

Appendix 4D

Current Reporting Period: 31 December 2021

Previous Reporting Period: 31 December 2020

Results for Announcement to the Market

| | | Percentage Change | \$ |
|--|------|----------------------|-------------|
| Revenue from ordinary activities | - | 0.00% to | - |
| Loss from ordinary activities after tax attributable to members | down | -51.10% to | (4,983,636) |
| Net loss for the period attributable to members | down | -51.10% to | (4,983,636) |

Brief explanation of Results

Operational Report

During the reporting period, significant advances were made in support of the development of the Company's synthetic anti-infective program. Highlights for the half year to 31 December 2021 included:

- Multiple patients dosed with RECCE® 327 in a topical Phase I/II clinical trial at the Fiona Stanley Hospital Burns unit
- Trial registration for its lead compound RECCE® 327 in the Australian New Zealand Clinical Trial Registry (ANZCTR) for its Phase I Intravenous Study in Humans under the Trial ID ACTRN12621001313820p
- Receiving Human Research Ethics Committee approval to start its Phase I intravenous (IV) clinical trial evaluating the safety and pharmacokinetics of its lead compound, RECCE® 327
- RECCE® 327 demonstrated broad spectrum antibiotic activity on bacterial infections in burns wounds with visible infection reduction in less than 24 hours on all patients to date. All infections were cleared within 5 days (acute) or 7 days (chronic)
- Recruiting 10 healthy male subjects (first cohort) in its Phase I intravenous (IV) clinical trial of its lead compound, RECCE® 327

Appendix 4D

Clinical Progress

The Company successfully launched two clinical trials: a Sepsis focussed, Phase I intravenously administrated dose study assessing the safety and tolerability of RECCE® 327 (R327) in healthy subjects (CMAX, Royal Adelaide Hospital, South Australia) and a Phase I/II clinical trial for burn wound infections conducted at the Fiona Stanley Hospital, Western Australia.

The Company completed the final administrative stages in preparation for its Phase I intravenous clinical trial of R327: trial registration in the Australian New Zealand Clinical Trial Registry (ANZCTR); Human Research Ethics Committee approval. Having achieved these important milestones, the first cohort of subjects for this clinical trial, assessing the safety and tolerability of R327, were recruited and dosed over two days starting 16 December 2021.

In a parallel Phase I/II study, topical R327 on patients with burn wound infections were successfully treated, Gram-positive, Gram-negative and antibiotic-resistant (superbug) strains. Visible reductions in wound infections were reported within the first 24 hours of R327 treatment. Patients with acute wound infections also indicated a complete clinical response, requiring no further treatment. Patients suffering from chronic or significant surface area wounds showed similarly positive outcomes by day seven. With this compelling interim data, the study adopted a significantly shorter five day treatment in place of the original 14 day protocol.

In support of these clinical advances, the Company was granted two further Patents in Family 3 – Anti-Virus Agent and Method for Treatment of Viral Infection, one in the United States and the second in China – furthering marketing and manufacturing monopolies to February 2037. These patents in two major global pharmaceutical markets, greatly strengthens our intellectual patent portfolio, reinforcing the unique opportunities for novel treatment across a range of both bacterial and viral pathogens.

The Company would like to thank shareholders for their support and looks forward to advancing these clinical programs over the time ahead.

Strong financial position

The Company's cash position of \$15.8 million at 31 December 2021 combined with available research and development rebate credits means Recce Pharmaceuticals is sufficiently funded to execute its development milestones through the 2022 financial year.

The Company's vision is to help address the urgent global health threat of antibiotic resistant superbugs and emerging viral pathogens. The team at Recce Pharmaceuticals will continue to embark on programs that bring that vision to reality.

Financial Report

The half-year operating loss for the period was \$4,983,636 (2021: loss of \$10,191,904). The decrease was as a result of decreased R&D related costs and no share based payment expenses.

The loss per share for the period was 3.75 cents (2021: 7.68 cents).

Dividends

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

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

Net Tangible Assets per Security

| | |
|--------------------------------|-------|
| As at 31 December 2021 (cents) | 8.93 |
| As at 31 December 2020 (cents) | 13.43 |

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



RECCE PHARMACEUTICALS LTD

ABN 73 124 849 065

INTERIM REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

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DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

The Directors present their report together with the interim consolidated financial report of Recce Pharmaceuticals Ltd (the "Company") and controlled entities (the "Group") for the half-year ended 31 December 2021.

Directors

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

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

Principal Activity

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

Review of Operations

On 5 July 2021, the Company announced its first international cash receipt of A\$176,870 from the Canadian Government as part of its Scientific Research & Experimental Development (SR&ED) Tax Incentive program. The Canadian government's 10% Research and Development (R&D) rebate is in addition to the Australian government's 43.5% R&D Tax Incentive Program.

On 12 July 2021, the Company announced that multiple patients had been dosed with topical RECCE® 327 in a Phase I/II clinical trial, with no adverse symptoms reported, at the Fiona Stanley Hospital Burns Unit in Perth. The clinical trial is sponsored by the Western Australia Health Department.

On 19 July 2021, the Company announced positive efficacy of RECCE® 327 against *Clostridium perfringens* (*C. perfringens*) and *Streptococcus pyogenes* (*S. pyogenes*), two main strains of bacteria associated with necrotizing fasciitis, also known as 'flesh-eating' disease. RECCE® 327 demonstrated a Below Limit of Quantification (BLOQ) efficacy as early as 30 minutes in *C. perfringens*; 99.9% (3-log) reduction achieved in all bacteria tested, at various concentrations.

