

Appendix 4D

Current Reporting Period: 31 December 2022

Previous Reporting Period: 31 December 2021

Results for Announcement to the Market

		Percentage Change	\$
Revenue from ordinary activities	-	0.00% to	-
Loss from ordinary activities after tax attributable to members	down	85.06% to	(9,222,578)
Net loss for the period attributable to members	down	85.06% to	(9,222,578)

Brief explanation of Results

Operational Report

During the reporting period, significant advances were made in support of the development of the Company's anti-infective portfolio. Highlights for the half year to 31 December 2022 included:

- Dosing at 6,000mg was completed for Cohort 7 for the Phase I intravenous (IV) clinical trial of RECCE® 327 (R327) over 1-hour I.V. infusion, with no serious adverse effects among 10 healthy male subjects.
- Ethics approval was received to begin a Phase I/II clinical trial assessing R327 as a spray-on, broad-spectrum antibiotic therapy for mild skin and soft tissue diabetic foot infections (DFI). The study is being conducted at the South West Sydney Limb Preservation and Wound Research Unit, located at the Ingham Institute of Medical Research.
- Dr Philip Sutton was appointed as Vice President of Translational Sciences, joining on a full-time basis. Dr Sutton has taken a leading role in advancing Recce's compounds across a portfolio of infectious disease programs.
- An Anti-Infective Research (AIR) Unit was established at Murdoch Children's Research Institute through the execution of a research collaboration agreement, securing a dedicated Murdoch Children's research team with access to infectious disease expertise and fit-for-purpose laboratory space.
- Alistair McKeough was appointed to the Board of Directors as Non-Executive Director and Maggie Niewidok appointed as Company Secretary. Alistair previously served as Recce Pharmaceuticals' Company Secretary and primary legal adviser.

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- US-based Dr John Prendergast was appointed Executive Chairman, having joined the Board of Directors as Non-Executive Director in April 2018.
- Executive Director and Chief Scientific Officer, Michele Dilizia, delivered the Opening R&D Address at the World Anti-Microbial Resistance Conference, positioning Recce as a sign of new hope in the fight against superbugs on the international stage.
- SARS-CoV-2 studies demonstrated significant efficacious activity of R327 against the SARS-CoV-2 virus in the throat of Syrian golden hamsters – the gold standard in COVID studies.

Clinical Progress

The Company made considerable clinical progress during the half-year period ending 31 December 2022, highlighted by completing a Phase I intravenous (IV) clinical trial in 80 healthy human volunteers. Further, the Company received ethics approval to begin a new Phase I/II clinical trial to assess R327 as a spray-on, broad-spectrum antibiotic therapy for mild skin and soft tissue diabetic foot infections (DFI).

The Phase I intravenous (IV) clinical trial of R327 over 1 hour I.V. infusion successfully dosed the last 10 subjects at 6,000mg seeing the study achieve all primary end-points across 80 healthy human subjects. The dose levels achieved are believed to be efficacious, having been identified in animal models previously. Uniquely, the compound was identified as culminating in the human bladder in high (up to 20X) concentrations, strongly encouraging possible UTI/Urosepsis applicability. Phase II Efficacy studies to determine are well underway.

Human Research Ethics Committee (HREC) approval was received to start a Phase I/II clinical trial assessing R327 as a spray-on, broad-spectrum antibiotic therapy for mild skin and soft tissue diabetic foot infections (DFI). The trial will enrol up to 32 patients and will be conducted at Sydney South West's Limb Preservation and Wound Research Unit. Ethics approval for this clinical trial is confirmation that the Company has completed the necessary pre-clinical safety and efficacy testing of R327 required to commence human clinical trials and runs in addition to its other ongoing clinical trials.

An Anti-Infective Research (AIR) Unit was established through the execution of a research collaboration agreement with Murdoch Children's Research Institute (Murdoch Children's), securing a dedicated Murdoch Children's research team with access to infectious disease expertise and fit-for-purpose laboratory space. Research activities conducted in Recce's AIR Unit will advance the Company's Bacterial Sinusitis program, Mycobacterium abscessus program, and more.

