Recce
Pharmaceuticals

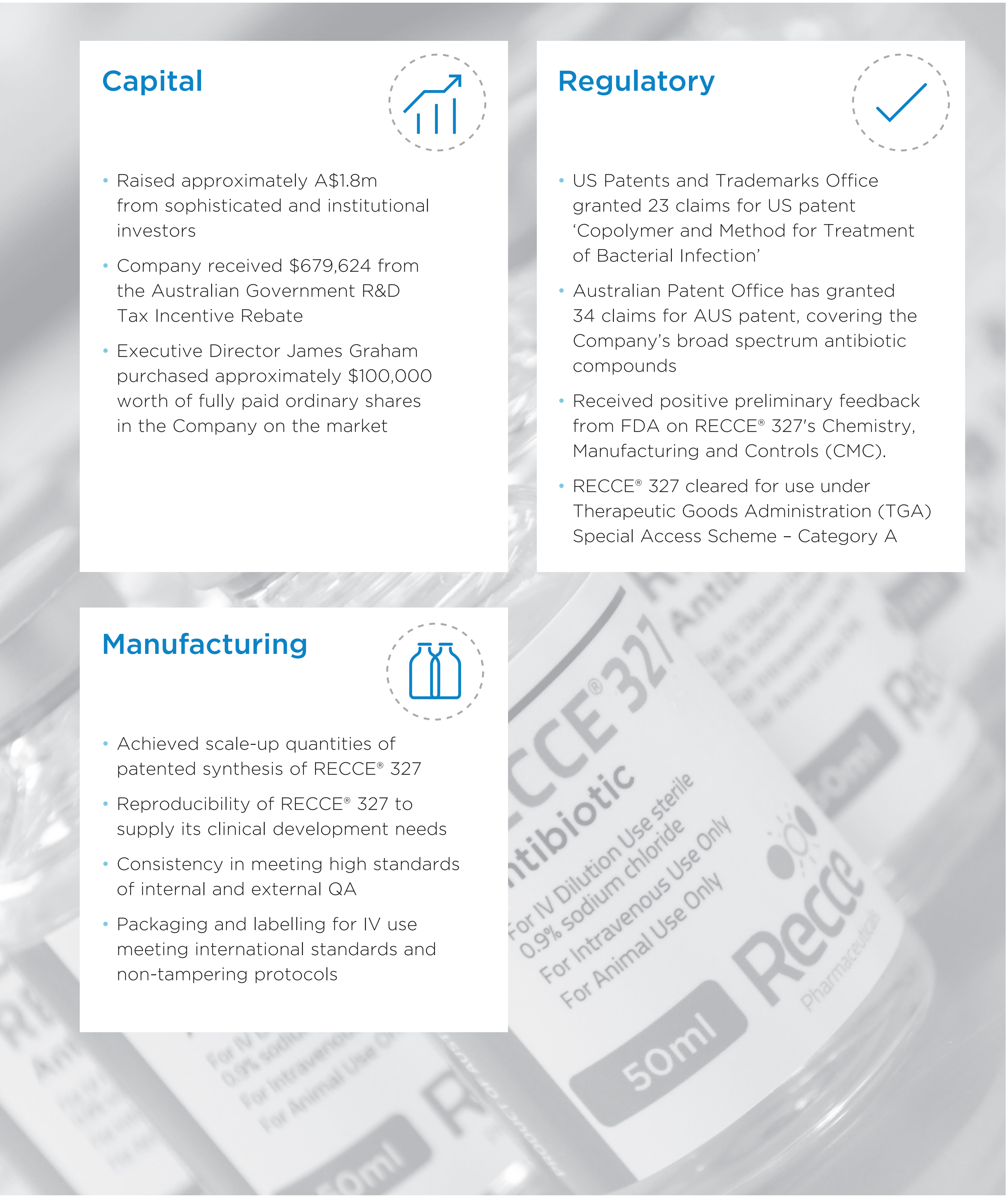
Annual Report 2019

Contents

Recce Pharmaceuticals Ltd (ASX:RCE) is an Australian based globally-focused, biotech company engaged in the development and commercialisation of a new class of broad spectrum antibiotics designed to address the urgent global health issue of antibiotic resistant superbugs. Its patented lead candidate known as RECCE® 327 has been developed for the treatment of blood infections and sepsis derived from *E. coli* and *S. aureus* bacteria – including their superbug forms.

recce.com.au

FY19 Highlights



Capital

- Raised approximately A$1.8m from sophisticated and institutional investors
- Company received $679,624 from the Australian Government R&D Tax Incentive Rebate
- Executive Director James Graham purchased approximately $100,000 worth of fully paid ordinary shares in the Company on the market

Regulatory

- US Patents and Trademarks Office granted 23 claims for US patent 'Copolymer and Method for Treatment of Bacterial Infection'
- Australian Patent Office has granted 34 claims for AUS patent, covering the Company's broad spectrum antibiotic compounds
- Received positive preliminary feedback from FDA on RECCE® 327's Chemistry, Manufacturing and Controls (CMC).
- RECCE® 327 cleared for use under Therapeutic Goods Administration (TGA) Special Access Scheme – Category A

Manufacturing

- Achieved scale-up quantities of patented synthesis of RECCE® 327
- Reproducibility of RECCE® 327 to supply its clinical development needs
- Consistency in meeting high standards of internal and external QA
- Packaging and labelling for IV use meeting international standards and non-tampering protocols

Message from the Board

2019 has been a year of achievement and progress for Recce Pharmaceuticals with a number of key development milestones having been met.

The Company has continued to make considerable advances on an operational and business development level, towards its goal of commercialising its unique, broad-spectrum synthetic antibiotics targeting the global health problem of antimicrobial resistant superbugs.

Foundations for future growth

Recce received unsolicited enquires from representatives at a number of Australian hospitals related to the consideration of RECCE® 327 under the Therapeutic Goods Administration (TGA) Special Access Scheme (SAS) Category A.

The Company believes that the Australian medical community is beginning to recognise Recce's novel synthetic antibiotics may form new hope since many patients either are becoming increasingly allergic to existing antibiotics, or have developed resistance to multidrug treatments and are now burdened by life threatening infection/s.

What is Special Access Scheme (SAS)?

The Special Access Scheme (SAS) refers to arrangements which provide for the importation and/or supply of an unapproved therapeutic good (i.e. those not included on the Australian Register of Therapeutic Goods (ARTG)) for a single patient, on a case-by-case basis.

Product and Manufacturing

The team made good progress with our in-house research and development activities to achieve a number of important manufacturing milestones. These included the scale-up of manufacturing and synthesis of RECCE® 327 and to ensure the accurate reproducibility of RECCE® 327 across multiple batches.

We continued to work closely with our expert contract research organisations in the US to deliver an expanded analysis and documentation in line with the guidance provided last year to Recce by the US FDA.

We have also demonstrated the ability to meet FDA standards of internal and external quality assurance. Our packaging and labelling for intravenous use also meets international standards and non-tampering protocols in use across multiple markets.

Achieving these key milestones allowed the Company to submit additional data to the US FDA at their request. Data included a 500% increase in the Company's manufacturing capabilities, following the scale-up of the Sydney facility in response to the ever increasing enquiries and future clinical needs outside Phase I and II volumes.

We were pleased to receive positive preliminary feedback from the FDA on RECCE® 327's chemistry, manufacturing and controls (CMC) through the most recent data submission.

Board and personnel

We continued to see growth with the addition of a new Clinical Advisory Committee chaired by Dr David Bowers – a Spinal Injury Physician at Royal North Shore, Sydney, one of Australia's leading teaching hospitals. The committee will advise the Board as it evaluates the growing clinical considerations under the TGA SAS.

As we progress towards human clinical trials and product commercialisation, we have put in place a formal program to substantially broaden and complement the makeup of the Board.

We thank the hard working management team and employees at Recce Pharmaceuticals whose combined dedication, experience and expertise have contributed to this year of achievement.

The Year Ahead

The business fundamentals and market demand for our unique synthetic antibiotic remain strong and we believe we have invested in building the necessary internal capabilities and resources to support first-in-human use.

With FY20 in full view, we believe we will see positive results based on the years of dedication, enthusiasm and hard work from our team at Recce, as we tackle the global health problem of antibiotic resistant superbugs.

On behalf of the Board, we would like to record our sincere gratitude for the continued support from our institutional and retail shareholders, including your participation in our February 2019 placement.

Everyone at Recce is constantly striving to ensure we achieve our short-term and long-term strategic milestones and build significant long-term value for all our shareholders.

Dr John Prendergast
Non-Executive Chairman

Company Profile

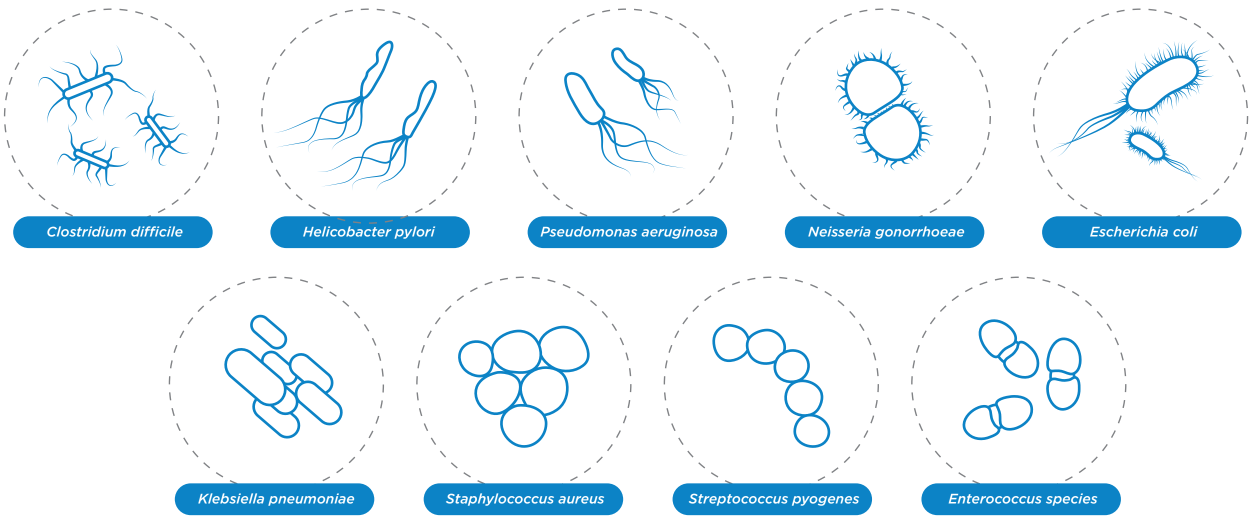
Recce's new class of synthetic antibiotics demonstrate rapid, potent and broad-spectrum activity including against those that are serious and potentially life-threatening multi-drug resistant pathogens. This new class of antibiotics are bactericidal and therefore kill bacteria rather than inhibiting their growth.

In Minimum Inhibitory Concentration and Minimal Killing/Bactericidal Concentration testing RECCE® 327 demonstrated high potency against a range of Gram-positive and Gram-negative bacteria pathogens including *Staphylococcus aureus, Escherichia coli* and *Pseudomonas aeruginosa* and their superbug forms. RECCE® 327 exhibited a fast-acting mechanism of action therefore killing the bacteria at clinically practical rates.

Due to their increasingly common resistance to antibiotics, the scientific community have grouped six bacterial pathogens to form the ESKAPE pathogens from the first letters of their scientific names: *Enterococcus faecium, Staphylococcus aureus, Klebsiella pneumoniae, Acinetobacter baumannii, Pseudomonas aeruginosa,* and *Enterobacter* species. The ESKAPE pathogens are a leading cause of nosocomial infections across the world.

Further testing of RECCE® antibiotics continued to demonstrate potent antibacterial activity, against deadly pathogens *Enterococcus faecalis, Staphylococcus aureus, Klebsiella pneumoniae* and *Pseudomonas aeruginosa*, with availability of *Acinetobacter baumannii* and *Enterobacter* species impractical/prohibitively regulated.

What Bacteria has RECCE antibiotics demonstrated capability against?



