R&D advances – Radium Capital	3,048,261	-
	3,048,261	-
	4,319,719	752,013

The above advances are secured against the R&D refunds due from the Australian Taxation Office (ATO). The advances attract interest at rates of between 14 and 15 percent per annum and are repayable as soon as the ATO refund is received.

	2023 \$	2022 \$
16: Provisions for Employee Benefits		
CURRENT		
<i>Unsecured liabilities</i>		
Annual leave	299,201	202,548
	299,201	202,548
NON-CURRENT		
Long service leave	192,133	115,312

17: Other Provisions

CURRENT		
Provision for legal settlement	83,054	1,417,527

In 2022 an unfavourable judgement was handed down with respect to the non-issue of ordinary shares to holders of 1,356,249 Class C Performance Shares and 1,356,249 Class D Performance Shares, despite the employee's tenure having ended many years prior to the performance hurdles being achieved. After taking appropriate legal advice, the directors appealed the decision. The appeal was subsequently lost resulting in a payment of \$1,417,527 during the current financial year. An additional \$83,054 was paid subsequent to year end to cover the plaintiff's legal costs with the matter now settled.

18: Lease Liabilities

CURRENT		
Lease liability	147,878	74,762
NON-CURRENT		
Lease liability	102,688	-

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For the year ended 30 June 2023

19: Share Capital

	2023		2022	
	No.	\$	No.	\$
Movements in ordinary shares on issue:				
Opening balance	177,646,910	43,968,321	173,777,847	43,297,309
Shares issued during the year:				
- conversion of performance shares ¹	-	-	2,712,498	383,605
- new shares issued on options exercised	607,400	102,043	1,156,565	287,407
	607,400	102,043	3,869,063	671,012
- Transfer from reserves to share capital	-	41,599	-	-
	-	41,599	-	-
Total²	178,254,310	44,111,963	177,646,910	43,968,321

1 Settlement of a dispute in relation to 1,356,249 of the Company's Class C Performance Shares and 1,356,249 Class D Performance Shares resulted in the issue of 2,712,498 ordinary fully paid shares.

2 At 30 June 2023, 178,254,310 ordinary shares on issue were quoted on the ASX.

Options from shares issued

The following options remain outstanding at each respective reporting date:

Particulars	Issue Date	Exercise Date	Exercise Price cents	Expiry Date	2023 No.	2022 No.
Options	15-Feb-19	15-Feb-23	16.80	15-Feb-23	-	607,400
Options	19-Dec-19	19-Feb-23	31.20	19-Dec-23	603,435	603,435
Options	30-Sep-20	30-Sep-23	156.00	30-Sep-23	3,750,000	3,750,000
Options	22-Feb-21	22-Feb-26	156.00	22-Feb-26	8,415,000	8,415,000
Options	11-Feb-22	11-Feb-27	156.00	11-Feb-27	435,000	435,000
Options	15-Nov-22	15-Nov-27	156.00	15-Nov-27	1,125,000	-
					14,328,435	13,810,835

	Note	2023 \$	2022 \$
20: Reserves			
Options reserve	20(a)	8,834,557	8,550,939
		8,834,557	8,550,939

(a) Options reserve

The options reserve is used to recognise the fair value of options issued.

Movements of options reserve

At beginning of year	8,550,939	8,454,275
Options issued to KMPs and employees ¹	325,217	256,487
Conversion of options into ordinary shares	(41,599)	(159,823)
At end of year	8,834,557	8,550,939

1 Refer to Note 23.

21: Cash Flow Information

Reconciliation of loss after income tax to net cash flow from operating activities:

Loss for the year	(13,077,422)	(10,986,277)
Adjustments and non-cash items:		
- Depreciation and amortisation	47,039	48,499
- Share-based payments expense	325,217	256,487
- Accounting for lease assets and liabilities	170,116	139,173
Change in operating assets and liabilities		
- Decrease/(Increase) in trade and other receivables	91,807	63,010
- Decrease/(Increase) in other current assets	233,884	43,810
- Increase in trade and other payables	766,042	112,610
- (Decrease)/Increase in provisions for employee benefits	173,474	(105,102)
- Increase/(Decrease) in other provisions	(1,417,527)	1,417,527
Net cash outflow from operating activities	(12,687,370)	(9,010,263)

Reconciliation of liabilities arising from financial activities:

Liabilities arising from financial activities are liabilities for which cash flows are, or will be, classified as 'cash flows from financial activities' in the statement of cash flows. Changes in the carrying amounts of such liabilities, which comprise the Radium loan and lease liabilities are summarised below:

