RECCE LTD
ACN 124 849 065

PROSPECTUS

For an offer of 25,000,000 Shares at an issue price of $0.20 per Share to raise $5,000,000.

Lead Manager: State One Equities Pty Ltd

IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. **The Shares offered by this Prospectus should be considered highly speculative.**

This is a replacement prospectus dated 21 September 2015. It replaces a prospectus dated 1 September 2015 relating to shares of Recce Ltd (ACN 124 849 065).

CORPORATE DIRECTORY

Directors

Graham Melrose
Executive Chairman

Michele Dilizia
Executive Director

James Graham
Executive Director

Ian Brown
Independent, Non-Executive Director

Dongke Zhang
Independent, Non-Executive Director

Company Secretary

Peter Williams

Proposed ASX Code

RCE

Lead Manager

State One Equities Pty Ltd
Australian Financial Services Licence 233129
Level 14, 172 St Georges Terrace
State One House
PERTH WA 6000
Telephone: 1300 651 898

and

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Telephone: 1300 651 898

Email: recce@stateone.com.au
Website: https://www.stateone.com.au

Solicitors

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PERTH WA 6000

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Telephone: +61 (8) 9253 9800

Email: peter.williams@recce.com.au
Website: http://www.recce.com.au

Other Place of Business

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Telephone: +61 (2) 8075 4707

Investigating Accountant

BDO Corporate Finance (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Patent Attorney

Phillips Ormonde Fitzpatrick
333 Collins Street
MELBOURNE VIC 3000

Auditor

BDO Audit (WA) Pty Limited
38 Station Street
SUBIACO WA 6008

Share Registry

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
PERTH WA 6000

Telephone: +61 (8) 9323 2000
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1. IMPORTANT NOTICE

This Prospectus is dated 21 September 2015 and was lodged with the ASIC on that date. This Prospectus replaces a prospectus dated 1 September 2015 relating to the shares of Recce Ltd (**Original Prospectus**). The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of the Original Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Shares that are the subject of this Prospectus should be considered highly speculative.

1.1 Replacement Prospectus

The differences between this Prospectus and the Original Prospectus are:

(a) Confirmation that all tests and results of such testing referred to in this Prospectus were conducted and interpreted by Recce except tests involving mice which were conducted by independent laboratories with appropriate facilities and permissions (refer to Appendix 5 of Section 6);

(b) Disclosure of source material for certain statements and quotes included in Section 6;

(c) Disclosure of penalties imposed in July 2006 against Chemeq Ltd, an entity in which Dr Graham Melrose was a director at the time (refer to Section 7.8); and

(d) Incorporation by reference of Recce's audited financial statements for the financial years ended 30 June 2013, 30 June 2014 and 30 June 2015.

1.2 Incorporation by reference

Recce has lodged with ASIC and released to ASX the audited financial statements for the financial years ended 30 June 2013, 30 June 2014 and 30 June 2015 (**Audited Financial Statements**). These Audited Financial Statements are taken to be included in this Prospectus pursuant to section 712 of the Corporations Act.

The Audited Financial Statements contain a Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, statement of significant accounting policies as well as a director's declaration and an independent auditor's report.

The Company will provide a copy of the Audited Financial Statements free of charge to any person who requests a copy prior to the Closing Date. Further, an electronic version of the Audited Financial Statements can be downloaded from the Company's announcements page (ASX code 'RCE') on the ASX website (www.asx.com.au)

1.3 Investment Advice

This Prospectus does not provide investment advice and has been prepared without taking account of your financial objectives, financial situation or particular needs (including financial or taxation issues). You should seek professional investment advice before subscribing for Shares under this Prospectus.

1.4 Web Site – Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at http://www.recce.com.au and / or of the Lead Manager at https://www.stateone.com.au. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

There is no facility for the Offer to be accepted electronically or by applying online. Shares will not be issued under the electronic version of the Prospectus. The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies a complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company or the Lead Manager.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the Application Form, it was not provided together with the Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

1.5 Website

No document or information included on Recce's website is incorporated by reference into this Prospectus.

1.6 Forward-looking Statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and its management.

Recce cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

Recce has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause Recce's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Sections 4.2 and 9.

1.7 Photographs and Diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents, or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

1.8 Defined Terms

Unless the contrary intention appears or the context otherwise requires, words and phrases contained in this Prospectus have the same meaning and interpretation as given in the Corporations Act and capitalised terms have the meaning given in the Glossary in Section 15.

1.9 Time

All references to time in this Prospectus are references to Australian Western Standard Time.

1.10 Enquiries

If you are in any doubt as to how to deal with any of the matters raised in this Prospectus, you should consult your broker or legal, financial or other professional adviser without delay. Should you have any questions about the Offer or how to accept the Offer, please call the Company Secretary, Peter Williams on +61 (8) 9253 9800 or Lead Manager (Alan Hill) at State One Equities Pty Ltd on +61 (8) 9288 3388.

2. INDICATIVE TIMETABLE*

Lodgement of Original Prospectus with the ASIC	1 September 2015
Lodgement of Replacement Prospectus with the ASIC	21 September 2015
Closing Date	14 October 2015
Issue of Shares and despatch of holding statements	19 October 2015
Expected date for quotation on ASX	26 October 2015

** The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without prior notice. The Company also reserves the right not to proceed with the Offer at any time before the issue of Shares to Applicants.*

3. CHAIRMAN'S LETTER

Dear Investor

On behalf of the Board of Directors of Recce Ltd, it is my privilege and pleasure to present this Prospectus for the Initial Public Offering of our Company.

Recce is dedicated to the global welfare of mankind, by developing a way of targeting antibiotic-resistant bacteria – SUPERBUGS.

Whilst investment in our Company is categorised as "Highly Speculative" the potential rewards from this possibility of successfully targeting the global health threat from superbugs are so large, they are difficult to comprehend.

Recce is a world-leader in synthetic polymer-antibiotics. RECCE (brand) antibiotics are synthesised by a substantially patented - and potentially highly economic manufacturing process.

The Company has a Board, and a technical team with relevant qualifications, complementary skills and business acumen to meet the Company's immediate challenges.

Recce is seeking to raise $5 million under this Offer, for use over 2 years – to allow it to undertake both the development of a production 'model', and the pre-clinical regulatory requirements of RECCE antibiotics designed for human use.

On behalf of the Board of Directors, I commend this Offer to you and recommend that you read this Prospectus in full.

I look forward to welcoming you as a supportive shareholder of Recce Ltd.

Yours faithfully

Dr Graham Melrose
Executive Chairman
Recce Ltd

4. INVESTMENT OVERVIEW

4.1 Investment Overview

This section is a summary only, and not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

Item	Summary	Further information
A. Company		
Who is the issuer of this Prospectus?	Recce Ltd (ACN 124 849 065).	
Who is the Company?	The Company was incorporated on 11 April 2007 as a proprietary company limited by shares. On 21 August 2015, the Company became a public company limited by shares. Recce has expertise in research and development of pharmaceutical drugs that kill germs. It has synthesised and patented RECCE antibiotics. The Company plans to undertake both the development of a production 'model', and the pre-clinical regulatory requirements of RECCE antibiotics designed for human use.	Section 7
Why are RECCE antibiotics important?	Continued use of many of the existing antibiotics has led to antibiotic-resistant superbugs which are no longer killed by the antibiotics. This is a major, world health threat. Laboratory experimentation indicates that RECCE antibiotics are effective in attacking a wide range of disease-causing Gram-positive and Gram-negative bacteria, and very importantly, superbugs of these bacteria – and exceptionally, RECCE antibiotics keep this capability, even after repeated use.	Section 6
Are RECCE antibiotics different from existing antibiotics?	Yes. The molecular structure and the properties of the antibiotics – and the mechanism of killing superbugs by RECCE antibiotics are different to that of any existing antibiotics.	Section 6
Are RECCE antibiotics patented?	Yes. There are two families of intellectual property relating to RECCE antibiotics: Patent family 1 (expiry 2028). Granted/allowed in Australia, USA, Japan, Europe – pending in China;	Section 6 and 10

Item	Summary	Further information
	Patent family 2 (expiry 2034 – subject to grant). Three provisional patents have been filed in Australia. Both patent families are 100% owned by Recce. For further details in relation to the patents, please refer to the Patent Attorney's Report at Section 10.	
Where are the Company's facilities?	Recce's offices and laboratories are presently within the one building having a prominent site within Technology Park, Bentley, Western Australia. The facilities are adjacent to Curtin University, CSIRO laboratories, and Western Australian Government Agricultural Research Laboratories and within 10 km of the CBD of the city of Perth. Additionally, the Company has access to an office in both Sydney's and Washington's (USA) central business districts. Subject to entering necessary agreements and obtaining the necessary approvals, regulatory testing will be outsourced to specialist facilities, likely based in the USA.	
Does the Company collaborate with others?	The Company will undertake a range of testing for regulatory purposes to further develop its technology and potential products, and for this reason anticipates frequent interactions with local and international contract research laboratories and technical consultants.	
B. Business Model		
How will the Company generate income?	The Company's ultimate focus is manufacturing active pharmaceutical ingredients of RECCE antibiotics, for Recce's own use or possible sale to a leading global pharmaceutical company, for inclusion in their end-product medicine. Manufacture of the Company's antibiotics is potentially, exceptionally economic in comparison to present day antibiotics.	Section 6
What are the key business strategies of the Company?	Recce is currently focused on scaling-up the manufacture of their unique antibiotics for future worldwide supply of pharmaceuticals. The Company will seek to obtain regulatory approvals for the human health market by beginning the necessary US Food & Drug Authority (FDA) (and/or European Medicines Agency, European equivalent) processes.	Section 6

Item	Summary	Further information
	Immediately, the Company will seek to complete the early stages of pre-clinical trials. The Company is cognisant of the fact that the research and development of new medical products can take a long time and require significant expenditure.	
What are the key dependencies of the Company's business model?	The key factors that the Company will depend on to meet its objectives are: • The achievement of positive results in the testing phases of RECCE antibiotics; • The Company's ability to obtain the necessary regulatory approvals required to conduct its proposed operations; and • The successful further development of the RECCE antibiotics.	Section 6
C. Key Investment Highlights		
What are the key investment highlights?	The Directors are of the view that the key highlights of an investment in the Company include: (a) Timing is right. Developing antibiotics to kill superbugs is an increasingly necessary field of pharmaceutical science. This Offer provides investors with the opportunity to participate in targeting this urgent need; (b) Unique technology. Experimentation indicates broad spectrum RECCE antibiotics kill a wide range of disease causing Gram-positive bacteria, Gram-negative bacteria - and their superbug forms – and keep on killing them after repetitive use - unlike present-day antibiotics; (c) Recce wholly owns the capability and technology to make and administer the antibiotics; its intellectual property portfolio includes a suite of granted/allowed patents in countries having international market-importance; (d) RECCE antibiotics are a new technology which, if developed for successful human use, gives the advantages of highly diversified product opportunities – all having established markets and needs.	Section 6

Item	Summary	Further information
D. Key Risks		
What are the key risks of an investment in the Company?	The business, assets and operations of the Company, are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the Shares of the Company. The Directors aim to manage these risks by carefully planning the Company's activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which the Board can effectively manage them is limited. Based on the information available, the key risk factors affecting the Company include: (a) Expenses and costs of trials and compliance with regulations; (b) High rate of failure for drug candidates proceeding through pre-clinical trials; (c) Serious adverse events or safety risks could require Recce to abandon developments, and to preclude, delay or limit approval of its products (d) Reliance on key personnel; (e) Where the RECCE antibiotic is manufactured for supply for human use, the Company will face an inherent risk of exposure to liability claims and regulatory actions; (f) The Company may be forced to litigate to enforce or defend its intellectual property rights; (g) The Company may not be able to protect its proprietary technology in the marketplace; (h) The Company may be unable to adequately prevent disclosure of intellectual properties, know-how and other proprietary information; and (i) Competitors may be more successful than the Company. These key risks are further explained in Section 4.2 below. For other industry and general investment risks, many of which are largely beyond the control of the Company and its Directors, please refer to Section 9.	Section 4.2 and 9

<table>
<tr><th>Item</th><th>Summary</th><th>Further information</th></tr>
<tr><td colspan="3">E. Directors and Key Management Personnel</td></tr>
<tr><td>Who are the Directors?</td><td>The Directors of the Company are as follows:
(a) Graham Melrose (Executive Chairman);
(b) Michele Dilizia (Executive Director);
(c) James Graham (Executive Director);
(d) Ian Brown (Independent, Non-Executive Director); and
(e) Dongke Zhang (Independent, Non-Executive Director).
The profiles of each of the Directors are set out in Section 7.8. Relevant interests of each of the above individuals are set out in Section 7.13.</td><td>Sections 7.8 and 7.13.</td></tr>
<tr><td colspan="3">F. Financial Information</td></tr>
<tr><td>What is the key financial information for the Company?</td><td>Refer to the Investigating Accountant's Report in Section 11 for a discussion in respect of the key financial information of the Company.
Investors should note that past performance may not be a guide to future performance.</td><td>Section 11</td></tr>
<tr><td>Historical Financial Performance of RECCE</td><td><table><tr><th></th><th>FY15</th><th>FY14</th></tr><tr><td>Revenue</td><td>$113,854</td><td>$97,142</td></tr><tr><td>Operating Loss</td><td>($450,166)</td><td>($272,416)</td></tr></table></td><td>Section 8</td></tr>
<tr><td>Consolidated Pro-Forma Financial Position at 30 June 2015</td><td><table><tr><th>TOTALS</th><th>Full subscription</th></tr><tr><td>Assets</td><td>$4,986,581</td></tr><tr><td>Liabilities</td><td>$272,471</td></tr><tr><td>Equity</td><td>$4,714,110</td></tr></table></td><td>Section 8</td></tr>
<tr><td>How will the Company fund its activities?</td><td>The funding for the Company's activities over the next two years will be generated from a combination of the money raised under the Offer and existing cash reserves.
Although adherence with forecast capital and expense costs is exceptionally difficult in the case of a company in the early stages of research and development, historically Recce has been very successful in achieving this by internal compensation of minor over-spending in some projects, by minor under-spending in others. It is projected that such achievements (and compensations) may continue over the next two years.
In order for the Company to complete the proposed development of the RECCE</td><td>Section 7.2</td></tr>
</table>

Item	Summary	Further information
	antibiotics the Company may need to undertake further capital raisings in the future (either debt or equity, as determined appropriate by the Board at the time) to fund these initiatives.	
Has the Company included forecast financial information in respect of its business?	Given the current status of the Company's operations and the need for regulatory approvals (the status and timing of which are inherently uncertain) the Directors do not consider it appropriate to forecast future earnings. Any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection on a reasonable basis.	Section 8
G. Offer		
What is the purpose of the Offer?	The purpose of the Offer is to facilitate an application by the Company for admission of the Company to the Official List of ASX and position the Company to: (a) Fund the ongoing immediate working capital needs of the Company; (b) Fund the on-going research and development of the RECCE antibiotics; and (c) Advance the relevant regulatory approvals in respect of the RECCE antibiotics over the next twenty four months. On completion of the raising of $5,000,000 under the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives. Specifically, the Company intends to apply funds raised from the Offer, together with existing cash reserves of the Company over the first two years following admission of the Company to the Official List of ASX in the manner set out in the table in Section 7.2.	Sections 5.4 and 7.2
What is being offered and who is entitled to participate?	The Offer is for 25,000,000 Shares at an issue price of $0.20 per Share to raise $5,000,000. The Offer is open to retail and sophisticated investors in Australia.	Sections 5.1 and 5.6

<table>
<tr><th>Item</th><th>Summary</th><th>Further information</th></tr>
<tr><td>Will I be guaranteed a minimum allocation under the Offer?</td><td>The Company is not in a position to guarantee a minimum allocation of Shares under the Offer.</td><td>Section 5.5</td></tr>
<tr><td>Is there an underwriter for the Offer?</td><td>The Offer is not underwritten.</td><td>Section 5.8</td></tr>
<tr><td>What will the Company's capital structure look like after completion of the Offer?</td><td><table>
<tr><th></th><th>Shares</th><th>Performance Shares</th></tr>
<tr><td>On issue at date of Prospectus</td><td>40,951,449</td><td>35,017,692</td></tr>
<tr><td>Issued under the Offer</td><td>25,000,000</td><td>Nil</td></tr>
<tr><td>Lead Manager Fees*</td><td>1,500,000</td><td>Nil</td></tr>
<tr><td>TOTAL</td><td>67,441,449</td><td>35,017,692</td></tr>
</table>
* The Lead Manager may elect to be issued Shares in satisfaction of some or all of its Fee. A maximum of 1,500,000 Shares would be issued if the full amount of the Fee was satisfied through the issue of Shares.</td><td>Section 7.3</td></tr>
<tr><td>What are the terms of the Shares offered under the Offer?</td><td>A summary of the material rights and liabilities attaching to the Shares offered under the Offer is set out in Section 13.2.</td><td>Section 13.2</td></tr>
<tr><td>What are the terms of the Performance Shares?</td><td>A summary of the terms attaching to the Performance Shares is set out in Section 13.3.</td><td>Section 13.3</td></tr>
<tr><td>Will any Shares be subject to escrow?</td><td>Subject to the Company complying with Chapters 1 and 2 of the ASX Listing Rules and completing the Offer, certain existing Shares on issue may be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation.
During the period in which these Shares are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.</td><td>Section 7.5</td></tr>
</table>

Item	Summary	Further information
Will the Company's securities be quoted?	Application for quotation of all the Company's Shares (including those to be issued under the Offer) was made to ASX no later than 7 days after the date of the Original Prospectus. If the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of the Original Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest. The Performance Shares will not be quoted.	Section 5.4
What are the key dates of the Offer?	The key dates of the Offer are set out in the indicative timetable in Section 2.	Section 2
What is the minimum investment size under the Offer?	Applications under the Offer must be for a minimum of $2,000 worth of Shares (10,000 Shares) and thereafter, in multiples of $1,000 worth of Shares (5,000 Shares).	Section 5.3
Are there any conditions to the Offer?	No, other than a minimum subscription of $5,000,000.	Section 5.2
H. Use of proceeds		
How will the proceeds of the Offer be used?	Together with existing cash reserves of the Company, the Offer proceeds will be used to fund: (a) Expenses of the Offer; (b) Development of the RECCE antibiotics and technology (including pilot plant manufacture, laboratory research, overseas animal safety and efficacy tests and patent costs); (c) Working capital requirements of the Company; and (d) Operating expenses including administration costs.	Sections 7.2 and 13.7
I. Additional information		
Is there any brokerage, commission or duty payable by applicants?	No brokerage, commission or duty is payable by Applicants on the acquisition of Shares under the Offer.	Section 5.9

Item	Summary	Further information
What are the tax implications of investing in Shares?	Holders of Shares may be subject to Australian tax on dividends and possibly capital gains tax on a future disposal of Shares issued under this Prospectus. The tax consequences of any investment in Securities will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to subscribe for Shares offered under this Prospectus.	Section 7.6
Where can I find more information?	• By speaking to your sharebroker, accountant, solicitor or other independent professional adviser • By contacting the Company Secretary on +61 8 9253 9800. • By contacting the Share Registry on +61 8 9323 2000. • By contacting the Lead Manager, State One, on +61 8 9288 3388.	

4.2 Key Risks

The business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of the Company.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can effectively manage them is limited.

Set out below are some specific risks that the Company is exposed to. Further risks associated with an investment in the Company are outlined in Section 9.

Risks related to Recce's business – development of products

Pre-clinical trials for Recce's proposed products are expensive, time consuming, uncertain and susceptible to change, delay or termination

Pre-clinical trials are expensive, time consuming and difficult to design and implement. Even if the results of Recce's pre-clinical trials are favourable, the following clinical trials are expected to continue for several years and may take significantly longer to complete. In addition, regulatory authorities, including state and local, may suspend, delay or terminate Recce's trials at any time, or suspend or terminate the registrations and quota allotments it requires in order to procure and handle controlled substances, for various reasons, including:

(a) lack of effectiveness of any product during pre-clinical trials;

(b) discovery of serious toxicities or side effects or other safety issues;

(c) delays or inability in manufacturing or obtaining sufficient quantities of materials for use in pre-clinical trials;

(d) inadequacy of, or changes in, Recce's manufacturing process or product formulation;

(e) delays in obtaining regulatory authorization to commence a trial;

(f) changes to applicable regulatory policies and regulations;

(g) delays or failure in reaching agreement on acceptable terms in pre-clinical trial contracts or protocols;

(h) delay or failure to supply product for use in pre-clinical trials which conforms to regulatory specification;

(i) unfavourable results from ongoing pre-clinical studies and pre-clinical trials;

(j) failure of Recce's contract research organizations (CROs), or other third-party contractors to comply with all contractual requirements or to perform their services in a timely or acceptable manner;

(k) failure by Recce's employees, Recce's CROs or their employees to comply with all applicable regulatory requirements relating to the conduct of pre-clinical trials or the handling, storage, security and recordkeeping for controlled substances; or

(l) failure to design appropriate pre-clinical trial protocols.