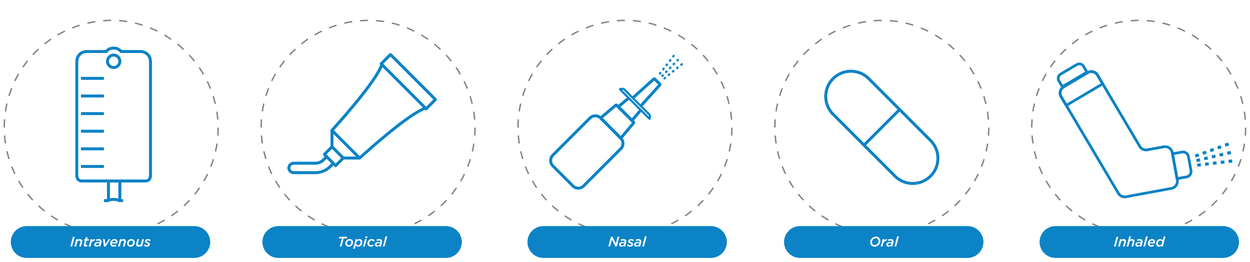
Designed with a purpose

The Company has designed a patented, automated, economically attractive manufacturing process for RECCE® 327.

It has invested in a purpose built, wholly owned manufacturing facility, compliant with cGMP manufacturing standards. Furthermore, the manufacturing process is reproducible and has a CMC (Chemistry, Manufacturing, and Controls) data package, essential for clinical study materials.

Conventional antibiotics are naturally derived by certain fungi or soil bacteria and therefore rely on timely fermentation processes that require large scale bacteria culture and then several subsequent purification stages. In contrast, Recce Pharmaceutical's synthetic process is efficient giving rise to a 99.9% product yield in several hours. It requires no specialised and expensive waste removal or risk of environmental contamination.

RECCE antibiotics can be formulated for intravenous, topical, nasal, oral and inhaled use.



Global crisis of antibiotic resistance

> "Antimicrobial resistance is one of the most urgent health risks of our time."

Dr Tedros Adhanom Ghebreyesus,
Director-General, WHO

The estimated current death toll world wide caused by AMR.

700,000

AMR in 2050

10 Million

AMR

If antibiotic resistance were allowed to grow unchecked, the number of deaths per year would grow to 10 million by 2050.

Compared to other causes of death

Cancer	8.2 million
Diabetes	1.5 million
Diarrhoeal disease	1.4 million
Road traffic accidents	1.2 million
Measles	130,000
Cholera	100,000 - 120,000
Tetanus	60,000

In a world without effective antibiotics, the global economic burden would be approximately

USD 120 Trillion

Deaths attributable to AMR every year by 2050

	Number of deaths
Asia	4,730,000
Africa	4,150,000
Latin America	317,000
Europe	390,000
North America	317,000
Oceania	22,000

Mortality per 10,000 population

5 6 7 8 9 10 >

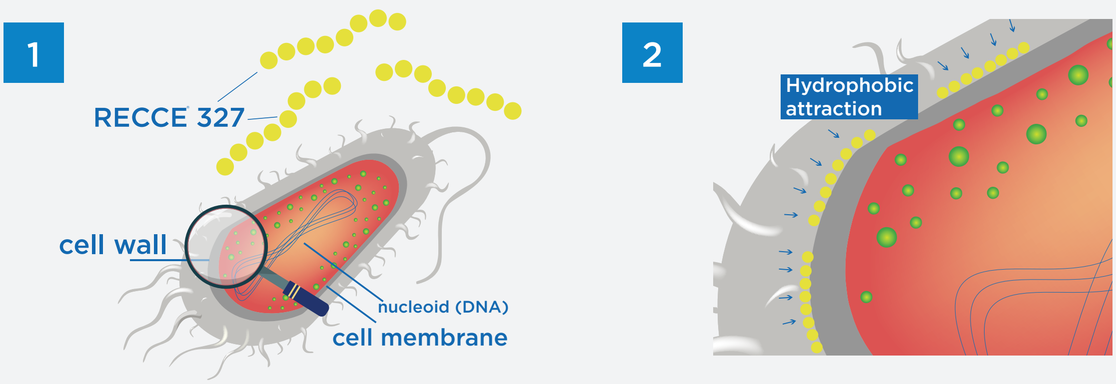
Reference
www.amr-review.org
Antimicrobial Resistance: Tackling a crisis for the health and wealth of nations. The Review on Antimicrobial Resistance Chaired by Jim O'Neill December 2014.

RECCE® 327 unique mechanism of action

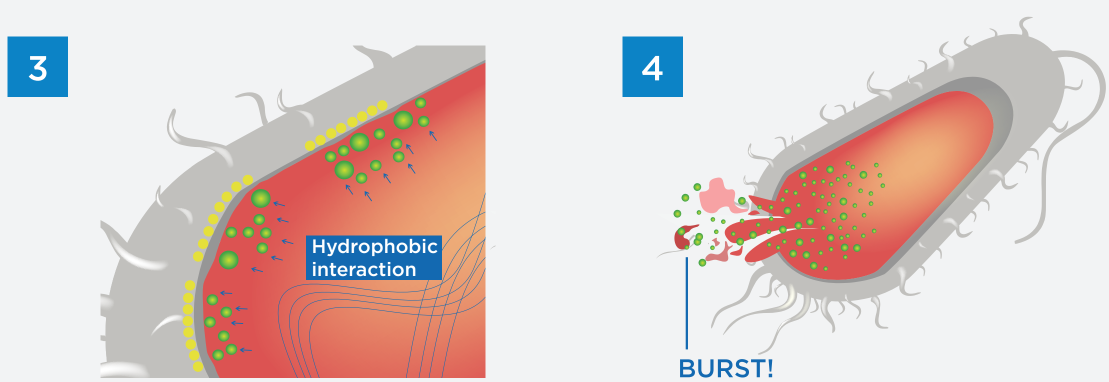
Unlike current antibiotics, RECCE® antibiotics are wholly synthetic and based on a patented polymeric structure; rationally designed to overcome resistance.

Traditional antibiotics inhibit a single target such as bacterial gyrases, cell wall biosynthetic enzymes or enzymes required for DNA replication during bacterial cell division. They operate on a 'lock and key' mechanism and therefore only bind to a few active sites on the bacteria target. However, if a mutation is introduced into the target site then the antibiotic will cease to be effective.

In contrast, RECCE® 327 is non-specifically attracted to the bacteria plasma membrane through hydrophobic interactions, especially to all the proteins of the bacterial plasma membrane.



This results in a subsequent disrupting* of the bacterial cell wall and the natural, unique high metabolic pressure in the bacteria results in bacteria cell lysis (bursting).



*Although the affinity between RECCE® 327 and the surface proteins of bacteria is not precise, the effectiveness of RECCE® 327 relies on its ability to adsorb to bacteria, which uniquely contain high internal pressure (up to 10 atmospheres); normal non-bacterial cells remain intact as they do not contain high internal pressures. RECCE® antibiotics patents and data indicates the strong capability of targeting multiple active sites on (specific) protein(s) in the plasma membrane, this results in a Mode of Action that is akin to a 'master key' and therefore universal such that RECCE® 327 will still be effective against mutated membrane proteins – even with repeated use.

Recce Pharmaceuticals on a global stage

Throughout the year, the Company has presented across a number of media platforms, conferences and investor events. Such companies Recce has worked with consist of Wholesale Investor, Proactive Investor, Spark Plus, Finance News Network and more; however, the most prominent conference was when the Company was represented at the World Anti-Microbial Resistance (AMR) Congress in Washington D.C.

The conference featured 150 speakers from 20 countries and is a leading international forum for researchers, investors, businesses and governments working to address antibiotic resistance. The World AMR Congress is the largest commercially focused conference with AMR at its centre. It attracts key stakeholders from the pharma and biotech industry who are involved in the development of antimicrobial drugs and diagnostics.

With FY20 in full swing, the Company will again be attending the World AMR congress in Washington D.C. and be delivering the Opening R&D Address showcasing the potential of new synthetic antibiotics. Recce Chairman Dr Prendergast will be delivering the presentation on: 'How synthetic antibiotic development can change the antibiotic treatment model'.

Board of Directors and Key Management Personnel

Dr John Prendergast

Chairman
(Non-Executive)

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

US based, current Chairman and Co-founder of Palatin Technologies, Inc. (NYSE: PTN) and Lead Director of Heat Biologics, Inc. (NASDAQ: HTBX) – extensive experience in the international commercialisation of pharmaceutical technologies.

As of 9th July, Dr Prendergast appointed Non-Executive Chairman.

Dr Graham Melrose

Executive Director and
Chief Research Officer

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

Founder and inventor. Former Executive Director and Head of Research at Johnson & Johnson (Aust) in Sydney, with global responsibilities, particularly in Asia-Pacific.

As of 9th July, Dr Melrose appointed Executive Director and Chief Research Officer.

Michele Dilizia

Executive Director (Regulatory
Affairs & Microbiology)

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

Co-inventor and qualified medical scientist; specialisation in medical microbiology and regulatory affairs.

James Graham

Executive Director (Marketing &
Business Development)

BCom (Entrepreneurship), GAICD

Extensive experience in marketing, business development and commercialisation of early stage technologies with global potential.

Arthur Kollaras

Principal Engineer & Head of
Manufacturing

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

Highly qualified in chemical engineering and microbiology, has significant experience taking a new technology concept to pilot plant and full-scale to FDA standards and production internationally.

Dr Justin Ward

Executive Director and
Principal Quality Chemist

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

A quality control expert who has worked with leading pharmaceutical companies according to international regulatory standards.

As of 9th July, Dr Ward appointed Executive Director and Principal Quality Chemist.

Dr David Bowers

Chair of the Clinical
Advisory Committee

Leading spinal injury physician at Royal North Shore Hospital. Dr Bowers has a special interest in the treatment of complex and life-threatening antibiotic resistant infections, particularly among patients with severe spinal cord injuries.

Alistair McKeough

Company Secretary
(Automic Group)

Alistair is a qualified lawyer and Principal of Automic Legal Pty Ltd, Alistair has broad experience as a commercial litigator and Company Secretary to ASX Listed companies.

Justin Reynolds

Chief Financial Officer
(Pitcher Partners Sydney)

Justin is a qualified accountant and Partner of Pitcher Partners Sydney. Justin has broad experience covering all areas of accounting, taxation and assurance. Particularly, Justin's areas of expertise are business services and outsourced accounting.

Financial Report

Recce Pharmaceuticals Ltd (Formerly Recce Ltd) and Controlled Entities ABN 73 124 849 065
Consolidated Financial Report for the year ended 30 June 2019

Your Directors present their report on Recce Pharmaceuticals Ltd (formerly Recce Ltd) (the 'Company') and controlled entities (the 'Group') for the year ended 30 June 2019.

Directors

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

Dr John Prendergast
Dr Graham Melrose
Ms Michele Dilizia
Mr James Graham
Dr Justin Ward (appointed 9 July 2019)

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

Information on Directors

Dr John Prendergast
Chairman (Non-Executive) (Appointed 9 July 2019)

Qualifications

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

Experience

Dr Prendergast is currently Chairman and Co-founder of Palatin Technologies, Inc. (NYSE: PTN), a US biotechnology company capitalised at over US$260m, developing therapeutics for diseases with significant unmet medical need; Lead Director of Heat Biologics, Inc. (NASDAQ: HTBX) and Co-founder/Executive Chairman of Nejo, Inc.

Dr Prendergast held previous US biotechnology Board Positions, most notably Lead Director of MediciNova, Inc. valued at over US$470m (Nasdaq: MNOV) and Osaka Securities Exchange (#4875) and Co-founder/Lead Director of Avigen, Inc, which was acquired by MediciNova in 2009 for US$37m.

Prior to a career in commercialising pharmaceutical technologies, Dr Prendergast was Managing Director of Paramount Capital Investments and The Castle Group. Dr Prendergast has also served as a member of the Advisory Board for the Institute for the Biotechnology of Infectious Diseases ('IBID') at the University of Technology Sydney, now called the ithree Institute.

Interest in Shares

250,000 Ordinary Shares

Special Responsibilities

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

Directorships held in other listed entities during the last three years

Palatin Technologies, Inc. (NYSE: PTN)
Heat Biologics, Inc. (NASDAQ: HTBX)

Dr Graham Melrose
Director (Executive)

Qualifications

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

Experience

Dr Melrose is the founder of Recce Pharmaceuticals Ltd and inventor of RECCE antibiotics. He also 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.

