

Appendix 4D

Current Reporting Period: 31 December 2023

Previous Reporting Period: 31 December 2022

Results for Announcement to the Market

| | | Percentage Change | | \$ |
|--|------|----------------------|----|-------------|
| Revenue from ordinary activities | - | 0.00% | to | - |
| Loss from ordinary activities after tax attributable to members | down | -19.09% | to | (7,461,834) |
| Net loss for the period attributable to members | down | -19.09% | to | (7,461,834) |

Brief explanation of Results

Operational Report

During the reporting period, significant advances were made in support of the development of the Company's anti-infective portfolio. Highlights for the half year to 31 December 2023 included:

- Successful, strongly supported capital raise of AUD \$10.7 million – Shortfall of approximately AUD \$0.3m fulfilled by Recce Directors and additional investors.
- The Company announced that the Australian Government awarded A\$54,947,284 across the infectious disease portfolio for its Synthetic Anti-Infective (A\$43.7m) and Anti-Viral (A\$11.2m) Research & Development (R&D) applicable expenditure by AusIndustry (a division of the Australian Government's Department of Industry, Innovation and Science). It is one of the largest awarded in Australian history as a pillar of the R&D Tax Incentive Program administered by the Australian Government.
- The Company announced it had received positive complete and independently verified results from its Phase I (R327-001) study of RECCE® 327 (R327) as an intravenous infusion formulation in 80 healthy male subjects. R327 was found to be well tolerated with a good safety profile across all dose groups from 50 mg to 6,000 mg when administered intravenously over one hour infusion. The study is closed and marked 'Complete' with no 'Serious Adverse Events' reported.
- Multiple updates on the Company's Phase I/II UTI/Urosepsis Rapid Infusion Clinical Trial were announced. Interim results show R327 was safe and well tolerated at two faster infusion rates (faster infusion rate than that of subjects in recently completed Phase I Clinical Trial) of 2,500mg and 3,000mg observed via intravenous administration in male and female participants (first female dosed with R327 safely) – with no serious adverse events noted.

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- The Company announced Independent Safety Committee approval for next cohort dosing at a faster infusion rate of 15 minutes at 3,000mg. The committee unanimously agreed R327 at an infusion rate of 30 minutes at 3,000mg is safe and well tolerated in male and female subjects.
- Following independent safety committee approval, the Company announced that the first male and female subjects completed dosing at the highest concentration of R327 (3,000mg I.V.), within a fast infusion rate of 15-minutes in its Phase I/II UTI/Urosepsis clinical trial. With the study tracking to primary endpoints R327 at 3,000mg (double what was previously delivered over 30-minutes) over 15-minutes is the fastest infusion rate completed to date.
- The Company announced it had commenced dosing of patients at Liverpool Hospitals South West's Sydney Limb Preservation and Wound Research Unit with daily dose visitation of out-patient nurses in its Phase I/II Diabetic Foot Infections clinical trial – the largest Diabetic Foot Infection study underway in Australia at this time.
- Under the TGA Special Access Scheme – Category A, RECCE® 327 Gel (R327G) was used by a qualified medical practitioner across patients suffering antibiotic-resistant Gram-positive and Gram-negative bacterial infections. All those treated with R327G indicated a positive clinical response in the treatment of multiple antibiotic-resistant infections.
- The Company had announced it had completed the Data Analysis for its Phase I/II Topical clinical trial of R327 for the treatment of burn wound infections. All patients treated with R327 showed good indications of safety and tolerability to the compound with no serious adverse events reported among patients.
- The Company announced positive efficacy data with R327 showing significant antibacterial activity against Escherichia coli (E. coli) urinary tract infections (UTI) by Murdoch Children's Research Institute in a physiologically relevant rat UTI model. Two studies were conducted, one was via intravenous infusion (over a >99% reduction of E. coli UTI in a rat model) and the other study was through a new direct-to-bladder delivery (Bacterial shedding of E. coli in the urine was measured, where a 2-log reduction (approx. 99% bacterial kill) for the R327 bladder delivery compared to the untreated control group; Bacterial burden of E. coli in kidney tissue was also analysed, with a 2-log (99% kill) reduction; and, bacterial burden was analysed for E. coli in bladder tissue, with a bactericidal (>99.9% kill) 3.5-log and statistically significant reduction).
- The Company announced further results out of Murdoch Children's Research Institute; positive efficacy of R327 showing significant antibacterial activity against Neisseria gonorrhoeae (N. gonorrhoeae). After three days, the mice treated with R327 showed an approximate 4-log (99.99% reduction) reduction in bacterial shedding. After five days of treatment, R327 showed a 3.5-log reduction (>99.9% reduction) in bacterial shedding compared to the placebo-treated group.
- Formally granted the first of Recce's Family 4 patents in Australia for RECCE anti-infectives "Process for Preparation of Biologically Active Copolymer". Expiry 2041.
- Formally granted a new patent in Canada – Family 4 for RECCE anti-infectives "Process for Preparation of Biologically Active Copolymer" – by the Canadian Patent Office. Expiry 2041.