Any of the foregoing could have a material adverse effect on Recce's business, results of operations and financial condition.

There is a high rate of failure for drug candidates proceeding through pre-clinical trials

Generally, there is a high rate of failure for drug candidates proceeding through pre-clinical trials. Further, even if Recce views the results of a pre-clinical trial to be positive, the FDA or other regulatory authorities may disagree with Recce's interpretation of the data.

Serious adverse events or other safety risks could require Recce to abandon development and preclude, delay or limit approval of its product candidates, or limit the scope of any approved label or market acceptance

Generally, all antibiotics are administered minimally at the lowest dose at which they are efficacious – and maximally at the highest dose at which their toxicity is acceptable. This dose range must be found through the regulatory process by further testing in animals, and later, in humans.

These very expensive tests, which are estimated to take, in all, some six years, and may reveal weaknesses in the efficacy/safety profile of RECCE antibiotics.

Particularly, it must be realised that ALL compounds when in the blood – where RECCE antibiotics are likely to be required to exhibit efficacy, are toxic; it is only a question of the degree. The toxicity of RECCE antibiotics has still to be determined. Thus, there is the risk that this actual toxicity, even after remedial reformulation or alternative delivery/dosing options which are available - may

still be of a magnitude to terminate all future R&D – but more likely in the case of such an adversity, cause change to an alternative use (among those which are available) of the RECCE antibiotics.

If any of Recce's proposed products, prior to or after any approval for commercial sale, cause serious or unexpected side effects, or are associated with other safety risks such as misuse, abuse or diversion, a number of potentially significant negative consequences could result, including:

(a) regulatory authorities may interrupt, delay or halt pre-clinical trials;

(b) regulatory authorities may deny regulatory approval of Recce's products;

(c) Recce may be required to change the way the product is administered or conduct additional pre-clinical trials;

(d) Recce's relationships with any collaboration partners may suffer;

(e) Recce could be sued and held liable for harm caused to humans or animals; or

(f) Recce's reputation may suffer for any reason.

Recce may voluntarily suspend or terminate Recce's pre-clinical trials if at any time Recce believes that they present an unacceptable risk to participants or if preliminary data demonstrate that Recce's product candidates are unlikely to receive regulatory approval or unlikely to be successfully commercialized.

Reliance on key personnel

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

Risks related to Recce's business – manufacturing of products

In a case that the Company manufactures the RECCE antibiotic for supply to leading worldwide distributors of medicines, the Company's business would then be exposed to the following risks:

As a manufacturer and supplier of products designed to be exposed to humans the Company will face an inherent risk of exposure to product liability claims, regulatory action and litigation.

These risks will arise if the Company's RECCE antibiotics are alleged to have caused significant loss or injury. In addition, the manufacture of RECCE antibiotics involves the risk of injury to consumers due to tampering by unauthorised third parties or product contamination. Previously unknown adverse reaction resulting from human exposure to RECCE antibiotics alone or in combination with other medication or substances could occur. The Company may be subject to various product liability claims, including among others that the Company's products caused injury or illness, inadequate instructions for use or warnings concerning possible side effects. A product liability claim or regulatory action against the Company could result in increased costs, could

adversely affect the Company's reputation with its clients and consumers generally and could have a material adverse effect on Recce's results of operations and financial conditions.

Risks related to Recce's intellectual property

Recce may be forced to litigate to enforce or defend Recce's intellectual property rights, and/or the intellectual property rights of Recce's licensors

Recce may be forced to litigate to enforce or defend Recce's intellectual property rights against infringement and unauthorized use by competitors, and to protect Recce's trade secrets. In so doing, Recce may place Recce's intellectual property at risk of being invalidated, unenforceable, or limited or narrowed in scope. Further, an adverse result in any litigation or defence proceedings may place pending applications at risk of non-issuance. In addition, if any licensor fails to enforce or defend their intellectual property rights, this may adversely affect Recce's ability to develop and commercialize Recce's product candidates and prevent competitors from making, using, and selling competing products. Any such litigation could be very costly and could distract Recce's management from focusing on operating its business. The existence and/or outcome of any such litigation could harm its business, results of operations and financial condition.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of Recce's confidential and proprietary information could be compromised by disclosure during this type of litigation. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of Recce's Shares.

Recce may not be able to protect its proprietary technology in the marketplace

Recce's success will depend, in part, on its ability to obtain patents, protect its trade secrets and operate without infringing on the proprietary rights of others. Recce relies upon a combination of patents, trade secret protection (i.e., know-how), and confidentiality agreements to protect the intellectual property of its proposed products. It is noted that Recce has three provisional patents (Patent family 2) filed in Australia. These pending applications do not provide enforceable rights that granted patents do. The strengths of patents in the pharmaceutical field involve complex legal and scientific questions and can be uncertain. Where appropriate, Recce may seek patent protection for certain aspects of its products and technology. Filing, prosecuting and defending patents throughout the world would be prohibitively expensive, so Recce's policy is to patent technology in jurisdictions with significant commercial opportunities. However, patent protection may not be available for some of the products or technology Recce is developing. If Recce must spend significant time and money protecting or enforcing Recce's patents, designing around patents held by others or licensing, potentially for large fees, patents or other proprietary rights held by others, Recce's business, results of operations and financial condition may be harmed. Recce may not develop additional proprietary products that are patentable.

The patent positions of pharmaceutical products are complex and uncertain. The scope and extent of patent protection for Recce's proposed products are particularly uncertain.

Furthermore, others may independently develop similar products, may duplicate Recce's products, or may design around its patent rights. In addition, any of Recce's issued patents may be declared invalid. If Recce fails to adequately protect Recce's intellectual property, Recce may face competition from companies who attempt to create a generic product to compete with Recce's proposed products. Recce may also face competition from companies who develop a substantially similar product to Recce's proposed products that are not covered by any of its patents.

Many companies have encountered significant problems in protecting and enforcing intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favour the enforcement of patents and other intellectual property rights, particularly those relating to pharmaceuticals, which could make it difficult for Recce to stop the infringement of Recce's patents or marketing of competing products in violation of Recce's proprietary rights generally. Proceedings to enforce Recce's patent rights in foreign jurisdictions could result in substantial cost and divert its efforts and attention from other aspects of its business.

Recce may be unable to adequately prevent disclosure of trade secrets and other proprietary information

Recce relies on trade secrets to protect its proprietary know-how and technological advances, especially where it does not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. Recce relies in part on confidentiality agreements with its employees, consultants, outside scientific collaborators, sponsored researchers and other advisors to protect its trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover Recce's trade secrets and proprietary information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of Recce's proprietary rights. Failure to obtain or maintain trade secret protection, or failure to adequately protect its intellectual property could enable competitors to develop generic products or use its proprietary information to develop other products that compete with Recce's products or cause additional, material adverse effects upon Recce's business, results of operations and financial condition.

Recce may be beaten to the market by competitors

The development of suitable antibiotics is very difficult and demanding; even more so if this competition is against competitors who may have larger resources than the Company.

As a result, there is the risk Recce may be substantially beaten to the market by one or more competitors.

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company and you should refer to the additional risk factors in Section 9 before deciding whether to apply for Shares pursuant to this Prospectus.

5. DETAILS OF THE OFFER

5.1 The Offer

Pursuant to this Prospectus, the Company invites applications for 25,000,000 Shares at an issue price of $0.20 per Share to raise $5,000,000.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

5.2 Minimum Subscription

The minimum subscription for the Offer is the full subscription of $5,000,000.

If the minimum subscription has not been raised within 3 months after the date of the Original Prospectus, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

5.3 Applications

Applications for Shares under the Offer must be made using the Application Form. The Application Form contains detailed instructions on how it is to be completed.

Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 5,000 Shares and payment for the Shares must be made in full at the issue price of $0.20 per Share.

Completed Application Forms and accompanying cheques, made payable to "**Recce Ltd – IPO Account**" and crossed "Not Negotiable", must be mailed or delivered to the address set out on the Application Form so they are received by no later than the Closing Date, being

State One Equities Pty Ltd **Level 14, 172 St Georges Terrace** **State One House** **PERTH WA 6000**	**OR**	**Level 5,** **64 Clarence Street** **SYDNEY NSW 2000**

The Company reserves the right to close the Offer early.

5.4 ASX Listing

Application for Official Quotation by ASX of the Shares offered pursuant to this Prospectus was made within 7 days after the date of the Original Prospectus.

If the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of issue of the Original Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

5.5 Issue

Subject to the minimum subscription to the Offer being reached and ASX granting conditional approval for the Company to be admitted to the Official List, issue of the Shares offered by this Prospectus will take place as soon as practicable after the Closing Date.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

The Directors will determine the recipients of the issued Shares in their sole discretion. The Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

5.6 Applicants Outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia it is your responsibility to obtain all necessary approvals for the issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

5.7 Oversubscriptions

No oversubscriptions are intended to be accepted by the Company.

5.8 Underwriting

The Offer is not underwritten.

5.9 Lead Manager

The Company has entered into a mandate letter with State One Equities Pty Ltd ("State One") pursuant to which State One has agreed to act as lead manager of the Offer (**Mandate**).

The Company has agreed to pay the following fees under the Mandate:

(a) a fee, to State One, equal to 6% (excluding GST) of the total amount raised under the Offer (**Fee**) which can, at the election of State One, be paid in cash or Shares based on the full subscription, $300,000 (excluding GST) or 1,500,000 Shares or a combination of both); and

(b) a success fee to State One or its nominee of 1,500,000 Shares (**Success Shares**) on the Company being admitted to the Official List.

State One will also be responsible for managing the payment of the Fees to any other brokers involved in applications under the Offer on terms acceptable to State One.

The Company will also reimburse State One's reasonable direct costs in assisting with the Offer (up to $10,000) and the reasonable legal costs of State One's legal advisers (up to $15,000).

The Mandate may be terminated by the Company where the Offer does not occur or the minimum subscription is not reached for reasons attributable to State One. Where the Mandate is terminated by the Company other than for fault by State One and the Offer is subsequently completed by the Company within 24 months of the termination date, 50% of the Fee and Success Shares will be payable by the Company to State One.

The Mandate may be terminated by State One by giving notice to the Company.

The Mandate contains other standard indemnities, terms and conditions expected to be included in a mandate of this nature.

6. BUSINESS OVERVIEW

6.1 Global Market Structure

A leading cause of human disease and death today is bacterial infection. The World Health Organisation reported in April 2014 that antibiotic resistance – when bacteria change so antibiotics no longer work in people who need them to treat infections (superbugs) – is now a major threat to public health.

> "If we do not address this planetary threat, then within a generation we will face an apocalyptic scenario where people will die of routine infections because we have run out of antimicrobial drugs."
>
> Professor Dame Sally Davies, England's Chief Medical Officer[1]

These observations impact upon the huge global pharmaceutical market in antibiotics, as it exists today: valued at US $39.6 billion in 2013 (Source: BCC Research).

6.2 Recce's Responses to the Global Threat from Superbugs

Already, Recce has achieved the following objectives, to:

- Design and synthesise RECCE antibiotics so that they have proven anti-microbial activity
- Design and synthesise the antibiotics so that, in-vitro, they do not have the usual, terminal propensity of present-day, largely natural antibiotics to result in the formation of resistant superbugs
- Develop a unique TECHNOLOGY (in contrast to only one compound), having the added security of alternative "fall-back" positions should the passage of regulatory approvals indicate an adverse outcome from the current direction.

Already, Recce has made progress towards – but not yet achieved the following on-going objectives, to:

- Develop a unique, very economic method of manufacture of RECCE antibiotics – based upon their experimentally proven and patented method of synthesis
- Ensure the RECCE antibiotics can be used against pathogenic bacteria in all parts of the human vascular system and related internal organs
- Ensure the RECCE antibiotics can be used against pathogenic bacteria in all parts of the human gastrointestinal tract.

Recce has produced and patented antibiotics that are effective in attacking a wide range of disease-causing Gram-positive and Gram-negative bacteria, and very importantly, superbugs of these bacteria.

The RECCE antibiotics have been experimentally synthesized by a unique and potentially very economic method of manufacture.

[1] "The Drugs Don't Work: A Global Threat" by Professor Dame Sally Davies, Penguin Books, 2013

Early in vitro results indicate RECCE antibiotics will likely have the key advantage over present-day antibiotics – in having continued effectiveness against bacteria, including superbugs, even after repeated use of the RECCE antibiotics.

Recce's technology has given it the opportunity of pursuing alternative "backup" products or markets should serious adversity be encountered during trials leading to their use in humans.

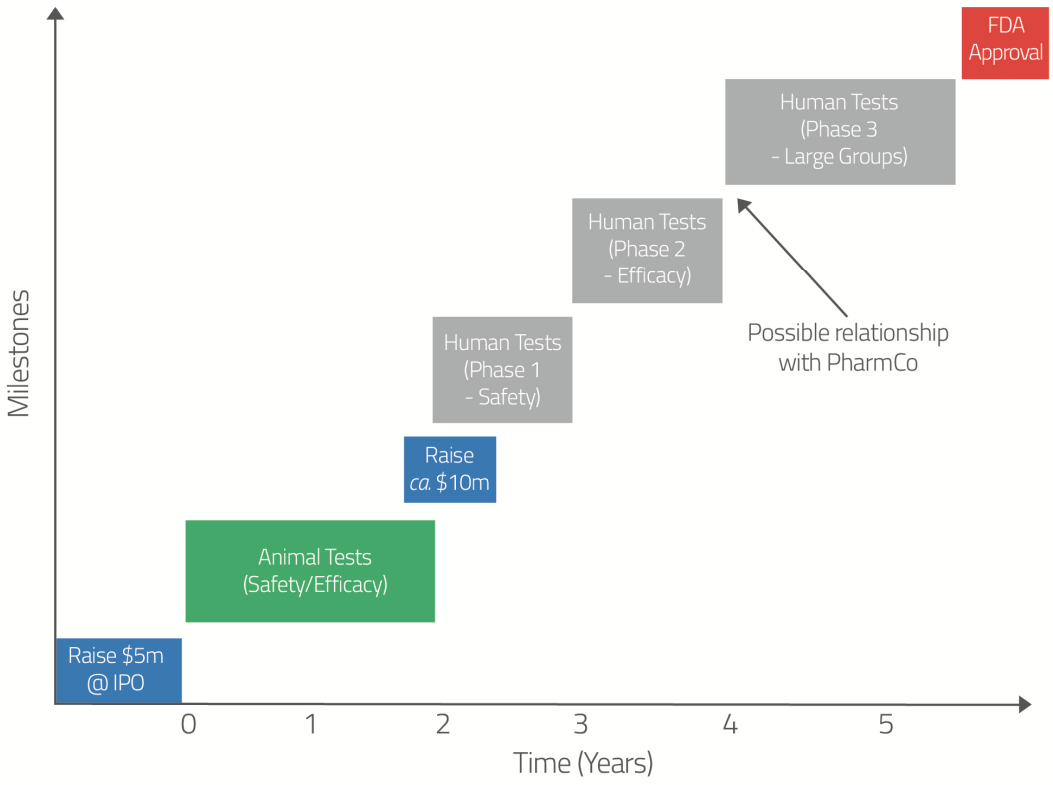
Recce's polymer-antibiotics are a new class of antibiotics targeted for human use, and have been developed to aim to address this global crisis of superbugs.

To their disadvantage, present-day antibiotics rely for their activity upon a specific fit between antibiotic and the bacteria causing disease; this specific fit and activity is destroyed if and when the bacteria mutates to form a superbug. Not so, the RECCE antibiotics which based on current results do not rely upon a specific fit for their activity.

Further to their disadvantage, frequently, existing antibiotics have originated or derived from natural sources, such as bacteria or fungi – and have in Recce's view, been for millions of years of creation, building-up superbugs. Not so, the RECCE antibiotics which have only just been created by synthesis.

Recce Ltd wholly owns the know-how and technology to make and administer the RECCE antibiotics. Its intellectual property portfolio includes a suite of granted/allowed patents in countries having international market-dominance.

Following admission to the Official List of ASX, the Company will seek to obtain regulatory approvals within the human health market, by beginning the necessary US Food & Drug Administration (FDA) (and European equivalent) processes.



***The above represents estimates by Recce, based upon researched FDA protocols. Recce notes that the funds raised from the Offer are primarily being used to conduct animal testing*

(and development of pilot manufacture)and any subsequent human testing phases remain subject to further funding after successful completion of the animal testing.

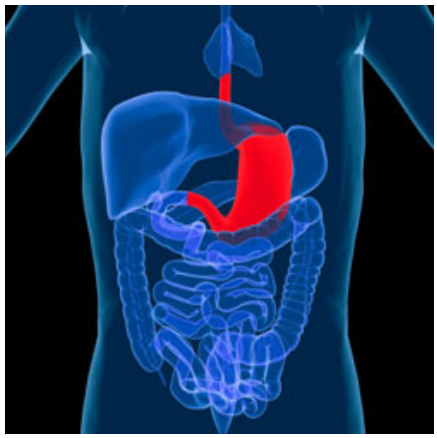
6.3 Recce's Antibiotic Products

Recce has synthesised two particular antibiotics, RECCE antibiotic 327, and RECCE antibiotic 355. By design, the former is a smaller average molecular size than the latter – and as a result, it penetrates natural membranes more easily.

Early testing has shown that both these antibiotics are effective in treating a wide range of disease-causing Gram-positive and Gram-negative bacteria, and very importantly, superbugs of these bacteria.

Initially, Recce aims to primarily focus on the regulatory approval of RECCE antibiotic 327 for the treatment of sepsis (blood poisoning), and secondarily gastritis (inflammation in the stomach) in humans. However, it is anticipated that the additional opportunities available in RECCE antibiotic 355 will also be explored, against diarrhoeal-causing *E. coli* in the human intestine:

Market Opportunities for RECCE Antibiotics	
RECCE 327	Bacterial Sepsis (caused by a variety of bacteria)/Gastritis (caused by *H. pylori)*
RECCE 355	Diarrhoea *(caused by E.coli)*



Helicobacter pylori is a Gram-negative bacterium which is present in the gastrointestinal tract of 20-90% of persons worldwide. It is a common cause of gastritis, peptic ulcers and gastric cancer. It is becoming increasingly resistant to present antibiotics. (The reason for the wide range of epidemiology is that the occurrence of *H. pylori* is much higher in lower socio-economic countries, than in higher socio-economic countries.)

Escherichia coli is a Gram-negative bacterium which is part of the normal intestinal flora of the human intestine. It is a common cause of "traveller's diarrhoea" and urinary tract infections; it also causes wound infections and sepsis.

6.4 How Do Recce's Antibiotics Target Superbugs?

There are two important aspects of bacteria:

- All (except Mycoplasmas) have an outer wall, always containing protein which strengthens the wall

- They all have a high internal pressure, caused by their internal metabolism. (This pressure may be well over atmospheric pressure – in the order of the normal pressure within a bicycle tyre). Human body cells do not have this internal pressure, and on this observation, are considered less likely to be adversely affected by the RECCE antibiotics.

Experiments indicate RECCE antibiotics non-specifically attack the protein in the outer wall of bacteria. Their unique internal pressure within causes them to burst and lose viability. The protein may mutate as in a superbug – however, as it is still protein, as usual, the RECCE antibiotics still attack it. That is, it apparently makes no difference whether it is the normal or superbug form of the bacteria – RECCE antibiotics still kill it.

In wholly focusing upon only synthetic antibiotics (in contrast to the usual, naturally occurring antibiotics and their derivatives) Recce has exercised its theory (recognised in the Literature) that synthetic antibiotics being new to the world will have an advantage over natural antibiotics which have had the propensity to develop superbugs to them, over evolutionary ages.

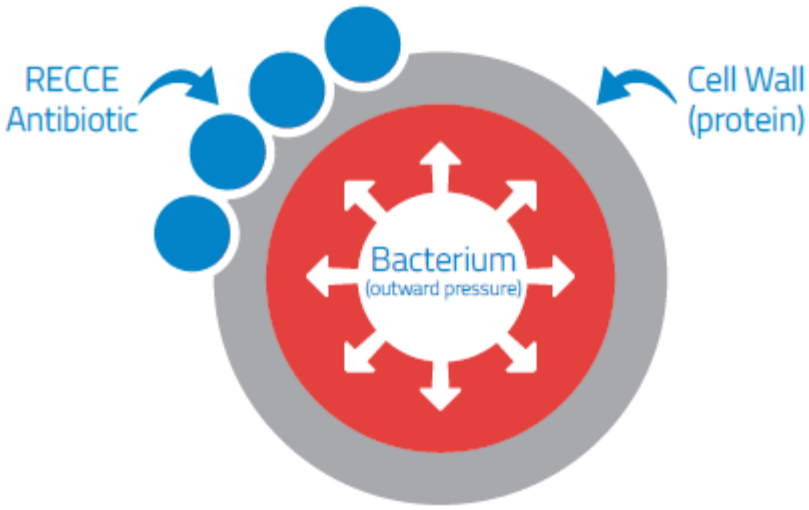
Bacterial infections have always been central culprits, causing human morbidity and mortality.