Dr Melrose was a former senior academic in the University of NSW's Department of Applied Organic Chemistry; visiting research scientist at Oxford University and Munich University.

Dr Melrose was the former Executive Director and Chief Research Executive of Johnson & Johnson (Aust) Pty Ltd in Sydney, with global responsibilities, particularly in the Asia-Pacific Region. He also established and operated for some 10 years, an industry-leading marketing consultancy firm.

Interest in Shares

30,375,003 Ordinary Shares*
6,075,000 Class B Performance Shares*
6,075,000 Class C Performance Shares*
6,075,000 Class D Performance Shares*

**held jointly with wife Olga Mary Melrose*

Special Responsibilities

Nil

Directorships held in other listed entities during the last three years

Nil

Ms Michele Dilizia
Director (Executive)

Qualifications

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

Experience

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

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

Interest in Shares

2,886,061 Ordinary Shares
577,212 Class B Performance Shares
577,212 Class C Performance Shares
577,212 Class D Performance Shares

Special Responsibilities

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

Directorships held in other listed entities during the last three years

Nil

Mr James Graham
Director (Executive)

Qualifications

BCom (Entrepreneurship), GAICD

Experience

James Graham is Executive Director of the Company.

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

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

Interest in Shares

Direct ownership

1,868,601 Ordinary Shares
356,250 Class B Performance Shares
356,250 Class C Performance Shares
356,250 Class D Performance Shares

Indirect ownership

2,431,250 Ordinary Shares
356,250 Class B Performance Shares
356,250 Class C Performance Shares
356,250 Class D Performance Shares

Special Responsibilities

Member of the Audit and Risk Management Committee

Directorships held in other listed entities during the last three years

Nil

Dr Justin Ward
Director (Executive)

Qualifications

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

Experience

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

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

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

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

Interest in Shares

Direct ownership

115,488 Ordinary Shares

Indirect ownership

0 Ordinary Shares

Special Responsibilities

Nil

Directorships held in other listed entities during the last three years

Nil

Chief Financial Officer

Justin Reynolds

Justin Reynolds is a Partner at Pitcher Partners Sydney.

Mr Reynolds' experience with multinational companies has led to him developing particular expertise as an Outsourced Financial Controller. He and his team provide their clients with the peace of mind that comes from high quality, technically expert outsourced accounting. Mr Reynolds' has a broad range of experience having dealt with a variety of different sized organisations from small family business to multinational companies and high net worth individuals.

Company Secretary

Alistair McKeough

Alistair McKeough is a Partner at Automic Legal.

Alistair specialises in complex commercial matters that require careful strategic planning. An experienced commercial litigator with an outstanding record of success in contested litigation, Alistair also applies his exceptional black letter knowledge and analytical skills in transactional work. He is trusted by some of Australia's most preeminent business people to handle their personal legal affairs. Alistair is regularly engaged in matters involving serious risk to personal and corporate reputations and he has extensive experience in media sensitive matters. Prior to founding Automic Legal in 2010, Alistair worked at Freehills and was an Associate to a Judge of the Federal Court of Australia. Alistair's academic work has been quoted by the Court of Appeal of New South Wales and in leading Australian text books. Alistair has extensive experience advising ASX listed companies and their directors and is a member of the University of New South Wales Law Advisory Council.

Principal Activities

The Group is a drug discovery and development business commercialising a new class of synthetic antibiotics with broad spectrum activity designed to address the global health challenge of antibiotic resistant superbugs. Its patented lead candidate known as RECCE® 327 has been developed for the treatment of blood infections and sepsis derived from *E. coli* and *S. aureus* bacteria – including their superbug forms.

Review of Operations

On 17 July 2018, the Company announced submission of its recent data package to the US Food & Drug Administration (FDA), and close interaction with the FDA facilitated by the Qualified Infectious Disease Product designation, has enabled Recce in conjunction with its FDA advisory partners, to develop a simple protocol, subject to FDA approval, for a first- in-human Phase Ia clinical trial.

On 31 July 2018, the Company announced that Australian patent WO2016/077879 'Copolymer and Method for Treatment of Bacterial Infection', has been accepted for grant by the Australian Patent Office. The patent is the first of Recce's patent family 2 (Multi Drug Applications) and offers significant additional market monopolies to November 2034.

On 13 September 2018, the Company announced it had entered into an agreement with Radium Capital to receive advance payments of its R&D tax incentive funds.

On 2 October 2018, the Company announced the cash receipt of a A$679,624 Research and Development Tax Incentive rebate from the Australian Tax Office for the year ending 30 June 2018.

On 25 October 2018, the Company announced it was to be represented at the World Anti-Microbial Resistance Congress in Washington D.C., 25 - 26 October 2018.

On 18 December 2018, the Company announced that Dr Graham Melrose had provided the Company with a short term, unsecured loan of A$200,000 to support the Company's cash flow.

On 18 January 2019, the Company announced that Dr Graham Melrose had provided the Company with a further short term, unsecured loan of A$50,000. Further to the loan offered by Dr Melrose, Mr James Graham also provided the Company with a short term, unsecured loan of A$100,000 to support the Company's cash flow.

On 8 February 2019, the Company announced that it had raised approximately A$1.8m (before costs) from sophisticated and institutional investors that resulted in 12,857,143 fully paid ordinary shares being issued at A$0.14 per share.

On 7 March 2019, the Company announced that Mr James Graham, had purchased 650,000 fully paid ordinary shares in the Company on the market for a total consideration of approximately $100,460 (an average price of A$0.1546 per share).

On 14 March 2019, the Company announced the US Patents and Trademarks Office had Granted 23 claims for patent US 10,226,482 B2, 'Copolymer and Method for Treatment of Bacterial Infection'.

On 3 June 2019, the Company announced the formation of a Clinical Advisory Committee to assist in the Board's growing clinical considerations under the Therapeutic Goods Administration (TGA) Special Access Scheme (SAS). The new Clinical Advisory Committee will be chaired by Dr David Bowers, Spinal Injury Physician at Royal North Shore and other University Hospitals in Sydney.

Results of Operations

The operating loss has increased to $2,789,197 (2018: loss of $1,674,288) as a result of the increased focus on its R&D activities. The annual loss was after a reduced R&D tax incentive of $679,624 (2018: $1,288,518).

The loss per share has increased during the year to 2.95 cents (2018: 1.98 cents).

The Group's focus is on progressing RECCE® 327 into human clinical trials.

Dividends Paid or Recommended

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

Options

During the financial year, the Company issued 1,800,000 (2018: 721,576) options to acquire ordinary shares in the Company at various exercise prices and dates as disclosed in Note 16 to the consolidated financial statements. There were no options exercised during the year (2018: nil).

Significant Changes in State of Affairs

There are no significant changes in the Group's state of affairs occurred during the year.

Environment Issues

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

Future Developments, Prospects and Business Strategies

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

Events Subsequent to Reporting Period

Subsequent to year end:

John Prendergast was appointed Chairman and Justin Ward was appointed a director.

The Company also received a further R&D advance from Radium Capital in the amount of $262,462.

The Company received its R&D tax refund in the amount of $1,071,727 and repaid its loan plus interest to Radium Capital of $908,054.

The Company placed $150,000 under its controlled Placement Agreement with Acuity Capital. This will result in the issue of 750,000 ordinary shares being issued at $0.20.

The Company entered into a number of unsecured, short term loans with Australian based sophisticated investors. The total amount of these loans was $350,000 at an interest rate of 3.71%. The loans and interest are repayable following completion of a capital raising by the Company or within 6 weeks of the advance date, whichever is earlier.

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

Going Concern

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

Insurance of Officers

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

Proceedings on Behalf of Group

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

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

Remuneration Report (Audited)

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

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

For the purposes of this Remuneration Report, KMP includes the following Directors and Senior Executives who were engaged by the Company at any time during the year ended 30 June 2019:

(i) Directors

Dr John Prendergast	Non-Executive Chairman *(formerly Non-Executive Director)*
Dr Graham Melrose	Executive Director *(formerly Executive Chairman)*
Ms Michele Dilizia	Executive Director
Mr James Graham	Executive Director

(ii) Key Management Personnel

Mr Justin Ward	Quality Assurance Manager *(appointed Executive Director 9 July 2019)*
Mr Arthur Kollaras	Principal Engineer

The Remuneration Report covers the following matters:

(A) Principles used to determine the nature and amount of remuneration;

(B) Executive service agreements;

(C) Details of remuneration;

(D) Share-based remuneration;

(E) Other transactions with Key Management Personnel; and

(F) Other information.

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

In determining competitive remuneration rates, the Board seeks independent advice on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans. Independent advice may also be obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

Executive Remuneration

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

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

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

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

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

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

(a) Salary – Executive Directors and senior managers receive a sum payable monthly in cash;

(b) Long-term incentives – Executive Directors may participate in share option/performance right schemes with the prior approval of shareholders. Other senior managers may also participate in employee share option/performance right schemes, with any option/performance rights issues generally being made in accordance with thresholds set in plans approved by shareholders. The Board however, considers it appropriate to retain the flexibility to issue options/performance rights to executives outside of approved employee option/performance right plans in exceptional circumstances; and

(c) Other benefits – Executive Directors and senior managers are eligible to participate in superannuation schemes and other appropriate additional benefits.

Non-Executive Remuneration

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

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

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

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

(B) Executive Service Agreements

Name	Base Salary from January 2019 (pa)	Performance-Based Incentives	Term	Notice Period
Dr John Prendergast	$50,000	Nil	No fixed term	3 months
Dr Graham Melrose	$220,000	Nil	5 years effective from 1 July 2015	3 months
Ms Michele Dilizia	$155,000	Nil	No fixed term	3 months
Mr James Graham	$155,500	Nil	No fixed term	3 months
Mr Justin Ward	$136,986	Nil	No fixed term	4 weeks
Mr Arthur Kollaras[1]	$178,082	Nil	No fixed term	4 weeks

1 Subsequent to 1 August 2019, A Kollaras moved to a consulting arrangement with the company.

(C) Details of Remuneration

Director and other KMP Remuneration

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

Year ended 30 June 2019

Name	Short-term benefits, cash salary and fees $	Accrued Long Service Leave $	Superannuation (post-employment benefit) $	Termination payments $	Other benefits $	Share-based payments $	Total $	Percentage Performance Related %
Directors								
G Melrose	220,000[1]	23,533	20,900	–	–	–	264,433	–
M Dilizia	155,000	14,551	14,725	–	–	–	184,276	–
J Graham	155,000	7,255	14,725	–	–	–	176,980	–
J Prendergast	50,000[2]	–	–	–	–	–	50,000	–
Executives								
J Ward	133,723[3]	2,599	12,704	–	–	–	149,026	–
A Kollaras	174,041	3,333	16,534	–	–	–	193,908	–
	887,764	51,271	79,588	-	-	-	1,018,623	

1 G Melrose assumed the role of Executive Director effective 9 July 2019 (formerly Executive Chairman).
2 J Prendergast was appointed Non-Executive Chairman 9 July 2019.
3 J Ward was appointed Director effective 9 July 2019.

Year ended 30 June 2018

Name	Short-term benefits, cash salary and fees $	Accrued Long Service Leave $	Superannuation (post-employment benefit) $	Termination payments $	Other benefits $	Share-based payments $	Total $	Percentage Performance Related %
Directors								
G Melrose	220,000	17,516	20,900	–	–	–	258,416	–
M Dilizia	114,500	6,858	10,877	–	–	–	132,235	–
J Graham	142,250	3,831	13,514	–	–	–	159,595	–
J Prendergast[1]	12,500	–	–	–	–	46,250	58,750	–
Executives								
P Williams[2]	67,058	–	6,371	21,263	–	–	94,692	–
J Ward	115,460	720	10,969	–	–	10,000	137,149	–
A Kollaras	164,910	1,119	15,666	–	–	15,000	196,695	–
	836,678	30,044	78,297	21,263	-	71,250	1,037,532	

1 J Prendergast was appointed to the Board on 24 April 2018.
2 P Williams resigned as CFO and CO-SEC on 29 November 2017.