The Company also provided an update on the findings in SARS-CoV-2 studies undertaken by an independent, third-party contract research organisation (CRO), Netherlands-based CRO, Viroclinics. These studies demonstrated significant efficacious activity of R327 against the SARS-CoV-2 virus in the throat of Syrian golden hamsters – the gold-standard in COVID studies. R327 was shown to significantly reduce SARS-CoV-2 levels in a dose-dependent manner, in throat swab samples collected from animals, providing

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proof-of-concept that intra-nasal treatment with R327 has the potential to reduce SARS-CoV-2 levels during infection.

The Company looks forward to updating shareholders on the progress of new and ongoing clinical trials and releasing its further in-human data sets.

Strong financial position

The Company has since received a cash inflow of A\$6.21m from the Australian Government's R&D Rebate and Radium Capital's R&D Advance covering the period of 1 July 2022 - 30 November 2022 (announced 25 January 2023).

These inflows provide the company with a significant cash injection to support ongoing operations and offset otherwise traditional capital-raising requirement in the near term.

Financial Report

The half-year operating loss for the period was \$9,222,578 (2021: loss of \$4,983,636). The increase was as a result of increased R&D related costs.

The loss per share for the period was 5.26 cents (2021: 3.75 cents).

Dividends

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

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

Net Tangible Assets per Security

As at 31 December 2022 (cents)	0.69
As at 31 December 2021 (cents)	8.93

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



RECCE PHARMACEUTICALS LTD

ABN 73 124 849 065

INTERIM REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

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DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

The Directors present their report together with the interim consolidated financial report of Recce Pharmaceuticals Ltd (the "Company") and controlled entities (the "Group") for the half-year ended 31 December 2022.

Directors

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

Dr John Prendergast	Executive Chairman (appointed 5 September 2022)
Dr Alan Dunton	Non-Executive Director
Mr James Graham	Managing Director and Chief Executive Officer
Ms Michele Dilizia	Executive Director and Chief Scientific Officer
Dr Justin Ward	Executive Director and Principal Quality Chemist
Mr Alistair McKeough	Non-Executive Director (appointed 1 September 2022)

Principal Activity

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

Review of Operations

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

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

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

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

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

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

DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

Review of Operations (Continued)

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

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

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

Results of Operations

The half-year operating loss for the period was \$9,222,578 (2021: loss of \$4,983,636). The increase was as a result of increased R&D related costs. The Group's current focus is on progressing RECCE® 327 into human clinical trials.

Events Subsequent to Reporting Period

Subsequent to the period end, the Company received its R&D rebate of \$4,311,202 and a R&D advance of \$1,908,039.

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

Rounding of amounts

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

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

A handwritten signature in black ink, appearing to read "John Prendergast", written in a cursive style.

Dr John Prendergast
Executive Chairman
27 February 2023

DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF RECCE PHARMACEUTICALS LTD

As lead auditor for the review of Recce Pharmaceuticals Ltd for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

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

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



Neil Smith
Director

BDO Audit (WA) Pty Ltd
Perth
27 February 2023

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

	Note	31 December 2022	31 December 2021
		\$	\$
Revenue		-	-
Other income			
Interest income		38,823	53,281
		<u>38,823</u>	<u>53,281</u>
Expenses			
Laboratory expenses		(4,081,938)	(2,417,640)
Employee benefits expenses		(2,186,266)	(1,257,463)
Depreciation and amortisation expenses		(22,580)	(25,815)
Share based payments expense	17	(325,217)	-
Travel expenses		(558,106)	(58,653)
Patent related costs		(117,278)	(45,376)
Rental outgoing expenses		(118,733)	(17,245)
Finance costs		(2,546)	(630)
Professional services		(925,280)	(307,399)
Other expenses		(867,070)	(818,181)
Amortisation: Leases		(52,705)	(82,447)
Interest expenses: Leases		(3,683)	(6,069)
		<u>(9,261,401)</u>	<u>(5,036,917)</u>
Loss before income tax		(9,222,578)	(4,983,636)
Income tax expense		-	-
Loss for the period after income tax		(9,222,578)	(4,983,636)
Other comprehensive income		-	-
Total comprehensive loss for the period		<u>(9,222,578)</u>	<u>(4,983,636)</u>
		Cents	Cents
Loss per share:			
Basic loss per share for the period	6	(5.26)	(3.75)
Diluted loss per share for the period	6	(5.26)	(3.75)
Dividends per share for the period	7	-	-