The opportunity and need for a successful outcome of RECCE antibiotics is emphasised in the fact that no new class of human antibiotic has come onto the market since 1987. The major pharmaceutical companies which normally provide the drive and funding for new research have assessed the development of new nature-based antibiotics as unviable, based on the perceived inevitability of antibiotic resistance from superbugs.

Recce's wholly synthetic antibiotics are deliberately designed not to be sensitive to the adverse effect of any superbugs – and all Recce's research and development to date supports that this design has been successful. Furthermore, Recce is not aware of any other antibiotics which have the same design and benefits as RECCE antibiotics.

"In terms of new replacement antibiotics, the pipeline has been virtually dry."

Dr Margaret Chan, World Health Organisation Director-General[2]



6.5 Development of a Unique, very economic Method of Manufacture of Wholly Synthetic Antibiotics

Recce's syntheses of antibiotics involve the polymerisation of the monomer commonly known as acrolein.

The polymerisation of acrolein was first reported in 1843 – producing a solid polymer which was insoluble in all common solvents and of no significant use.

To be effective against almost all micro-organisms where water is the growth-domain, it is necessary that the polymers are water-soluble or at least have the ability to disperse in water.

Previous attempts to achieve this have required a protracted and expansive process of manufacture (according to published patents).

Recce's research team has produced a unique and potentially very economic method for manufacture of its wholly synthetic antibiotics.

In order to be effective against the global pathogen *H. pylori* in the macro-acidic environment of the human stomach, a new synthesis of polymer-antibiotic had to be developed by Recce, so that the antibiotic is soluble below pH 4. This synthesis and resultant solubility is the basis of all RECCE antibiotics.

Recce also concluded that it was desirable - and again achieved for the first time, the ability to synthesize polymer-antibiotics of chosen molecular weight (size), so as to facilitate activity in areas outside of the intestinal tract.

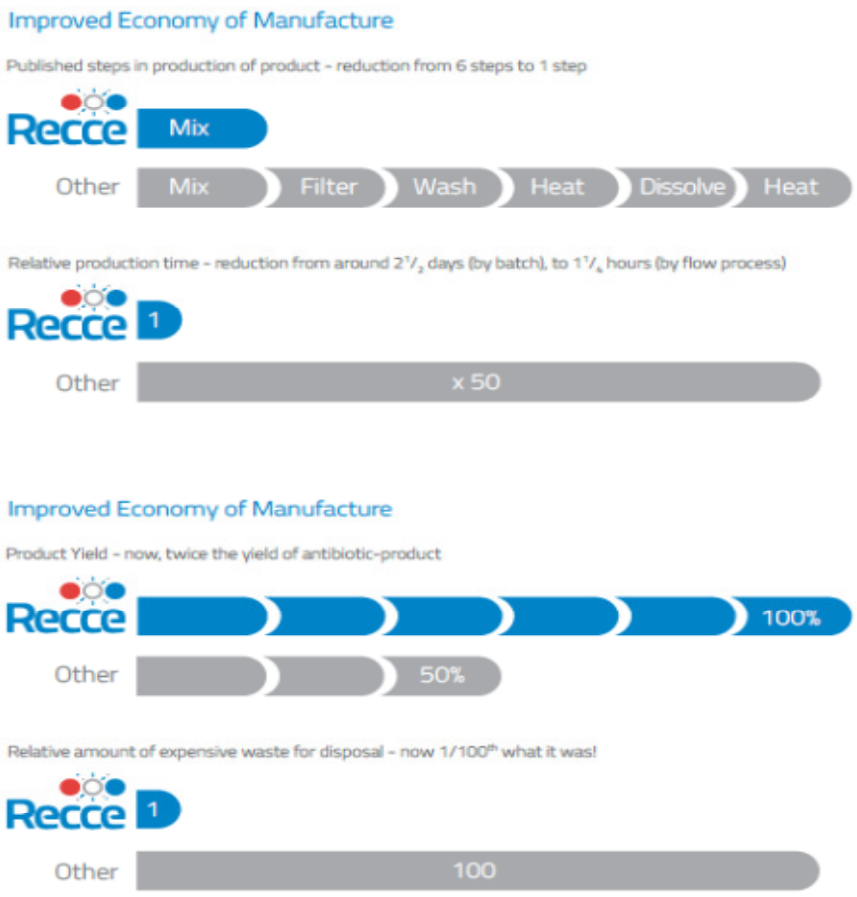
These achievements have resulted in a greatly improved synthetic basis for a manufacturing process of the acrolein-based polymer-antibiotics, potentially yielding improved economies of the order of 100-fold, including:

[2] Keynote address at the conference on Combating antimicrobial resistance: time for action, Copenhagen, Denmark, 14 March 2012 (http://www.who.int/dg/speeches/2012/amr_20120314/en/)

- Reduction of the synthesis process from six steps to only one
- Reduction of time of synthesis from around 2 days to only 1 hour
- Increase in yield from starting monomers, from 50% to 100%
- Reduction in expensive waste for clearance and disposal, of 100%
- Stability of the polymer-antibiotic – over more than six years (at 7^0C).

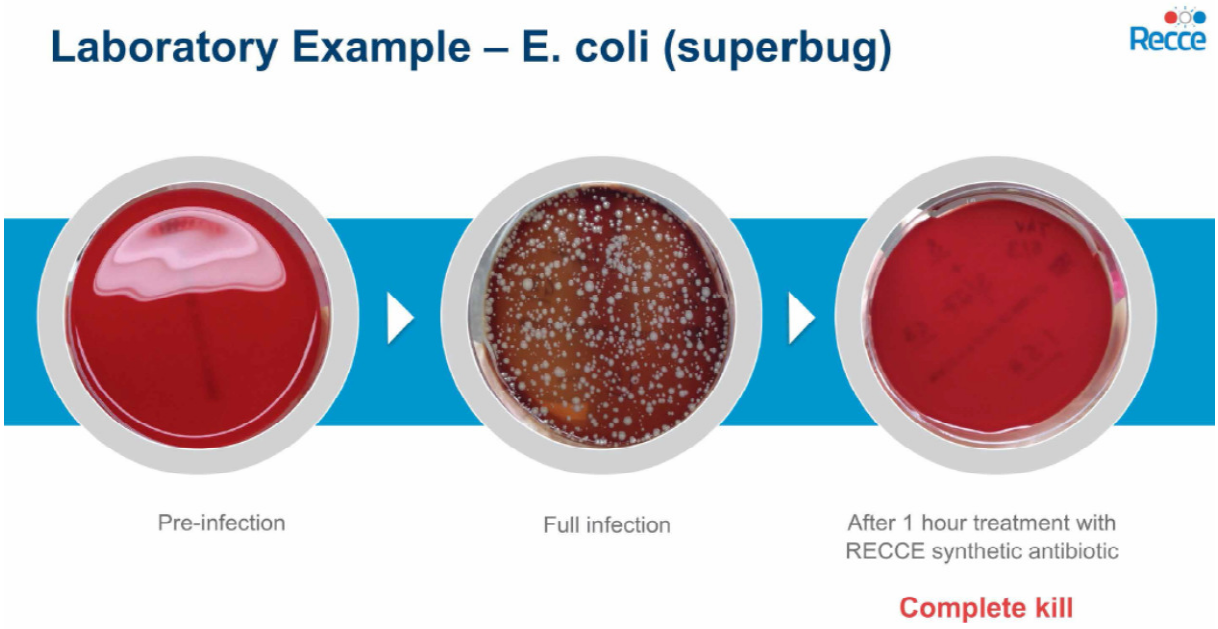
A further substantial advantage of Recce's new method of manufacture is that for the first time, the polymer-antibiotics are all completely soluble, across the complete pH range – which potentially makes RECCE antibiotics suitable for antibiotic activities at the low pH's of the human stomach.

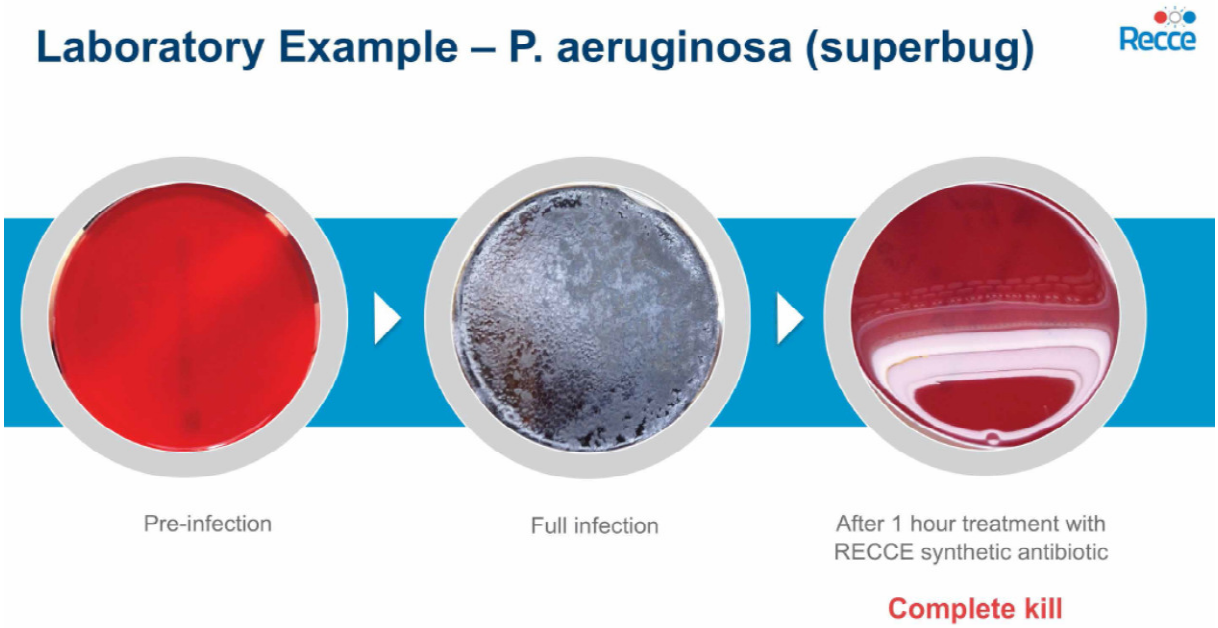
The new method of manufacture which is described in Australian Patent Number 2008324749 and references therein has the following potentially improved economies, as represented approximately, below:



6.6 Rates of Kill of Bacteria

Recce's research has shown that the rates of kill of bacteria by RECCE antibiotics were the same against bacteria, either in their natural state or their mutated superbug form. There was no difference in the kill rate of the natural bacteria and their superbugs.





Rates of Kill of Bacteria (10^6 cfu/ml) by RECCE antibiotics (1,000 ppm)

	RECCE 327	RECCE 355
S. aureus	**1-3 hours**	**20-60 mins.**
S. pyogenes	**20-60 mins.**	**20-60 mins.**
E. faecalis	**1-3 hours**	**-**
E. coli	**20-60 mins.**	
P. aeruginosa	**3-24 hours**	**3-24 hours**

C. difficile	**-**	**20-60 mins.**
Superbugs		
MRSA (S.aureus)	**1-3 hours**	**20-60 mins.**
VRE (E. faecalis)	**1-3 hours**	**-**
K. pneumoniae	**20-60 mins.**	**-**
***S. aureus* (see below)**	**1-3 hours**	**20-60 mins.**
***E. coli* (see below)**	**20-60 mins.**	**20-60 mins.**
***P. aeruginosa* (see below)**	**3-24 hours**	**20-60 mins.**

The above table, records the results of experimentation within about 35 tests, done exclusively by Recce, within its dedicated chemistry and microbiology laboratories in Western Australia – the number of tests being defined as the total of the number of times the methodology was done to accumulate the results reported in the table, plus the number of times the tests by the methodology were repeated in order to verify the reproducibility of the tests and their results. (Additional research involving substantial testing of about the same order was also performed in order to derive hypotheses and their test-methodologies.)

With regard to the table above, no results from the tests, or from tests upon any other bacteria than these reported – has been excluded.

The table shows that RECCE antibiotics, under the conditions of the testing, killed all the bacteria, including Gram positive bacteria, Gram negative bacteria, as well as, with equal facility, the superbug forms of these bacteria. Thus, it may be reasonably concluded that RECCE antibiotics have a wide capability to kill bacteria, including Gram positive bacteria, Gram negative bacteria and superbugs.

Methicillin Resistant *Staphylococcus aureus* (MRSA) is a strain of the Gram-positive bacterium *Staphylococcus aureus*, which causes worldwide problems in hospitals due to its resistance to the antibiotic Methicillin. It causes wound infections and septicaemia.

Streptococcus pyogenes is a Gram-positive bacterium which can be found in low numbers as part of the normal bacterial flora of the human upper respiratory tract. It is a significant human pathogen - sequelae from its infection in the throat can lead to severe heart and kidney disease, and toxic shock syndrome.

Enterococcus faecalis is a Gram-positive bacterium that is a common cause of hospital infections, most often being urinary tract infections, wound infections and septicaemia. Drug resistance to a range of common antibiotics is a noted problem, particularly to Vancomycin – the drug of "last resort" in treating ill patients.

Clostridium difficile is a Gram-positive bacterium which is found as part of the normal gastrointestinal flora of many humans. It is the most common cause of diarrhoea and pseudomembranous colitis following antibiotic treatment, which it survives, and thus is a frequent cause of hospital-acquired infections.

Klebsiella pneumoniae is a Gram-negative bacterium that can colonise the human upper respiratory and gastrointestinal tracts. It is responsible for a variety of hospital infections, including those of the cardiovascular system, wounds and septicaemia. Drug resistance is a recognised characteristic, with a recent strain (similar to one successfully killed by a Recce antibiotic) causing alerts in Victorian hospitals.

6.7 Number of Generations of Bacteria, to Resistance

The success of Recce's present manufacturing of antibiotics was indicated as recorded in the table below, by an experimental comparison between REECE antibiotics and Amoxicillin, a frequently used present-day commercial antibiotic.

Number of generations of bacteria, to resistance

	RECCE 327	RECCE 355
S. aureus	>12	**>25**
Amoxicillin	-	**8**
E. coli	>25	**>25**
Amoxicillin	-	**2**
P. aeruginosa	>25	**>25**
Amoxicillin	-	**6**

The above table, records the results of about 15 tests done exclusively by Recce within its dedicated chemistry and microbiology laboratories in Western Australia.

The table shows that under the conditions of the testing, Amoxicillin was always associated with the formation of superbugs – and then failed; the RECCE antibiotics never did. Further, the RECCE antibiotics had the capacity to kill the formed superbugs to Amoxicillin – at the same rate of kill as that recorded for the original bacteria. Superbugs apparently made no difference to the capability of RECCE antibiotics. Thus, it may be reasonably concluded that RECCE antibiotics (as designed) do not have the same well-known propensity of current commercial antibiotics to fail upon repeated use, as the result of antibiotic resistance.

With regard to the table above, no results from the tests, or from tests upon any other bacteria than these reported - has been excluded.

6.8 Use of RECCE antibiotics against Pathogenic Bacteria in the Human Vascular System and Internal Organs

RECCE antibiotics now present the possibility of use in humans, against a variety of major diseases, especially parenteral infections. Routinely and urgently, sepsis and/or inter-related bacteria are treated by antibiotics. Identifying the particular bacteria at the root of the problem can take days, and even then, the antibiotics used today don't always work.

Results indicate that unlike many existing antibiotics, RECCE antibiotics have a complete spectrum of activity, and not requiring a medical team to 'guess' the germ – whether the infecting germ is a Gram-positive or Gram-negative or superbug forms.

Parenteral (by some other means than through the gastrointestinal tract) infections (as distinct from infections of the gastrointestinal tract) occur when bacteria gain access to the vascular system or the subcutaneous layers underneath the outer-protective membranes or the skin. Punctures, injections, bites, cuts, wounds, surgery, splits between skin and mucous membranes are all examples which lead to parenteral infection.

Parenteral infections, particularly bacterial infection via a parenteral route, can lead to serious and life threatening disease with inflammatory response. If not controlled, parenteral infection can lead to sepsis with resulting loss of blood-pressure, putting a subject at immediate risk of a life threatening level of infection. For example a recent UK survey of hospitals showed that 27% of adult patients in intensive therapy wards – had sepsis. Mortality in hospitals ranged between 40% & 80%, and averaged 50%. Statistics show admissions for Sepsis in the United Kingdom increasing about 50% over a 5 year period (from 1996/7 to 2001/2)[3].

The most common origins that develop into sepsis are infections of the blood, meninges, lungs, urinary tract, sinuses, skin, wounds, abscesses and surgical procedures.

There is an urgent need for an antibiotic which will allow treatment of a wide range of bacterial parenteral infections. More so, this includes those parenteral infections where the bacteria have become resistant to one or more of the antibiotics currently used.

Early experiments in mice indicate RECCE 327 antibiotic particularly, is suited to treatment of parenteral infections and may be administered by a range of methods; the treatment may be prophylactic (preventative) or curative.

In experiments within an independent laboratory in USA, a single dose of RECCE 327 was injected into mice, and effectively killed the superbug Methicillin Resistant *S. aureus* (MRSA).

6.9 Uses of RECCE antibiotics against Pathogenic Bacteria

Recce has also obtained encouragement from results relating to *H. pylori* (associated with gastric ulcers, then cancers in humans) and *E. coli* (leading to diarrhoea) – both major global diseases.

In experiments between Recce and independent Australian laboratories, RECCE antibiotics have killed both normal and superbug forms of *H. pylori* and *E. coli.*

RECCE antibiotics are designed - and results to date indicate the potential for future use of RECCE antibiotics as active pharmaceutical ingredients in human medicines, especially relating to:

Indication: Bacterial Sepsis

- The blood of humans is normally free of bacteria, but when bacteria are present in large numbers – life-threatening inflammation/sepsis will likely result
- Treatment of the pathological condition is always urgent, and especially critical when an antibiotic-resistant "superbug" is present

[3] Jarman B, Aylin P, Bottle A. Trends in admissions and deaths in English NHS hospitals. BMJ 2004;328:855

- Worldwide annual deaths from sepsis are estimated in the tens of millions; in the United States, sepsis kills more people than colon cancer, breast cancer and HIV/AIDS combined.

RECCE antibiotic advantages – indicated by early tests – requiring confirmation by additional testing, in animals and then humans:

- Broad spectrum – active against a wide range of bacteria, including superbugs
- Immediate, effective treatment without the need for losing critical time upon bacterial identification/tests
- Rapidly acting in a critical-care scenario.

When treating patients with life-threatening sepsis much needs to be achieved in a short space of time. Rapid action plans need to be made, often on the basis of limited information. Doing nothing invariably leads to a poor patient outcome. Sepsis may be the final common pathway to death from most infections.

Sepsis strikes an estimated 30 million people worldwide every year. Sepsis is a global health problem that carries a high risk of death - over one-third of these patients die without leaving hospital. Sepsis must be treated as an emergency and administration of antibiotics is a key to survival. The underlying infection is treated with, most commonly, broad-spectrum antibacterials in U.S. hospitals costing more than $20 billion in 2011.[4]

Indication: *Helicobacter pylori* derived gastritis

- *H. pylori*, present in 20% to 90% of persons worldwide, is one of the world's most prevalent pathogenic bacteria; It is very strongly associated with human gastritis, peptic ulcers and gastric cancer; *H. pylori* is a major factor in virtually all patients with duodenal ulcers, and approximately 70% with gastric ulcers. The reason for the wide range of epidemiology is that the occurrence of *H. pylori* is much higher in lower socio-economic countries, than in higher socio-economic countries.[5]
- Even a decade ago, increasing resistance of *H. pylori* to a range of antibiotics which are used to treat the infection, was authoritatively reported.