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- Received Trademark registration acceptance for RECCE® from the Brazilian National Institute of Industrial Property (The International Trade Mark Registration No. 927993422).
- Received Trademark registration for RECCE® from the Intellectual Property Office of Vietnam (International Trademark Registration No. 1289603).
- The Company announced further non-dilutive funds from Radium Capital (Radium) for AUD \$801,604 of Recce's future Research and Development (R&D) tax incentive.
- The Company was also pleased to receive an international cash receipt of AUD \$98,428.27 from the Government of Canada as part of its Scientific Research & Experimental Development (SR&ED) Tax Incentive program.
- The Company held its Annual General Meeting of shareholders on Monday, 8th November 2023. All resolutions were decided by way of poll and were passed with the exception of Resolution 1 which was not passed and was constituted as a 'first strike' for purposes of the Corporations Act 2001 (Cth).
- Non-Executive Director and Chief Medical Adviser, Dr Alan W Dunton, delivered the Opening R&D Address at the World Anti-Microbial Resistance Conference, positioning Recce as a sign of new hope in the fight against superbugs on the international stage.
- Executive Chairman Dr John Prendergast delivered a poster presentation at the 2023 Military Health System Research Symposium. The poster was accompanied by an abstract titled: RECCE® 327: A Novel Synthetic Anti-infective for the Treatment of Antimicrobial-resistant Bacterial Sepsis Infections.
- The 2023 Annual Report for the financial year was released.

Financial position

The Company expects to receive a cash inflow of A\$3.04m in February 2024 and A\$0.24m in April 2024 from the Australian Government's R&D Rebate and A\$3.03m in March 2024 from Radium Capital's R&D Advance covering the period of 1 July 2023 to 31 Jan 2024.

These inflows provide the company with a significant cash injection to support ongoing operations.

Financial Report

The half-year operating loss for the period was \$7,461,834 (2022: loss of \$9,222,578). The increase was as a result of increased R&D related costs.

The loss per share for the period was 4.16 cents (2022: 5.26 cents).

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Dividends

| | Amount per Security | Percentage Franked |
|--|------------------------|-----------------------|
| Final Dividend | Nil | N/A |
| Interim Dividend | Nil | N/A |
| Date the Dividend is Payable: | N/A | N/A |
| Record Date for determining entitlements to the Dividends: | N/A | N/A |

The Company did not declare a dividend during the financial period and has not declared a dividend since the end of the financial period.

Net Tangible Assets per Security

| | |
|--------------------------------|------|
| As at 31 December 2023 (cents) | 0.26 |
| As at 31 December 2022 (cents) | 0.69 |

The half year report is based on accounts that have been subject to an audit review and there is no dispute or qualification with the auditors in relation to these accounts.

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RECCE PHARMACEUTICALS LTD

ABN 73 124 849 065

INTERIM REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

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DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

The Directors present their report together with the interim consolidated financial report of Recce Pharmaceuticals Ltd (the "Company") and controlled entities (the "Group") for the half-year ended 31 December 2023.

Directors

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

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

Principal Activity

The Group is pioneering the development and commercialisation of a new class of Synthetic Anti-Infectives designed to address the urgent global health problems of antibiotic-resistant superbugs and emerging viral pathogens. Patented lead candidate RECCE[®] 327 as an intravenous therapy is being developed for treatment of serious and potentially life-threatening infections including sepsis due to Gram-positive and Gram-negative bacteria and their superbug forms.

Review of Operations

On 10 July 2023, the Company announced its Phase I/II UTI clinical trial evaluating RECCE[®] 327 (R327) at faster infusion rates has successfully dosed its first cohort of both male and female subjects with No Serious Adverse Events.

On 12 July 2023, the Company announced non-dilutive funds from Radium Capital (Radium) for A\$801,604 of Recce's future Research and Development (R&D) tax incentive.

