RECCE PTY LTD

Financial Report for the year ended

30 June 2013

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Recce Pty Ltd
(ABN 73 124 849 065)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	2013 $	2012 $
Revenue from continuing operations	387	-
Other income	-	-
Total revenue	387	-
Employee benefits expense	(162,188)	-
Laboratory expenses	(8,821)	-
Rental expenses	(39,344)	-
Depreciation and amortisation expenses	(5,775)	(5,943)
Patent related costs	(24,732)	(12,822)
Other expenses	(51,853)	(2,376)
Finance costs	(134)	(20)
Loss before income tax	(292,460)	(21,161)
Income tax (expense)/benefit	-	-
Loss after income tax	(292,460)	(21,161)
Other comprehensive income		
Other comprehensive income for the year net of income tax	-	-
Total comprehensive income for the year	**(292,460)**	**(21,161)**

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	2013	2012
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	42,902	702
Trade and other receivables	179	6
Total current assets	43,081	708
Non-current assets		
Property, plant and equipment	36,551	31,710
Total non-current assets	36,551	31,710
Total assets	79,632	32,418
LIABILITIES		
Current Liabilities		
Trade and other payables	152,271	-
Other liabilities	2,295	-
Total current liabilities	154,566	-
Non-current Liabilities		
Provisions	268	-
Total non-current liabilities	268	-
Total liabilities	154,834	-
Net Assets	**(75,202)**	**32,418**
EQUITY		
Contributed equity	514,391	329,551
Retained earnings (Accumulated losses)	(589,593)	(297,133)
Total Equity	**(75,202)**	**32,418**

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

1. Corporate Information

The financial statements of Recce Pty Ltd for the year ended 30 June 2013 were authorised for issue in accordance with a resolution of the directors on 5 August 2015 of Recce Pty Ltd. Recce Pty Ltd is a for-profit entity for the purpose of preparing these financial statements.

The financial statements are presented in Australian dollars.

2. Statement of Significant Accounting Policies

a. Basis of preparation

The financial statements have been prepared on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared for the purpose of the preparation of the Investigating Accountants Report for inclusion in the prospectus.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements have beEN prepared on an accrual basis and are adopted in the preparation of these statements are as follows:

b. Revenue recognition

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Interest

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.

Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Company will comply with all the attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and credited to profit or loss on a straight line basis over the expected lives of the related assets.

c. Income Tax

The income tax expense for the period is the tax payable on the current period'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.

2. Statement of Significant Accounting Policies (Cont'd)

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.

d. Impairment of Assets

At the end of each reporting period the Company 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.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

e. Cash and Cash Equivalents

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.

f. Property, Plant and Equipment

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 vale basis over the estimated useful life as follows:

Class of Fixed Asset	**Depreciation Rate**
Plant and equipment	5-20%
Furniture, fittings and equipment	5-20%

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

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

g. Patents

Patent costs are expensed as incurred, until such time it is probable that expected future economic benefits that are attributable to the patents will flow to the entity.

h. Research and development

Research costs are expensed as incurred. Development expenditure incurred on an individual project is capitalised if the product or service is technically feasible, adequate resources are available to complete the project, it is probable that future economic benefits will be generated and expenditure attributable to the project can be measured reliably. Expenditure capitalised comprises costs of materials, services, direct labour and an appropriate portion of overheads. Other development costs are expensed when they are incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and any impairment losses and amortised over the period of expected future sales from the related projects which vary from 3 - 5 years. The carrying value of development costs is reviewed annually when the asset is not yet available for use, or when events or circumstances indicate that the carrying value may be impaired.

i. **Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the Company prior to the year end and which are unpaid. These amounts are unsecured and have 17 - 30 day payment terms. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

j. **Other Liabilities**

Other liabilities comprises non-current amounts due to related parties that do not bear interest and are repayable within 366 days of the end of the reporting period. 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 (Company's incremental borrowing rate). The discount is credited to profit or loss immediately and amortised using the effective interest method.

k. **Employee Benefit Provisions**

Short-term employee benefit obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave expected to be settled wholly within 12 months after the end of the reporting period are recognised in other liabilities in respect of employees' services rendered up to the end of the reporting period 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 benefit 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 period. 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 period using the projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using corporate bond rates at the end of the reporting period 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 period.

l. **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.

m. **GST**

Revenues, 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.

DIRECTORS' DECLARATION

Recce Pty Ltd
(ABN 73 124 849 065)

For the year ended 30 June 2013

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 2 to the financial statements.