	Radium Loan	Lease Liabilities
Carrying amount at 1 July 2021	-	126,949
Net cash flow during the year	-	(139,173)
New lease arrangements	-	86,986
Carrying amount at 30 June 2022	-	74,762
Net cash flow during the year	2,878,107	(170,116)
New lease arrangements	-	345,920
Carrying amount at 30 June 2023	2,878,107*	250,566

*Net of accrued interest of \$170,154

Consolidated Financial Statements

For the year ended 30 June 2023

Non-cash transactions

During the financial year, the Group entered into the following non-cash financing transactions (which are not included in the statement of the cash flows):

- (a) The Group entered into new leases of commercial premises during the financial year resulting in the recognition of additional lease assets of \$208,979 and corresponding lease liabilities of \$208,979 (2022: \$59,868).

22: Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of markets forecasts for interest rate and foreign exchange prices. Liquidity risk is monitored through the development of future cash flow forecasts.

Risk management is carried out by Management and overseen by the Board of Directors.

The main risks arising for the Group are foreign exchange risk, interest rate risk, credit risk and liquidity risk. The carrying values of the Group's financial instruments are as follows:

	2023 \$	2022 \$
Financial Assets		
<i>At amortised cost</i>		
Director loan	112,836	400,234
Cash and cash equivalents	1,561,579	11,581,934
Trade and other receivables	90,667	182,474
	1,765,082	12,164,642
Financial Liabilities		
<i>At amortised cost</i>		
Trade payables and sundry creditors	1,160,305	578,736
R&D Advance	3,048,261	-
	4,208,566	578,736

(a) Market Risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions denominated in a currency that is not the Group's functional currency. Over the next 12 months the Group will enter into contracts with various research organisations in the USA, Canada and Netherlands to perform numerous laboratory tests as well as use the services of expert consultants in the USA, Canada and The Netherlands that will result in approximately USD \$4.5 million and CDN\$250,000 in expenditure.

(ii) Interest Rate Risk

The Group is exposed to interest rate risk due to variable interest being earned on its interest-bearing bank accounts and loans. The Group is also exposed to interest on its R&D advances. At the end of the reporting year, the Group had the following interest-bearing financial instruments:

	2023		2022	
	Weighted average	Balance \$	Weighted average	Balance \$
Cash and cash equivalents	1.33%	1,561,579	0.60%	11,581,494
Director loan	5.00%	112,836	5.00%	400,234
Radium Capital loan	14.34%	3,048,261	0.00%	-

(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a counter party to a financial instrument fails to meet its contractual obligations. During the year credit risk has principally arisen from the financial assets of the Group, which comprises cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of the instruments.

The carrying amount of financial assets included in the Consolidated Statement of Financial Position represents the Group's maximum exposure to credit risk in relation to those assets. The Group does not hold any credit derivatives to offset its credit exposure. The Group trades only with recognised and credit worthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group does not have a significant exposure to bad debts.

The Group has no significant concentrations of credit risk within the Group except for the following:

	Rating	2023 \$	2022 \$
Cash held with BankWest Bank	AA-	697,860	1,948,305
Cash held with National Australian Bank	AA-	2	2
Cash held with ME Bank	BBB	1,012,874	9,651,138
Cash held with American Express	N/A	(149,157)	(17,951)
		1,561,579	11,581,494

The Group's primary banker is BankWest. The Board considers the use of this financial institution, which has a rating of AA- from Standards and Poors, to be sufficient in the management of credit risk with regards to these funds.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions.

The Directors and Management monitor the cash outflow of the Group on an on-going basis against budget and the maturity profiles of financial assets and liabilities to manage its liquidity risk.

The financial liabilities the Group had at reporting date were trade payables, employee related payables, sundry creditors, loan payables, R&D advance and lease liability incurred in the normal course of the business. Trade payables were non-interest bearing and were deducted within the normal 30-60 day term of creditor payments.

Consolidated Financial Statements

For the year ended 30 June 2023

The table below reflects the respective undiscounted cash flows for financial liabilities existing at end of reporting year:

Contractual maturities of financial liabilities	<6 months	>6-12 months	>12 months	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
30 June 2023					
Trade payables	948,887	-	-	948,887	948,887
Employee related payables	111,153	-	-	111,153	111,153
Sundry creditors	211,418	-	-	211,418	211,418
Lease liability	153,658	93,658	10,219	257,535	250,566
	1,425,116	93,658	10,219	1,528,993	1,522,024

In addition to the above, there are advances from Radium Capital of \$3,048,261. The advances attract interest at rates of between 14 and 15 percent per annum and are repayable as soon as the ATO refund is received.