On 19 July 2023, the Company announced positive complete and independently verified results from its Phase I (R327-001) study of RECCE[®] 327 (R327) as an intravenous infusion formulation in 80 healthy male subjects.

On 20 July 2023, the Company announced potentially understating the Urine and Plasma concentration of RECCE[®] 327 (R327), as the table under the heading "Positive Unexpected Findings" reported on only one oligomer (being, Oligomer 5, which is of specific importance) as part of the suite of oligomers that make the total R327 polymer.

On 24 July 2023, the Company announced Scientia Clinical Research had successfully begun dosing both male and female subjects in its Phase I/II UTI clinical trial evaluating RECCE[®] 327 (R327) at faster infusion rates.

DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

Review of Operations (Continued)

On 27 July 2023, the Company received confirmation a research Abstract and Poster presentation will be published at the 2023 Military Health System Research Symposium (MHSRS).

On 28 July 2023, the Company reported Scientia Clinical Research had successfully completed cohort dosing of both male and female subjects in its Phase I/II UTI clinical trial evaluating RECCE® 327 (R327) at faster infusion rates.

On 28 July 2023, the Company announced the international cash receipt of A\$98,428.27 from the Government of Canada as part of its Scientific Research & Experimental Development (SR&ED) Tax Incentive program. This amount is the second rebate the Company has received from the Government of Canada.

On 3 August 2023, the Company announced the Australian Patent Office had formally granted the first of Recce's new Patent Family 4 for RECCE's anti-infectives "Process for Preparation of Biologically Active Copolymer", expiry 2041.

On 8 August 2023, the Company announced an update upon Therapeutic Goods Administration (TGA) Special Access Scheme (SAS) Category A utilisation of RECCE® 327 Gel (R327G) by a qualified medical practitioner across patients suffering antibiotic-resistant Gram-positive and Gram-negative bacterial infections.

On 21 August 2023, the Company announced Data Analysis complete for its Phase I/II topical clinical trial of RECCE® 327 (R327) for the treatment of burn wound infections.

On 22 August 2023, the Company announced its Phase I/II Diabetic Foot Infections (DFI) clinical trial has commenced dosing of patients at Liverpool Hospitals South West's Sydney Limb Preservation and Wound Research Unit.

On 28 August 2023, the Company reported an Independent Safety Committee approved next cohort dosing at two faster infusion rates of 3,000mg. Furthermore, the committee unanimously agreed R327 at two faster infusion rates of 2,500mg is safe and well tolerated in male and female subjects. The next cohort of subjects have been recruited with dosing to begin imminently.

On 6 September 2023, the Company announced it had been issued Trademark Registration for RECCE® from the Intellectual Property Office of Vietnam.

DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

Review of Operations (Continued)

On 11 September 2023, the Company announced a capital raising of up to approximately A\$11 million (before costs) consisting of placement of approximately 18.2 million new fully paid ordinary shares in the Company at A\$0.44 per New Share, with commitments received totalling A\$8.0 million from institutional, sophisticated and professional investors and a pro-rata non-renounceable entitlement offer of one (1) New Share for every twenty six (26) existing fully paid ordinary shares in the Company held by eligible shareholders at the same Offer Price as the Placement to raise up to a further A\$3 million.

On 22 September 2023, the Company reported Scientia Clinical Research has successfully completed cohort dosing of both male and female subjects in its Phase I/II UTI/Urosepsis clinical trial evaluating RECCE® 327 (R327) at faster infusion rates.

On 29 September 2023, the Company announced completion of a successful entitlement offer to shareholders raising approximately \$2.7 million (before costs). The Company raised a total of approximately \$10.7 million (before costs) through the entitlement offer and placement to institutional, sophisticated, and professional investors which completed on 18 September 2023.

On 24 October 2023, the Company reported an Independent Safety Committee had approved next cohort dosing at a faster infusion rate of 15 minutes of 3,000mg. Furthermore, the committee unanimously agreed R327 at an infusion rate of 30 minutes of 3,000mg is safe and well tolerated in male and female subjects. The next cohort of subjects have been recruited with dosing to begin imminently.

On 7 November 2023, the Company reported the first male and female subjects had completed dosing at the highest concentration of RECCE® 327 (R327) (3,000mg I.V.), within a fast infusion rate of 15- minutes in its Phase I/II UTI/Urosepsis clinical trial.