RECCE antibiotic advantages – indicated in early experiments between Recce and an independent Australian laboratory - and requiring confirmation by additional testing, in animals and then humans:

- Active against *H. pylori*, including antibiotic-resistant strains
- Low toxicity
- Simple treatment (compared to conventional complex treatments)

[4] Fact Sheet Sepsis, Global Sepsis Alliance

[5] H.M. Malaty, "Epidemiology of *Helicobacter pylori* Infection" in Philip Sutton and Hazel M. Mitchell (editors) *Helicobacter pylori* in the 21st Century, CABI 2010

Indication: *Escherichia coli* derived diarrhoea

- 20% to 50% of all travellers develop diarrhoea mostly attributable to enterotoxic *E. coli*.[6] This is an under-recognized but extremely important cause of diarrhoea in the developing world. There are an estimated 1.7 billion cases of diarrhoeal disease every year which are responsible for killing around 760,000 children under 5 years every year.[7]
- Antibiotic-resistant *E. coli* are substantially encountered, globally.

RECCE antibiotic advantages - indicated in early experiments between Recce and an independent Australian laboratory - and requiring confirmation by additional testing, in animals and then humans:

- Active against *E.coli*, including antibiotic- resistant "superbugs"
- Low toxicity

6.10 Not a Single Product and Market – but a TECHNOLOGY and a RANGE OF MARKETS

It is common for biotechnology companies to have sole reliance upon a single product with a single market. Recce is different.

Recce set out, and early results (see Appendices at the end of this Section) suggest that Recce has achieved a range of potential products and opportunities, under a TECHNOLOGY model.

This would give Recce the opportunity of pursuing alternative "back-up" products and/or markets, should serious adversity be encountered in coming trials. The range of product/market alternatives could possibly extend through *Sepsis* (blood disease), *H. pylori* (causing ulcers etc.) or *E. coli* (causing diarrhoea) in humans and even to veterinary applications, and more.

6.11 Summary

Investment in Recce Ltd is highly speculative.

[6] Centers for Disease Control and Prevention (USA), Novemberr 21, 2006, Content source: National Center for Immunization and Respiratory Diseases: Division of Bacterial Diseases (http://www.cdc.gov/ncidod/dbmd/diseaseinfo/travelersdiarrhea_g.htm)

[7] World Health Organisation Fact Sheet No. 330, April 2013 "Diarrhoeal Disease" (http://www.who.int/mediacentre/factsheets/fs330/en/)

Compared to the risk of a single opportunity from a one-use product, **Recce's technology enjoys the opportunity of added security of multiple product opportunities**.

In summary, RECCE antibiotics have not only shown the ability to kill certain superbugs, but to keep on killing them after repeated use. They have been synthesised by a simple, facile and economic method.

APPENDICES

Results in Appendices 1 to 4 are derived from specific, early experiments, and require confirmation by additional and more rigorous testing, in animals and then humans.

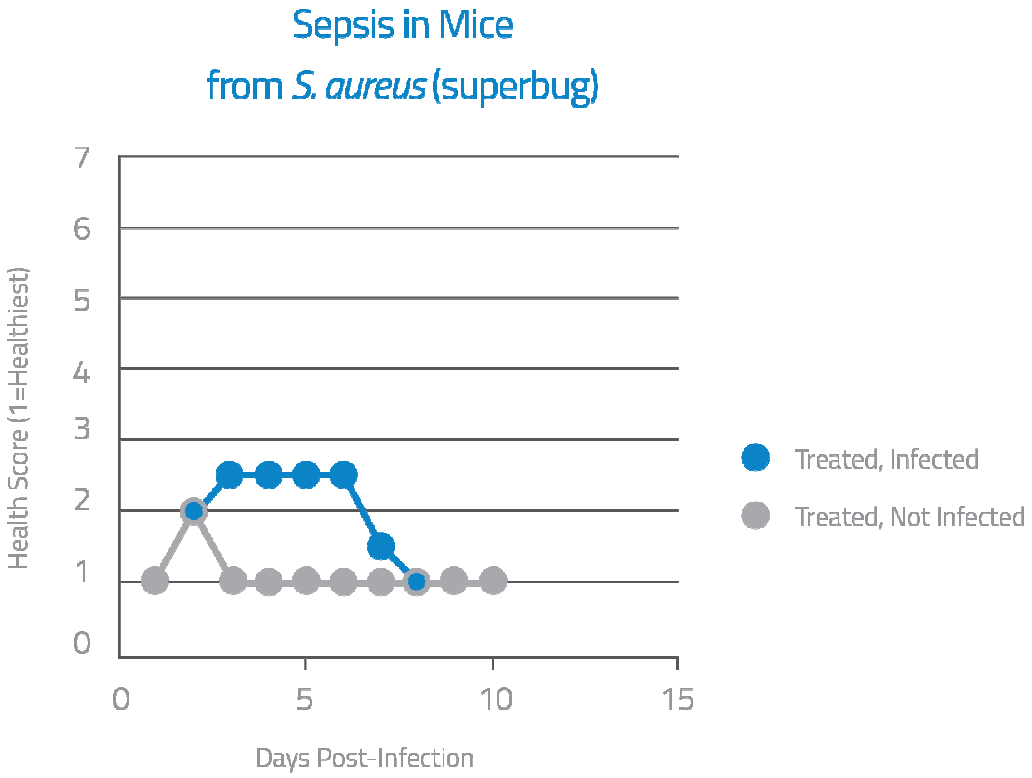
Appendix 1

RECCE antibiotic:

- **In vitro, kills superbugs of *H. pylori* (which causes gastritis)**
- **In mice, attacks *E. coli* (which causes diarrhoea) in the intestine**
- **In mice, attacks *H. pylori* in the stomach and duodenum.**

Appendix 2

Figure 1 - RECCE antibiotic 327

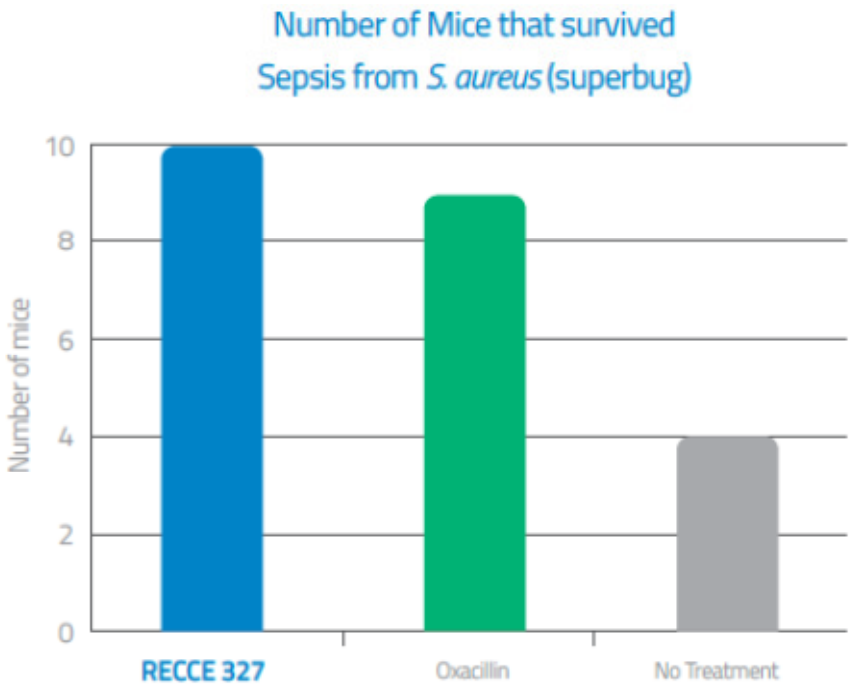


Health scores in mice were maintained – low in the presence of either infection (blue dots) or no infection (grey dots). (Consistently, infection without treatment gave scores around 7, indicating sickness).

Figure 1 is a graph of health over 10 days, of two groups of 10 mice each, both treated with RECCE 327 at 132 mg/Kg of mouse; one group of mice was infected with *S. aureus* superbug (*S. aureus* USA300). The figure demonstrates that the RECCE antibiotic in vivo is at this dose, both antimicrobial-active against *S. aureus* superbug, and non-toxic.

Appendix 3

Figure 2 - RECCE antibiotic 327 – Efficacy



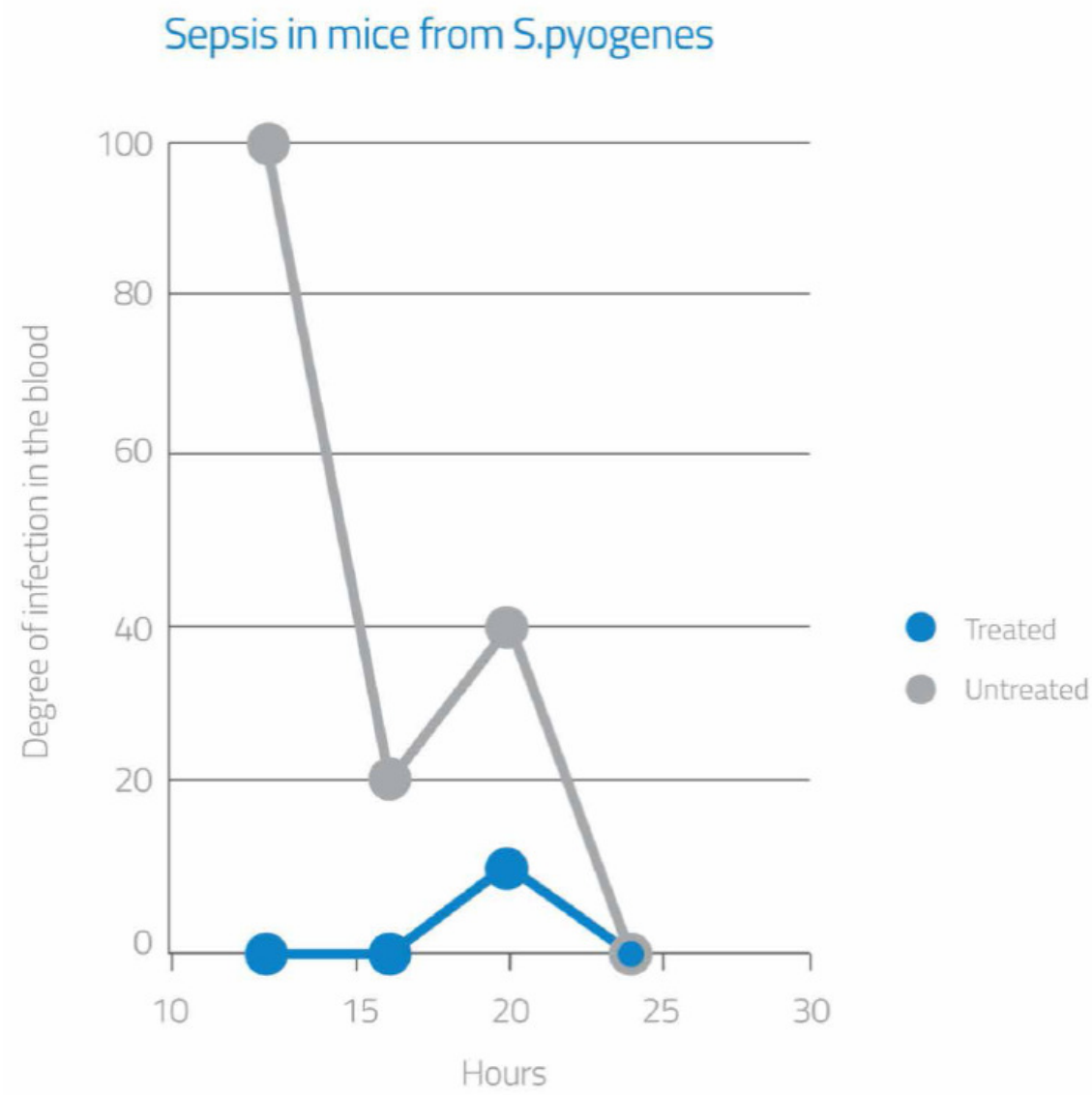
Three groups of 10 mice were each infected with *S. aureus* (superbug):

- All ten mice treated with RECCE antibiotic were saved
- Nine mice treated with current antibiotic (Oxacillin) survived
- Four mice that had no treatment at all, survived.

Figure 2 is a column chart of an experiment with RECCE 327 at 132 mg/Kg of mouse; positive control Oxacillin, 500 mg/Kg; and negative control, saline showing, over the initial 8 days, the survival rates (after culling) of mice within 3 groups, each of 10 mice, respectively – after infection with *S. aureus* superbug. The figure demonstrates that the RECCE 327, in vivo is antimicrobial-active against *S. aureus* superbug – even at a lower concentration than Oxacillin, a remaining efficacious commercial antibiotic.

Appendix 4

Figure 3 - RECCE antibiotic 355 – How it Works



At the 12 hour-point, (see the blue dot, compared with the grey dot) *S. pyogenes* germ was cleared from the blood by RECCE antibiotic.

(Note that after the 12 hour point – the infection, shown by the grey dot goes away from the blood, to the kidneys).

Infection in the organs, often leads to organ-failure and the result here, suggests that RECCE antibiotics could be used in a preventative role to kill germs in the blood, before they reside in vital organs. Figure 3 is a graph of an experiment with RECCE 355 at a dose of 167 mg/Kg of mouse, showing from 12 to 24 hours, the percentage-ratio of incidence (cfu/mL) of *S. pyogenes* in the blood of ten mice infected with the bacteria – and in another group of ten mice, infected with the bacteria as well, but also treated with the RECCE antibiotic. The figure demonstrates firstly, that the RECCE antibiotic, in vivo is antimicrobial-active, and secondly, that the bacteria clears naturally from the blood within twenty-four hours (This was determined elsewhere, by assay, on the kidneys). In the experiment no treated animals displayed any significant adverse signs.

Appendix 5

All tests referred to in this Prospectus were conducted between August 2009 and June 2015 by qualified and trained staff of Recce, within their dedicated and appropriate chemical and microbiological facilities, Technology Park, Western Australia – except tests involving mice.

In all tests involving mice, Recce separately contracted the tests to outside laboratories having the appropriate facilities and the appropriate permissions for testing involving the use of mice. These laboratories were the University of New South Wales, Kensington, NSW and registered contract laboratories RDDT, Bundoora, Vic and IBT Bioservices, Gaithersburg, MD, USA; the total contracted amounts (and total considerations) were respectively $9,715 and $16,155.06 and US$43,800. All these tests were conducted between August 2009 and June 2014.

These three outside laboratories are independent of Recce, and Recce continues to have no fiduciary relationship with them, other than the above.

In all tests for Recce, within the outside laboratories, in accordance with standard industry practice the exact identity of the test-materials was not revealed to the laboratories, and thus, the interpretation of the results of the tests, and as recorded in this Prospectus, was done solely (and we believe, competently) by Recce.

Altogether, a total of about 50 chemical and microbiological tests which are the basis of results in tables within section 6 were conducted by Recce staff within their dedicated and appropriate chemical and microbiological facilities in Western Australia; about an additional 50 types of testing was done in research deriving these tests. A total of about 10 tests which are the basis of results in tables within Appendices 1 to 4 above, relating to the safety and efficacy of RECCE antibiotics 327 and 355 were conducted on mice, by outside laboratories contracted by Recce.

7. COMPANY OVERVIEW

7.1 Financial Information

For details on the financial information of the Company please refer to Section 8.

7.2 Use of Funds

The Company intends to apply funds raised from the Offer, together with existing cash reserves, over the first two years following admission of the Company to the Official List of ASX as follows:

Funds available	Full Subscription ($)	Percentage of Funds (%)
Existing cash reserves[1]	451,711	8.3
Funds raised from the Offer	5,000,000	91.7
Total	**5,451,711**	**100**
Allocation of funds		
Expenses of the Offer[2]	559,854	10.3
Development of the RECCE technology and antibiotics[3]	2,880,000	52.8
Administration Costs[4]	1,376,000	25.2
Working Capital[5]	635,857	11.7
Total	**5,451,711**	**100**

[1] Refer to the Investigating Accountant's Report set out in Section 11 for further details.

[2] Refer to Section 13.7 for further details.

[3] Please refer to the table below for a more detailed breakdown:

Item	Full Subscription ($)		
	Year 1	Year 2	Total
Pilot plant manufacture	255,000	310,000	565,000
Laboratory research	430,000	430,000	860,000
Overseas animal safety/efficacy tests	750,000	465,000	1,215,000
Patent costs	120,000	120,000	240,000
TOTAL	**1,555,000**	**1,325,000**	**2,880,000**

[4] Administration costs includes salaries, rent and general administration costs.

[5] Working capital is unallocated funds that are intended to be applied towards new business ventures and unanticipated expenses.

On completion of the Offer, the Board of Directors believe the Company will have sufficient working capital to achieve its stated objectives for the next two years.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events (including trial success or

failure) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board of Directors reserve the right to alter the way funds are applied on this basis.

7.3 Capital Structure

The capital structure of the Company following completion of the Offer (assuming full subscription) is summarised below[1]:

Shares[2]

	Number
Shares currently on issue	40,941,449
Shares to be issued pursuant to the Offer	25,000,000
Shares to be issued to State One [3]	1,500,000
Total Shares on completion of the Offer	**67,441,449**

Performance Shares

	Number
Performance Shares currently on issue[4]	35,017,692
Performance Shares to be issued pursuant to the Offer	Nil
Total Performance Shares on completion of the Offer[3]	**35,017,692**

[1] Refer to the Investigating Accountant's Report set out in Section 11 for further details.

[2] The rights attaching to the Shares are summarised in Section 13.2.

[3] State One has the option on the successful listing of the Company on ASX of taking its Fee in fully paid ordinary shares or cash, if State One take its Fee in Shares in lieu of cash then the number of Shares will increase to 3,000,000. For this Prospectus Recce has assumed that the Fee is paid in cash. Refer to Section 5.9 for further details.

[4] Consisting of 8,754,423 Class A Performance Shares, 8,754,423 Class B Performance Shares, 8,754,423 Class C Performance Shares and 8,754,423 Class D Performance Shares. The rights attaching to the Performance Shares are summarised in Section 13.3. The Company will not apply for quotation on the ASX of the Performance Shares.

7.4 Substantial Shareholders

Those Shareholders holding 5% or more of the Shares on issue both as at the date of this Prospectus and on completion of the Offer (assuming full subscription and that State One takes the full Fee in cash) are set out in the respective tables below.

As at the date of the Prospectus

Shareholder	Shares	%
Graham and Olga Melrose	24,300,003	59.4%
Michael Aarons	4,749,999	11,6%
James Graham	2,983,849	7.3%
Michele Dillzia	2,308,849	5.6%

On completion of the Offer (assuming no existing substantial Shareholder subscribes and receives additional Shares pursuant to the Offer)

Shareholder	Shares	%
Graham and Olga Melrose	24,300,003	36.03%
Michael Aarons	4,749,999	7.04%

The Company will announce to the ASX details of its top-20 Shareholders (following completion of the Offer) prior to the Shares commencing trading on ASX.

7.5 Restricted Securities

Subject to the Company being admitted to the Official List, certain securities on issue prior to the Offer will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation. During the period in which these securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

All of the Performance Shares on issue are likely to be escrowed for 24 months from the date of Official Quotation.

The Company will announce to the ASX full details (quantity and duration) of the Shares and Performance Shares required to be held in escrow prior to the Shares commencing trading on ASX.

7.6 Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

7.7 Dividend Policy

Recce anticipates that significant expenditure will be incurred in the evaluation and development of the Company's technology and the RECCE antibiotics. These activities are expected to dominate the two year period following the date of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that period.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial conditions of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

7.8 Directors and Key Personnel

The Board is comprised of carefully selected individuals whose experience and skill base is commensurate with the requirements and profile of the Company. The Board members comprise:

Dr Graham Melrose

Executive Chairman

BSc(Hons), PhD, MBA, FRACI, CChem, FAICD

- Founder of Recce and inventor of RECCE antibiotics
- Previously, founded Chemeq Ltd and under his leadership and R&D direction, achieved over a three-year period, the top capital gain of all companies listed on the ASX, and an average market capitalisation of approximately $500 million
- Earlier, a senior academic in the University of NSW's Department of Applied Organic Chemistry; visiting research scientist at Oxford and Munich universities
- Executive Director and Chief Research Executive of Johnson & Johnson (Aust) Pty Ltd in Sydney, with global responsibilities, particularly in the Asia-Pacific
- Established and operated for some ten years, an industry-leading marketing consultancy.

Dr Melrose was a director of Chemeq Ltd (Chemeq) when ASIC commenced proceedings in the Federal Court against Chemeq on 22 December 2004. ASIC sought declarations and penalties against Chemeq for alleged contravention of continuous disclosure provisions of the Corporations Act by failing to disclose to the ASX information material to the price of its shares. Following various discussions between ASIC and Chemeq, the number of contraventions alleged was reduced to two. No enforcement action was taken against Dr Melrose or any other directors of Chemeq in relation to these proceedings. Federal Court orders were made on 24 July 2006 against Chemeq in relation to these two contraventions. A penalty of $500,000 was imposed against Chemeq.