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	31 December 2022	30 June 2022
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	1,848,749	11,581,934
Trade and other receivables		105,004	182,474
Other current assets	9	206,352	421,027
TOTAL CURRENT ASSETS		2,160,105	12,185,435
NON-CURRENT ASSETS			
Plant and equipment	10	353,111	371,243
Right of Use Asset	11	124,812	67,537
TOTAL NON-CURRENT ASSETS		477,923	438,780
TOTAL ASSETS		2,638,028	12,624,215
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	12	800,697	752,013
Provisions for employee benefits		308,272	202,548
Other provisions	13	-	1,417,528
Current lease liabilities		58,571	74,762
TOTAL CURRENT LIABILITIES		1,167,540	2,446,851
NON-CURRENT LIABILITIES			
Non-current lease liabilities		68,890	-
Provisions for employee benefits		164,263	115,313
TOTAL LIABILITIES		1,400,693	2,562,164
NET ASSETS		1,237,335	10,062,051
EQUITY			
Share capital	14	44,040,966	43,968,321
Reserves	15	8,876,156	8,550,939
Accumulated losses		(51,679,787)	(42,457,209)
TOTAL EQUITY		1,237,335	10,062,051

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Share Capital \$	Reserves \$	Accumulated Losses \$	Total \$
BALANCE AT 1 JULY 2021	43,297,309	8,678,057	(31,471,625)	20,503,742
COMPREHENSIVE INCOME:				
Loss for the period	-	-	(4,983,636)	(4,983,636)
Other comprehensive income	-	-	-	-
	<u>-</u>	<u>-</u>	<u>(4,983,636)</u>	<u>(4,983,636)</u>
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:				
Issuance of shares (net of cash-settled share issue costs)	-	-	-	-
Options issued to Directors	-	-	-	-
Options issued to lead manager as capital raising cost	-	-	-	-
Conversion of options into ordinary shares	-	-	-	-
Share-based payments	-	-	-	-
Transfers from reserves to share capital	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
BALANCE AT 31 DECEMBER 2021	<u>43,297,309</u>	<u>8,678,057</u>	<u>(36,455,261)</u>	<u>15,520,106</u>
BALANCE AT 1 JULY 2022	43,968,323	8,550,939	(42,457,209)	10,062,053
COMPREHENSIVE INCOME:				
Loss for the period	-	-	(9,222,578)	(9,222,578)
Other comprehensive income	-	-	-	-
	<u>-</u>	<u>-</u>	<u>(9,222,578)</u>	<u>(9,222,578)</u>
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:				
Issuance of shares (net of cash-settled share issue costs)	-	-	-	-
Options issued to Directors	-	325,217	-	325,217
Options issued to lead manager as capital raising cost	-	-	-	-
Conversion of options into ordinary shares	72,643	-	-	72,643
Share-based payments	-	-	-	-
Transfers from reserves to share capital	-	-	-	-
	<u>72,643</u>	<u>325,217</u>	<u>-</u>	<u>397,860</u>
BALANCE AT 31 DECEMBER 2022	<u>44,040,966</u>	<u>8,876,156</u>	<u>(51,679,787)</u>	<u>1,237,335</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	31 December 2022	31 December 2021
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(8,814,864)	(4,792,477)
Payment to settle legal dispute	(1,417,527)	-
Interest received	38,824	53,281
Interest and other costs of finance paid	(2,546)	(630)
NET CASH USED IN OPERATING ACTIVITIES	(10,196,113)	(4,739,826)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of plant and equipment	(4,449)	(9,078)
Other related receipts/(payments)	394,734	(298,332)
NET CASH USED IN INVESTING ACTIVITIES	390,285	(307,410)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of options	72,643	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	72,643	-
Net decrease in cash and cash equivalents held	(9,733,185)	(5,047,236)
Cash and cash equivalent at the beginning of the period	11,581,934	20,873,022
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,848,749	15,825,786