The directors of the company declare that:

1. the financial statements and notes present fairly the company's financial position as at 30 June 2013 and its performance for the year ended on that date in accordance with the accounting policies described in Note 2 to the financial statements; and
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.

Graham Melrose
Director

Dated: 5 August 2015

INDEPENDENT AUDITOR'S REPORT

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Recce Pty Ltd

Report on the Financial Statement

We have audited the accompanying financial statement of Recce Pty Ltd which comprises the statement of profit or loss and other comprehensive income for the year ended 30 June 2013, other explanatory information, and the director's declaration (together 'the financial statement'). The financial statement has been prepared by management using the basis of preparation described In Note 2.

Managements Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the basis of preparation described in Note 2, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statement.

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

Independence

In conducting our audit, we have complied with the independence requirements of Australian professional accounting bodies.

Opinion

In our opinion, the financial statement presents fairly, in all material respects, the profit or loss and other comprehensive income of Recce Pty Ltd for the year ended 30 June 2013, in accordance with the basis of preparation described in Note 2.

Basis of accounting

Without modifying our opinion, we draw attention to Note 2 to the financial statement, which describes the basis of accounting. The financial statement has been prepared for the purpose for the preparation of an Investigating Accountants Report for inclusion in a prospectus. As a result, the financial statement may not be suitable for another purpose.

BDO Audit (WA) Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth, 5 August 2015

RECCE PTY LTD

Financial Report for the year ended

30 June 2014

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	2014 $	2013 $
Revenue from continuing operations	1,309	387
Other income	95,833	-
Total revenue	97,142	387
Employee benefits expense	(164,415)	(162,188)
Laboratory expenses	(8,660)	(8,821)
Share based payments expense	(11,429)	-
Rental expenses	(51,307)	(39,344)
Depreciation and amortisation expenses	(8,357)	(5,775)
Patent related expenses	(52,353)	(24,732)
Other expenses	(72,809)	(51,853)
Finance costs	(228)	(134)
Loss before income tax	(272,416)	(292,460)
Income tax (expense)/benefit	-	-
Loss after income tax	(272,416)	(292,460)
Other comprehensive income		
Other comprehensive income for the year net of income tax	-	-
Total comprehensive income for the year	**(272,416)**	**(292,460)**

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

Recce Pty Ltd
(ABN 73 124 849 065)

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	2014	2013
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	94,097	42,902
Trade and other receivables	5	179
Total current assets	94,102	43,081
Non-current assets		
Property, plant and equipment	53,970	36,551
Total non-current assets	53,970	36,551
Total assets	148,072	79,632
LIABILITIES		
Current Liabilities		
Trade and other payables	196,909	152,271
Other liabilities	6,899	2,295
Total current liabilities	203,808	154,566
Non-current Liabilities		
Provisions	453	268
Total non-current liabilities	453	268
Total liabilities	204,261	154,834
Net Assets	**(56,189)**	**(75,202)**
EQUITY		
Contributed equity	805,820	514,391
Retained earnings (Accumulated losses)	(862,009)	(589,593)
Total Equity	**(56,189)**	**(75,202)**

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

1. Corporate Information

The financial statements of Recce Pty Ltd for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the directors on 5 August 2015 of Recce Pty Ltd. Recce Pty Ltd is a for-profit entity for the purpose of preparing these financial statements.

The financial statements are presented in Australian dollars.

2. Statement of Significant Accounting Policies

a. Basis of preparation

The financial statements have been prepared on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared for the purpose of the preparation of the Investigating Accountants Report for inclusion in the prospectus.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements have been prepared on an accrual basis and are adopted in the preparation of these statements are as follows:

b. Revenue recognition

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Interest

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.

Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Company will comply with all the attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and credited to profit or loss on a straight line basis over the expected lives of the related assets.

c. Income Tax

The income tax expense for the period is the tax payable on the current period'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.

2. Statement of Significant Accounting Policies (Cont'd)

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.

d. Impairment of Assets

At the end of each reporting period the Company 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.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

e. Cash and Cash Equivalents

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.

f. Property, Plant and Equipment

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 vale basis over the estimated useful life as follows:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	5-20%
Furniture, fittings and equipment	5-20%

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

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

g. Patents

Patents costs are expensed as incurred, until such time it is probable that expected future economic benefits that are attributable to the patents will flow to the entity. .

h. Research and development

Research costs are expensed as incurred. Development expenditure incurred on an individual project is capitalised if the product or service is technically feasible, adequate resources are available to complete the project, it is probable that future economic benefits will be generated and expenditure attributable to the project can be measured reliably. Expenditure capitalised comprises costs of materials, services, direct labour and an appropriate portion of overheads. Other development costs are expensed when they are incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and any impairment losses and amortised over the period of expected future sales from the related projects which vary from 3 - 5 years. The carrying value of development costs is reviewed annually when the asset is not yet available for use, or when events or circumstances indicate that the carrying value may be impaired.