(D) Share-based Remuneration

Year Ended 30 June 2019

(i) Issue of ordinary shares

The following shares were issued on 15 February 2019 under an entitlement previously disclosed in the 2018 accounts.

Name	Shares to be issued No.	$
Chairman – Non-Executive		
J Prendergast	250,000	46,250
Executives		
J Ward[1]	57,143	10,000
A Kollaras	85,715	15,000
	329,858	71,250

1 Appointed a director 9 July 2019

(ii) Issue of options

There were no options issued to Directors or KMP as part of their compensation during the year ended 30 June 2019.

(iii) Issue of performance shares

There were no performance shares issued to Directors or KMP as part of their compensation during the year ended 30 June 2019.

Year Ended 30 June 2018

(i) Issue of ordinary shares

There were no shares issued to Directors or KMP as part of their compensation during the year ended 30 June 2018. However, entitlements were given to the following KMPs during the year but shares were not issued as at 30 June 2018.

Name	Shares to be issued No.	$
Chairman – Non-Executive		
J Prendergast[2]	250,000	46,250
Executives		
J Ward[3]	57,143	10,000
A Kollaras[3]	85,715	15,000
	329,858	71,250

2 Pertained to a sign on bonus as a Non-Executive Director of the Company. The allocation of shares was subject to shareholder approval at the next Annual General Meeting.

3 The share entitlement was given as part of their compensation.

(ii) Issue of options

There were no options issued to Directors or KMP as part of their compensation during the year ended 30 June 2018.

(iii) Issue of performance shares

There were no performance shares issued to Directors or KMP as part of their compensation during the year ended 30 June 2018.

Terms and Conditions of Performance Shares

The terms and conditions of the Performance Shares are intended to be 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 on 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.

(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 European equivalent – European Medicines Agency (EMEA)) 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 class of Performance Shares within 10 Business Days following the conversion.

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

Details of Performance Shares issued

There were no new performance shares issued for the years ended 30 June 2019 and 2018.

A summary of performance shares issued is as follows:

	Performance Shares			
Name	Class A	Class B	Class C	Class D
Directors				
G Melrose	6,075,000	6,075,000	6,075,000	6,075,000
M Dilizia	577,212	577,212	577,212	577,212
J Graham	745,962	745,962	745,962	745,962
	7,398,174	7,398,174	7,398,174	7,398,174
Value per performance share	$0.173	$0.20[1]	$0.111	$0.054

1 Class B performance shares have a non-market vesting condition i.e. the Company is awarded the US Food and Drug Administration's Investigational New Drug (IND) status on or before 19 August 2020. The multiplicity of the inter- dependent variables required for the achievement of IND status means there is no statistical data to support the probability of Class B performance shares vesting. Accordingly, the calculated value of $0.20 per share was not recognised as it is unlikely the shares will vest.

The Trinomial option pricing model has been used to calculate the value of the performance shares.

The following assumptions were used:

	Class A	Class B	Class C	Class D
Underlying share price	$0.20	$0.20	$0.20	$0.20
20-day VWAP barrier	$0.30	N/A	$0.60	$1.20
Term	5 Years	5 Years	5 Years	5 Years
Risk-free rate	2.18%	2.18%	2.18%	2.18%
Number of Initial Performance Shares Issued	8,754,423	8,754,423	8,754,423	8,754,423
Probability of reaching milestone	N/A	0%	N/A	N/A

There was also an additional 4,749,996 performance shares issued to employees apportioned across the performance share classes.

Equity Instrument Disclosures Relating to KMP

(a) Ordinary Shares

The movement of the numbers of shares in the Company for the year ended 30 June 2019 held by the Directors of the Company and other KMP of the Group, including their personally related parties, are set out below. There were no shares granted during the current financial year as compensation.

Name	Balance at 1 July 2018	Net Change Other	Conversion of Performance Shares	Share-based Payment	Balance at Date of Resignation	Balance at 30 June 2019
Directors						
G Melrose	30,375,003	–	–	–	–	30,375,003
M Dilizia	2,886,061	–	–	–	–	2,886,061
J Graham	3,649,851	650,000	–	–	–	4,299,851
J Prendergast	–	–	–	250,000	–	250,000
Executives						
J Ward	52,631	5,714	–	57,143	–	115,488
A Kollaras	51,282	(114,286)	–	85,715	–	22,711
	37,014,828	**541,428**	**–**	**392,858**	**–**	**37,949,114**

(b) Performance Shares

The movement of the numbers of performance shares in the Company for the year ended 30 June 2019 held by the Directors of the Company and other KMP of the Group, including their personally related parties, are set out below.

Name	Balance at 1 July 2018	Granted	Converted to Shares	Lapsed Unexercised	Balance at Date of Resignation	Balance at 30 June 2019
Directors						
G Melrose[1]	18,225,000	–	–	–	–	18,225,000
M Dilizia	1,731,636	–	–	–	–	1,731,636
J Graham	2,237,886	–	–	–	–	2,237,886
J Prendergast	–	–	–	–	–	–
Executives						
J Ward	–	–	–	–	–	–
A Kollaras	–	–	–	–	–	–
	22,194,522	**–**	**–**	**–**	**–**	**22,194,522**

1 Although G Melrose was entitled to convert 6,075,000 Class A Performance Shares to ordinary shares on 16 February 2016, he was restricted to converting only 1,473,000 Performance Shares as a result of the application of section 606(1) of the *Corporations Act 2001*.

Performance Shares Awarded, Vested and Lapsed During the Year

The tables below disclose the number of performance shares granted to KMP as remuneration as well as the number of performance shares that vested or lapsed/forfeited during the year.

Performance shares do not carry any voting or dividend rights and will convert once the vesting conditions have been met.

Year ended 30 June 2019

Class A Performance Shares

All Class A Performance shares vested and converted to ordinary shares in the financial year ended 30 June 2017 and 30 June 2016.

Performance Shares Outstanding at 30 June 2019

Class B Performance Shares

Name	Year Granted	Number Granted	Grant Date Value Per Share	Vested %	Number of Vested Shares[1]	Forfeited %	Financial Years in which Shares May Vest	Maximum Value Yet to Vest $
Directors								
G Melrose	2015	6,075,000	$0.20	–	–	–	1	1,215,000
M Dilizia	2015	577,212	$0.20	–	–	–	1	115,442
J Graham	2015	745,962	$0.20	–	–	–	1	149,192
		7,398,174		**–**	**–**	**–**		**1,479,634**

1 These performance shares may vest in any year up until 19 August 2020.

Class C Performance Shares

Name	Year Granted	Number Granted	Grant Date Value Per Share	Vested %	Number of Vested Shares	Forfeited %	Financial Years in which Shares May Vest	Maximum Value Yet to Vest $
Directors								
G Melrose	2015	6,075,000	$0.111	–	–	–	1	674,325
M Dilizia	2015	577,212	$0.111	–	–	–	1	64,071
J Graham	2015	745,962	$0.111	–	–	–	1	82,802
		7,398,174		**–**	**–**	**–**		**821,198**

1 These performance shares may vest in any year up until 20 August 2020.

Class D Performance Shares

Name	Year Granted	Number Granted	Grant Date Value Per Share	Vested %	Number of Vested Shares	Forfeited %	Financial Years in which Shares May Vest	Maximum Value Yet to Vest $
Directors								
G Melrose	2015	6,075,000	$0.054	–	–	–	1	328,050
M Dilizia	2015	577,212	$0.054	–	–	–	1	31,169
J Graham	2015	745,962	$0.054	–	–	–	1	40,282
		7,398,174		**–**	**–**	**–**		**399,501**

1 These performance shares may vest in any year up until 20 August 2020.

The share-based payments expenses on the Class C and D Performance shares were recognised during the year ended 30 June 2016.

(E) Other Transactions with KMP

During the financial year, the Group did not have any other transactions with key management personnel.

(F) Other Information

Loans to key management personnel

At 30 June 2019, Dr Graham Melrose had lent the company $150,000 (2018: $nil). Any other loans during the year had been repaid by balance date. Interest paid or payable to Dr Melrose for the year ended 30 June 2019 totalled $8,854.52 (2018: $nil). Mr James Graham also advanced funds to the Company during the year ended 30 June 2019 which were fully repaid at year end. Interest paid to Mr Graham totalled $424.66 (2018: $nil).

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

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

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

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

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

END OF REMUNERATION REPORT (AUDITED)

Meetings of Directors

During the financial year, 11 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

			Committee Meetings			
	Directors' Meetings		Audit & Risk Management Committee		Nomination & Remuneration Committee	
	A	B	A	B	A	B
Dr Graham Melrose	7	7	–	–	–	–
Ms Michele Dilizia	7	7	2	2	2	2
Mr James Graham	7	7	2	2	2	2
Dr John Prendergast	7	7	2	2	2	2

A = Number eligible to attend
B = Number attended

Non-Audit Services

During the year no payments were made to BDO Audit (WA) Pty Ltd, the auditor of the Group, for non-audit related services.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support the principal of corporate governance. The Company's corporate governance statement is available on the Company's website: www.recce.com.au.

Rounding of Amounts

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

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 24.

Signed in accordance with a resolution of the Board of Directors.

John Prendergast

Dr John Prendergast
Chairman

27 September 2019

Auditor’s Independence Declaration

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

As lead auditor of Recce Pharmaceuticals Ltd for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 27 September 2019

Corporate Governance Statement

This corporate governance statement sets out Recce Pharmaceuticals Ltd's (**Company**) current compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Principles and Recommendations**). The ASX Principles and Recommendations are not mandatory. However, this corporate governance statement discloses the extent to which the Company has followed the ASX Principles and Recommendations. This corporate governance statement is current as at 18 September 2019 and has been approved by the Board of the Company (**Board**).

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
1: Lay solid foundations for management and oversight		
1.1 A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the Board, the Chair and management; and includes a description of those matters expressly reserved to the Board and those delegated to management.	YES	The Company has adopted a Board Charter which complies with the guidelines prescribed by the ASX Corporate Governance Council. A copy of the Company's Board Charter is available on the Company's website at **https://recce.com.au/index.php/company/corporate-governance.**
1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	(a) YES (b) YES	(a) The Nomination and Remuneration Committee is responsible for recommendations to the Board for the selection and appointment of members of the Board. The Company's Nomination and Remuneration Committee Charter requires the Nomination and Remuneration Committee to undertake appropriate checks before the Board appoints a person, or putting forward to security holders a candidate for election, as a Director. (b) All material information relevant to the decision on whether or not to re-elect Dr Justin Ward (and any other potential Directors, as the case may be), including information relating to his qualifications, experience and proposed roles within the Board will be set out in the Notice of Meeting which will be sent to all shareholders ahead of the Annual General Meeting to be held in November 2019.