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

NOTE 1: GENERAL INFORMATION

The consolidated financial report of Recce Pharmaceuticals Ltd (the "Company") and its controlled entities (the "Group") for the half year ended 31 December 2022 was authorised for issue in accordance with a resolution of the Directors on 27 February 2023.

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

NOTE 2: ACCOUNTING POLICIES

(a) Basis of preparation of the consolidated financial report

These financial statements are general purpose financial statements for the half year ended 31 December 2022 have been prepared in accordance with Australian Accounting Standards 134 Interim Financial Reporting and the Corporations Act 2001.

The half year consolidated financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report. Accordingly, the half-year consolidated financial report should be read in conjunction with the annual report for the year ended 30 June 2022 and considered together with any public announcements made by the Company during the half year ended 31 December 2022 in accordance with the continuous disclosure obligations of the ASX Listing Rules and the Corporations Act 2001.

Historical Cost Convention

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

(b) Adoption of new and revised standards

The Group has reviewed all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current half-year. The Group has also reviewed all standards and interpretations that have been issued but are not yet effective for the half-year ended 31 December 2022. As a result of this review, the Directors have determined that there is no material impact on the Group and, therefore no material change is necessary to Group accounting policies.

(c) Rounding of amounts to nearest dollar

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

NOTE 3: CRITICAL ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

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

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. At 31 December 2022, no deferred tax assets on temporary differences and carry forward losses were recognised.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Trinomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting year but may impact profit or loss and equity.

NOTE 4: GOING CONCERN

For the half-year ended 31 December 2022 the Group recorded a loss of \$9,222,578 (2021: \$4,983,636) and had net cash outflows from operating activities of \$10,196,113 (2021: \$4,739,826). On 25 January 2023 the Company announced total Research and Development (R&D) cash receivable of A\$6,219,241. These amounts were received in January and February 2023.

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

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

The financial statements have been prepared on the basis the Company is a going concern, which contemplates the continuity of normal business activities, realisation of assets and settlement of liabilities in the normal course of the business. The financial report does not contain any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

NOTE 5: SEGMENT INFORMATION

(a) Reportable segments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

NOTE 5: SEGMENT INFORMATION (Continued)

(b) Segment results

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

	Segment revenue and other income for the period		Segment loss after tax for the period	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	\$	\$	\$	\$
Australia	-	19,206	(4,916,144)	(1,796,436)
USA	-	12,154	(599,979)	(1,136,820)
Europe	-	1,626	(31,922)	(152,131)
Canada	-	168	-	(15,748)
Central Administration	38,823	20,126	(3,674,533)	(1,882,500)
	38,823	53,281	(9,222,578)	(4,983,636)

The segment revenue and other income above comprises bank interest.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the Group's 30 June 2022 notes to the consolidated financial statements. Segment loss represents the loss after tax incurred by each segment. This is the measure reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance.

(c) Segment assets and liabilities

	Segment assets at end of the period		Segment liabilities at end of the period	
	31 December 2022	30 June 2022	31 December 2022	30 June 2022
	\$	\$	\$	\$
Australia	314,918	332,270	-	-
USA	-	-	-	-
Europe	-	-	-	-
Canada	-	-	-	-
Central Administration	2,323,111	12,291,944	1,400,693	2,562,163
	2,638,028	12,624,214	1,400,693	2,562,163

(d) Segment net assets

	31 December 2022	30 June 2022
	\$	\$
Australia	314,918	332,270
USA	-	-
Europe	-	-
Canada	-	-
Central Administration	922,418	9,729,781
	1,237,335	10,062,051