On 23 November 2023, the Company announced the Canadian Patent Office had formally granted a new Patent Family 4 for Recce's anti-infectives "Process for Preparation of Biologically Active Copolymer" in Canada, expiry 2041.

On 14 December 2023, the Company announced positive efficacy of RECCE® 327 (R327) showing significant antibacterial activity against *Neisseria gonorrhoeae* (*N. gonorrhoeae*). The study was conducted by Murdoch Children's Research Institute to test the efficacy of R327 treatment against *N. gonorrhoeae* in a mouse vaginal infection model.

On 14 December 2023, the Company announced the Australian Government had Awarded an Advanced Overseas Finding for AU\$43,774,907 of Synthetic Antibiotic Research & Development (R&D) applicable expenditure by AusIndustry (a division of the Australian Government's Department of Industry, Innovation and Science).

DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

Review of Operations (Continued)

On 15 December 2023, the Company announced the Australian Government had awarded AU\$11,172,377 Advanced Overseas Finding for its Synthetic Anti-Viral Research & Development (R&D) applicable expenditure by AusIndustry (a division of the Australian Government's Department of Industry, Innovation and Science) – AU\$54,947,284 across the infectious disease portfolio.

On 28 December 2023, the Company announced further positive efficacy data, with RECCE® 327 (R327) showing significant antibacterial activity against Escherichia coli (E. coli) urinary tract infections (UTI) by Murdoch Children's Research Institute in a physiologically relevant rat UTI model.

Results of Operations

The half-year operating loss for the period was \$7,461,834 (2022: loss of \$9,222,578). The decrease was as a result of R&D tax incentive refund received during the period. The Group's current focus is on progressing RECCE® 327 into human clinical trials.

Events Subsequent to Reporting Period

No matters or circumstances have arisen since the end of the financial period, 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 periods.

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.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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



Dr John Prendergast
Executive Chairman
27 February 2024

**DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF RECCE
PHARMACEUTICALS LIMITED**

As lead auditor for the review of Recce Pharmaceuticals Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth
27 February 2024

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

| | Note | 31 December 2023 | 31 December 2022 |
|--|------|---------------------------|---------------------------|
| | | \$ | \$ |
| Revenue | | - | - |
| Other income | | | |
| Research and Development ("R&D") tax incentive | 20 | 2,281,150 | - |
| Interest income | | 38,896 | 38,823 |
| Other Income | | 100,243 | - |
| | | <u>2,420,289</u> | <u>38,823</u> |
| Expenses | | | |
| Laboratory expenses | | (4,723,134) | (4,081,938) |
| Employee benefits expenses | | (2,573,931) | (2,186,266) |
| Depreciation and amortisation expenses | | (31,018) | (22,580) |
| Share based payments expense | 17 | - | (325,217) |
| Travel expenses | | (231,517) | (558,106) |
| Patent related costs | | (73,149) | (117,278) |
| Rental outgoing expenses | | (154,525) | (118,733) |
| Finance costs | | (3,738) | (2,546) |
| Professional services | | (1,018,793) | (925,280) |
| Other expenses | | (639,372) | (866,748) |
| Amortisation: Leases | | (162,265) | (52,705) |
| Interest expenses: Leases | | (9,588) | (3,683) |
| Interest expenses: Other | | (261,093) | (322) |
| | | <u>(9,882,123)</u> | <u>(9,261,401)</u> |
| Loss before income tax | | (7,461,834) | (9,222,578) |
| Income tax expense | | - | - |
| Loss for the period after income tax | | (7,461,834) | (9,222,578) |
| Other comprehensive income | | - | - |
| Total comprehensive loss for the period | | <u>(7,461,834)</u> | <u>(9,222,578)</u> |
| | | | |
| | | Cents | Cents |
| Loss per share: | | | |
| Basic loss per share for the period | 6 | (4.16) | (5.26) |
| Diluted loss per share for the period | 6 | (4.16) | (5.26) |
| Dividends per share for the period | 7 | - | - |