Ms Michele Dilizia

Executive Director

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

- Qualified Medical Scientist; specialisation is medical microbiology
- Earlier a successful executive career in public relations and marketing for a leading retail chain
- Began with journalism and then post-graduate qualifications in business
- Market research consultant, which included marketing development of health-care and pharmaceutical products.

Mr James Graham

Executive Director

B.Com. (Entrepreneurship), GAICD

- Committee-member of W.A. Angel Investors; entrepreneurship and marketing
- Previously, General Manager of start-up marine Company with sales in Australia, Asia and Europe
- Investor (Non-professional) in ASX-listed technology companies
- Closely involved in the early growth and direction of Recce - initiated and facilitated funding.

Mr Ian Brown

Independent, Non-Executive Director

MBA, EiR, FAICD, FAIM

- Has market-developed with big PharmCos - as well as listed PharmCos on NYSE, SGX and ASX - involving IPOs, fundraising and licensing
- Entrepreneur in Residence at INSEAD (one of Europe's top business schools)
- Has worked in Melbourne, Perth, Gothenburg, Milan and London, playing a lead-role in significant projects throughout Asia, Japan, Europe and the United States
- Executive Director/Senior Executive experience in companies manufacturing/selling chemicals, polymers, healthcare products and pharmaceuticals.

Mr Brown was a director of SDP Technology Pty Ltd, which went into liquidation during the financial year ended 30 June 2010. Importantly this company was a cancer drug discovery company that was supported by federal government grant funding programs, research institutions and sophisticated investors. When the federal government cancelled the grant funding programs, the company was put into liquidation. The liquidation process was completed in the financial year ended 30 June 2011.

Prof Dongke Zhang

Independent, Non-Executive Director

FTSE, BE, ME, PhD, FIChemE, CEng, CSci, FIEAust, CPEng, FAIE

- Designed and built the first pilot plant for Chemeq Ltd
- Technical Executive/Director of innovative technology companies
- Consultant to a range of Australia's top companies
- Awarded the status of Distinguished Professor at Curtin University; now a Professor in chemical engineering at University of WA
- Voted as among the top 100 most influential engineers in Australia
- Regularly visits China where fellowships have been established in his honour.

Mr Peter Williams

Chief Financial Officer and Company Secretary

BBus, FCPA, MAICD

- Accomplished senior finance professional with significant commercial experience gained both domestically and internationally
- Rose from the ranks within BHP over some 20 years to Vice President Finance BHP World Minerals (San Francisco), reporting to the Chief Executive Officer and managing all finance activities of the division including management and statutory reports, business plans, capital expenditure proposals, audit and regulatory compliance
- Has been Chief Financial Officer and Company Secretary in a range of ASX listed companies having research and manufacturing programs.

7.9 Availability of Directors

Each Director above has confirmed to Recce that he or she anticipates being available to perform their duties as a Non-Executive or Executive Director, as the case may be, without constraint from other commitments.

7.10 Independence of Directors

In determining whether a Director is "independent", the Board has adopted the definition of this word in *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by ASX Corporate Governance Council (**Recommendations**). Consequently, a Director will be considered "independent" if that Director is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis, with the Board Charter to assist in this regard.

The Board considers that both Ian Brown and Dongke Zhang are independent Directors, free from any business or any other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the independent exercise of the Director's judgement and each is able to fulfil the role of an independent Director for the purposes of the Recommendations.

7.11 Incorporation of Recce Pty Ltd by Dr GJH & Mrs OM Melrose

Just before 2000, Dr Melrose began his global R&D leadership in pharmaceutical applications of acrolein-polymers, in an Australian company, Chemeq Ltd (Chemeq). Applications were essentially restricted to veterinary applications, specifically within the intestines of animals.

Chemeq had a market capitalisation of approximately $14 million at listing, and then achieved over a period of three years the highest growth in market capitalisation, on the ASX – averaging a market capitalisation of about $500 million. At Dr Melrose's retirement as C.E.O., Chemeq had nearly 100 granted patents; and the FDA had awarded the technology legal Expedited Review Status. The Company had taken a new drug from concept to production - in a $60 million custom-designed manufacturing plant, registered and approved by Australia's regulatory authorities, all staff were trained; producing at soon to be achieved name-plate output, and beginning to export. Additionally, all activities was supported by $60 million of financing.

However, some 2 years after his retirement from all executive duties in Chemeq Ltd, a dispute occurred between the new management and its financiers – and as a result, Chemeq Ltd was placed in voluntary administration. Production at the plant was ceased and patents allowed to destructively lapse.

Dr Melrose had no executive part in the dispute; he did not recover any cash from his equity in Chemeq Ltd.

Following this, and pursuing a totally independent relationship from Chemeq Ltd, Recce Pty Ltd was incorporated and financed (circa $350K) by GJH & OM Melrose. Graham Melrose began research, and was later joined by family members Michele Dilizia and James Graham, and then early sophisticated investors.

7.12 Corporate Governance

To the extent applicable, in light of the Company's size and nature, the Company has adopted the Recommendations.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined in Section 12.2 and the Company's compliance and departures from the Recommendations are set out in Section 12.10.

In addition, the Company's full Corporate Governance Plan will be available from the Company's website (http://www.recce.com.au).

7.13 Disclosure of Interests

For each of the Directors, the proposed annual remuneration (excluding superannuation) for the financial year following the Company being admitted to the Official List and the actual remuneration (including superannuation if applicable) of the two financial years preceding the date of this Prospectus together with the relevant interest of the Director in the securities of the Company as at the date of this Prospectus is set out in the table below.

Director	Remuneration 30 June 2014	Remuneration 30 June 2015	Proposed Remuneration	Shares	Performance Shares
Graham Melrose[1]	$120,721	$122,054	$208,050	24,300,003	24,300,000

Michele Dilizia[2]	$52,222	$52,735	$100,000	2,308,849	2,308,848
James Graham[3]	N/A	$38,708	$135,000	2,983,849	2,983,848
Ian Brown[4]	N/A	$865	$45,000	225,000	225,000
Dongke Zhang[5]	N/A	$865	$45,000	225,000	225,000

Notes:

1 All Shares and Performance Shares are held jointly and equally by Graham Melrose and Olga Melrose

2 All Shares and Performance Shares are directly held by Michele Dilizia

3 1,039,233 Shares and 1,039,233 Performance Shares are held directly by James Graham and the balance of the Shares and Performance Shares are held indirectly through the J Graham Family Trust

4 All Shares and Performance Shares are held directly by Ian Brown

5 All Shares and Performance Shares are held indirectly through The Zhangs Family Trust

7.14 Agreements with the Directors or Related Parties

The Company's policy in respect of related party arrangements is:

(a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and

(b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

Executive Service Agreements

(a) **Graham Melrose**

The Company has entered into an executive service agreement with Executive Director, Dr Melrose, to act as executive chairman of the Company, on the following material terms and conditions:

(i) **Salary:** the Company shall pay Dr Melrose a salary of $111,465 per annum (plus superannuation) until Official Quotation of the Company at which point Dr Melrose's salary will increase to $190,000 per annum (plus superannuation), which will be reviewed annually by the Company;

(ii) **Term:** the executive service agreement ends on 30 June 2020, unless terminated earlier in accordance with its termination provisions.

(iii) **Termination by Dr Melrose** - the executive may terminate the executive service agreement without cause upon two months' notice to the Company; and

(iv) **Termination by the Company** – the Company may terminate the executive service agreement:

(A) without cause, by giving three months written notice to Dr Melrose; additionally, where Dr Melrose has completed 12 months or more of his agreement, the

Company must pay Dr Melrose six months' of his salary on termination; and

(B) summarily without notice if at any time the executive commits any serious breach of the executive service agreement which is not remedied within 14 days, fails to satisfactorily perform his duties under the executive service agreement or commits any gross misconduct, or makes a compromise or arrangement with creditors, is convicted with any major criminal offence or seriously breaches a communications or confidentiality policy of the Company.

(b) **Michele Dilizia**

The Company has entered into an executive service agreement with Executive Director, Ms Dilizia, as a medical scientist for the Company (specialising in regulatory affairs, and microbiology) on the following material terms and conditions:

(i) **Salary:** the Company shall pay Ms Dilizia a salary of $48,160 per annum (plus superannuation) until Official Quotation of the Company at which point Ms Dilizia's salary will increase to $100,000 per annum (including superannuation), which will be reviewed annually by the Company;

(ii) **Term:** the executive service agreement ends on 30 June 2016, unless terminated earlier in accordance with its termination provisions.

(iii) **Termination by Ms Dilizia** - the executive may terminate the executive service agreement without cause upon two months' notice to the Company; and

(iv) **Termination by the Company** – the Company may terminate the executive service agreement:

(A) without cause, by giving three months written notice to Ms Dilizia; additionally, where Ms Dilizia has completed 12 months or more of her agreement, the Company must pay Ms Dilizia six months' of her salary on termination; and

(B) summarily without notice if at any time the executive commits any serious breach of the executive service agreement which is not remedied within 14 days, fails to satisfactorily perform her duties under the executive service agreement or commits any gross misconduct, or makes a compromise or arrangement with creditors, is convicted with any major criminal offence or seriously breaches a communications or confidentiality policy of the Company.

(c) **James Graham**

The Company has entered into an executive service agreement with Executive Director, Mr Graham to act as the chief marketing executive of the Company, on the following material terms and conditions:

(i) **Salary:** the Company shall pay Mr Graham a salary of $113,184 per annum (plus superannuation) until Official Quotation of the Company at which point Mr Graham's salary will increase to $135,000 per annum (inclusive of superannuation), which will be reviewed annually by the Company;

(ii) **Term:** the executive service agreement ends on 31 January 2017, unless terminated earlier in accordance with its termination provisions.

(iii) **Termination by Mr Graham** - the executive may terminate the executive service agreement without cause upon two months' notice to the Company; and

(iv) **Termination by the Company** – he may terminate the executive service agreement:

(A) without cause, by giving three months written notice to Mr Graham; additionally, where Mr Graham has completed 12 months or more of his agreement, the Company must pay Mr Graham six months' of his salary on termination; and

(B) summarily without notice if at any time the executive commits any serious breach of the executive service agreement which is not remedied within 14 days, fails to satisfactorily perform his duties under the executive service agreement or commits any gross misconduct, or makes a compromise or arrangement with creditors, is convicted with any major criminal offence or seriously breaches a communications or confidentiality policy of the Company.

Non-Executive Appointment Letters

(d) **Ian Brown**

On 23 June 2015, the Company and Mr Brown executed a letter of appointment pursuant to which Mr Brown is appointed as an independent non-executive director of Recce. Pursuant to the appointment, Mr Brown will receive a fee of $45,000 per annum (excluding GST) and was also issued 225,000 Shares as part of his appointment.

(e) **Dongke Zhang**

On 23 June 2015, the Company and Prof Zhang executed a letter of appointment pursuant to which Prof Zhang is appointed as an independent non-executive director of Recce. Pursuant to the appointment, Prof Zhang will receive a fee of $45,000 per annum

(excluding GST) and was also issued 225,000 Shares as part of his appointment.

Deeds of indemnity, insurance and access

The Company has entered into a deed of indemnity, insurance and access with each of its Directors. Under this deed, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers in certain circumstances.

8. FINANCIAL INFORMATION

8.1 Introduction

The financial information set out in this Section consists of:

(a) the historical income statements for the years ended 30 June 2013, 30 June 2014 and 30 June 2015;

(b) the statement of financial position of the Company as at 30 June 2015; and

(c) a pro forma statement of financial position as at 30 June 2015 reflecting the Directors' pro forma adjustments,

(collectively, the "Financial Information").

The Financial Information has been reported on by BDO Corporate Finance (WA) Pty Ltd as set out in the Investigating Accountant's Report contained in Section 11. Investors should note the scope limitations of the Investigating Accountant's Report (refer to Section 11 for further information).

Except as specified below, the Financial Information has been prepared and presented in accordance with the recognition and measurement principles of the Australian Accounting Standards issued by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

Recce's significant accounting policies have been consistently applied throughout the periods and are set out in Section 8.5 below.

8.2 Historical Income Statements

Overview

(a) Recce was incorporated 11 April 2007 as Recce Pty Ltd and converted to a public company on 21 August 2015.

(b) The financial statements of Recce for the financial years ended 30 June 2013, 30 June 2014 and 30 June 2015 have been audited by BDO Audit (WA) Pty Ltd. BDO Audit (WA) Pty Ltd issued unqualified opinions in respect of these periods.

(c) The table below presents Recce's historical income statements for financial years ended 30 June 2013, 30 June 2014 and 30 June 2015.

INCOME STATEMENTS

	2015	2014	2013
	$	$	$
Revenue and other income			
Research & Development Grant	113,484	95,833	387
Other income	370	1,309	-
Total revenue and other income	113,854	97,142	387
Expenses			
Administration and overhead costs	44,213	73,037	51,987
Rent expenses	61,441	51,307	39,344
Share based payments expense	91,319	11,429	-
Laboratory expenses	53,880	8,660	8,821
Employee benefits expenses	256,741	164,415	162,188
Patent related costs	46,126	52,353	24,732
Amortisation and depreciation	10,300	8,357	5,775
Total expenses	564,020	368,558	292,847
Loss before income tax	(450,166)	(272,416)	(292,460)
Income tax expense	-	-	-
Loss after income tax	(450,166)	(272,416)	(292,460)
Other comprehensive income			
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	(450,166)	(272,416)	(292,460)

8.3 Statement of Financial Position

(a) The pro forma historical statement of financial position shown in the table below is based on the audited statutory historical statement of financial position as at 30 June 2015, adjusted for pro forma adjustments as if they were completed on 30 June 2015, which included the impact of the Offer which is expected to be completed on or around 14 October 2015 and any other subsequent events.

(b) Details of the pro forma adjustments and subsequent events made to the audited statutory historical statement of financial position for Recce as at 30 June 2015 are set out in the notes to the historical financial information below.

(c) The pro forma historical statement of financial position is provided for illustrative purposes only and is not represented as being necessarily indicative of Recce's view on its future financial position.

STATEMENT OF FINANCIAL POSITION

	Note	Audited 30 June 2015 $	Subsequent Events $	Pro-forma Adjustments $	Pro-forma after Offer $
Current assets					
Cash and cash equivalents		451,711	-	4,440,146	4,891,857
Trade and other receivables		15,805	-	-	15,805
Total current assets		467,516	-	4,440,146	4,907,662
Non-current assets					
Property, plant & equipment		78,919	-		78,919
Total non-current assets		78,919		-	78,919
Total assets		546,435		4,440,146	4,986,581
Current liabilities					
Trade and other payables		239,023	-	-	239,023
Other liabilities		26,761	-	-	26,761
Total current liabilities		265,784	-	-	265,784
Non-current liabilities					
Provisions		6,687	-	-	6,687
Total non-current liabilities		6,687	-	-	6,687
Total liabilities		272,471	-	-	272,471
Net Assets		**273,964**	**-**	**4,440,146**	**4,714,110**
Contributed equity		1,586,139	355,693	4,440,146	6,381,978
Reserves		-	2,958,996		2,958,996
Accumulated losses		(1,312,175)	(3,314,689)	-	(4,626,864)
Total equity		**273,964**	**-**	**4,440,146**	**4,714,110**

The pro-forma statement of financial position after the Offer is as per the audited statement of financial position before the Offer, adjusted for any subsequent events and the transactions relating to the issue of Shares pursuant to this Prospectus. The statement of financial position is to be read in conjunction with the notes to the historical financial information set out below.

8.4 Notes to the Historical Financial Information

(a) Assumptions used in compiling the Pro Forma

(i) Statement of Financial Position

The pro forma statement of financial position shown in Section 8.3 is based on the audited statutory statement of financial position as at 30 June 2015 adjusted for pro forma adjustments as if they were completed on 30 June 2015. These included:

(A) the impact of the Offer of 25,000,000 Shares at an issue price of $0.20 each to raise $5,000,000 before estimated costs of $559,854 and which is the minimum subscription level for the Offer.

(b) **Subsequent events**

(i) The following subsequent events have occurred between 30 June 2015 and the issue of the Prospectus:

(A) 1,778,466 shares were issued to employees. The shares have been valued at the Offer issue price of $0.20 per share with a total value of $355,693.

(B) A share split was completed to increase the number of shares at a ratio of 3:2.

(C) 35,017,692 performance shares were issued to employees and non-executive directors. The Trinomial option pricing model has been used to calculate the value of Class A, Class C and Class D performance shares. Class B performance shares have a non-market vesting condition which means that no adjustment was made to the fair value at grant date for these performance shares. The following assumptions were used:

	Classs A	Class C	Class D
Underlying share price	$0.20	$0.20	$0.20
20-day VWAP barrier	$0.30	$0.60	$01.20
Term	5 years	5 years	5 years
Risk-free rate	2.18%	2.18%	2.18%
Number of performance shares	8,754,423	8,754,423	8,754,423
Value per performance share	$0.173	$0.111	$0.054

Details of the pro forma and subsequent event adjustments made to the audited statutory historical statement of financial position for Recce as at 30 June 2015 are set out in notes 0, 8.7, 8.8 and 8.9 below.

The pro forma historical statement of financial position is provided for illustrative purposes only and is not represented as being necessarily indicative of Recce's view on its future financial position.

8.5 Statement of Significant Accounting Policies

The significant accounting policies adopted in the preparation of the historical financial information included in this section are set out below.

(a) **Basis of preparation of historical financial information**

The historical financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements, of the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001, as appropriate for for-profit oriented entities.

The financial information has also been prepared on an historical cost basis, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss and plant and equipment.

(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:

(i) **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.

(ii) **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**

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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**

(i) 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.

(ii) 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 value 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 the 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 of 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 raisings undertaken with external parties.

(m) **Contributed equity**

(i) Ordinary shares are classified as equity.

(ii) 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**

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

(ii) 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.

8.6 Cash and Cash Equivalents

	Audited 30 June 2015	Pro-forma after Offer
	$	$
Cash and cash equivalents	**451,711**	**4,891,857**
Adjustments to arrive at the pro-forma balance:		
Audited balance as at 30 June 2015		451,711
Subsequent events:		
Share issues		-
Share split		-
		451,711
Pro-forma adjustments:		
Proceeds from Shares issued under this Prospectus		5,000,000
Cash costs of the Offer		(559,854)
		4,440,146
Pro-forma Balance		**4,891,857**

8.7 Issued Capital

	Audited 30 June 2015	Pro-forma after Offer
Contributed equity	**$**	**$**
Issued Capital	1,586,139	6,381,978
Fully paid ordinary share capital	**Number of shares**	**$**
Adjustments to arrive at the pro-forma balance:		
Audited balance as at 30 June 2015	25,515,834	1,586,139
Subsequent events:		
Share issues [1]	1,778,466	355,693
Share split [2]	13,647,149	-
	15,425,615	355,693
Pro-forma adjustments:		
Shares issued under this Prospectus	25,000,000	5,000,000
Shares issued to the Lead Manager – Success Shares [3]	1,500,000	300,000
Share costs of the Offer		(300,000)
Cash costs of the Offer [4]		(559,854)
	26,500,000	4,440,146
Pro-forma Balance	**67,441,449**	**6,381,978**

[1] 1,778,466 shares issued to employees between 30 June 2015 and the date of the Prospectus have been valued at the Offer issue price of $0.20 per share with a total value of $355,693.

[2] A share split was completed between 30 June 2015 and the date of the Prospectus to increase the number of shares at a ratio of 3:2.

[3] 1,500,000 shares to be issued to State One have been valued at the Offer issue price of $0.20 per share with a total value of $300,000.

[4] State One's Fee of $300,000 can be paid in cash or Shares, see Section 5.9. The Company has assumed that State One's Fee will be paid in cash.

8.8 Reserves

	$
Audited balance as at 30 June 2015	-
Subsequent events:	
Performance share issues	2,958,996
Pro-forma balance	**2,958,996**

8.9 Accumulated losses

	Audited 30 June 2015	Pro-forma after Offer
	$	$
Accumulated losses	**1,312,175**	**4,626,864**

	$
Adjustments to arrive at the pro-forma balance:	
Audited balance as at 30 June 2015	1,312,175
Subsequent events:	
Share issues	355,693
Performance share issues	2,958,996
	3,314,689
Pro-forma adjustments:	-
Pro-forma Balance	**4,626,864**

8.10 Forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

As a consequence, the Directors believe the Company is not in a position to disclose a reliable forecast in this Prospectus other than its pro forma statement of financial position as set out above.

9. RISK FACTORS

9.1 Introduction

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to Recce's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

9.2 Company Specific

The Company specific risk factors are set out in Section 4.2.