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

NOTE 6: LOSS PER SHARE

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

	Note	31 December 2022	31 December 2021
		\$	\$
Loss for the period attributable to the members of the parent		<u>(9,222,578)</u>	<u>(4,983,636)</u>
Weighted average number of shares:			
Weighted average number of ordinary shares used in calculating basic loss per share		175,418,927	132,764,977
Effect of dilutive securities:			
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share		-	-
		<u>175,418,927</u>	<u>132,764,977</u>
Loss per share (cents per share):			
Basic loss per share for the period		(5.26)	(3.75)
Diluted loss per share for the period		(5.26)	(3.75)

NOTE 7: DIVIDENDS PAID AND PROPOSED

The Company has not declared any dividends during and/or since the end of the half-year 31 December 2022 (31 December 2021: \$nil).

NOTE 8: CASH AND CASH EQUIVALENTS

	31 December 2022	30 June 2022
Cash at bank	1,848,309	11,581,494
Cash on hand	440	440
	<u>1,848,749</u>	<u>11,581,934</u>

NOTE 9: OTHER CURRENT ASSETS

	\$	\$
Prepayments	86,640	-
Rental Deposits	38,000	20,100
Staff Advances	23,461	-
Director Loans	58,251	400,927
	<u>206,352</u>	<u>421,027</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

NOTE 10: PLANT AND EQUIPMENT

	31 December 2022	30 June 2022
NON-CURRENT		
Laboratory plant and equipment		
At cost	542,153	542,153
Less accumulated depreciation	(269,243)	(253,104)
	<u>272,910</u>	<u>289,049</u>
Office furniture and equipment		
At cost	68,407	64,232
Less accumulated depreciation	(42,848)	(40,610)
	<u>25,559</u>	<u>23,622</u>
Computer equipment		
At cost	55,046	54,772
Less accumulated depreciation	(42,438)	(39,456)
	<u>12,608</u>	<u>15,316</u>
Office improvements		
At cost	78,646	78,646
Less accumulated depreciation	(37,589)	(36,481)
	<u>41,057</u>	<u>42,165</u>
Library and website costs		
At cost	7,176	7,176
Less accumulated depreciation	(6,199)	(6,085)
	<u>977</u>	<u>1,091</u>
Total Plant and Equipment	<u>353,111</u>	<u>371,243</u>

Reconciliations

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

	\$
Opening balance, 1 July 2022	371,243
Additions	4,449
Depreciation expense	(22,581)
Ending balance, 31 December 2022	<u>353,111</u>

NOTE 11: NON-CURRENT ASSETS - RIGHT-OF-USE ASSETS

Land and buildings - right-of-use	177,517	206,710
Less: Accumulated depreciation	(52,705)	(139,173)
	<u>124,812</u>	<u>67,537</u>

NOTE 12: TRADE AND OTHER PAYABLES

CURRENT		
Trade payables	384,711	481,429
Employee related payables	220,119	173,277
Sundry creditors	53,500	53,500
Other payables	142,367	43,807
	<u>800,697</u>	<u>752,013</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

NOTE 13: OTHER PROVISIONS

	31 December 2022	30 June 2022
	\$	\$
CURRENT		
Provision for legal settlement	-	1,417,528
	<u>-</u>	<u>1,417,528</u>
Movements in other provision		
Opening balance	1,417,528	-
Provision for legal dispute settlement	-	1,417,528
Settlement of legal dispute	(1,417,528)	-
	<u>-</u>	<u>1,417,528</u>

An unfavourable judgement was handed down with respect to the non-issue of ordinary shares to holders of 1,356,249 Class C Performance Shares and 1,356,249 Class D Performance Shares. However, after taking appropriate legal advice, the directors appealed the decision. The appeal was subsequently lost resulting in a damages payment to the Plaintiffs of \$1,417,527.