The accompanying condensed notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

| | Note | 31 December 2023 | 30 June 2023 |
|--------------------------------------|------|---------------------|--------------------|
| | | \$ | \$ |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | 4,008,560 | 1,561,579 |
| Trade and other receivables | | 152,869 | 90,667 |
| Other current assets | 9 | 682,910 | 295,213 |
| TOTAL CURRENT ASSETS | | 4,844,340 | 1,947,459 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | 10 | 438,089 | 362,837 |
| Right of Use Asset | 11 | 190,726 | 245,573 |
| TOTAL NON-CURRENT ASSETS | | 628,815 | 608,410 |
| TOTAL ASSETS | | 5,473,155 | 2,555,869 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and Other Payables | 12 | 4,168,721 | 4,319,719 |
| Provisions for employee benefits | | 357,004 | 299,201 |
| Other provisions | 13 | - | 83,054 |
| Current lease liabilities | | 122,242 | 147,878 |
| TOTAL CURRENT LIABILITIES | | 4,647,967 | 4,849,852 |
| NON-CURRENT LIABILITIES | | | |
| Non-current lease liabilities | | 76,524 | 102,688 |
| Provisions for employee benefits | | 214,481 | 192,133 |
| TOTAL NON-CURRENT LIABILITIES | | 291,005 | 294,821 |
| TOTAL LIABILITIES | | 4,938,972 | 5,144,673 |
| NET ASSETS | | 534,183 | (2,588,804) |
| EQUITY | | | |
| Share capital | 14 | 54,696,783 | 44,111,963 |
| Reserves | 15 | 5,713,390 | 8,834,557 |
| Accumulated losses | | (59,875,991) | (55,535,324) |
| TOTAL EQUITY | | 534,183 | (2,588,804) |

The accompanying condensed notes form part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

| | Share Capital \$ | Reserves \$ | Accumulated Losses \$ | Total \$ |
|--|------------------------|------------------|-----------------------------|--------------------|
| BALANCE AT 1 JULY 2022 | 43,968,323 | 8,550,939 | (42,457,209) | 10,062,053 |
| COMPREHENSIVE INCOME: | | | | |
| Loss for the period | - | - | (9,222,578) | (9,222,578) |
| Other comprehensive income | - | - | - | - |
| | - | - | (9,222,578) | (9,222,578) |
| TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS: | | | | |
| Issuance of shares (net of cash-settled share issue costs) | - | - | - | - |
| Options issued to Directors | - | 325,217 | - | 325,217 |
| Options issued to lead manager as capital raising cost | - | - | - | - |
| Conversion of options into ordinary shares | 72,643 | - | - | 72,643 |
| Share-based payments | - | - | - | - |
| Transfers from reserves to share capital | - | - | - | - |
| | 72,643 | 325,217 | - | 397,860 |
| BALANCE AT 31 DECEMBER 2022 | 44,040,966 | 8,876,156 | (51,679,787) | 1,237,335 |
| BALANCE AT 1 JULY 2023 | 44,111,963 | 8,834,557 | (55,535,324) | (2,588,803) |
| COMPREHENSIVE INCOME: | | | | |
| Loss for the period | - | - | (7,461,834) | (7,461,834) |
| Other comprehensive income | - | - | - | - |
| | - | - | (7,461,834) | (7,461,834) |
| TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS: | | | | |
| Issuance of shares (net of cash-settled share issue costs) | 10,461,090 | - | - | 10,461,090 |
| Options issued to Directors | - | - | - | - |
| Options issued to lead manager as capital raising cost | - | - | - | - |
| Conversion of options into ordinary shares | 123,730 | - | - | 123,730 |
| Share-based payments | - | - | - | - |
| Transfers from reserves to share capital | - | (3,121,167) | 3,121,167 | - |
| | 10,584,820 | (3,121,167) | 3,121,167 | 10,584,820 |
| BALANCE AT 31 DECEMBER 2023 | 54,696,783 | 5,713,390 | (59,875,991) | 534,183 |

The accompanying condensed notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

| | 31 December 2023 | 31 December 2022 |
|---|---------------------|---------------------|
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Payments to suppliers and employees | (6,467,645) | (8,814,864) |
| Payment to settle legal dispute | (83,054) | (1,417,527) |
| Interest received | 33,401 | 38,824 |
| Interest and other costs of finance paid | - | (2,546) |
| NET CASH USED IN OPERATING ACTIVITIES | (6,517,298) | (10,196,113) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of plant and equipment | (106,270) | (4,449) |
| Other related receipts/(payments) | (33,972) | 394,734 |
| NET CASH (USED IN)/PROVIDED BY INVESTING ACTIVITIES | (140,242) | 390,285 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from loans | 800,855 | - |
| Repayments of loans | (2,281,150) | - |
| Proceeds from issue of equity securities | 11,022,445 | - |
| Proceeds from exercise of options | 123,728 | 72,643 |
| Transaction costs related to issues of equity or convertible securities | (561,356) | - |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 9,104,522 | 72,643 |
| Net increase/(decrease) in cash and cash equivalents held | 2,446,982 | (9,733,185) |
| Cash and cash equivalent at the beginning of the period | 1,561,578 | 11,581,934 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 4,008,560 | 1,848,749 |

The accompanying condensed notes form part of these consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

NOTE 1: GENERAL INFORMATION

The consolidated financial report of Recce Pharmaceuticals Ltd (the "Company") and its controlled entities (the "Group") for the half year ended 31 December 2023 was authorised for issue in accordance with a resolution of the Directors on 27 February 2024.