9.3 Industry Specific

(a) **Changes in laws and regulations**

The operation of the Company's business in the pharmaceutical industry is governed by a variety of laws, regulations and guidelines. While to the knowledge of management, the Company is currently in compliance with all current laws, changes to laws and regulations due to matters beyond the control of the Company may cause adverse effects to its operations. The introduction of new legislation or amendments to existing legislation by governments, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial position and financial performance of the Company and its Shares. In addition there is a risk that legal action may be taken against the Company in relation to commercial, legal, regulatory or other matters.

(b) **Product liability and uninsured risks**

Through its intended business, the Company is exposed to potential product liability risks which are inherent in the research and development, manufacturing and marketing and use of its technology or products developed. It will be necessary to secure insurance to help manage such risks. Whilst the Company has in place a level of insurance suitable for its current business undertakings, the Company may not be able to maintain insurance for product or service liability on reasonable terms in the future and, in addition, the Company's insurance may not be sufficient to cover large claims, or the insurer could disclaim coverage on claims.

Although the Company endeavors to work to rigorous standards there is still the potential for the technology or developed products to contain

defects which may result in failures. These defects or problems could result in the loss of or delay in generating revenue, loss of market share, failure to achieve market acceptance, diversion of development resources, and injury to the Company's reputation or increased insurance costs.

If the Company fails to meet its clients' expectations, the Company's reputation could suffer and it could be liable for damages.

Further, the Company is exposed to the risk of catastrophic loss to necessary laboratory equipment, computer equipment or other facilities which would have a serious impact on the Company's operations. The Company gives no assurance that all such risks will be adequately managed through its insurance policies to ensure that catastrophic loss does not have an adverse effect on its performance.

(c) **Research and development**

The Company can make no representation that any of its research into or development of its RECCE technologies or further development of the RECCE antibiotics will be successful or that the RECCE technologies will be developed into products that are commercially exploitable.

There are many risks inherent in the development of pharmaceutical products, particularly where the products are in the early stages of development. Projects can be delayed or fail to demonstrate any benefit, or research may cease to be viable for a range of scientific and commercial reasons.

(d) **Unforeseen expenditure risk**

Expenditure may have needed to be incurred, that has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

(e) **Management of growth and strategies**

There is a risk that management of the Company will not be able to implement the Company's strategies, particularly relating to growth, after completion of the Offer. The capacity of the Company's management to properly implement and manage the strategic direction of the Company may affect the Company's financial performance.

9.4 General Risks

(a) **Concentration of ownership**

Following completion of the Offer, the existing Shareholders will hold 62.09% of the Shares and the voting rights in the Company. While the existing Shareholders do not have a relevant interest in each other's Shares, the exercise of their votes collectively may result in the ability to exercise a controlling influence over the business and affairs of the Company and may have the power to prevent or cause a change in control of the Company. In addition the sale of shares by any existing

Shareholders not subject to escrow restrictions, may adversely affect the Share price.

(b) **Economic**

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's research and development programmes, as well as on its ability to fund those programmes.

(c) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

(i) general economic outlook;

(ii) introduction of tax reform or other new legislation;

(iii) interest rates and inflation rates;

(iv) changes in investor sentiment toward particular market sectors;

(v) the demand for, and supply of, capital; and

(vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and biotechnology stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(d) **Additional requirements for capital**

The Directors believe the funds raised from the Offer will give the Company sufficient working capital to achieve its objectives in this Prospectus. However, funds raised under this Prospectus will likely not be sufficient to enable the Company to fully commercialise its RECCE antibiotics.

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company will likely require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its development and research programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(e) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

(f) **Currently no market**

There is currently no public market for the Company's Shares, the price of its Shares is subject to uncertainty and there can be no assurance that an active market for the Company's Shares will develop or continue after the Offer or that the price of the Shares will increase.

The price at which the Company's Shares trade on ASX after listing may be higher or lower than the Offer Price and could be subject to fluctuations in response to variations in operating performance and general operations and business risk, as well as external operating factors over which the Directors and the Company have no control, such as movements in exchange rates, changes to government policy, legislation or regulation and other events or factors.

There may be relatively few or many potential buyers or sellers of the Shares on ASX at any given time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is above or below the price that Shareholders paid.

(g) **Funding risk**

The Company's ability to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities and to meet any unanticipated liabilities or expenses which the Company may incur may depend in part on its ability to raise additional funds. The Company may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of development or research. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

Further, the Company, in the ordinary course of its operations and developments, is required to issue financial assurances, particularly insurances and bond/bank guarantee instruments to secure statutory and environmental performance undertakings and commercial arrangements. The Company's ability to provide such assurances is subject to external financial and credit market assessments, and its own financial position.

Loan agreements and other financing rearrangements such as debt facilities, convertible note issue and finance leases (and any related guarantee and security) that may be entered into by the Company

may contain covenants, undertakings and other provisions which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in the event of an acceleration. Enforcement of any security granted by the Company or default under a finance lease could also result in the loss of assets.

The Company is exposed to risks associated with its financial instruments (consisting of cash, receivables, accounts payable and accrued liabilities due to third parties from time to time). This includes the risk that a third party to a financial instrument fails to meet its contractual obligations; the risk that the Company will not be able to meet its financial obligations as they fall due; and the risk that market prices may vary which will affect the Company's income.

(h) **Investment speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

10. PATENT ATTORNEY'S REPORT

11 August 2015

By Email graham.melrose@recce.com.au

The Directors
Recce Pty Ltd
3 Brodie Hall Drive, Suite 3
Technology Park
BENTLEY WA 6102

Dear Dr Melrose

Recce Pty Ltd
Patent Attorney Report
Our Ref RR19918/13

1 INTRODUCTION

Phillips Ormonde Fitzpatrick has been instructed by Recce Pty Ltd **("Recce")** to prepare this report for inclusion in a Prospectus to be issued by Recce. Specifically, we have been asked by Recce to provide the details and status of patent matters in the patent portfolio referred to in this report.

This report is current as at 1 August 2015. Phillips Ormonde Fitzpatrick is not aware of any material changes expected to occur to the status of matters discussed below, except as where indicated.

2 SUMMARY

Phillips Ormonde Fitzpatrick has been engaged by Recce as its patent attorney to provide services in connection with preparation, filing and prosecution of patent applications in Australia and in other countries.

The tables below identify the patents and patent applications comprising the Recce patent portfolio. The patent portfolio consists of two (2) patent families relating to antimicrobial polymers, compositions of antimicrobial polymers and use of antimicrobial polymers in treatment of disease.

The patent matters are in various stages of progress. Patents have been granted in various countries, have been allowed for grant of a patent following examination in some countries and patent applications are pending in other countries.

This is a replacement prospectus dated 21 September 2015. It replaces a prospectus dated 1 September 2015 relating to shares of Recce Ltd (ACN 124 849 065).

3 SUBJECT MATTER OF PORTFOLIO

A brief description of the subject matter of each patent family is provided below. However, each patent application is examined separately in each jurisdiction where an application is filed. Therefore, the claims pursued and ultimately, the scope of patent protection granted, may vary between patents in a single family.

Patent Family 1

"Antimicrobial Polymers and their Composition"

Country	App./Serial No.	Earliest priority	Filing Date	Status
Australia	2008324749	7 November 2007	6 August 2008	Granted
Japan	5623285	7 November 2007	6 August 2008	Granted
US	12/774057	7 November 2007	6 August 2008	#Allowed
US	14/807,188	7 November 2007	23 July 2015	Pending
Europe	08782890.1	7 November 2007	6 August 2008	#Allowed
P.R. China	200880124515.5	7 November 2007	6 August 2008	Pending
P.R. China	201410136135.0 (Divisional)	7 November 2007	4 April 2014	Pending

Each of the above are in the name of Recce Pty Ltd as applicant, assignee or patentee.

Allowed refers to the application having been allowed by the relevant patent office for grant of a patent following substantive examination as to patentability. In the normal course of events patents proceed to grant after being allowed.

Patent Family 2

"Copolymer and Method for Treatment of Parenteral Infection"

Country	Provisional Appln. No	Filing Date	Status
Australia	2014904635	18 November 2014	Pending
Australia	2014904763	25 November 2014	Pending
Australia	2015902630	3 July 2015	Pending

Each application of Family 2 was filed and is pending in the name of Recce Pty Ltd as applicant.

3.1 Family 1 "Antimicrobial Polymers and their Compositions"

This family of patents and patent applications claims priority from Australian provisional patent applications 2007906124 filed on 7 November 2007, 2007906829 filed on 4 December 2007 and 2008903576 filed on 11 July 2008 and is derived from International patent application PCT/AU2008/001140.

This patent family will expire in most countries on 6 August 2028. In US patent term may be extended at the time of grant depending on delays in examination.

Generally speaking the claims relate to antimicrobial acrolein polymers which are obtained by base-catalysed polymerisation of acrolein and/or its hydroxyalkanoic acid derived acetal, and polyethylene glycol.

Patents have been granted in Australia and Japan and include claims directed to the antimicrobial polymer, method for preparation of the polymer and use of the polymer in treatment of diseases including microbial gastrointestinal disorders and cancer.

Europe
A communication has been received from the European Patent Office under Rule 71(3) EPC advising that the Examining Division of the European Patent Office intends to grant a European patent. The claims proposed for grant include claims directed to the antimicrobial polymer, method of preparation of the antimicrobial polymer and its use in treatment of microbial gastrointestinal disorders and cancer.

In order for a patent to be granted, it is necessary to approve the text of the specification proposed for grant, file translation of the claims into French and German and pay the required fees. This step has been completed. Following grant, it will be necessary to validate the European patent in the required contracting countries of the EPC. We have received instruction from Recce to have the European patent validated to in United Kingdom, Germany, France, Italy, Spain and Sweden.

US
A notice of allowance issued in the US application on 29 April 2015, advising that the application has been examined and is allowed for issuance of a patent.

The notice of allowance is not a guarantee that grant of a patent right will follow and may be subject to withdrawal from issue by the patent office or by the applicant. We are not aware of any matter which would lead to withdrawal from issue. The fees required for issue of a patent have been paid.

The US allowed claims relate to the antimicrobial polymer.

US Application 14/807,188 is a continuation application from the allowed Application 12/774,057. The continuation application permits further claims to be pursued such as claims relating to the process for manufacture of the antimicrobial.

P.R. China
Two applications are pending in China including application 20141013635.0 which is a divisional application from application 200880124515.5. The divisional application obtains the benefit of priority from 200880124515.5 and if granted and maintained will have a maximum term of 20 years from filing of the international application from which 200880124515.5 is derived.

3.2 Family 2 "Copolymer and Method for Treatment of Parenteral Infection"

This family consists of three Australian provisional patent applications, filed on 18 November 2014, 25 November 2014 and 3 July 2015.

The claims of the provisional patent applications relate to an antimicrobial copolymer for treating parenteral infection, a process for preparing the polymer and a method of treatment of parenteral infection using the copolymer. The copolymer comprises a polyacrolein oligomer segment and a polyalkylene glycol oligomer segment, the copolymer having a molecular weight of no more than 1500 Daltons.

The bacterial infections referred to include sepsis and bacteremia.

The applications will need to be completed by 18 November 2015 by filing national applications and/or an International (PCT) application, if the priority benefit of the provisional applications is to be maintained.

4 OVERVIEW OF INTELLECTUAL PROPERTY (IP) PROTECTION

Intellectual Property (IP) is a form of intangible property right arising from legislation or the common law. Intellectual property rights (IPRs) may be registrable (patents, trade marks, designs, plant breeders' rights) or unregistrable (copyright[1], circuit layout rights, confidential information, trade secrets).

4.1 Patents

a) What is a patent?
A patent is a legally enforceable monopoly right, granted by a government, in respect of a device, system, substance, method or process that is novel, inventive and useful.

Different countries have different laws about what constitutes patentable subject matter. Generally, most countries will not grant a patent for a mere discovery, scientific theory, mathematical method or a method for performing a mental act. Some countries also exclude commercial or business methods, naturally occurring substances and methods of medical treatment (as opposed to medical products).

There are a number of different types of patent applications. In Australia, these can lead to a standard patent (maximum term 20 years) or an innovation patent (maximum term 8 years).

[1] Registrable in some countries

Broadly speaking, for an invention to be considered novel, there must have been no disclosure of it anywhere in the world prior to the earliest patent application filing date. An invention is considered to be inventive if it is “not obvious” to another person with similar skills in the same technology. The test for inventiveness or "non-obviousness" varies from country to country and is often difficult to apply with certainty.

b) Patent infringement

The owner of a granted patent has an exclusive right to stop others making, selling, importing or otherwise using the patented invention for the life of the patent.

Patent infringement occurs when someone makes, hires, uses, imports or sells the patented invention, or a product made by a patented method, or offers to do these things, within the country or area covered by the patent without the permission of the patentee.

c) Patent validity

Grant of a patent does not guarantee validity. A granted patent may be challenged through the courts in revocation proceedings (often in a counter-claim to infringement proceedings), or (in some countries, including Australia) challenged in administrative proceedings in the national Intellectual Property office.

Grant of a valid patent does not mean that the patent can necessarily be exploited without infringing third party IP rights.

d) Maintenance fees

In most countries, maintenance fees are payable during the life of the patent. The regularity of maintenance fees varies from country to country. In many countries, maintenance fees are paid annually from filing. In other countries, maintenance fees are payable only after grant, and less frequently.

Failure to pay maintenance fees by the relevant deadline will result in the patent (or application) lapsing.

Phillips Ormonde Fitzpatrick has determined from its own records that at the time of this report, there are no overdue maintenance fees in respect of the patents listed in Section 3.

e) Enforceability

The patents identified as “Granted” in Section 3 are enforceable against third parties who exploit the patented invention without authorization from Recce. Reasonable care and diligence has been taken to secure those rights. However, legislation around the world entitles third parties to challenge the validity of those rights, even when granted/registered, e.g. by revocation action brought through the courts.

The pending applications do not presently provide enforceable rights. However, once those applications have successfully completed the examination phase, and been allowed (or accepted) for grant, they will generally proceed to grant (unless they are successfully opposed by a third party). On grant, they will become enforceable. The status of the pending patent applications is indicated in Section 3 and Phillips Ormonde

Fitzpatrick will, on instructions from Recce, continue to diligently pursue grant of those rights.

4.2 International conventions

a) Paris convention

The Paris Convention for the Protection of Industrial Property provides that, each contracting State must grant the same protection to nationals of the other contracting States as it grants to its own nationals, in regard to the protection of industrial property.

The Convention further provides for the right of priority in the case of patents (and utility models, where they exist), trade marks and industrial designs. The right of priority means that, on the basis of a regular first application filed in one of the contracting States, the applicant may, within a certain period of time (12 months for patents and utility models, 6 months for industrial designs and trade marks), apply for protection of the same invention in any of the other contracting States. These later applications will then be regarded as if they had been filed on the same day as the first application. In other words, these later applications will have priority over applications which may have been filed during the relevant period of time by other persons for the same invention, utility model, mark or industrial design.

Moreover, these later applications, being based on the first application, will not be affected by any event that may have taken place in the interval, such as any publication of the invention, or sale of articles bearing the mark or incorporating the industrial design. The practical advantage of this provision is that, when an applicant requires protection in several countries, the applicant is not required to lodge all the applications at the same time but has 12 months in the case of patent protection to decide in which countries protection is required and to undertake the steps necessary to secure protection.

Presently, the Paris Convention has around 175 contracting member countries, including Australia.

b) Patent Cooperation Treaty (PCT)

The Patent Cooperation Treaty enables applicants to seek patent protection for an invention simultaneously in each of about 148 contracting states by filing an “international” patent application. Such an application may be filed by anyone who is a national or resident of a PCT contracting state.

The filing of a PCT application automatically designates all PCT contracting states. The effect of the international application in each designated state is the same as if a national patent application had been filed with the national patent office in that state.

The practical advantage of using the PCT is that the effective lodgement date and associated fees for each of the designated countries can be deferred by a further 18 or 19 months (country dependent) from the initial 12 month priority deadline available under the Paris Convention.

An application is said to be in the “international phase” from that date on which the PCT application is filed until such time that national applications (or in the case of the

European Patent Convention, regional applications) are filed. Once the national and/or regional applications are filed, the application is said to be in the "national phase".

c) International search report

The PCT is subjected to an "international search." The international search is carried out by one of the major patent offices and results in an "international search report," or ISR which includes a listing of published documents that may affect patentability of the invention claimed in the international application.

d) Written opinion/international preliminary report on patentability (IPRP)

In addition to the ISR, a preliminary and non-binding, written opinion on whether the invention appears to meet patentability criteria in light of the search report results is issued.

The ISR and written opinion are communicated to the applicant who, after evaluating their content, may decide to withdraw the application, if for example, the content of the report and opinion suggest that the granting of patents is unlikely. Alternatively, the applicant may decide to amend the claims in the application to address any issues raised in the opinion.

The applicant may respond to the written opinion, by filing a request for "international preliminary examination". The response may include amendments to the application, for example, in order to more clearly distinguish the invention from the disclosures made in documents identified in the search report. The result of the preliminary examination is an "international preliminary report on patentability" or IPRP, which contains, once again, a preliminary and non-binding opinion on the patentability of the claimed invention.

The international search and written opinion is intended to provide a preliminary and non-binding opinion only on patentability of the claimed invention, and is not intended to indicate whether commercial exploitation of the applicant's invention may infringe the rights of others.

e) European patent convention (EPC)

The European Patent Convention (EPC) provides a legal framework for granting of European patents, via a single, harmonized procedure before the European Patent Office. A single patent application may be filed at the European Patent Office in one language. The resulting European patent is not a unitary right, but a group of independent nationally enforceable and revocable patents. Following grant of a European patent, formal procedures are required to have the patent rights validated in the required European countries.

The EPC covers: Albania, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, Former Yugoslav Republic of Macedonia, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Liechtenstein, Lithuania, Luxembourg, Latvia, Monaco, Malta, The Netherlands, Norway, Poland, Portugal, Romania, San Marino, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, and the United Kingdom.

f) National patents

There is no such thing as a global patent. In order to obtain protection for an invention overseas, a national patent application must be lodged in each jurisdiction of interest.

Many national patent offices conduct their own comprehensive search and examination to determine whether the application meets the national requirements for patentability. Such search and examination may result in objections being raised. If an objection raised by a national patent office cannot be overcome, the application will be refused. However, in many cases, an objection can be overcome by amendment to the claims and/or argument.

4.3 Overview of the patenting process

Securing a granted patent typically involves a number of steps. The usual first step is to file a "provisional" application. A provisional application establishes a first "priority date" for the invention described therein and provides a period of 12 months within which the invention may be further developed before filing a complete application. A provisional application is not published or examined and will lapse after a period of 12 months.

In order to maintain the priority date established by the provisional application, a complete application must be filed before the end of the 12 month period. Where patent protection is sought in number of countries, the complete application may be a PCT application pursuant to the Patent Cooperation Treaty described above. The PCT application defers the national application filing deadline in countries which are a signatory to the PCT.

After the international phase of the PCT application which involves the international search and written opinion as described above, the "national phase" (or "regional phase" in the case of the EPC), is entered in the countries of interest. Once the national phase is entered, the application proceeds to examination before the national patent office (or the European Patent Office as the case may be) to determine whether the application meets the national requirements for patentability.

In some cases, it may be preferable to omit the PCT application step and proceed directly with national applications in the countries of interest under the Paris convention as described above.

5 LIMITATIONS AND DISCLAIMERS

5.1 Search Limitations

Prior art (or "novelty") searches conducted by various patent offices to determine whether a patent should be granted are limited to the time periods and geographical areas covered. Thus, databases used in searching may not include older published documents and may not cover certain jurisdictions. Moreover, searches cannot locate documents which have not been published at the time of conducting the search. In most countries, publication of a patent application does not occur until 18 months from the earliest priority date. Delays between official publication and the implementation of information onto the relevant databases can also occur.

All searches are limited to the accuracy and scope of the databases searched together with the search criteria adopted. Accordingly, whilst the searches conducted by various patent offices provide a reasonable indicator of patentability prospects, these and other factors make it not possible to guarantee that every relevant prior art record has been identified and considered. Accordingly, any conclusions drawn regarding the validity of claims in a patent based on patent office searches should be regarded as indicative rather than conclusive in nature.

5.2 Grant of Patent Provides no Guarantee of Validity

Grant of a patent by a national patent office provides an indication rather than a guarantee of its validity. In most jurisdictions, a patent application is subject to substantive examination prior to grant. Although this process confers an initial presumption of validity, in most countries that "presumption" carries no binding legal weight and a patent may be challenged at any time after grant by way of revocation proceedings undertaken in a court of competent jurisdiction. In certain countries a granted patent may be subjected to re-examination by the relevant patent office, particularly if relevant prior art is identified that was not considered during the initial examination of the application.