NOTE 14: SHARE CAPITAL

	31 December 2022		30 June 2022	
	No.	\$	No.	\$
Issued and fully paid ordinary shares	178,079,310	44,040,966	177,646,910	43,968,321
Collateral shares issued in trust	-	-	-	-
	<u>178,079,310</u>	<u>44,040,966</u>	<u>177,646,910</u>	<u>43,968,321</u>
Movements in ordinary shares on issue				
Opening balance	177,646,910	43,968,322	173,777,847	43,297,309
Shares issued during the period:				
- Conversion of performance shares	-	-	2,712,498	383,604
- new shares issued on options exercised	432,400	72,643	1,156,565	287,408
	<u>432,400</u>	<u>72,643</u>	<u>3,869,063</u>	<u>671,012</u>
Transfer from reserves to share capital	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>178,079,310</u>	<u>44,040,966</u>	<u>177,646,910</u>	<u>43,968,321</u>

(c) Options on issue

Particulars	Issue Date	Exercise Date	Exercise Price cents	31 December 2022 No.	30 June 2022 No.
Options	15-Feb-19	15-Feb-23	16.80	175,000	607,400
Options	19-Dec-19	19-Feb-23	31.20	603,435	603,435
Options	30-Sep-20	30-Sep-23	156.00	3,750,000	3,750,000
Options	22-Feb-21	22-Feb-26	156.00	8,415,000	8,415,000
Options	11-Feb-22	11-Feb-27	156.00	435,000	435,000
Options	15-Nov-22	15-Nov-27	156.00	1,125,000	-
				<u>14,503,435</u>	<u>13,810,835</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

NOTE 15: RESERVES

	31 December 2022 \$	30 June 2022 \$
Options reserve	8,876,156	8,550,939
	8,876,156	8,550,939
	Performance Shares \$	Options Reserve \$
Movements in reserves		
Opening balance	-	8,550,939
Options issued during the period		
- Issue of Corporate Advisory Options	-	-
- Options issued to KMP	-	325,217
	-	8,876,156

NOTE 16: COMMITMENTS AND CONTINGENCIES

The Company is not aware of any commitments, contingent liabilities or contingent assets as at 31 December 2022.

NOTE 17: SHARE BASED PAYMENTS EXPENSE

Issue of 100,000 options to Daniel Astudillo ¹	-	58,963
Issue of 75,000 options to Thomas Jarrett ¹	-	44,222
Issue of 200,000 options to Arthur Kollaras ¹	-	117,925
Issue of 30,000 options to Wendy Potts ¹	-	17,689
Issue of 30,000 options to Julia Stanford ¹	-	17,689
Issue of 1,125,000 options to Alistair McKeough ²	325,217	-
TOTAL SHARE-BASED PAYMENTS RECOGNISED THROUGH P&L	325,217	256,487

Fair value of share options granted to executive and employees

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

NOTE 17: SHARE BASED PAYMENTS EXPENSE (Continued)

Fair value of Share Options granted to Alistair McKeough

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

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

NOTE 18: RELATED PARTY TRANSACTIONS

Loans to key management personnel

During the period various amounts were advanced and repaid by Mr Graham. The amount outstanding at reporting date including accrued interest was \$58,251 (2022: \$400,927). The loan is interest bearing at the rate of 5% per annum. Interest accrued on the loan amounted to \$6,850 (2022: \$11,500). The loan is repayable within 12 months of reporting date.

NOTE 19: EVENTS SUBSEQUENT TO REPORTING PERIOD

Subsequent to the period end, the Company received its R&D rebate of \$4,311,202 and a R&D advance of \$1,908,039.

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

NOTE 20: CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 December 2022.

DIRECTORS' DECLARATION
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

The Directors of the Company declare that:

1. The condensed consolidated financial statements and notes to the financial statements of the Group are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements ; and
 - b. give a true and fair view of the consolidated financial position as at 31 December 2022 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Dr John Prendergast
Executive Chairman
27 February 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Recce Pharmaceuticals Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Recce Pharmaceuticals Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

Material uncertainty relating to going concern

We draw attention to Note 4 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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

BDO Audit (WA) Pty Ltd



Neil Smith

Director

Perth

27 February 2023