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

NOTE 2: ACCOUNTING POLICIES

(a) Basis of preparation of the consolidated financial report

These financial statements are general purpose financial statements for the half year ended 31 December 2023 have been prepared in accordance with Australian Accounting Standards 134 Interim Financial Reporting and the Corporations Act 2001.

The half year consolidated financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report. Accordingly, the half-year consolidated financial report should be read in conjunction with the annual report for the year ended 30 June 2023 and considered together with any public announcements made by the Company during the half year ended 31 December 2023 in accordance with the continuous disclosure obligations of the ASX Listing Rules and the Corporations Act 2001.

Historical Cost Convention

The consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Adoption of new and revised standards

The Group has reviewed all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current half-year. The Group has also reviewed all standards and interpretations that have been issued but are not yet effective for the half-year ended 31 December 2023. As a result of this review, the Directors have determined that there is no material impact on the Group and, therefore no material change is necessary to Group accounting policies.

(c) 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 report have been rounded to the nearest dollar.

NOTE 3: CRITICAL ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the consolidated financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

NOTE 3: CRITICAL ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. At 31 December 2023, no deferred tax assets on temporary differences and carry forward losses were recognised.

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.

NOTE 4: GOING CONCERN

For the half-year ended 31 December 2023 the Group recorded a loss of \$7,461,834 (2022: \$9,222,578) and had net cash outflows from operating activities of \$6,517,298 (2023: \$10,196,113).

The ability of the Company to continue as a going concern and being able to fund its operating activities is dependent on securing additional funding through share placements 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 Company'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 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:

- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

NOTE 5: SEGMENT INFORMATION

(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 segments being Australia, Europe and the USA.

(b) Segment results

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

| | Segment revenue and other income for the period | | Segment loss after tax for the period | |
|------------------------|---|------------------|---------------------------------------|--------------------|
| | 31 December 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 |
| | \$ | \$ | \$ | \$ |
| Australia | 1,654,801 | - | (2,117,743) | (4,916,144) |
| USA | 711,415 | - | (910,438) | (599,979) |
| Europe | 15,176 | - | (19,422) | (31,922) |
| Central Administration | 38,896 | 38,823 | (4,414,231) | (3,674,533) |
| | 2,420,289 | 38,823 | (7,461,834) | (9,222,578) |

The segment revenue and other income above comprises bank interest.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the Group's 30 June 2023 notes to the consolidated financial statements. 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 period | | Segment liabilities at end of the period | |
|------------------------|-------------------------------------|------------------|--|------------------|
| | 31 December 2023 | 30 June 2023 | 31 December 2023 | 30 June 2023 |
| | \$ | \$ | \$ | \$ |
| Australia | 510,658 | 314,837 | 254,315 | 374,716 |
| USA | - | - | - | - |
| Europe | - | - | - | - |
| Central Administration | 4,962,497 | 2,241,033 | 4,684,657 | 4,769,957 |
| | 5,473,155 | 2,555,869 | 4,938,972 | 5,144,673 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

| | 31 December 2023 | 30 June 2023 |
|--|---------------------|--------------------|
| | \$ | \$ |
| NOTE 5: SEGMENT INFORMATION (Continued) | | |
| Segment Net Assets/(Liabilities) | | |
| Australia | 256,343 | (59,879) |
| USA | - | - |
| Europe | - | - |
| Central Administration | 277,840 | (2,528,925) |
| | 534,183 | (2,588,804) |

NOTE 6: LOSS PER SHARE

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

| | Note | 31 December 2023 | 31 December 2022 |
|--|------|---------------------|---------------------|
| | | \$ | \$ |
| Loss for the period attributable to the members of the parent | | (7,461,834) | (9,222,578) |
| Weighted average number of shares: | | | |
| Weighted average number of ordinary shares used in calculating basic loss per share | | 179,371,466 | 175,418,927 |
| Effect of dilutive securities: | | | |
| Adjusted weighted average number of ordinary shares used in calculating diluted loss per share | | - | - |
| | | 179,371,466 | 175,418,927 |
| Loss per share (cents per share): | | | |
| Basic loss per share for the period | | (4.16) | (5.26) |
| Diluted loss per share for the period | | (4.16) | (5.26) |