30 June 2022					
Trade payables	481,429	-	-	481,429	481,429
Employee related payables	173,277	-	-	173,277	173,277
Sundry creditors	97,307	-	-	97,307	97,307
Lease liability	44,728	31,178	-	75,906	74,762
	796,741	31,178	-	827,919	826,775

At 30 June 2023, the Group had sufficient cash to meet the financial liabilities as and when they are due and payables.

(d) Fair Value Hierarchy

Fair value of assets and liabilities approximates carrying value given their short term nature.

	2023 \$	2022 \$
23: Share-Based Payments		
Share-based payments expense recognised during the financial year:		
Issue of 44,444 shares to Arthur Kollaras	-	-
Issue of 107,733 shares to Spark Plus	-	-
Issue of 100,000 options to Daniel Astudillo ¹	-	58,963
Issue of 75,000 options to Thomas Jarrett ¹	-	44,222
Issue of 200,000 options to Arthur Kollaras ¹	-	117,925
Issue of 30,000 options to Wendy Potts ¹	-	17,689
Issue of 30,000 options to Julia Stanford ¹	-	17,689
Issue of 1,125,000 options to Alistair McKeough ²	325,217	-
Total share-based payments recognised through P&L	325,217	256,487

Fair value of share options granted to executive and employees

1 The fair value of the 435,000 Share Options was calculated using the Black-Scholes model. The assumptions used in calculating the fair value of Share Options, were:

- exercise price: \$1.56
- grant date 11 February 2022
- grant date share price: \$1.15
- value per option at grant date \$0.58963
- issue date 11 February 2022
- dividend yield: 0.0%;
- risk-free rate based on the Australian Treasury bond rate for five years, to align with the term of the options: expected volatility derived from the share volatility of comparable listed companies over five years, to align with
- the term of the options: 68.94%; and
- expected life of the Share Option: five years.

Fair value of share options granted to Alistair McKeough

2 The fair value of the 1,125,000 Share Options was calculated using the Black-Scholes model. The assumptions used in calculating the fair value of Share Options, were:

- exercise price: \$1.56
- grant date 15 November 2022
- grant date share price: \$0.69
- value per option at grant date \$0.28908
- grant date 15 November 2022
- dividend yield: 0.0%;
- risk-free rate based on the Australian Treasury bond rate for five years, to align with the term of the options: expected volatility derived from the share volatility of compatible listed companies over five years, to align with
- the term of the options: 70%; and
- expected life of the Share Option: five years.

The value brought to account as share-based payment expenses in the year ended 30 June 2023 was \$325,217 (2022: \$256,487) relating to the fair value of options granted to the employees was expensed to the profit or loss.

Consolidated Financial Statements

For the year ended 30 June 2023

24: Related Party Transactions

Parent entity

The ultimate parent entity within the Group is Recce Pharmaceuticals Ltd.

Subsidiaries

Interests in subsidiaries are disclosed in Note 26.

	2023 \$	2022 \$
Key management personnel compensation		
Short-term employee benefits	1,966,204	1,082,815
Post-employment benefits	268,031	199,161
Bonus	215,000	204,000
Termination payments	-	-
Share-based payments	325,217	117,925
	2,774,452	1,603,901

The following transactions occurred with related parties:

Superannuation contributions

Contributions to superannuation funds on behalf of employees	103,457	106,362
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Loans to key management personnel

An amount of \$104,388 (2022: \$388,734) was advanced to Mr James Graham as an unsecured loan. The amount outstanding at reporting date including accrued interest was \$112,836 (2022: \$400,234). The loan is interest bearing at the rate of 5% per annum. Interest accrued on the loan amounted to \$8,448 (2022: \$11,500). The loan is repayable within 12 months of reporting date.

At year end, expense advances repayable by Mr James Graham totalled \$Nil (2022: \$Nil).

Other transactions with key management personnel

During the financial year, consulting fees for technical services totalling \$1,029,537 (2022: \$727,348) were paid to an entity associated with Mr A Dunton. Additionally consulting fees for professional services totalling \$105,000 (2022: \$Nil) were paid to an entity associated with Mr A McKeough. All payments were made on normal commercial terms and conditions. There were no other related party transactions during the financial year.