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
1.3 A listed entity should have a written agreement with each Director and Senior Executive setting out the terms of their appointment.	YES	The Company has written agreements with all Directors and Senior Executives which sets out the terms of their appointment.
1.4 The Company Secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.	YES	The Company Secretary has been appointed by and is responsible to the Board through the Chairman. The Company Secretary is accessible to all Directors.
1.5 A listed entity should:		
(a) Have a diversity policy which includes requirements for the Board: (1) to set measurable objectives for achieving gender diversity; and (2) to assess annually both the objectives and the entity's progress in achieving them;	YES	(a) The Company has adopted a Diversity Policy which complies with the guidelines prescribed by the ASX Corporate Governance Council, including: (i) the Diversity Policy provides a framework for the Company to set and achieve measurable objectives that encompass gender equality. (ii) the Diversity Policy provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The Company is responsible for implementing, monitoring and reporting on the measurable objectives.
(b) Disclose that policy or a summary of it; and	YES	(b) The Diversity Policy is available on the Company's website at https://recce.com.au/index.php/company/corporate-governance.
(c) Disclose as at the end of each reporting period: (1) the measurable objectives for achieving gender diversity set by the Board in accordance with the entity's diversity policy and its progress towards achieving them; and	YES	(c) The Company strives to achieve the measurable objectives for achieving gender diversity as set out in the Diversity Policy. As at 30 June 2019, the respective proportions of men and women on the Board, in Senior Executive positions and across the whole organisation are set out below. • 80% of the Company's Board were male and 20% were female; • 100% of the Company's Senior Executives were male (excluding members of the Board) 25% of the Group's entire workforce (including Board members) were female and 75% were male.
(2) either: (A) The respective proportions of men and women on the Board, in Senior Executive positions and across the whole organisation (including how the entity has defined 'Senior Executive' for these purposes); or	YES	
(B) The entity's 'Gender Equality Indicators', as defined in the Workplace Gender Equality Act 2012.	N/A	

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
1.6 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and (b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	YES YES	(a) The Nomination and Remuneration Committee is responsible for evaluating the performance of the Board and individual Directors on an annual basis. The process for this is set out in the Company's Nomination and Remuneration Committee Charter which is available on the Company's website at https://recce.com.au/index.php/company/corporate-governance. (b) Although the Nomination and Remuneration Committee did not undertake a performance evaluation of the Company's board or its individual Directors during the financial year to 30 June 2019, such a review was conducted by the Board of the Company. The Company expects that an evaluation of the Company's board and/or its individual Directors will be conducted during the financial year ended 30 June 2020.
1.7 A listed entity should: (a) Have and disclose a process for periodically evaluating the performance of its Senior Executives; and (b) Disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	YES YES	(a) The Nomination and Remuneration Committee is responsible for evaluating the performance of Senior Executives on an annual basis in accordance with the Company's Nomination and Remuneration Committee Charter. (b) Although the Nomination and Remuneration Committee did not undertake a performance evaluation of the Company's senior executives during the financial year to 30 June 2019, such a review was conducted by the Board of the Company. The Company expects that an evaluation of the Company's senior executives will be conducted during the financial year ended 30 June 2020.

Corporate Governance Statement Continued

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
2: Structure the board to add value		
2.1 The board of a listed entity should:		
(a) have a nomination committee which:		(a) The Company has established a Nomination and Remuneration Committee with Dr Prendergast as Chair of the Committee. The Committee has three members, but due to the current size and structure of the Board of the Company, the majority of the committee members are not independent. The attendance at each committee meeting is disclosed in section 23 of the Directors' Report. A copy of the Nomination and Remuneration Committee Charter is available on the Company's website at https://recce.com.au/index.php/company/corporate-governance.
(1) has at least three members, a majority of whom are independent directors; and	NO	
(2) is chaired by an Independent Director,	YES	
and disclose:		
(3) the charter of the committee;	YES	
(4) the members of the committee; and	YES	
(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	YES	
(b) If it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, experience, independence and knowledge to enable it to discharge its duties and responsibilities effectively.	N/A	
2.2 A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	YES	The Company has a skills matrix which is disclosed on the Company's website at https://recce.com.au/index.php/company/corporate-governance.
2.3 A listed entity should disclose:		
(a) the names of the Directors considered by the Board to be Independent Directors;	YES	(a) Dr John Prendergast is the only Director of the Company considered independent.
(b) if a Director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and recommendations (3rd Edition) but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and	YES	(b) Dr John Prendergast, the only Director of the Company considered independent, has not had an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and recommendations (3rd Edition). (c) The Company has disclosed the details of each Director (including their length of service in the Company's Annual Report.
(c) the length of service of each Director.	YES	

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
2.4 A majority of the Board of a listed entity should be Independent Directors.	NO	The Board Charter requires that where practical the majority of the Board will be independent. The Board currently comprises a total of five Directors, of whom one is considered to be independent, being Dr John Prendergast. 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, Mr Graham, Dr Ward and Dr Prendergast mean that the Board is appropriately skilled at this stage, to further the progress and development of the Company.
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.	YES	The Company's Independent, Non-Executive Chairman is Dr John Prendergast, who is not the CEO of the Company.
2.6 A listed entity should have a program for inducting new Directors and providing appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.	YES	The Nomination and Remuneration Committee is responsible to the Board for reviewing and recommending to the Board induction and professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities. As a result, the Company has in place a program for the induction of new Directors which is tailored to each new Director depending on their personal requirements, background skills, qualifications and experience and includes the provision of a formal letter of appointment and an induction pack containing sufficient information to allow the new Director to gain an understanding of the business of the Company, and the roles, duties and responsibilities of Directors and the Executive Team. All Directors are encouraged to undergo continual professional development and, subject to prior approval by the Chairman, all Directors have access to numerous resources and professional development training to address any skills gaps.

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
3: Promote ethical and responsible decision-making		
3.1 A listed entity should:		
(a) Have a code of conduct for its Directors, Senior Executives and employees; and	YES	(a) The Company has a Code of Conduct – the Company's Obligations to Stakeholders that applies to all.
(b) Disclose that code or a summary of it.	YES	(b) The Company's Code of Conduct – the Company's Obligations to Stakeholders is available on the Company's website at https://recce.com.au/index.php/company/corporate-governance.

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
4: Safeguard integrity in financial reporting		
4.1 The Board of a listed entity should:		
(a) have an audit committee which:		The Company has established an Audit and Risk Management Committee with Dr Prendergast, an Independent Director and Chairman of the Company, as Chair of the Committee. The Committee has three members, but due to the current size and structure of the Board of the Company, the majority of the committee members are not independent. The attendance at each committee meeting is disclosed in section 23 of the Directors' Report. A copy of the Audit and Risk Management Committee Charter is available on the Company's website at https://recce.com.au/index.php/company/corporate-governance.
(1) has at least three members, all of whom are Non-Executive Directors and a majority of whom are Independent Directors; and	NO	
(2) is chaired by an Independent Director, who is not the Chair of the Board,	NO	
and disclose:		
(3) the charter of the committee;	YES	
(4) the relevant qualifications and experience of the members of the committee; and	YES	
(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	YES	
(b) If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	N/A	
4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	YES	Prior to the execution of the Financial Statements of the Company, the Company's Executive Director and CFO provided the Board with written assurances that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control which is operating effectively in all material aspects in relation to the Company's financial reporting risks.

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	YES	At the last AGM of the company, held on 29 November 2018 the external auditor of the Company attended this meeting and it is expected that the Company's external auditor will attend future AGMs and is available to answer questions from security holders relevant to the audit.
5: Make timely and balanced disclosure		
5.1 A listed entity should:		
(a) Have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	YES YES	(a) The Company has adopted a Continuous Disclosure Policy which details the processes and procedures which have been adopted by the Company so as to comply its continuous disclosure obligations as required under the ASX Listing Rules and other relevant legislation. (b) The Continuous Disclosure Policy is available on the Company's website at https://recce.com.au/index.php/company/corporate-governance.
6: Respect the rights of shareholders		
6.1 A listed entity should provide information about itself and its governance to investors via its website.	YES	Shareholders can access information about the Company and its governance (including its Constitution and adopted governance policies) from the Company's website at https://recce.com.au/index.php/company/corporate-governance.
6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	YES	The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with its investors. The Strategy outlines a range of ways in which information is communicated to shareholders. A copy of the Company's Shareholder Communications Strategy policy is available on the Company's website at https://recce.com.au/index.php/company/corporate-governance.
6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	YES	Security holders have the ability to communicate with Directors through various means including: • having the opportunity to ask questions of Directors at all general meetings; • the presence of the Auditor at AGMs to take shareholder questions on any issue relevant to their capacity as Auditor; and • the Company having Directors available to answer shareholder questions submitted by telephone, email and other means (where appropriate). Traditionally, the key forum for two-way communication between the Company and its Security holders is its AGM.

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	YES	Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX. Security holders can also elect to receive electronic communications via the Company's registry, Automic Registry Services.
7: Recognise and manage risk		
7.1 The Board of a listed entity should:		
(a) have a committee or committees to oversee risk, each of which:		The Company has established an Audit and Risk Management Committee with Dr Prendergast, an independent Director and Chairman of the Company, as Chair of the Committee. The Committee has three members, but due to the current size and structure of the Board of the Company, the majority of the committee members are not independent. The attendance at each committee meeting is disclosed in section 23 of the Directors' Report. A copy of the Audit and Risk Management Committee Charter is available on the Company's website at https://recce.com.au/index.php/company/corporate-governance.
(1) has at least three members, a majority of whom are Independent Directors; and	NO	
(2) is chaired by an Independent Director, and disclose:	YES	
(3) the charter of the committee;	YES	
(4) the members of the committee; and	YES	
(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	YES	
(b) If it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	N/A	

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
7.2 The Board or a committee of the board should:		
(a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure they remain within the risk appetite set by the Board; and	YES	(a) The Audit and Risk Management Committee Charter sets out a requirement for the Audit and Risk Management Committee to review the Company's risk management framework on an annual basis. The Company monitors, evaluates and seeks to improve its risk management and internal control processes in line with the processes set out in its Risk Management Policy, a copy of which is available on the Company's website at https://recce.com.au/index.php/company/corporate-governance. In addition, the Company has a number of other policies that directly or indirectly serve to reduce and/or manage risk, including: • Continuous Disclosure Policy • Code of Conduct • Trading Policy
(b) Disclose in relation to each reporting period, whether such a review has taken place.	YES	(b) The Audit and Risk Management Committee completed such a review during the current reporting period.
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	N/A	(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 function.
(b) If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	YES	(b) The Company has adopted a Risk Management Policy which the Company follows. The Board of the Company and the Audit and Risk Management Committee will periodically review the Company's operations to evaluate the effectiveness of risk management and internal control processes of the Company.
7.4 A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	YES	All material risks to economic, environmental and social sustainability risks will be announced to the market, in accordance with the requirements of the ASX Listing Rules and otherwise.

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
8: Remunerate fairly and responsibly		
8.1 (a) The Board of a listed entity should have a remuneration committee which: (1) has at least three members, a majority of whom are Independent Directors; and (2) is chaired by an independent director, and disclose; (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and Senior Executives and ensuring that such remuneration is appropriate and not excessive.	NO NO YES YES YES N/A	The Company has established a Nomination and Remuneration Committee with Dr Prendergast, an independent Director and Chairman of the Company, as Chair of the Committee. The Committee has three members, but due to the current size and structure of the Board of the Company, the majority of the committee members are not independent. The attendance at each committee meeting is disclosed in section 23 of the Directors' Report. A copy of the Nomination and Remuneration Committee Charter is available on the Company's website at https://recce.com.au/index.php/company/corporate-governance.
8.2 A listed entity should separately disclose its policies and practices regarding the Remuneration of Non-Executive Directors and other Senior Executives and ensure that the different roles and responsibilities of Non-Executive Directors compared to Executive Directors and other Senior Executives are reflected at the level and composition of their remuneration.	YES	The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of Non-Executive and Executive Directors and other senior employees. This disclosure is set out in the Remuneration Report section of the Company's Annual Report.

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
8.3 A listed entity which has an equity-based remuneration scheme should:		
(a) Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and	YES	(a) The Company's Nomination and Remuneration Committee is responsible for the review and recommendation to the Board of any equity-based remuneration schemes offered to Directors and employees of the Company. Further, in accordance with the Nomination and Remuneration Committee Charter, the Nomination and Remuneration Committee is also responsible for recommending, on a case by case basis, for scheme participants to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Scheme.
(b) Disclose that policy or a summary of it.	YES	(b) The Company's policy in this regard is set out in the Company's Nomination and Remuneration Committee Charter, a copy of which is available on the Company's website at https://recce.com.au/index.php/company/corporate-governance.