2. Statement of Significant Accounting Policies (Cont'd)

i. Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the year end and which are unpaid. These amounts are unsecured and have 17 - 30 day payment terms. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

j. Other Liabilities

Other liabilities comprises non-current amounts due to related parties that do not bear interest and are repayable within 366 days of the end of the reporting period. 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 (Company's incremental borrowing rate). The discount is credited to profit or loss immediately and amortised using the effective interest method.

k. Employee Benefit Provisions

Short-term employee benefit obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave expected to be settled wholly within 12 months after the end of the reporting period are recognised in other liabilities in respect of employees' services rendered up to the end of the reporting period 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 benefit 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 period. 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 period using the projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using corporate bond rates at the end of the reporting period 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 period.

l. Share based payments

The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares ("equity-settled transactions"). The fair value of shares is determined in reference to recent capital raising undertaken with external parties.

m. 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.

n. GST

Revenues, 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.

DIRECTORS' DECLARATION

Recce Pty Ltd
(ABN 73 124 849 065)

For the year ended 30 June 2014

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 2 to the financial statements.

The directors of the company declare that:

1. the financial statements and notes present fairly the company's financial position as at 30 June 2014 and its performance for the year ended on that date in accordance with the accounting policies described in Note 2 to the financial statements; and
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.

Graham Melrose
Director

Dated: 5 August 2015

INDEPENDENT AUDITOR'S AUDIT REPORT

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INDEPENDENT AUDITOR'S REPORT

To the members of Recce Pty Ltd

Report on the Financial Statement

We have audited the accompanying financial statement of Recce Pty Ltd which comprises the statement of profit or loss and other comprehensive income for the year ended 30 June 2014, other explanatory information, and the director's declaration (together 'the financial statement'). The financial statement has been prepared by management using the basis of preparation described In Note 2.

Managements Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the basis of preparation described in Note 2, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statement.

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

Independence

In conducting our audit, we have complied with the independence requirements of Australian professional accounting bodies.

Opinion

In our opinion, the financial statement presents fairly, in all material respects, the profit or loss and other comprehensive income of Recce Pty Ltd for the year ended 30 June 2014, in accordance with the basis of preparation described in Note 2.

Basis of accounting

Without modifying our opinion, we draw attention to Note 2 to the financial statement, which describes the basis of accounting. The financial statement has been prepared for the purpose for the preparation of an Investigating Accountants Report for inclusion in a prospectus. As a result, the financial statement may not be suitable for another purpose.

BDO Audit (WA) Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth, 5 August 2015

RECCE PTY LTD

Financial Report for the year ended

30 June 2015

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	2015 $	2014 $
Revenue from continuing operations	370	1,309
Other income	113,484	95,833
Total revenue	113,854	97,142
Employee benefits expense	(256,741)	(164,415)
Laboratory expenses	(53,880)	(8,660)
Share based payments expense	(91,319)	(11,429)
Rental expenses	(61,441)	(51,307)
Depreciation and amortisation expenses	(10,300)	(8,357)
Patent related costs	(46,126)	(52,353)
Other expenses	(43,962)	(72,809)
Finance costs	(251)	(228)
Loss before income tax	(450,166)	(272,416)
Income tax (expense)/benefit	-	-
Loss after income tax	(450,166)	(272,416)
Other comprehensive income		
Other comprehensive income for the year net of income tax	-	-
Total comprehensive income for the year	**(450,166)**	**(272,416)**

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	2015 $	2014 $
ASSETS		
Current assets		
Cash and cash equivalents	451,711	94,097
Trade and other receivables	15,805	5
Total current assets	467,516	94,102
Non-current assets		
Property, plant and equipment	78,919	53,970
Total non-current assets	78,919	53,970
Total assets	546,435	148,072
LIABILITIES		
Current Liabilities		
Trade and other payables	239,023	196,909
Other liabilities	26,761	6,899
Total current liabilities	265,784	203,808
Non-current Liabilities		
Provisions	6,687	453
Total non-current liabilities	6,687	453
Total liabilities	272,471	204,261
Net Assets	**273,964**	**(56,189)**
EQUITY		
Contributed equity	1,586,139	805,820
Retained earnings (Accumulated losses)	(1,312,175)	(862,009)
Total Equity	**273,964**	**(56,189)**

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

1. Corporate Information

The financial statements of Recce Pty Ltd for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of the directors on 5 August 2015 of Recce Pty Ltd. Recce Pty Ltd is a for-profit entity for the purpose of preparing these financial statements.