25: Parent Entity Information

The following information relates to the parent entity, Recce Pharmaceuticals Ltd, as at 30 June 2023. The information presented hereto has been prepared using accounting policies consistent with those presented in Note 2.

	2023 \$	2022 \$
(a) Summarised statement of financial position		
Current assets	1,947,459	12,184,742
Non-current assets	608,410	438,780
Total assets	2,555,868	12,623,522
Current liabilities	4,849,852	2,446,850
Non-current liabilities	294,821	115,312
Total liabilities	5,144,673	2,562,162
Share capital	44,111,963	43,968,321
Reserves	8,834,557	8,550,939
Accumulated losses	(55,535,324)	(42,457,902)
Net Assets/(Liabilities)	(2,588,804)	10,061,358
(b) Summarised consolidated statement of profit or loss and other comprehensive income		
Loss for the year	(13,077,422)	(10,986,277)
Total comprehensive loss for the year	(13,077,422)	(10,986,277)

26: Interest in Subsidiaries

		Percentage Owned	
	Country of Incorporation	2023 %	2022 %
Parent entity			
Recce Pharmaceuticals Ltd	Australia	-	-
Subsidiaries			
Recce (USA) LLP	United States	100	100
Recce (UK) Limited	United Kingdom	100	100

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For the year ended 30 June 2023

27: Events Subsequent to Reporting Period

On 12 July 2023, the Company announced the receipt of an advance payment of \$801,604 from Radium Capital against the R&D refund due from the Australian Taxation Office.

On 28 July 2023, the Company announced the receipt of \$98,428 as a Canadian Government R&D rebate.

On 11 September 2023, the Company announced it would raise \$8m less costs via a placement and a further \$3m via a pro-rata non-renounceable entitlement offer.

On 18 September 2023, the Company confirmed the issue of 18,181,819 new shares in respect of the placement.

On 29 September 2023, the Company announced that it had raised \$2,715,272 via the pro-rata non-renounceable entitlement offer and as a result of this, the Company will issue 6,171,048 new shares.

Other than the above, no matters or circumstances have arisen since the end of the financial year, which significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or state of affairs of the Group in future financial years.

28: Contingent Liabilities

There were no contingent liabilities as at 30 June 2023.

In the prior year, there was a dispute in relation to the non-conversion of Performance Shares to Ordinary Shares. Refer to Note 17.

Directors' Declaration

The Directors of the Company declare that:

1. The consolidated financial statements comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and accompanying notes, as set out on pages 42 to 66, are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standards and the *Corporations Regulations 2001*; and other mandatory reporting requirements; and
 - b. give a true and fair view of the financial position as at 30 June 2023 and of the performance for the year ended on that date of the Group;
2. The Executive Chairman and Chief Financial Officer have each declared that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. The financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. The financial statements and notes for the financial year give a true and fair view;
3. In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable (refer to Note 3).

This declaration is made in accordance with a resolution of the Board of Directors.



John Prendergast
Executive Chairman

29 September 2023

Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

To the members of Recce Pharmaceuticals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Recce Pharmaceuticals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at

30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 3 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Accounting for share-based payments

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in Note 23 to the Financial Report, during the financial year ended 30 June 2023, the Company agreed to issue options to key management personnel, which have been accounted for as share-based payments.</p> <p>Refer to Note 2 to the Financial Report for a description of the accounting policy and significant estimates and judgments applied to these arrangements.</p> <p>Share-based payments are a complex accounting area and due to the complex and judgmental estimates used in determining the fair value of the share-based payments, we consider the accounting for share-based payments to be a key audit matter.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Reviewing the relevant agreements to obtain an understanding of the contractual nature and terms and conditions of the share-based payment arrangements; • Holding discussions with management to understand the share-based payment transactions in place; • Reviewing management's determination of the fair value of the share-based payments granted, considering the appropriateness of the valuation methodology used; • Testing key fair value inputs, using internal specialists where required; • Assessing the reasonableness of the share-based payment in equity; • Assessing the allocation of the share-based payment expense over the relevant vesting period; and • Assessing the adequacy of the related disclosures in Note 2 and Note 23 to the Financial Report.



Other information

The directors are responsible for the other information. The other information comprises the information contained in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 27 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Recce Pharmaceuticals Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Neil Smith', is written over a small, stylized BDO logo.