5.3 Grant of Patent Provides no Guarantee of Non-Infringement

Grant of a patent provides no guarantee that the patentee is entitled to commercially exploit the patented invention. For example, the working of an invention, even if validity patented, may nevertheless infringe an earlier patent or other intellectual property rights.

5.4 Scope of Claims May Vary During Examination

It may be possible, and it is often necessary, during examination of a patent application to define the invention more specifically by amendment of the claims to distinguish the invention over relevant prior art. Accordingly, there may be variations in the claims between countries, reflecting in part different national examination procedures and threshold patentability requirements. Such amendments may affect the scope and hence the commercial significance of the resultant patent protection.

5.5 Entitlement to Priority

In order for matter disclosed in a patent to be entitled to the priority date of a corresponding provisional application, there must have been (for Australia under the current patent law) a "real and reasonably clear disclosure" of such material in the provisional application. Similar provisions apply in other jurisdictions. Subject matter not so disclosed is not entitled to the claim to priority, which may affect patentability of an invention or validity of any patent that may be granted in respect of the invention.

5.6 Changes to Patent Law

From time to time the statutory basis governing patent in particular jurisdictions may be amended by the relevant authority, typically the government of that jurisdiction. In addition, the practical effect of the statute may evolve by development of case law, that

is, by the interpretation of the statute by the relevant Courts. The Australian government recently enacted changes to the *Patents Act (1990).* The government's stated intention in introducing those legislative changes was to "raise the bar" on patentability requirements. The changes will apply to all Australian applications for which a request for examination is filed after 15 April 2013. The changes will not apply to any Australian application for which a request for examination was filed before 15 April 2013, nor will they apply to any granted patent arising from such an application. Recce Australian Patent 2008324749 in Family 1 was filed and examination requested before 15 April 2013.

5.7 Reliance on information provided

The preparation of this Report has included access to and reliance on information contained in publically available databases relevant to the patent applications in Section 3. Phillips Ormonde Fitzpatrick is not responsible for the accuracy of information availed in public databases and we cannot guarantee the accuracy of these databases.

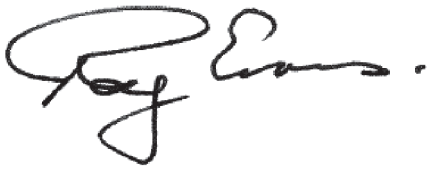
6. PHILLIPS ORMONDE FITZPATRICK'S INTEREST

Phillips Ormonde Fitzpatrick is engaged by Recce for professional patent and trademark services. Phillips Ormonde Fitzpatrick has been and continue to be involved in the preparation, filing, prosecution and maintenance of the patents and applications, of Family 1 and Family 2.

7. CONSENT

Phillips Ormonde Fitzpatrick consent to inclusion of this Report in a Prospectus to be issued by Recce.

Yours sincerely



Raymond L Evans
Partner
ray.evans@pof.com.au

11. INVESTIGATING ACCOUNTANT'S REPORT

RECCE LIMITED
Investigating Accountant's Report

25 August 2015

This is a replacement prospectus dated 21 September 2015. It replaces a prospectus dated 1 September 2015 relating to shares of Recce Ltd (ACN 124 849 065).

25 August 2015

The Directors

Recce Limited
Suite 3, 3 Brodie Hall Drive
Technology Park
Bentley WA 6102

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

1. Introduction

BDO Corporate Finance (WA) Pty Ltd (**'BDO'**) has been engaged by Recce Limited (**'Recce'** or **'the Company'**) to prepare this Investigating Accountant's Report (**'Report'**) in relation to certain financial information of Recce, for the Initial Public Offering of shares in Recce, for inclusion in the Prospectus. Broadly, the Prospectus will offer up to 25,000,000 Shares at an issue price of $0.20 each to raise up to $5,000,000 before costs (**'the Offer'**), which is the minimum subscription level for the Offer.

Expressions defined in the Prospectus have the same meaning in this Report. BDO Corporate Finance (WA) Pty Ltd (**'BDO'**) holds an Australian Financial Services Licence (AFS Licence Number 316158).

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates for any purpose other than that for which it was prepared.

2. Scope

You have requested BDO to perform a limited assurance engagement in relation to the historical and pro forma historical financial information described below and disclosed in the Prospectus.

The historical and pro forma historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

You have requested BDO to review the following historical financial information (together the **'Historical Financial Information'**) of Recce included in the Prospectus:

- the audited historical Statements of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2013, 30 June 2014 and 30 June 2015; and
- the audited historical Statement of Financial Position as at 30 June 2015.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company's adopted accounting policies. The Historical Financial Information has been extracted from the financial reports of Recce for the years ended 30 June 2013, 30 June 2014 and 30 June 2015, which were audited by BDO Audit (WA) Pty Ltd in accordance with the Australian Auditing Standards. BDO Audit (WA) Pty Ltd issued unmodified audit opinions on the financial reports.

Pro Forma Historical Financial Information

You have requested BDO to review the following pro forma historical financial information (together the **'Pro Forma Historical Financial Information'**) of Recce included in the Prospectus:

- the pro forma historical Statement of Financial Position as at 30 June 2015.

The Pro Forma Historical Financial Information has been derived from the historical financial information of Recce, after adjusting for the effects of the subsequent events and the pro forma adjustments as described in Section 8 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in Section 8 of the Prospectus, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position or financial performance.

The Pro Forma Historical Financial Information has been compiled by Recce to illustrate the impact of the events or transactions described in Section 8 of the Prospectus on Recce's financial position as at 30 June 2015. As part of this process, information about Recce's financial position has been extracted by Recce from Recce's financial statements for the year ended 30 June 2015.

3. Directors' responsibility

The directors of Recce are responsible for the preparation and presentation of the Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information are free from material misstatement, whether due to fraud or error.

4. Our responsibility

Our responsibility is to express limited assurance conclusions on the Historical Financial Information and the Pro Forma Historical Financial Information. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the financial information.

5. Conclusion

Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in the Appendices to this Report, and comprising:

- the Statement of Profit or Loss and Other Comprehensive Income of Recce for the years ended 30 June 2013, 30 June 2014 and 30 June 2015; and
- the Statement of Financial Position of Recce as at 30 June 2015,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

Pro Forma Historical Financial information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information as described in the Appendices to this Report, and comprising:

- the pro forma historical Statement of Financial Position of Recce as at 30 June 2015;

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

6. Subsequent Events and Assumptions Adopted in Compiling the Pro-forma Statement of Financial Position

The pro forma historical Statement of Financial Position is shown in Section 8 of the Prospectus. This has been prepared based on the subsequent events and the transactions and events relating to the issue of Shares under the Prospectus as shown in section 8 of the Prospectus.

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no other material transaction or event outside of the ordinary business of Recce not described above, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

7. Independence

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the proposed IPO other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received. BDO is the auditor of

Recce and from time to time, BDO also provides Recce with certain other professional services for which normal professional fees are received.

8. Disclosures

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to Section 2 of this Report, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

Yours faithfully

BDO Corporate Finance (WA) Pty Ltd

Sherif Andrawes

Director

12. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

12.1 Directors and key personnel

Graham Melrose
Executive Chairman

Refer to Section 7.8 of the Prospectus for biography.

Michele Dilizia
Executive Director

Refer to Section 7.8 of the Prospectus for biography.

James Graham
Executive Director

Refer to Section 7.8 of the Prospectus for biography.

Ian Brown
Independent, Non-Executive Director

Refer to Section 7.8 of the Prospectus for biography.

Dongke Zhang
Independent, Non-Executive Director

Refer to Section 7.8 of the Prospectus for biography.

Peter Williams
Company Secretary

Refer to Section 7.8 of the Prospectus for biography.

Management and Consultants

The Company is aware of the need to have sufficient management to properly supervise its development and research programmes and the Board will continually monitor the management roles in the Company. As Recce's development programmes require an increased level of involvement the Board will look to appoint additional management and/or consultants when and where appropriate to ensure proper management of the Company's operations.

12.2 ASX Corporate Governance Council Principles and Recommendations

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by ASX Corporate Governance Council (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current Board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and the Company's full Corporate Governance Plan will be available in a dedicated corporate governance information section of the Company's website (http://www.recce.com.au).

12.3 Responsibilities of the Board

The Board is responsible for, and has the authority to determine, all matters relating to strategic direction, policies, practices, management goals and the operations of the Company. Without intending to limit this general role of the Board, the specific functions and responsibilities of the Board include:

(a) approving the strategic objectives of the Company and establishing goals to promote their achievement;

(b) developing measurable objectives and strategies to meet the objectives of the Company's diversity policy and monitoring the progress of these objectives;

(c) ensuring the Directors inform themselves of the Company's business and financial status;

(d) establishing investment criteria including acquisitions and divestments, approving investments, and implementing ongoing evaluations of investments against such criteria;

(e) providing oversight of the Company, including its control and accountability systems;

(f) exercising due care and diligence and sound business judgment in the performance of those functions and responsibilities;

(g) considering and approving the Company's budgets;

(h) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;

(i) appointing and removing the executives of the Company, monitoring performance and approving remuneration of them and the remuneration policy and succession plans for the Company's executives;

(j) ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer and Company Secretary;

(k) monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available;

(l) ensuring that business risks facing the Company are, where possible, identified and that appropriate monitoring and reporting internal controls are in place to manage such risks;

(m) approving and monitoring financial and other reporting; and

(n) ensuring the Company complies with its responsibilities under the Corporations Act, the ASX Listing Rules, the Company's Constitution and other relevant laws.

12.4 Expertise

The Board shall ensure that collectively, it has or has access to, the appropriate range of expertise to properly fulfil its responsibilities, including:

(a) accounting;

(b) finance;

(c) business;

(d) adequate technical experience;

(e) experience in the Pharmaceutical industry;

(f) risk management;

(g) public company experience;

(h) legal skills; and

(i) Managing Director level experience.

The Board shall review the range of expertise of its members on a regular basis and ensure that it has operational and technical expertise relevant to the operations of the Company.

12.5 Composition

The composition of the Board is determined in accordance with the following general principles:

(a) at least one Director shall be an independent non-executive Director; and

(b) the Board shall comprise Directors with a broad mix of business expertise and experience.

The composition of the Board, its performance and the appointment of new Directors will be reviewed periodically by the Board, taking advice from the external advisers where appropriate.

12.6 Committees

In order to better manage its responsibilities, the Board has established an Audit and Risk Management Committee and a Nomination and Remuneration Committee. Each committee has adopted a charter approved by the Board, setting out its responsibilities.

(a) **Audit and Risk Management Committee**

The Audit and Risk Management Committee's primary objective is to assist and advise the Board in fulfilling its responsibilities in relation to the accounting and reporting practices of the consolidated entity. The role and responsibilities, composition, structure and membership requirements of the Audit and Risk Management Committee are documented in a separate Committee Charter approved by the Board and include:

(i) the nomination and remuneration of external auditors;

(ii) reviewing the quality of the external audit;

(iii) providing an independent, objective review of financial information provided by management to Shareholders and regulatory authorities;

(iv) reviewing the Company's financial control practices; and

(v) assisting the Board in fulfilling its responsibilities relating to the risk management and compliance practices of the Company.

The Audit and Risk Management Committee will comprise a minimum of three members, with the majority of members being independent Directors, and an Independent Chairman who is not Chairman of the Board. Executives may attend by invitation. The members of this Committee are Ian Brown (Chairman), Dongke Zhang and James Graham.

The independent auditors have a direct line of reporting to the Committee and have clear and open access to members of this Committee.

The Audit and Risk Management Committee has the function of reviewing management practices in relation to the identification and management of significant financial risk areas and regulatory compliance. Formal systems have been introduced for regular reporting to the Board on financial risks and compliance matters.

(b) **Nomination and Remuneration Committee**

This Committee's principal function is reviewing and making recommendations to the Board on remuneration packages and policies applicable to Directors and senior executives.

The role and responsibilities, composition, structure and membership requirements of the Nomination and Remuneration Committee are set out in detail in a Nomination and Remuneration Committee Charter. The Charter provides for the committee to consider nomination matters including:

(i) nomination and appointment and removal of Directors and executives;

(ii) directors' competencies;

(iii) board composition;

(iv) election of Directors;

(v) education and education procedures; and

(vi) evaluation and review procedures.

The Charter provides for the committee to consider remuneration matters including:

(i) executive remuneration policies and packages;

(ii) incentives schemes;

(iii) non-executive directors remuneration; and

(iv) termination payments.

The Committee will comprise a minimum of 3 members, with the majority of members being independent Directors, and will meet at least once each year. The members of this Committee are Dongke Zhang (Chairman), Ian Brown and Michele Dilizia.

The total maximum remuneration of Non-Executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-Executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-Executive Director. The current amount has been set at an amount not to exceed $180,000 per annum.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

12.7 Code of Conduct for Directors and Key Officers

To promote ethical and responsible decision-making, the Board has approved a Code of Conduct for Directors and Key Officers (including the executive chairman, executive directors and the Chief Financial Officer and Company Secretary and any other key executives) as to the practices necessary to maintain confidence in the Company's integrity and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Code of Conduct for Directors and Officers deals with the following principal areas:

(a) integrity and professionalism;

(b) conflicts of interest;

(c) confidentiality;

(d) fair dealing;

(e) inside information;

(f) compliance with laws and regulations; and

(g) encouraging the reporting of unlawful, unethical behaviour.

Directors and the senior management team must comply with the Code of Conduct.

12.8 Code of Conduct Covering Obligations to Stakeholders

The Board has established a code of conduct (Code) to guide compliance with legal and other obligations to legitimate stakeholders.

The Code includes:

(a) responsibilities to Shareholders;

(b) responsibilities to clients, customers and consumers;

(c) employment practices;

(d) obligations relative to fair trading and dealing;

(e) responsibilities to the community;

(f) responsibilities to the individual; and

(g) how the Company monitors and ensures compliance with the Code.

12.9 Policies

(a) **Delegation of authority**

The Company's Statement of Delegated Authority sets out the Company's policy relevant to the delegation of authority to management to conduct the day-to-day management of the Company.

The policy contains various levels of authority in relation to entering transactions and other legally binding agreements on behalf of the Company.

(b) **Securities trading**

The Company has a securities trading policy for Directors and senior executives. The policy requires Directors and senior executives to advise the Executive Chairman if they intend to trade in securities in the Company and provides safeguards for both the Company and the individual with respect to securities trading.

The securities trading policy clearly identifies those individuals who are restricted from trading and the relevant laws relating to trading.

(c) **Communications strategy with Shareholders**

The Company's communication strategy is designed to promote effective communication with Shareholders and encourage participation at general meetings.

The Board aims to ensure that all Shareholders of the Company are kept informed of all material developments affecting the Company's business. Information will be communicated to Shareholders through announcements to the ASX, the Company's annual report, annual general meetings, half yearly and full year results, and the Company's web site, www.recce.com.au .

The Company Secretary has been appointed as the person primarily responsible for managing external communications with the ASX.

(d) **Disclosure**

The Company's disclosure policy is designed to ensure compliance with the ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance.

The disclosure policy includes vetting and authorisation processes designed to ensure that Company information:

(i) is disclosed in a timely manner;

(ii) is factual;

(iii) does not omit material information; and

(iv) is expressed in a clear and objective manner that allows the input of the information when making investment decisions.

12.10 Departures from Recommendations

Following admission to the Official List of ASX, the Company will be required to report any departures from the Recommendations in its annual financial report.

The Company's departures from the Recommendations as at the date of this Prospectus are set out on the following pages.

PRINCIPLES AND RECOMMENDATIONS	EXPLANATION
Recommendation 2.4 A majority of the board of a listed entity should be independent directors.	The Board Charter requires that where practical the majority of the Board will be independent. The Board currently comprises a total of 5 directors, of whom 2 are considered to be independent. As such, independent directors are not currently an independent majority of the Board. The Board does not currently consider an independent majority of the Board to be appropriate given: (a) the magnitude of the Company's operations; and (b) the relevant skills and experience of Dr Melrose, Ms Dilizia and Mr Graham, together with the two independent directors, mean that the Board is appropriately skilled at this stage, to further the progress and development of the Company. The Company may seek to appoint additional independent Directors in the future to address the lack of independence of its Directors.
Recommendation 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	The Chairman, Dr Melrose is an executive director and is not considered by the Board to be independent. The Board does not have an independent Chair because as founder of Recce and primary inventor of the RECCE technology, the Company considers that Dr Melrose is the best equipped person to progress the Company's future direction. The Company may seek to appoint an independent Chair in the future.
Recommendation 7.3 A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and	(a) The Audit and Risk Management Committee Charter provides for the Audit and Risk Management Committee to monitor the need for an internal audit function. At this stage, due to the current size and nature of the existing Board and the magnitude of the Company's operations the Company does not have an internal audit

continually improving the effectiveness of its risk management and internal control processes.	function. (b) The Company has adopted a Risk Management Policy which the Company will follow. The Audit and Risk Management Committee will review on a regular basis the reports prepared by management in relation to the Company's risk profile.

13. ADDITIONAL INFORMATION

13.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

13.2 Rights Attaching to Shares

The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) **General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution.

(b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

(i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;

(ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and

(iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **Dividend rights**

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the

dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of Shares**

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(g) **Variation of rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) **Alteration of Constitution**

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

13.3 Terms and conditions of Performance Shares

The terms and conditions of the Performance Shares are as follows:

Rights attaching to the Performance Shares

(a) (**Performance Shares**) Each Performance Share is a share in the capital of the Company.

(b) (**General meetings**) Each Performance Share confers on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to holders of fully paid ordinary shares in the capital of the Company (**Shareholders**). Holders have the right to attend general meetings of Shareholders.

(c) (**No voting rights**) A Performance Share does not entitle the Holder to vote on any resolutions proposed by the Company except as otherwise required by law.

(d) (**No dividend rights**) A Performance Share does not entitle the Holder to any dividends.

(e) (**No rights to return of capital**) A Performance Share does not entitle the Holder to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.

(f) (**Rights on winding up**) A Performance Share does not entitle the Holder to participate in the surplus profits or assets of the Company upon winding up.

(g) (**Not transferable**) A Performance Share is not transferable.

(h) (**Reorganisation of capital**) If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.

(i) (**Application to ASX**) The Performance Shares will not be quoted on ASX. However, if the Company is listed on ASX at the time of conversion of the Performance Shares into fully paid ordinary shares (**Shares**), the

Company must within 10 Business Days apply for the Official Quotation of the Shares arising from the conversion on ASX.

(j) (**Participation in entitlements and bonus issues**) A Performance Share does not entitle a Holder (in their capacity as a holder of a Performance Share) to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.

(k) (**No other rights**) A Performance Share gives the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

Conversion of the Performance Shares

(l) (**Conversion on achievement of milestone**) Subject to paragraph (m), a Performance Share in the relevant class will convert into one Share upon achievement of:

(i) Class A: the volume weighted average price of Shares as traded on ASX over 20 consecutive trading days on which the Shares are traded is not less than $0.30 on or before 19 August 2020 (**Milestone**).

(ii) Class B: the Company is awarded the US Food and Drug Administration's (**FDA**) Investigational New Drug (**IND**) status (or the European equivalent by the European Medicines Agency (**EMA**)) on or before 19 August 2020 (**Milestone**).

(iii) Class C: the volume weighted average price of Shares as traded on ASX over 20 consecutive trading days on which the Shares are traded is not less than $0.60 on or before 20 August 2020 (**Milestone**).

(iv) Class D: the volume weighted average price of Shares as traded on ASX over 20 consecutive trading days on which the Shares are traded is not less than $1.20 on or before 20 August 2020 (**Milestone**).

(m) (**Deferral of conversion if resulting in a prohibited acquisition of Shares**) If the conversion of a Performance Share would result in any person being in contravention of section 606(1) of the Corporations Act 2001 (Cth) (**General Prohibition**) then the conversion of that Performance Share shall be deferred until such later time or times that the conversion would not result in a contravention of the General Prohibition. In assessing whether a conversion of a Performance Share would result in a contravention of the General Prohibition:

(i) Holders may give written notification to the Company if they consider that the conversion of a Performance Share may result in the contravention of the General Prohibition. The absence of such written notification from the Holder will entitle the Company to assume the conversion of a Performance Share will not result in any person being in contravention of the General Prohibition.

(ii) The Company may (but is not obliged to) by written notice to a Holder request a Holder to provide the written notice referred to

in paragraph (m)(i) within seven days if the Company considers that the conversion of a Performance Share may result in a contravention of the General Prohibition. The absence of such written notification from the Holder will entitle the Company to assume the conversion of a Performance Share will not result in any person being in contravention of the General Prohibition.

(n) (**Redemption if Milestone not achieved**) If the relevant Milestone is not achieved by the required date, then each Performance Share in that class will be automatically redeemed by the Company for the sum of $0.00001 within 10 Business Days of non satisfaction of the Milestone.