The financial statements are presented in Australian dollars.

2. Statement of Significant Accounting Policies

a. Basis of preparation

The financial statements have been prepared on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared for the purpose of the preparation of the Investigating Accountants Report for inclusion in the prospectus.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements have been prepared on an accrual basis and are adopted in the preparation of these statements are as follows:

b. Revenue recognition

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Interest

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.

Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Company will comply with all the attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and credited to profit or loss on a straight line basis over the expected lives of the related assets.

c. Income Tax

The income tax expense for the period is the tax payable on the current period'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.

2. Statement of Significant Accounting Policies (Cont'd)

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.

d. Impairment of Assets

At the end of each reporting period the Company 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.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

e. Cash and Cash Equivalents

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.

f. Property, Plant and Equipment

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 vale basis over the estimated useful life as follows:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	5-20%
Furniture, fittings and equipment	5-20%

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

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

g. Patents

Patents costs are expensed as incurred, until such time it is probable that expected future economic benefits that are attributable to the patents will flow to the entity.

h. Research and development

Research costs are expensed as incurred. Development expenditure incurred on an individual project is capitalised if the product or service is technically feasible, adequate resources are available to complete the project, it is probable that future economic benefits will be generated and expenditure attributable to the project can be measured reliably. Expenditure capitalised comprises costs of materials, services, direct labour and an appropriate portion of overheads. Other development costs are expensed when they are incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and any impairment losses and amortised over the period of expected future sales from the related projects which vary from 3 - 5 years. The carrying value of development costs is reviewed annually when the asset is not yet available for use, or when events or circumstances indicate that the carrying value may be impaired.

2. Statement of Significant Accounting Policies (Cont'd)

i. Other Liabilities

Trade and other payables represent liabilities for goods and services provided to the Company prior to the year end and which are unpaid. These amounts are unsecured and have 17 - 30 day payment terms. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

j. Other Liabilities

Other liabilities comprises non-current amounts due to related parties that do not bear interest and are repayable within 366 days of the end of the reporting period. 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 (Company's incremental borrowing rate). The discount is credited to profit or loss immediately and amortised using the effective interest method.

k. Employee Benefit Provisions

Short-term employee benefit obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave expected to be settled wholly within 12 months after the end of the reporting period are recognised in other liabilities in respect of employees' services rendered up to the end of the reporting period 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 benefit 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 period. 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 period using the projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using corporate bond rates at the end of the reporting period 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 period.

l. Share based payments

The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares ("equity-settled transactions"). The fair value of shares is determined in reference to recent capital raising undertaken with external parties.

m. 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.

n. GST

Revenues, 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.

DIRECTORS' DECLARATION

Recce Pty Ltd
(ABN 73 124 849 065)

For the year ended 30 June 2015

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 2 to the financial statements.

The directors of the company declare that:

1. the financial statements and notes present fairly the company's financial position as at 30 June 2015 and its performance for the year ended on that date in accordance with the accounting policies described in Note 2 to the financial statements; and
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.

Graham Melrose
Director

Dated: 5 August 2015

Recce Pty Ltd
(ABN 73 124 849 065)

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the members of Recce Pty Ltd

Report on the Financial Statement

We have audited the accompanying financial statement of Recce Pty Ltd which comprises the statement of profit or loss and other comprehensive income for the year ended 30 June 2015, other explanatory information, and the director's declaration (together 'the financial statement'). The financial statement has been prepared by management using the basis of preparation described In Note 2.

Managements Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the basis of preparation described in Note 2, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statement.

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

Independence

In conducting our audit, we have complied with the independence requirements of Australian professional accounting bodies.

Opinion

In our opinion, the financial statement presents fairly, in all material respects, the profit or loss and other comprehensive income of Recce Pty Ltd for the year ended 30 June 2015, in accordance with the basis of preparation described in Note 2.

Basis of accounting

Without modifying our opinion, we draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial statement has been prepared for the purpose for the preparation of an Investigating Accountants Report for inclusion in a prospectus. As a result, the financial report may not be suitable for another purpose.

BDO Audit (WA) Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth, 5 August 2015