NOTE 7: DIVIDENDS PAID AND PROPOSED

The Company has not declared any dividends during and/or since the end of the half-year 31 December 2023 (31 December 2022: \$nil).

| | 31 December 2023 | 30 June 2023 |
|--|---------------------|------------------|
| | \$ | \$ |
| NOTE 8: CASH AND CASH EQUIVALENTS | | |
| Cash at bank | 4,008,560 | 1,561,579 |
| | 4,008,560 | 1,561,579 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

| | 31 December 2023 | 30 June 2023 |
|---------------------------------------|---------------------|-----------------|
| | \$ | \$ |
| NOTE 9: OTHER CURRENT ASSETS | | |
| Prepayments | 459,273 | 135,377 |
| Rental Deposits | 47,000 | 47,000 |
| Staff Advances | 24,493 | - |
| Director Loans | 152,144 | 112,836 |
| 18 | 682,910 | 295,213 |
| NOTE 10: PLANT AND EQUIPMENT | | |
| NON-CURRENT | | |
| Laboratory plant and equipment | | |
| At cost | 644,325 | 559,825 |
| Less accumulated depreciation | (304,542) | (285,801) |
| | <u>339,783</u> | <u>274,024</u> |
| Office furniture and equipment | | |
| At cost | 69,461 | 66,461 |
| Less accumulated depreciation | (47,387) | (45,034) |
| | <u>22,074</u> | <u>21,427</u> |
| Computer equipment | | |
| At cost | 92,275 | 73,504 |
| Less accumulated depreciation | (55,752) | (46,950) |
| | <u>36,523</u> | <u>26,554</u> |
| Office improvements | | |
| At cost | 78,646 | 78,646 |
| Less accumulated depreciation | (39,714) | (38,680) |
| | <u>38,932</u> | <u>39,966</u> |
| Library and website costs | | |
| At cost | 7,176 | 7,176 |
| Less accumulated depreciation | (6,399) | (6,310) |
| | <u>777</u> | <u>866</u> |
| Total Plant and Equipment | 438,089 | 362,837 |

Reconciliations

Movement in the carrying amounts of the plant and equipment between the beginning and the end of the current financial period.

| | \$ |
|---|----------------|
| Opening balance, 1 July 2023 | 362,837 |
| Additions | 106,271 |
| Depreciation expense | (31,019) |
| Ending balance, 31 December 2023 | 438,089 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

| | 31 December 2023 | 30 June 2023 |
|--|---------------------|-----------------|
| NOTE 11: NON-CURRENT ASSETS - RIGHT-OF-USE ASSETS | \$ | \$ |
| Land and buildings - right-of-use | 352,991 | 415,689 |
| Less: Accumulated depreciation | (162,265) | (170,116) |
| | 190,726 | 245,573 |

NOTE 12: TRADE AND OTHER PAYABLES

CURRENT

Unsecured liabilities

| | | |
|---------------------------|------------------|------------------|
| Trade payables | 1,653,971 | 948,887 |
| Employee related payables | 227,748 | 111,153 |
| Sundry creditors | 53,500 | 211,418 |
| | 1,935,219 | 1,271,458 |

Secured liabilities

| | | |
|-------------------------------|------------------|------------------|
| R&D advances - Radium Capital | 2,233,502 | 3,048,261 |
| | 2,233,502 | 3,048,261 |
| | 4,168,721 | 4,319,719 |

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.