Consolidated Statement of

Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	2019 $	2018 $
Revenue	5	–	–
Other income	5	686,622	1,300,533
Expenses			
Laboratory expenses		(416,353)	(372,171)
Employee benefits expenses	6	(1,383,692)	(1,085,550)
Share-based payments expense	20	–	(71,250)
Depreciation and amortisation expenses		(56,088)	(53,119)
Travel expenses		(185,363)	(185,051)
Patent related costs		(59,805)	(65,145)
Rental expenses		(212,510)	(179,979)
Finance costs	6	(56,694)	(54,306)
Other expenses	6	(1,105,314)	(908,250)
		(3,475,819)	(2,974,821)
Loss before income tax		(2,789,197)	(1,674,288)
Income tax expense	8	–	–
Loss for the year		(2,789,197)	(1,674,288)
Other comprehensive income for the year		–	–
Total comprehensive loss for the year		(2,789,197)	(1,674,288)
		Cents	Cents
Loss per share:			
Basic loss per share for the year	9	(2.95)	(1.98)
Diluted loss per share for the year	9	(2.95)	(1.98)
Dividends per share for the year		–	–

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of

Financial Position

As at 30 June 2019

	Note	2019 $	2018 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	403,384	679,719
Trade and other receivables	11	36,517	20,957
Other current assets		13,200	7,821
TOTAL CURRENT ASSETS		**453,101**	**708,497**
NON-CURRENT ASSETS			
Plant and equipment	12	469,083	435,240
TOTAL NON-CURRENT ASSETS		469,083	435,240
TOTAL ASSETS		922,184	1,143,737
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	320,522	229,404
Financial liabilities	14	737,408	2,859
Provisions for employee benefits	15	215,410	184,128
TOTAL CURRENT LIABILITIES		1,273,340	416,391
NON-CURRENT LIABILITIES			
Provisions for employee benefits	15	54,448	32,431
TOTAL NON-CURRENT LIABILITIES		54,448	32,431
TOTAL LIABILITIES		1,327,788	448,822
NET ASSETS		(405,604)	694,915
EQUITY			
Share capital	16	11, 573, 369	10,031,509
Reserves	17	1,662,549	1,515,731
Accumulated losses		(13,641,522)	(10,852,325)
TOTAL EQUITY/(DEFICIENCY OF NET ASSETS)		(405,604)	694,915

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of

Changes in Equity

For the year ended 30 June 2019

	Share Capital $	Reserves $	Accumulated Losses $	Total $
BALANCE AT 1 JULY 2017	8,235,009	1,533,172	(9,178,037)	590,144
COMPREHENSIVE INCOME:				
Loss for the year	–	–	(1,674,288)	(1,674,288)
Other comprehensive income	–	–	–	–
	–	–	(1,674,288)	(1,674,288)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:				
Conversion of performance shares	–	–	–	–
Issuance of shares	1,796,500	–	–	1,796,500
Option issued related to convertible notes	–	(88,691)	–	(88,691)
Share-based payments	–	71,250	–	71,250
	1,796,500	(17,441)	–	1,779,059
BALANCE AT 30 JUNE 2018	**10,031,509**	**1,515,731**	**(10,852,325)**	**694,915**
BALANCE AT 1 JULY 2018	10,031,509	1,515,731	(10,852,325)	694,915
COMPREHENSIVE INCOME:				
Loss for the year	–	–	(2,789,197)	(2,789,197)
Other comprehensive income	–	–	–	–
	–	–	(2,789,197)	(2,789,197)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:				
Conversion of performance shares	–	–	–	–
Issuance of shares	1,688,678	–	–	1,688,678
Options cost expense on placement	(146,818)	146,818	–	–
Conversion of convertible notes	–	–	–	–
Share-based payments	–	–	–	–
	1,541,860	146,818	–	1,688,678
BALANCE AT 30 JUNE 2019	**11,573,369**	**1,662,549**	**(13,641,522)**	**(405,604)**

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of

Cash Flows

For the year ended 30 June 2019

	Note	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Australian Taxation Office		679,624	1,288,518
Payments to suppliers and employees		(3,242,059)	(3,028,564)
Interest received		6,998	12,015
Interest and other costs of finance paid		(56,694)	(4,286)
NET CASH USED IN OPERATING ACTIVITIES	18(a)	**(2,612,131)**	**(1,732,317)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(89,931)	(177,761)
NET CASH USED IN INVESTING ACTIVITIES		**(89,931)**	**(177,761)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		737,408	34,310
Repayments of borrowings		(2,859)	(31,451)
Advances from a shareholder		2,500	50,000
Proceeds from issue of shares (net of costs)		1,688,678	1,446,500
NET CASH PROVIDED BY FINANCING ACTIVITIES		**2,425,727**	**1,499,359**
Net decrease in cash and cash equivalents held		(276,335)	(410,719)
Cash and cash equivalent at the beginning of the year		679,719	1,090,438
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	10	403,384	679,719
NON-CASH INVESTING AND FINANCING ACTIVITIES			
Financing activities	18(b)	–	300,000
		–	300,000

The accompanying notes form part of these consolidated financial statements.

1: Corporate Information

The consolidated financial statements of Recce Pharmaceuticals Ltd (formerly Recce Ltd) ('the Company') and together with its controlled entities ('the Group') for the year ended 30 June 2019.

The Company is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

2: Significant Accounting Policies

(a) Basis of Preparation of the Financial Report

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

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

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

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

The 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.

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

(b) Basis of Consolidation

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

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

(c) Foreign Currency Translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of the Group are expressed in Australian dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting year. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss.

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

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

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

(d) 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. Refer to Note 2(v) for further detail.

Interest Income

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

Research and Development (R&D) Tax Incentive

R&D tax incentives from the government are recognised when received or when the right to receive payment is established.

(e) Income Tax

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

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

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

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

(f) Impairment of Assets

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

(g) Cash and Cash Equivalents

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

(h) Fair Values

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

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

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

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

In measuring fair value, the group uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

(i) Trade and Other Receivables

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

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

(j) Plant and Equipment

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

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

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

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

Depreciation

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

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

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

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

(k) Research Expenditure

Research costs are expensed as incurred.

(l) Trade and Other Payables

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

(m) Borrowings

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

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

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

(n) Other Liabilities

Other liabilities comprises non-current amounts due to related parties that do not bear interest and are repayable within 366 days of the end of the reporting year. As these are non-interest bearing, fair value at initial recognition requires an adjustment to discount these loans using a market-rate of interest for a similar instrument with a similar credit rating (Group's incremental borrowing rate). The discount is credited to profit or loss immediately and amortised using the effective interest method.

(o) Employee Benefit Provisions

Short-term employee benefit obligations

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

Other long-term employee benefits obligations

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

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

(p) Contributed Equity

Ordinary shares are classified as equity.

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

(q) Share-Based Payments

The Group provides benefits to employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares ('equity-settled transactions').

(r) Earnings/(Loss) Per Share

Basic earnings/(loss) per share

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

Diluted earnings/(loss) per share

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

(s) Goods and Services Tax (GST)

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

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

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

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

(t) Leases

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the year of the lease.

(u) Convertible Notes and Embedded Derivatives

A convertible note was issued by the Group as part of a share purchase agreement, which includes embedded derivatives (option to convert the security to variable number of shares in the Group). This convertible note is initially recognised as financial liabilities at fair value. On initial recognition, the fair value of the convertible note and value of the equity components (options issued at commencement of facility) will equate to the proceeds received and subsequently the convertible note is measured at amortised cost in each reporting year. The movements are recognised on the profit or loss as finance costs.

(v) Amendments to Accounting Standards and the New Interpretation that are Mandatorily Effective for the current year

A number of new or amended standards became applicable for the current reporting year and Recce Pharmaceuticals Ltd had to change its accounting policies as a result of adopting the following standards:

- *AASB 9 Financial Instruments, and*
- *AASB 15 Revenue from Contracts with Customers.*

The new accounting policies are disclosed below. There is no impact on the Company for the year ended 30 June 2019.

Changes in accounting policy

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year.

This note explains the impact of the adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers on Recce Pharmaceutical Ltd. financial statements and also discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior years.

Except as noted below, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting year.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 Financial Instruments: Recognition and Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 July 2018 did not give rise to any material transitional adjustments. The new accounting policies (applicable from 1 July 2018) are set out below.

In accordance with the transitional provisions in AASB 9(7.2.15) and (7.2.26), comparative figures have not been restated.

Classification and measurement

Except for certain trade receivables the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under AASB 9 financial assets are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

Impairment

From 1 July 2018 the group assesses on a forward looking basis the expected credit losses (ECLs) associated with its debt instruments carried at amortised cost and FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. For trade and other receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience.

AASB 15 Revenue from contracts with Customers

AASB 15 Revenue from contracts with Customers replaces AASB 118 Revenue. AASB 15 was adopted by the Group on 1 July 2018. AASB 15 provides a single, principles-based five-step model to be applied to all contracts with customers.

The Group has considered AASB 15 and deemed that it had no impact on the Company.

The Group's new revenue accounting policy is detailed below:

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. If the consideration promised includes a variable component, the Group estimates the expected consideration for the estimated impact of the variable component at the point of recognition and re-estimated at every reporting year.

The adoption of these new accounting policies did not have any effect on the financial position or performance of the Company.

(w) Accounting Standards Issued But Not Yet Effective

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

At the date of authorisation of the consolidated financial statements, the Standards and Interpretations that were issued but not yet effective that are applicable to the Group is summarised below. Their adoption may affect the accounting for future transactions or arrangements.

- *AASB 16: Leases (effective date to the Group on financial year 2020).*

  AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

  - right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:

    (a) investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or

(b) property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and

- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

The Group is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

(x) Rounding of Amounts to Nearest Dollar

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

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

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

Share-based payment transactions

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

Impairment of non-financial assets

The Company assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

3: Going Concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Group incurred a loss for the year ended 30 June 2019 of $2,789,197 (30 June 2018: $1,674,288) and net cash outflows used in operating activities was $2,612,131 (30 June 2018: $1,732,317). At 30 June 2019 the group had a working capital deficiency of $820,239 (30 June 2018: Surplus of $292,106) and net liabilities of $405,604 (30 June 2018: net assets of $694,915).

The ability of the Group to continue as a going concern is dependent on securing additional funding through share placements to new or existing investors and continuing to be eligible to receive R&D tax rebates. These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors believe that there are sufficient funds available to continue to meet the Group's working capital requirements as at the date of this report and that sufficient funds will be available to finance the operations of the Group for the following reasons:

- The Directors of Recce Pharmaceuticals Limited have assessed the likely cash flow for the 12 month period from the date of signing this annual report and its impact on the Group and believe there will be sufficient funds to meet the Group's working capital requirements as at the date of this report.

- The Group has historically demonstrated its ability to raise funds to satisfy its immediate cash requirements, including raising $1,541,860 (after costs) during the year ended 30 June 2019. The group is also planning to raise further funds through the placement of ordinary shares in the foreseeable future in addition to the $150,000 raised post year-end through the Controlled Placement Deed with Acuity Capital (as disclosed in note 24).
- The Company received its R&D tax refund of $1,071,727 subsequent to year-end (as disclosed in note 24) and the Directors of Recce have reason to believe that in addition to the cash flow currently available, additional funds from R&D tax rebates and R&D advance payments via the Group's agreement with Radium Capital will be receipted in the foreseeable future.
- Active management of the current level of discretionary expenditure based on the funds available to the Group

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

4: Segment Reporting

(a) Reportable segments

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

(b) Segment results

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

	Segment revenue and other income for the year		Segment loss after tax for the year	
	2019 $	2018 $	2019 $	2018 $
Australia	570,537	876,275	(893,240)	(145,230)
USA	116,085	412,243	(181,746)	(68,323)
Central Administration	–	12,015	(1,714,211)	(1,460,735)
	686,622	1,300,533	(2,789,197)	(1,674,288)

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

(c) Segment assets and liabilities

	Segment assets at end of the financial year		Segment liabilities at end of the financial year	
	2019 $	2018 $	2019 $	2018 $
Australia	440,223	384,503	–	–
USA	–	–	–	–
Central Administration	481,961	759,234	1,327,788	448,822
	922,184	1,143,737	1,327,788	448,822

(d) Segment net assets

	2019 $	2018 $
Australia	440,223	384,503
USA	–	–
Central Administration	(845,827)	310,412
	(405,604)	694,915

	2019 $	2018 $

5: Revenue and Other Income

	2019 $	2018 $
Revenue	–	–
Other Income:		
Research and Development ('R&D') tax incentive	679,624	1,288,518
Interest income	6,998	12,015
Total other income	**686,622**	**1,300,533**

6: Expenses

	2019 $	2018 $
Employee Benefits Expenses:		
Salaries and wages	1,231,798	1,042,077
Superannuation expenses	107,263	94,330
Long service leave expenses	22,018	9,573
Payroll taxes	22,543	(64,488)
Other employee related costs	70	4,058
Total finance costs	**1,383,692**	**1,085,550**

	2019 $	2018 $
Finance Costs:		
Fairvalue movement of convertible notes	–	50,020
Interest from short-term borrowings	55,634	2,520
Bank fees and charges	1,060	1,766
Total finance costs	**56,694**	**54,306**