Neil Smith

Director

Perth

29 September 2023

ASX Additional Information

Shareholder Information as at 18 September 2023

Additional information required by the Australian Securities Exchange listing rules and not shown elsewhere in this report is as follows:

(a) Distribution of equity securities (as at 18 September 2023)

The number of shareholders, option holders and performance right holders by size of holding are:

Holding	Number of Shareholders	Number of Shares	% Issued Share Capital
1 – 1,000	1,033	656,134	0.33
1,001 – 5,000	1,397	3,988,856	2.03
5,001 – 10,000	679	5,538,793	2.81
10,001 – 100,000	1,178	39,585,818	20.11
100,001 and over	207	147,063,093	74.71
Total	4,494	196,832,694	100.00

Holding	Option Holders	Number of Options	% Issued Share Capital
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	2	200,000	1.44
100,001 and over	14	13,731,870	98.56
Total	16	13,931,870	100.00

Holding	Performance Right Holders	Number of Shares	% Issued Share Capital
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	3	168,750	1.93
100,001 and over	7	8,585,673	98.07
Total	10	8,754,423	100.00

(b) Twenty largest shareholders (as at 18 September 2023)

The names of the twenty largest holders of quoted shares are:

Name	Number of Shares	%
1 Graham Melrose And Olga Melrose	37,028,311	18.81
2 HSBC Custody Nominees (Australia) Limited	13,162,919	6.69
3 M Rogers and A Veliss	7,000,000	3.56
4 Mr James Graham	6,531,932	3.32
5 Acuity Capital Investment Management Pty Ltd <Acuity Capital Holdings A/C>	4,500,000	2.29
6 Citicorp Nominees Pty Limited	3,694,057	1.88
7 Ms Michele Keryn Dilizia	3,543,485	1.80
8 Acewood Investments Pty Ltd <Chivers Super Fund A/C>	3,184,616	1.62
9 Mr John James Liddelow <John Liddelow A/C>	2,910,000	1.48
10 Pejay Pty Limited	2,500,000	1.27
11 BNP Paribas Nominees Pty Ltd ACF Clearstream	2,487,783	1.26
12 Merrill Lynch (Australia) Nominees Pty Limited	2,449,559	1.24
13 LDU Pty Ltd	2,143,881	1.09
14 Querion Pty Ltd	2,100,000	1.07
15 Haultrans Management Pty Limited <Successful Super Fund A/C>	1,800,000	0.91
16 BNP Paribas Noms Pty Ltd <Drp>	1,721,246	0.87
17 Mr Michael Noel Aarons & Mrs Mami Aarons <The Aarons Superfund A/C>	1,437,498	0.73
18 Mark David Swinn	1,314,720	0.67
19 Mr Nikolai Shirobokov & Mrs Svetlana Shirobokov	1,181,974	0.60
20 BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	1,095,061	0.56
Total	101,787,042	51.71
Total issued capital – selected security class(es)	196,832,694	100.00

(c) Substantial shareholders

Substantial holders in the Company are set out below (based on voting interest in fully paid ordinary shares) as at 18 September 2023.

Name	Number of Shares	% IC
Mr Graham John Hamilton Melrose & Ms Olga Mary Melrose	37,028,311	18.81
FIL Limited*	15,144,466	7.69

*Information obtained from the Notice of Initial Substantial Holder lodged with ASX on 20 September 2023 by FIL Limited.

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction. There are no voting rights attached to any Options or Performance Shares on issue.

(e) Share buyback

There is no current on-market share buy-back.

(f) Unmarketable parcels

There were 822 Shareholders holding less than a marketable parcel, totalling 445,134 shares.

Corporate Directory

For the year ended 30 June 2023

Directors

Dr John Prendergast

Executive Chairman

Ms Michele Dilizia

Executive Director and Chief Scientific Officer

Mr James Graham

Managing Director and Chief Executive Officer

Dr Justin Ward

Executive Director and Principal Quality Chemist

Dr Alan Dunton

Non-Executive Director and Chief Medical Advisor

Mr Alistair McKeough

Non-Executive Director

Company Secretary

Maggie Niewidok

Chief Financial Officer

Justin Reynolds

Registered Office

Suite 10, 3 Brodie Hall Drive

Bentley WA 6102

Phone: +61 8 9362 9860

Share Register

Automic Pty Limited

Level 5, 126 Phillip Street

Sydney NSW 2000

Phone: 1300 288 664

Auditors

Level 9, Mia Yellagonga Tower 2

5 Spring Street

Perth WA 6000

Internet Address

www.recce.com.au

ASX Code

RCE

FSE Code

R9Q

Annual General Meeting

The Annual General Meeting will be held on the 8 November 2023.

Automic Pty Limited

Level 5/126 Phillip Street

Sydney NSW 2000

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