NOTE 13: OTHER PROVISIONS

CURRENT

| | | |
|--------------------------------|----------|---------------|
| Provision for legal settlement | - | 83,054 |
| | - | 83,054 |

Movements in other provision

| | | |
|--|----------|---------------|
| Opening balance | 83,054 | - |
| Provision for legal dispute settlement | - | 83,054 |
| Settlement of legal dispute | (83,054) | - |
| | - | 83,054 |

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. After taking appropriate legal advice, the directors appealed the decision. The appeal was subsequently lost resulting in a damages payment to the Plaintiffs of \$1,417,527 during the last financial year. An additional \$83,054 was paid in the current financial year to cover the plaintiff's legal costs with the matter now settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

NOTE 14: SHARE CAPITAL

| | 31 December 2023 | | 30 June 2023 | |
|--|--------------------|-------------------|--------------------|-------------------|
| | No. | \$ | No. | \$ |
| Issued and fully paid ordinary shares | 203,701,863 | 54,696,783 | 178,254,310 | 44,111,963 |
| | 203,701,863 | 54,696,783 | 178,254,310 | 44,111,963 |
| Movements in ordinary shares on issue | | | | |
| Opening balance | 178,254,310 | 44,111,963 | 177,646,910 | 43,968,321 |
| Shares issued during the period: | | | | |
| - new shares issued from placement (net costs) | - | - | - | 3,121,167 |
| - new shares issued on options exercised | 25,050,988 | 10,461,090 | - | - |
| | 396,565 | 123,730 | 607,400 | 102,043 |
| | 25,447,553 | 10,584,820 | 607,400 | 3,223,210 |
| Transfer from reserves to share options | - | - | - | 41,599 |
| | - | - | - | 41,599 |
| Total | 203,701,863 | 54,696,783 | 178,254,310 | 47,233,130 |

(c) Options on issue

| Particulars | Issue Date | Exercise Date | Exercise Price cents | 31 December 2023 No. | 30 June 2023 No. |
|-------------|------------|---------------|----------------------|----------------------|-------------------|
| Options | 19-Dec-19 | 19-Feb-23 | 31.20 | - | 603,435 |
| Options | 30-Sep-20 | 30-Sep-23 | 156.00 | - | 3,750,000 |
| Options | 22-Feb-21 | 22-Feb-26 | 156.00 | 8,415,000 | 8,415,000 |
| Options | 11-Feb-22 | 11-Feb-27 | 156.00 | 435,000 | 435,000 |
| Options | 15-Nov-22 | 15-Nov-27 | 156.00 | 1,125,000 | 1,125,000 |
| | | | | 9,975,000 | 14,328,435 |

NOTE 15: RESERVES

| | 31 December 2023 \$ | 30 June 2023 \$ |
|-----------------|---------------------|------------------|
| Options reserve | 5,713,390 | 8,834,557 |
| | 5,713,390 | 8,834,557 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE HALF YEAR ENDED 31 DECEMBER 2023

NOTE 16: COMMITMENTS AND CONTINGENCIES

The Company is not aware of any commitments, contingent liabilities or contingent assets as at 31 December 2023.

NOTE 17: SHARE BASED PAYMENTS EXPENSE

Issue of 1,125,000 options to Alistair McKeough

TOTAL SHARE-BASED PAYMENTS RECOGNISED THROUGH P&L

| | 31 December 2023 | 30 June 2023 |
|--|---------------------|-----------------|
| | \$ | \$ |
| | - | 325,217 |
| | <u>-</u> | <u>325,217</u> |

Fair value of Share Options granted to Alistair McKeough

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
- 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.

NOTE 18: RELATED PARTY TRANSACTIONS

Loans to key management personnel

During the period various amounts were advanced and repaid by Mr Graham. The amount outstanding at reporting date including accrued interest was \$152,144. (2023: \$112,836). The loan is interest bearing at the rate of 5% per annum. Interest accrued on the loan amounted to \$6,886 (2023: \$8,448). The loan is repayable within 12 months of reporting date.

NOTE 19: EVENTS SUBSEQUENT TO REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial period, 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 periods.

NOTE 20: RESEARCH AND DEVELOPMENT TAX INCENTIVE

On 13 November 2023, the Company received cash receipt of A\$2,281,150 in relation to the Research and Development Tax Incentive rebate (1st tranche of 3) from the Australian Tax Office for the year ending 30 June 2023. The 2nd tranche of A\$3.04m and 3rd tranche of A\$0.35m is expected in February 2024 and April 2024.

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DIRECTORS' DECLARATION
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

The Directors of the Company declare that:

1. The condensed consolidated financial statements and notes to the financial statements of the Group are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements ; and
 - b. give a true and fair view of the consolidated financial position as at 31 December 2023 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors pursuant to s.303(5) of the *Corporations Act 2001* and is signed for and behalf of the Directors by:



Dr John Prendergast
Executive Chairman
27 February 2024

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Recce Pharmaceuticals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Recce Pharmaceuticals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 4 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 conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

BDO


Jarrad Prue

Director

Perth, 27 February 2024