	2019 $	2018 $
Other Expenses:		
Audit fees	38,722	35,782
Communication expenses	8,395	8,758
Computer maintenance and consumables	7,508	15,540
Consulting fees	396,395	421,547
Insurance expenses	48,481	34,776
Legal expenses	128,200	141,401
Listing and regulatory fees	54,665	71,285
Printing and stationery expenses	14,571	9,938
Roadshows and conferences	117,599	–
Sundry expenses	290,778	169,223
Total other expenses	**1,105,314**	**908,250**

	2019 $	2018 $

7: Auditor's Remuneration

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

	2019 $	2018 $
Audit services		
– BDO for audit and review of the consolidated financial statements	38,722	35,782
	38,722	35,782

8: Income Tax Expense

	2019 $	2018 $
Loss before income tax	(2,789,197)	(1,674,288)
The prima facie tax on loss from ordinary activities before income tax is reconciled to income tax as follows:		
– Prima facie tax payable on loss from ordinary activities before income tax at 27.5% (2018: 27.5%)	(767,029)	(460,429)
Add:		
Non-allowable items:		
– Share-based payments expense	–	19,594
– Expenses subject to R&D tax incentive	677,529	495,027
– Other non-allowable items	49,586	26,202
Less:		
– Non assessable income	(187,080)	(354,342)
– Tax losses and deferred tax not recognised	226,994	273,948
Income tax attributable to the Group	–	–
Deferred tax attributable to the Group		
Tax losses carried forward	1,041,836	1,794,001
Accruals and provisions	87,658	60,507
Blackhole expenses	66,100	41,931
Patents	–	10,710
	1,195,594	1,907,149

The above deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The Group's ability to use losses in the future is subject to the companies in the Group satisfying the relevant tax authority's criteria for using these losses.

	2019 $	2018 $

9: Loss Per Share

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

Loss attributable to the members of the Company	(2,789,197)	(1,674,288)

	No.	No.
Weighted average number of shares		
Weighted average number of ordinary shares used in calculating basic losses per share	94,473,428	84,724,249
	94,473,428	84,724,249

Loss per share (cents per share):		
Basic loss for the year attributable to the members of the Company	(2.95)	(1.98)
Diluted loss for the year attributable to the members of the Company	(2.95)	(1.98)

	2019 $	2018 $

10: Cash and Cash Equivalents

Cash at bank	403,286	679,677
Cash on hand	98	42
	403,384	**679,719**

Cash at bank and in hand bear floating interest rates between 1.50% and 2.65% depending on the amount on deposit. Refer to Note 19 for additional risk exposure analysis.

11: Trade and Other Receivables

CURRENT		
Net GST receivable	36,517	20,957
	36,517	**20,957**

Refer to Note 19 for additional risk exposure analysis.

	2019 $	2018 $

12: Plant and Equipment

	2019 $	2018 $
Laboratory machinery and equipment		
– at cost	504,074	420,258
– accumulated depreciation	(115,632)	(69,594)
	388,442	**350,664**
Office furniture and equipment		
– at cost	27,753	27,609
– accumulated depreciation	(8,220)	(6,309)
	19,533	**21,300**
Computer equipment		
– at cost	28,845	24,000
– accumulated depreciation	(19,673)	(16,155)
	9,172	**7,845**
Office improvements		
– at capitalised cost	56,835	56,835
– accumulated depreciation	(7,119)	(4,242)
	49,716	**52,593**
Library and website costs		
– at cost	7,176	7,176
– accumulated depreciation/amortisation	(4,956)	(4,338)
	2,220	**2,838**
Total plant and equipment	**469,083**	**435,240**

Reconciliations

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

	Laboratory machinery and equipment $	Office furniture and equipment $	Computer equipment $	Office improve-ments $	Library and website costs $	Total $
2019						
Beginning of the year	350,664	21,300	7,845	52,593	2,838	435,240
Additions	83,816	144	4,845	–	–	88,805
Depreciation	(46,038)	(1,911)	(3,518)	(2,877)	(618)	(54,962)
End of the year	**388,442**	**19,533**	**9,172**	**49,716**	**2,220**	**469,083**
2018						
Beginning of the year	220,139	21,035	10,094	55,675	3,655	310,598
Additions	172,882	2,270	2,609	–	–	177,761
Depreciation	(42,357)	(2,005)	(4,858)	(3,082)	(817)	(53,119)
End of the year	**350,664**	**21,300**	**7,845**	**52,593**	**2,838**	**435,240**

	Note	2019 $	2018 $

13: Trade and Other Payables

CURRENT			
Unsecured liabilities			
Trade payables		124,413	125,378
Employee related payables		52,600	54,026
Sundry creditors		143,509	50,000
		320,522	229,404

14: Financial Liabilities

CURRENT			
Loans payable	14(a)	150,000	2,859
R&D advance	14(a)	587,408	–
		737,408	2,859

(a) Loans payable

The prior year balance pertained to funding obtained by the Group which was payable in 12 monthly instalments from August 2017. The loan was obtained to pay for the Directors and Officers insurance. The current year balance comprises a short term unsecured loan by Dr. Graham Melrose at an interest rate of 5% per annum.

The R&D advance represents an amount payable to Radium Capital and will be offset against R&D refunds. Interest is payable at the rate of 13.92% per annum.

	2019 $	2018 $

15: Provisions for Employee Benefits

CURRENT		
Unsecured liabilities		
Annual leave	123,977	117,645
Personal leave	91,433	66,483
	215,410	184,128
NON-CURRENT		
Long service leave	54,448	32,431
Movement of long service leave provision:		
At beginning of the year	32,431	22,858
Provisions made during the year	22,017	9,573
At end of the year	54,448	32,431

16: Share Capital

	2019		2018	
	No.	$	No.	$
Issued and fully paid ordinary shares	107,129,919	11,573,369	89,342,418	10,031,509
Collateral shares issued in trust[3]	(4,500,000)	–	–	–
	102,629,919	11,573,369	89,342,418	10,031,509

Movements in ordinary shares on issue:

	2019 No.	2019 $	2018 No.	2018 $
Opening balance	89,342,418	10,031,509	78,004,500	8,235,009
Shares issued during the year:				
– shares issued through Share Purchase Plan[1]	–	–	5,408,487	946,500
– shares issued to ASOF[2]	–	–	3,607,881	550,000
– shares issued to employees/KMP	430,358	–	–	–
– shares issued in trust under Collateral Placement Deed[3]	4,500,000	–	–	–
– new shares issued from placement[4]	12,857,143	1,541,860	–	–
	17,787,501	1,541,860	9,016,368	1,496,500
Conversions during the year:				
– Convertible notes[2]	–	–	2,321,550	300,000
– Class A performance shares	–	–	–	–
	–	–	2,321,550	300,000
Total[5]	107,129,919	11,573,369	89,342,418	10,031,509

1 On 23 October 2017, the Company accepted applications from 171 registered shareholders under the Share Purchase Plan.

2 The issue of shares and conversion of convertible notes pertained to the Share Purchase and Convertible Security Agreement signed by the Company and ASOF on 16 June 2017, whereby the Company could receive over a 24-month year up to $6.05 million from ASOF, a US institutional investor.

3 The Company entered into a Controlled Placement Deed ('CPD') with Acuity Capital Investment Management Pty Ltd as trustee for The Acuity Capital Holdings Trust ('Acuity'). The CPD grants an option to Acuity to issue Recce shares at the discretion of Recce, and which Acuity has the discretion to either accept or decline. Recce may at any time cancel the CPD and buy back the collateral shares for no consideration. On 15 February 2019, 4,500,000 Ordinary shares were issued to Acuity Capital as collateral shares pursuant to the Controlled Placement Deed, however as at 30 June 2019 none of the options available under this facility had been exercised, and no accounting recognition is required.

4 On 15 February 2019, the Company issued 12,857,143 ordinary shares at 14 cents per ordinary share less costs.

5 At 30 June 2019, 107,129,919 ordinary shares on issue were quoted on the ASX.

Options from shares issued

The Company issued the following options to ASOF as part of its Share Purchase and Convertible Security Agreement signed on 16 June 2017. Additionally, options were issued to DJ Carmichael Pty Limited for lead manager services in relation to the current year share placement.

Particulars	Issue Date	Exercise Date	Exercise Price cents	2019 No.	2018 No.
Options	16-Jun-17	21-Jun-21	25.93	641,000	641,000
Tranche 1	19-Jul-17	19-Jul-20	21.71	59,880	59,880
Tranche 2	06-Sep-17	25-Aug-20	18.72	104,167	104,167
Tranche 3	29-Sep-17	29-Sep-20	17.80	109,569	109,569
Tranche 4	02-Nov-17	01-Nov-20	20.40	127,470	127,470
Tranche 5	01-Dec-17	30-Nov-20	20.96	124,069	124,069
Tranche 6	17-Jan-18	10-Jan-21	19.88	130,804	130,804
Tranche 7	16-Feb-18	13-Feb-21	19.81	65,617	65,617
Options[1]	15-Feb-19	15-Feb-23	16.80	1,800,000	–
				3,162,576	1,362,576

1 On 15 February 2019, the Company issued 1,800,000 options to DJ Carmichael Pty Limited relating to the February 2019 capital raising. The unlisted options will be issued for $0.168 per option. The total expense recognised for the options issued was $146,818 and has been recognised in equity as a share issue cost during the 30 June 2019 financial year.

17: Reserves

	Note	2019 $	2018 $
Performance shares reserve	17(a)	1,444,481	1,444,481
Share-based payments reserve	17(b)	71,250	71,250
Options reserve	17(c)	146,818	–
		1,662,549	1,515,731

(a) Performance shares reserve

The performance shares reserve is used to recognise the fair value of Performance Shares issued to Executives and Non-Executive Directors.

Movements of performance shares reserve:		
At beginning of year	1,444,481	1,444,481
Conversion to ordinary shares (refer to Note 14)	–	–
At end of year	1,444,481	1,444,481

(b) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of ordinary shares to be issued to Non-Executive Directors after completion of 12 months service.

Movements of share-based payments reserve:		
At beginning of year	71,250	–
Reversals	–	–
Additions[1]	–	71,250
At end of year	71,250	71,250

1 Refer to Note 20.

	Note	2019 $	2018 $
(C) Options reserve			
The options reserve is used to recognise the fair vale of options issued.			
Movements of options reserve:			
At beginning of year		–	88,691
Options issued to lead manager[2]		146,818	(88,691)
At end of year		146,818	–

2 Refer to Note 16.

18: Cash Flow Information

	2019 $	2018 $
(a) Reconciliation of loss after income tax to net cash flow from operating activities:		
Loss for the year	(2,789,197)	(1,674,288)
Adjustments and non-cash items:		
– Depreciation and amortisation	56,088	53,119
– Interest amortisation of convertible notes	–	50,020
– Share-based payments expense	–	71,250
Change in operating assets and liabilities		
– Decrease/(Increase) in trade and other receivables	(15,560)	39,228
– (Increase)/Decrease in other current assets	(5,379)	(4,456)
– (Decrease)/Increase in trade and other payables	88,618	(301,071)
– Increase in provisions for employee benefits	53,299	33,881
Net cash outflow from operating activities	(2,612,131)	(1,732,317)
(b) Non-cash investing and financing activities:		
– Investing activities	–	–
– Financing activities		
Conversion of convertible notes to ordinary shares	–	300,000
	–	300,000

19: Financial Risk Management

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

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

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

	2019 $	2018 $
Financial Assets		
At amortised cost		
Cash and cash equivalents	403,384	679,719
Trade and other receivables	36,517	20,957
	439,901	**700,676**
Financial Liabilities		
At amortised cost		
Trade payables and sundry creditors	267,922	175,378
Loans payable	150,000	2,859
R&D Advance	587,408	–
	1,005,330	178,237
Net exposure	(565,429)	522,439

(a) Market Risk

(i) Foreign exchange risk

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

Foreign exchange risk arises from future commercial transactions denominated in a currency that is not the Group's functional currency. Over the next 12 months the Group will enter into contracts with various research organisations in the USA to perform numerous laboratory tests as well as use the services of an expert consultant in the USA that will result in approximately US$3.3 million in expenditure.