(o) (**Conversion procedure**) The Company will issue the Holder with a new holding statement for any Share issued upon conversion of a Performance Share within 10 Business Days following the conversion.

(p) (**Ranking upon conversion**) The Share into which a Performance Share may convert will rank pari passu in all respects with existing Shares.

13.4 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

(a) the formation or promotion of the Company;

(b) any property acquired or proposed to be acquired by the Company in connection with:

(i) its formation or promotion; or

(ii) the Offer; or

(c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

(a) as an inducement to become, or to qualify as, a Director; or

(b) for services provided in connection with:

(i) the formation or promotion of the Company; or

(ii) the Offer.

13.5 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no:

(a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;

(b) promoter of the Company; or

(c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

(a) the formation or promotion of the Company;

(b) any property acquired or proposed to be acquired by the Company in connection with:

(i) its formation or promotion; or

(ii) the Offer; or

(c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

(a) the formation or promotion of the Company; or

(b) the Offer.

Phillips Ormonde Fitzpatrick has acted as Patent Attorney and has prepared the Intellectual Property Report which is included in Section 10. The Company estimates it will pay Phillips Ormonde Fitzpatrick a total of $5,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Phillips Ormonde Fitzpatrick have been paid $83,684 (excluding GST) for services provided to the Company in relation to the preparation, filing and prosecution of patent applications in Australia and in other countries.

BDO Corporate Finance (WA) Pty Ltd has acted as Investigating Accountant and has prepared the Investigating Accountant's Report which is included in Section 11. The Company estimates it will pay BDO Corporate Finance (WA) Pty Ltd a total of $10,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, BDO Corporate Finance (WA) Pty Ltd has not received any fees from the Company for any other services.

State One Equities Pty Ltd has acted as Lead Manager in relation to the Offer. The Company estimates it will pay State One Equities Pty Ltd the fee as set out in Section 5.9 for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, State One Equities Pty Ltd has not received any fees from the Company for any other services.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin $80,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has not received fees from the Company for any other services.

13.6 Consents

Each of the parties referred to in this Section:

(a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and

(b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Phillips Ormonde Fitzpatrick has given its written consent to being named as the Patent Attorney in this Prospectus, the inclusion of the Intellectual Property Report in Section 10 in the form and context in which the report is included. Phillips Ormonde Fitzpatrick has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

BDO Corporate Finance (WA) Pty Ltd has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 11 in the form and context in which the information and report is included. BDO Corporate Finance (WA) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

State One Equities Pty Ltd has given its written consent to being named as the lead manager to the Company in this Prospectus. State One Equities Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

BDO Audit (WA) Pty Ltd has given its written consent to being named as the auditor in this Prospectus. BDO Audit (WA) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Computershare Investor Services Pty Limited has given its written consent to being named as the share registry to the Company in this Prospectus. Computershare Investor Services Pty Limited has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

13.7 Expenses of the Offer

The total expenses of the Offer (including GST) are estimated to be approximately $559,854 and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Full Subscription ($)
ASIC fees	$2,320
ASX fees	$75,337
Lead Manager Fee*	$357,500
Legal Fees	$88,000

Patent Attorney's Fees	$5,500
Investigating Accountant's Fees	$11,000
Printing and Distribution	$18,547
Miscellaneous	$1,650
TOTAL	**$559,854**

* The Lead Manager at its discretion may pass on some of these fees to brokers that assist with raising funds under the Offer. Broker commissions will only be paid on applications made through a licensed securities dealers or Australian financial services licensee and accepted by the Company. In addition, the Lead Manager may elect for this fee to the issue of Shares. In the event this occurs the expenses of the Offer will be reduced and the additional funds will be allocated to working capital. Refer to Section 5.9 of this Prospectus for further information.

13.8 Continuous Disclosure Obligations

Following admission of the Company to the Official List, the Company will be a "disclosing entity" (as defined in Section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Price sensitive information will be publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants will also be managed through disclosure to the ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

13.9 Electronic Prospectus

If you have received this Prospectus as an electronic prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at http://www.recce.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

13.10 Financial Forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

13.11 Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship

The Company will apply to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

13.12 Privacy Statement

By completing and returning an Application Form, you will be providing personal information directly or indirectly to the Company, the Share Registry, and related bodies corporate, agents, contractors and third party service providers of the foregoing (**Collecting Parties**). The Collecting Parties collect, hold and will use that information to assess your Application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

By submitting an Application Form, you authorise the Company to disclose any personal information contained in your Application Form (**Personal Information**) to the Collecting Parties where necessary, for any purpose in connection with the Offer, including processing your acceptance of the Offer and complying with applicable law, the ASX Listing Rules, the ASX Settlement Operating Rules and any requirements imposed by any Public Authority.

If you do not provide the information required in the Application Form, the Company may not be able to accept or process your acceptance of the Offer.

If the Offer is successfully completed, your Personal Information may also be used from time to time and disclosed to persons inspecting the register of Shareholders, including bidders for your securities in the context of takeovers, public authorities, authorised securities brokers, print service providers, mail houses and the Share Registry.

Any disclosure of Personal Information made for the above purposes will be on a confidential basis and in accordance with the Privacy Act 1988 (Cth) and all other legal requirements. If obliged to do so by law or any Public Authority, Personal Information collected from you will be passed on to third parties strictly in accordance with legal requirements. Once your Personal Information is no longer required, it will be destroyed or de-identified. As at the date of this Prospectus, the Company does not anticipate that Personal Information will be disclosed to any overseas recipient.

Subject to certain exemptions under law, you may have access to Personal Information that the Collecting Parties hold about you and seek correction of such information. Access and correction requests, and any other queries regarding this privacy statement, must be made in writing to the Share Registry

at the address set out in the Corporate Directory of this Prospectus. A fee may be charged for access.

14. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

_____

Dr Graham Melrose
Executive Chairman
For and on behalf of
Recce Ltd

15. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

$ means an Australian dollar.

acrolein 2-propen-1-al. A very reactive, low-boiling and lachrymatory liquid derived from petroleum sources.

antibiotic means a drug which kills or inhibits the growth of bacteria.

antibiotic resistance means the ability of bacteria to grow in the presence of a chemical (drug) that would normally kill them or limit their growth.

antimicrobial means a drug which kills or inhibits the growth of microbes.

Application Form means the application form attached to or accompanying this Prospectus relating to the Offer.

ASIC means Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the official listing rules of ASX.

bacteria means a group of living single cell organisms occurring in a wide range of habitats, various species of which are concerned in fermentation and putrefaction, the production of disease and the fixing of atmospheric nitrogen.

broad spectrum means antibiotics which are effective against a wide range of bacteria.

Board means the Board of Directors as constituted from time to time.

Closing Date means the closing date of the Offer as set out in Section 2 (subject to the Company reserving the right to extend the Closing Date or close the Offer early).

Company or **Recce** means Recce Ltd (ACN 124 849 065).

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company at the date of this Prospectus.

efficacy means the capacity for serving to produce effects; effectiveness.

epidemiology means the branch of medicine which deals with the study of the distribution and determinants of disease in populations and with investigations into the source and causes of infectious diseases.

FDA means the United States Food and Drug Administration.

gastritis means inflammation of the stomach, especially of its mucous membrane.

Gram-negative bacteria means bacteria which do not retain in their cell wall, a stain invented by H.C. Gram.

Gram-positive bacteria means bacteria which retain in their cell wall, a stain invented by H.C. Gram.

ICU means Intensive Care Unit of a hospital.

indication means the basis or rationale – such as symptoms or diagnostic test results – for using a particular medical treatment.

in vitro means within an artificial environment, for example test-tube.

in vivo means within a living organism.

know-how means the inside knowledge or peculiar skill/experience required to perform a known task.

Literature means the writings dealing with a particular subject.

loc. cit means in the place or passage already mentioned.

monomer means a molecule, usually of low molecular weight, capable of reacting with identical or different monomers to form a polymer.

Mycoplasma means a genus of very small organisms usually classified as bacteria; their genetic origin is unresolved.

Offer means the offer of Shares pursuant to this Prospectus as set out in Section 5.

Official List means the official list of ASX.

Official Quotation means official quotation by ASX in accordance with the ASX Listing Rules.

Original Prospectus means the prospectus dated 1 September 2015 relating to shares of the Company.

parenteral means by some other means than through the gastrointestinal tract.

pathogen means a disease-producing organism.

Performance Share means a performance share in the capital of the Company issued on the terms and conditions set out in Section 13.3.

pH means a measure of acidity or alkalinity. Pure water has a pH of 7; acidic solutions have lower pH values and alkaline solutions have higher pH values.

polymer means compounds, usually of high molecular weight derived by the bonding of many smaller molecules (monomers).

polymerisation means the chemical reaction whereby a polymer is formed.

pseudomembranous colitis means a severe inflammatory disease of the human intestine, due to infection by *Clostridium difficile*.

Prospectus means this Prospectus.

RECCE antibiotics has the meaning as set out in Sections 6.2 and 6.3.

Section means a section of this Prospectus.

sepsis means the body's inflammatory response to infection by bacteria.

septicaemia means a systemic disease caused by multiplication of microorganisms (e.g. bacteria) in circulating blood; formerly called "blood poisoning".

sequelae means complications that develop in the course of, or as a result of, a disease or infection.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

State One or **Lead Manager** means State One Equities Pty Ltd (ACN 064 904 650).

superbug means a drug-resistant or multidrug-resistant bacterium.

synthesise means to manufacture a complex product by combining simple substances or elements.

WST means Western Standard Time as observed in Perth, Western Australia.

RECCE LTD
ACN 124 849 065

SUPPLEMENTARY PROSPECTUS

IMPORTANT INFORMATION

This is a supplementary prospectus (**Supplementary Prospectus**) intended to be read with the replacement prospectus dated 21 September 2015 (**Prospectus**), issued by Recce Ltd (ACN 124 849 065) (**Company**).

This Supplementary Prospectus is dated 23 November 2015 and was lodged with ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Supplementary Prospectus.

Other than as set out below, all details in relation to the Prospectus remain unchanged. Terms and abbreviations defined in the Prospectus have the same meaning in this Supplementary Prospectus. If there is a conflict between the Prospectus and this Supplementary Prospectus, this Supplementary Prospectus will prevail.

This Supplementary Prospectus will be issued with the Prospectus as an electronic prospectus and may be accessed on the Company's website (www.recce.com.au).

The Company will send a copy of the Supplementary Prospectus to all applicants who have applied for Shares pursuant to the Prospectus prior to the date of this Supplementary Prospectus.

This is an important document and should be read in its entirety. If you do not understand it you should consult your professional advisers without delay.

1. LITIGATION

Section 13.1 of the Prospectus is replaced with:

Other than as set out below, as at the date of this Supplementary Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

Recce has received correspondence (**Email**) from Portison Pty Ltd (**Portison**), a company claiming to have acquired all the intellectual property of Chemeq Ltd and Chemeq Technologies Pty Ltd (collectively, **Chemeq**).

The Email makes a claim of "Alleged Patent Infringement" in relation to "Chemeq patent(s)" by Recce's PCT/AU2008/001140 (**Patent Application**). The Patent Application has entered the national phase in Australia, Japan, the U.S., Europe and China and is the parent of the granted patents and patent applications of Patent Family 1 "Antimicrobial Polymers and their Composition") as disclosed in section 3 of the Patent Attorney's Report which is set out in Section 10 of the Prospectus.

The Email references an earlier letter sent to the Company by Blake Dawson (acting on behalf of the Receivers and Managers of Chemeq Ltd) (**Receivers**) on 19 May 2010 requesting that the Company desist from filing the Patent Application (**Blakes Letter**).

The Blakes Letter expressed concerns that the Patent Application may be based on, or derived from, intellectual property or confidential information owned by Chemeq. The Blakes Letter did not provide any detailed specificity or substantiation in relation to the concerns of the Receivers. By letter dated 24 May 2010, Recce requested specificity and substantiation of the Receivers' unsupported concerns. No response to the letter dated 24 May 2010 has been received. The Company is not aware of the reasons why no response to the letter dated 24 May 2010 has been received.

In the Email, Portison has stated that, unless the Company immediately desists 'with the aforementioned Recce patent and your endeavours therein', Portison will have no option but to proceed to file a claim for damages against the Company.

The Directors position is that:

(a) the Email from Portison does not disclose any basis upon which Portison could reasonably commence proceedings against Recce or its Directors; and

(b) without any information to support the purported claim from Portison, the Company is unable to form a definitive view on substance of the claim. However, based on the information provided by Portison to date and the information provided to the Company by Dr Melrose, the unsubstantiated accusations and assertions made by Portison amount to an ambit claim without merit.

In support of this view, the Directors note that:

(a) all patents owned by Chemeq have ceased or lapsed;

(b) as a matter of law it is not possible for the Patent Application to infringe another patent (e.g. a patent owned by Chemeq or any other person or entity); and

(c) as the Patent Application has now entered the national phase in Australia, and has been granted in Australia and elsewhere, it is not possible to desist with the Patent Application.

As disclosed in the Prospectus, Dr Melrose was previously a director of Chemeq. Dr Melrose was not however a director of Chemeq when he created the invention protected by the Patent Application.

Dr Melrose has advised that in preparing the Patent Application he did not unlawfully use any intellectual property or confidential information owned by Chemeq and that Chemeq has no interest in, or rights with respect to, the Patent Application.

Notwithstanding the views of the Company, the Company has elected to offer all investors who applied for Shares under the Prospectus before the date of this Supplementary Prospectus (**Existing Applicants**) a right to withdraw their applications for Shares and be repaid their application monies. Details of the withdrawal process are set out in Section 6 of this Supplementary Prospectus.

2. RISK FACTORS

Recce refers to the risk factors related to Recce's intellectual property disclosed in Section 4.2 of the Prospectus and specifically those related to litigation.

In relation to the legal proceedings threatened by Portison, Recce may be forced to defend Recce's intellectual property rights. Any such litigation, even where Recce is successful, could be costly and divert management attention away from operating its business which may adversely impact Recce's business, operations and financial condition. Further, an adverse result in such litigation may place Recce's intellectual property at risk of being invalidated, unenforceable or limited or narrowed in scope. However, the Company's position is that, based on the information provided by Portison to date and the information provided to the Company by Dr Melrose, the claim is baseless and without merit.

3. EXTENSION OF TIME FOR SHARES TO BE ADMITTED TO OFFICIAL QUOTATION

In accordance with the Corporations Act, if a person offers securities under a disclosure document (e.g. a prospectus) and the disclosure document states or implies that the securities are to be quoted on a financial market (e.g. ASX) and the securities are not admitted to quotation within 3 months after the date of the disclosure document (**Quotation Condition**) then an issue or transfer of securities in response to an application made under the disclosure document is void and the person offering the securities must return the money received by the person from the applicants as soon as practicable.

In addition, the Corporations Act provides that where a disclosure document states that the securities will not be issued or transferred unless a minimum amount is raised and that condition is not satisfied within 4 months after the date of the disclosure document (**Minimum Subscription Condition**), the person offering the securities must repay the money received from applicants or give applicants a supplementary disclosure document and 1 month to withdraw their application and be repaid.

Accordingly, the Company has until 1 December 2015 to comply with the Quotation Condition and has until 1 January 2016 to comply with the Minimum Subscription Condition.

As at the date of this Supplementary Prospectus the Shares offered under the Prospectus are not admitted to Official Quotation. Further, as the Company is offering Existing Applicants a period of one month from the date of this Supplementary Prospectus to withdraw their applications and be repaid their application monies due to the threatened legal proceedings against the Company made by Portison, the Company will be unable to issue any Shares under the Offer until that one month period has expired. As this period will expire after the date the Quotation Condition must be satisfied the Company would be unable to issue any Shares under the Offer unless the period to satisfy the Quotation Condition is extended.

Further, the Minimum Subscription Condition may not be satisfied by the required date. Although applications have been received for in excess of the minimum subscription amount of the Offer ($5,000,000 – refer to Section 4 of this Supplementary Prospectus), as these applications may be withdrawn during the one month period after the date of this Supplementary Prospectus there is a possibility that the Minimum Subscription Condition may not continue to be satisfied at the conclusion of the one month withdrawal period and where that occurs there is then the possibility that new applications for a sufficient amount to satisfy the Minimum Subscription Condition may not be obtained by the current required date. For these reasons, the Company considers it prudent that the date for satisfaction of the Minimum Subscription Condition also be extended.

On 20 November 2015, the Company was granted a modification of the Corporations Act by ASIC (**ASIC Modification**). The effect of the ASIC Modification is to give the Company:

(a) a further 3 months after the date of the latest disclosure document lodged by the Company which discloses that the Shares are not admitted to quotation and gives applicants 1 month to withdraw their application and be repaid (e.g. the Supplementary Prospectus) to satisfy the Quotation Condition; and

(b) a further 4 months after the date of the latest disclosure document lodged by the Company which discloses that the Minimum Subscription may not be satisfied and gives applicants 1 month to withdraw their application and be repaid (e.g. the Supplementary Prospectus) to satisfy the Minimum Subscription Condition.

Details of the withdrawal process are set out in Section 6 of this Supplementary Prospectus.

4. STATUS OF THE FUNDRAISING

The Company advises investors that the Offer has been oversubscribed for some time.

As at the date of this Supplementary Prospectus, the Company has a total of $5,205,200 in application proceeds held on trust from 385 applications. More than the minimum subscription amount of $5,000,000 has been in the Company's trust account since 22 October 2015.

The Offer has therefore been very well supported by investors.

5. UPDATE ON STATUS OF PATENT APPLICATIONS

Since the date of the Prospectus, Recce has continued to progress its patent applications and confirms the following developments:

(a) US Application 12/774057 has been granted and US Patent 9,119,394 of expiration date 30 March 2029 has been received. The Company's negotiations led to an approximately eight month extension of the anticipated and usual expiration date;

(b) European Application 08782890.1 has been granted and EU Patent 2207819 of expiration date 6 August 2028 has been received; and

(c) P.R. China Application 200880124515.5 has been allowed and fees paid by the Company such that grant is anticipated to be completed shortly.

Further, Recce confirms the provisional applications to maintain the priority benefit of the applications the subject of Family 2 "Copolymer and Method for Treatment of Parenteral Infection" were submitted by the due date of 18 November 2015.

6. WITHDRAWAL RIGHTS

6.1 Withdrawal of previous Applications

If you are an Existing Applicant and want to exercise your right to withdraw your application for Shares and be repaid your application monies, you must provide the Company written notice, to the address set out below, of your wish to do so **no later than 5:00pm (WST) on 23 December 2015**.

Recce Limited
c/- State One Equities Pty Ltd
Level 14, 172 St Georges Terrace
Perth WA 6000

The details for the payment of the refund cheque and address to which it should be sent as set out in your written request must correspond to the details contained in the Application Form lodged by you.

Any repayments made by the Company pursuant to an Existing Applicant exercising their right to withdraw their application will be made in full without interest.

If you do not wish to withdraw your application, you do not need to take any action.

6.2 New Applications

New applications for Shares on and from the date of this Supplementary Prospectus **must** be made using the Supplementary Application Form attached to or accompanying this Supplementary Prospectus. The Supplementary Application Form contains detailed instructions on how it is to be completed.

Applications made on the Application Form attached to or accompanying the Prospectus on or after the date of this Supplementary Prospectus will not be valid.

7. AMENDMENTS TO PROSPECTUS

7.1 Indicative Timetable

Section 2 of the Prospectus is replaced by the following:

Lodgement of Original Prospectus with the ASIC	1 September 2015
Lodgement of Replacement Prospectus with the ASIC	21 September 2015
Lodgement of Supplementary Prospectus with the ASIC	23 November 2015
Last date for Existing Applicants to notify the Company of their election to withdraw their application	23 December 2015
Closing Date*	24 December 2015
Issue of Shares and despatch of holding statements*	29 December 2015
Expected date for quotation on ASX*	5 January 2016

** The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without prior notice. The Company also reserves the right not to proceed with the Offer at any time before the issue of Shares to Applicants.*

7.2 Minimum Subscription

Section 5.2 of the Prospectus is replaced by the following:

The minimum subscription for the Offer is the full subscription of $5,000,000 (**Minimum Subscription**).

Following the ASIC Modification, if the Minimum Subscription has not been raised within 4 months after the date of this Supplementary Prospectus (i.e. 23 March 2016), or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

7.3 ASX Listing

Section 5.4 of the Prospectus is replaced by the following:

Application for Official Quotation by ASX of the Shares offered pursuant to this Prospectus was made within 7 days after the date of the Original Prospectus.

Following the ASIC Modification, if the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of this Supplementary Prospectus (i.e. 23 February 2016), or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

8. DIRECTORS' AUTHORISATION

This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Supplementary Prospectus with the ASIC.

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Dr Graham Melrose
Executive Chairman
For and on behalf of
Recce Ltd