(i) Interest Rate Risk

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

	2019		2018	
	Weighted average	Balance $	Weighted average	Balance $
Cash and cash equivalents	1.53%	403,286	2.56%	679,677

(b) Credit Risk

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

The carrying amount of financial assets included in the Consolidated Statement of Financial Position represents the Group's maximum exposure to credit risk in relation to those assets. The Group does not held any credit derivatives to offset its credit exposure. The Group trades only with recognised, credit worthy third parties and such collateral is not requested nor is it the Group's policy to securities its trade and other receivables. Receivable balances are monitored on an ongoing basis with the result that the Group does not have a significant exposure to bad debts.

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

	Rating	2019 $	2018 $
Cash held with BankWest Bank	AA-	403,286	679,677

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

(c) Liquidity Risk

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

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

The financial liabilities the Group had at reporting date were trade payables incurred in the normal course of the business. Trade payables were non-interest bearing and were deducted within the normal 30-60 day term of creditor payments.

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

Contractual maturities of financial liabilities	<6 months $	>6 – 12 months $	>12 months $	Total contractual cash flows $	Carrying amount $
30 June 2019					
Trade payables	124,413	–	–	124,413	124,413
Employee related payables	52,600	–	–	52,600	52,600
Sundry creditors	143,509	–	–	143,509	143,509
Loan payable	150,000	–	–	150,000	150,000
R&D Advance	587,408	–	–	587,408	587,408
	1,057,930	**–**	**–**	**1,057,930**	**1,057,930**
30 June 2018					
Trade payables	125,378	–	–	125,378	125,378
Employee related payables	54,026	–	–	54,026	54,026
Sundry creditors	50,000	–	–	50,000	50,000
Loan payable	2,859	–	–	2,859	2,859
	232,263	**–**	**–**	**232,263**	**232,263**

At 30 June 2019, the Group had sufficient cash to meet the financial liabilities as and when they are due and payable.

(d) Fair Value Hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets and liabilities;

(ii) Level 2 – a valuation technique using inputs other than quoted prices within Level 1 that are observable for the financial instrument, either directly (ie as prices), or indirectly (ie derived from prices); or

(iii) Level 3 – a valuation technique using inputs that are not based on observable market data (unobservable inputs).

Valuation Techniques to Derive Level 3 Fair Values

Convertible security at fair value through profit or loss

The fair value of the convertible security is determined based on the accretion of its carrying amount recognised at inception up to its face value by taking into account the discount on the conversion of the shares in the future and share price. During the financial year, the security was converted to equity.

	2019 $	2018 $

20: Share-Based Payments

Share-based payments expense recognised during the financial year:		
Shares issued to Key Management Personnel (KMP)[1]	–	25,000
Shares issued to KMP as 'sign-on' bonus[2]	–	46,250
	–	71,250

1 The amount pertained to the entitlement of the Executives of the Company, J Ward and A Kollaras as part of their compensation. The shares were not issued as at 30 June 2018 totaling to 142,857 shares valued at $0.175 per share. The shares were ultimately issued on 15 February 2019.

2 Pertained to a sign-on bonus to J Prendergast after joining as a Non-Executive Director of the Company. The allocation of 250,000 shares was subject to shareholder approval at the Annual General Meeting held on 29 November 2018. The shares were ultimately issued on 15 February 2019.

On 15 February 2019, the Company issued 1,800,000 unlisted options for services provided under the DJ Carmichael mandate relating to the February 2019 capital raising. The unlisted options will be issued for $0.168 per option. The total expense recognised for the options was $146,818 and has been recognised in equity as a share issue cost during the 30 June 2019 financial year.

21: Related Party Transactions

Parent entity

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

Subsidiaries

Interests in subsidiaries are disclosed in Note 23.

	2019 $	2018 $
Key management personnel compensation		
Short-term employee benefits	887,764	836,678
Post-employment benefits	130,859	108,341
Termination payments	–	21,263
Share-based payments	–	71,250
	1,018,623	1,037,532
The following transactions occurred with related parties:		
Superannuation contributions		
Contributions to superannuation funds on behalf of employees	130,859	108,341

At 30 June 2019, Dr Graham Melrose had lent the company $150,000 (2018: $nil). Any other loans during the year had been repaid by balance date. Interest paid or payable to Dr Melrose for the year ended 30 June 2019 totalled $8,854.52 (2018: $nil). Mr James Graham also advanced funds to the Company during the year ended 30 June 2019 which were fully repaid at year end. Interest paid to Mr Graham totalled $424.66 (2018: $nil).

There were no other related party transactions during the financial year.

22: Parent Entity Information

The following information relates to the parent entity, Recce Pharmaceuticals Ltd, as at 30 June 2019. The information presented hereto has been prepared using accounting policies consistent with those presented in Note 2.

	2019 $	2018 $
(a) Summarised statement of financial position		
Current assets	453,101	708,497
Non-current assets	469,083	435,240
Total assets	922,184	1,143,737
Current liabilities	1,273,340	416,391
Non-current liabilities	54,448	32,431
Total liabilities	1,327,788	448,822
Share capital	11,573,369	10,031,509
Reserves	1,662,549	1,515,731
Accumulated losses	(13,641,522)	(10,852,325)
Net Asset/(Liabilities)	(405,604)	694,915
(b) Summarised consolidated statement of profit or loss and other comprehensive income		
Loss for the year	(2,789,197)	(1,674,288)
Other comprehensive income	–	–
Total comprehensive loss for the year	(2,789,197)	(1,674,288)

The parent entity has no contingent liabilities as at 30 June 2019.

23: Interest in Subsidiaries

		Percentage Owned	
	Country of Incorporation	2019 %	2018 %
Parent entity			
Recce Pharmaceuticals Ltd	Australia	–	–
Subsidiaries			
Recce (USA) LLP	United States	100	100
Recce (UK) Limited	United Kingdom	100	100

24: Events Subsequent to Reporting Period

Subsequent to year end:

John Prendergast was appointed Chairman and Justin Ward was appointed a director.

The Company also received a further R&D advance from Radium Capital in the amount of $262,462.

The Company received its R&D tax refund in the amount of $1,071,727 and repaid its loan plus interest to Radium Capital of $908,054.

The Company placed $150,000 under its controlled Placement Agreement with Acuity Capital. This will result in the issue of 750,000 ordinary shares being issued at $0.20.

The Company entered into a number of unsecured, short term loans with Australian based sophisticated investors. The total amount of these loans was $350,000 at an interest rate of 3.71%. The loans and interest are repayable following completion of a capital raising by the Company or within 6 weeks of the advance date, whichever is earlier.

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

Directors' Declaration

The Directors of the Company declare that:

1. The consolidated financial statements comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and accompanying notes, as set out on pages 36 to 59, are in accordance with the *Corporations Act 2001* , including:

a. complying with Accounting Standards and the *Corporations Regulations 2001* ; and other mandatory reporting requirements; and

   b. give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the Group;

2. The Non-Executive Chairman and Chief Financial Officer have each declared that:

a. the financial records of the Company for the financial year have been properly maintained in accordance with section *286 of the Corporations Act 2001* ;

   b. The financial statements and notes for the financial year comply with the Accounting Standards; and

   c. The financial statements and notes for the financial year give a true and fair view;

3. In the Director's opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable

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

John Prendergast
Chairman

27 September 2019

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Recce Pharmaceuticals Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Recce Pharmaceutical Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Material uncertainty related to going concern

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

Key audit matters

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

We have not identified any key audit matters for Recce Pharmaceuticals Ltd.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 22 of the Annual report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Recce Pharmaceuticals Ltd, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit (WA) Pty Ltd

BDO

Neil Smith

Director

Perth, 27 September 2019

ASX Additional Information

Shareholder Information as at 19 September 2019

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

(a) Distribution of equity securities (as at 19 September 2019)

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

Holding	Number of Shareholders	Number of Shares	% Issued Share Capital
1 – 1,000	32	4,946	0.00
1,001 – 5,000	229	791,602	0.74
5,001 – 10,000	225	2,005,657	1.87
10,001 – 100,000	637	24,501,261	22.87
100,001 and over	125	79,826,453	74.51
Total	1,248	107,129,919	100.00

Holding	Option Holders	Number of Shares	% Issued Share Capital
1 – 1,000	0	0	0.00
1,001 – 5,000	0	0	0.00
5,001 – 10,000	0	0	0.00
10,001 – 100,000	0	0	0.00
100,001 and over	2	3,162,576	100.00
Total	2	3,162,576	100.00

Holding	Performance Right Holders	Number of Shares	% Issued Share Capital
1 – 1,000	0	0	0.00
1,001 – 5,000	0	0	0.00
5,001 – 10,000	0	0	0.00
10,001 – 100,000	0	0	0.00
100,001 and over	10	26,263,269	100.00
Total	10	26,263,269	100.00

(b) Twenty largest shareholders (as at 19 September 2019)

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

	Name	Number of Shares	%
1	Mr Graham Melrose & Ms Olga Melrose	30,375,003	28.35
2	Ross Gustafson	4,605,261	4.30
3	Mr James Graham	4,299,851	4.01
4	J P Morgan Nominees Australia Pty Limited	4,156,447	3.88
5	Acuity Capital Investment Management Pty Ltd <Acuity Capital Holdings A/C>	3,739,280	3.49
6	Ms Michele Keryn Dilizia	2,564,061	2.39
7	Querion Pty Ltd	2,100,000	1.96
8	Golden Rivers Mining Pty Ltd	1,154,006	1.08
9	Pejay Pty Limited	933,356	0.87
10	Ms Fiona Elizabeth Graham	925,000	0.86
11	Mr Nikolai Shirobokov & Mrs Svetlana Shirobokov	818,888	0.76
12	Mccray Investments Pty Ltd <Mccray Family S/F Account>	656,007	0.61
13	Mr Leslie John Field & Mrs Eve Field	572,493	0.53
14	Arthur Deryck Bray Graham & Nanette Graham	550,000	0.51
15	Mr Peter Mackiewicz	500,000	0.47
15	Welaro Pty Ltd <Woodville Investment A/C>	500,000	0.47
15	Super and Investment Holdings Pty Ltd <Nettleton Family S/F A/C>	500,000	0.47
16	Mr Mark David Swinn	499,772	0.47
17	Mrs Pauline Maria Grooby	493,714	0.46
18	Mrs Judith Suzanne Piggin & Mr Damien Jaye Piggin & Mr Glenn Adam Piggin <Piggin Family S/F A/C>	492,589	0.46
19	State One Stockbroking Ltd	453,217	0.42
20	Mr Christopher James Frisch & Mr Paul Edward Frisch <Fredflint Superfund A/C>	450,000	0.42
Total		**61,338,945**	**57.26**
Balance of Register		**107,129,919**	**100.00**

(c) Substantial shareholders

Substantial holders in the Company are set out below (based on voting interest in fully paid ordinary shares) as at 19 September 2019.

Name	Number of Shares	%
Mr Graham Melrose & Ms Olga Melrose	30,375,003	28.35
Ross Gustafson	4,605,261	4.30
Mr James Graham	4,299,851	4.01
J P Morgan Nominees Australia Pty Limited	4,156,447	3.88
Acuity Capital Investment Management Pty Ltd <Acuity Capital Holdings A/C>	3,739,280	3.49

(d) Voting rights

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

(e) Share buyback

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

(f) Unmarketable parcels

There were 46 Shareholders holding less than a marketable parcel, totaling 24,745 shares.

Corporate Directory

For the year ended 30 June 2019

Stock Exchange Listing

Australian Securities Exchange (ASX)
ASX code: RCE

Directors

Dr John Prendergast
Non-Executive Chairman

Dr Graham Melrose
Executive Director

Ms Michele Dilizia
Executive Director

Mr James Graham
Executive Director

Dr Justin Ward
Executive Director

Company Secretary

Alistair McKeough

Chief Financial Officer

Justin Reynolds

Registered Office

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Share Register

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Deutsche Bank Tower
Level 5/126 Phillip Street
Sydney NSW 2000
Phone: 1300 288 664

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco, WA 6008

Annual General Meeting

The Annual General Meeting will be held on the 25 November 2019.

Automic Pty Limited
Level 5/126 Phillip Street
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