On 20 July 2021, the Company announced the Chinese Patent Office had granted Patent Family 3 "Anti-Virus Agent and Method for Treatment of Viral Infections", furthering marketing and manufacturing monopolies to February 2037. This was the third Patent in Family 3 to be granted to the Company following its patent grant in Europe and Japan, with applications in other major pharmaceutical markets around the world in advanced stages of independent patent reviews.

DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Review of Operations (Continued)

On 22 July 2021, the Company announced the United States (U.S.) Patent and Trademark Office had granted Patent Family 3 "Anti-Virus Agent and Method for Treatment of Viral Infections", furthering marketing and manufacturing monopolies to February 2037. This was the fourth of five patents in Family 3 to be granted to the Company following its patent grants in the biggest pharmaceutical markets in the world: China, Japan, Europe, with only Australia remaining.

On 11 August 2021, the Company announced it had been awarded the second grant from the Innovation Connections scheme of AUD \$50,000 plus Goods and Services Tax (GST) under the Australian Government's Entrepreneurs' Programme. The Innovation Connections scheme assists businesses in establishing research priorities, locating researchers, and providing access to funding to enable R&D project.

On 30 September 2021, the Company announced trial registration for its lead compound RECCE® 327 in the Australian New Zealand Clinical Trial Registry (ANZCTR) for its Phase I Intravenous Study in Humans under the Trial ID ACTRN12621001313820p.

On 25 October 2021, the Company announced it had received Human Research Ethics Committee approval to start its Phase I Intravenous clinical trial evaluating the safety and pharmacokinetics of its lead compound, RECCE® 327.

On 8 November 2021, the Company announced it was to deliver the Opening R&D Address at the World Anti-Microbial Resistance Congress on 8th-9th November 2021 highlighting the urgent need for new antibiotics to address the rapidly growing threat of antimicrobial-resistance.

On 7th December 2021, the Company announced an update on its Phase I/II clinical trial. RECCE® 327 demonstrated broad spectrum antibiotic activity on bacterial infections in burn wounds with visible infection reduction less than 24 hours on all patients to date. All infections were cleared within 5 days (acute) or 7 days (chronic); clinicians reducing treatment windows per protocol/positive patient indications. Burn wound infections consisted of Gram-positive and Gram-negative bacteria, some of which are defined as multidrug-resistant and categorised as difficult to treat due to biofilms.

On 15 December 2021, the Company announced it had recruited 10 healthy male subjects (first cohort) in its Phase I intravenous (IV) clinical trial of its lead compound, RECCE® 327. Dosing commenced shortly thereafter.

Results of Operations

The half-year operating loss for the period was \$4,983,636 (2020: loss of \$10,191,904). The decrease was as a result of decreased R&D related costs and no share based payments. The Group's current focus is on progressing RECCE® 327 into human clinical trials.

DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Events Subsequent to Reporting Period

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

Rounding of amounts

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

Auditor's independence declaration

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

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



Dr John Prendergast
Non-Executive Chairman
28 February 2022

RECCE PHARMACEUTICALS LTD

ABN 73 124 849 065

Auditor's Independence Declaration

To be provided by the auditor

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

| | Note | 31 December 2021 | 31 December 2020 |
|--|------|---------------------|---------------------|
| | | \$ | \$ |
| Revenue | | - | - |
| Other income | | | |
| Research and Development ("R&D") tax incentive | | - | 640,049 |
| Interest income | | 53,281 | 36,587 |
| Other income - cashflow boost | | - | 55,000 |
| | | <u>53,281</u> | <u>731,636</u> |
| Expenses | | | |
| Laboratory expenses | | (2,417,640) | (3,876,549) |
| Employee benefits expenses | | (1,257,463) | (1,012,550) |
| Depreciation and amortisation expenses | | (25,815) | (29,582) |
| Share based payments expense | | - | (4,732,069) |
| Travel expenses | | (58,653) | (2,245) |
| Patent related costs | | (45,376) | (42,220) |
| Rental outgoing expenses | | (17,245) | (14,548) |
| Finance costs | | (630) | (1,279) |
| Professional services | | (307,399) | (413,699) |
| Other expenses | | (818,181) | (733,812) |
| Amortisation: Leases | | (82,447) | (61,025) |
| Interest expenses: Leases | | (6,069) | (3,962) |
| | | <u>(5,036,917)</u> | <u>(10,923,540)</u> |
| Loss before income tax | | (4,983,636) | (10,191,904) |
| Income tax expense | | - | - |
| Loss for the period after income tax | | (4,983,636) | (10,191,904) |
| Other comprehensive income | | - | - |
| Total comprehensive loss for the period | | (4,983,636) | (10,191,904) |
| | | | |
| | | Cents | Cents |
| Loss per share: | | | |
| Basic loss per share for the period | 6 | (3.75) | (7.68) |
| Diluted loss per share for the period | 6 | (3.75) | (7.68) |
| Dividends per share for the period | 7 | - | - |

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

| | Note | 31 December 2021 | 30 June 2021 |
|--------------------------------------|------|---------------------|-------------------|
| | | \$ | \$ |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | 15,825,786 | 20,873,040 |
| Trade and other receivables | | 105,139 | 245,484 |
| Other current assets | 9 | 343,602 | 62,399 |
| TOTAL CURRENT ASSETS | | 16,274,527 | 21,180,923 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | 10 | 362,662 | 379,397 |
| Right of Use Asset | 11 | 124,264 | 121,235 |
| TOTAL NON-CURRENT ASSETS | | 486,926 | 500,632 |
| TOTAL ASSETS | | 16,761,453 | 21,681,555 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and Other Payables | 12 | 834,506 | 627,903 |
| Provisions for employee benefits | | 178,073 | 337,747 |
| Current lease liabilities | | 100,155 | 112,585 |
| TOTAL CURRENT LIABILITIES | | 1,112,734 | 1,078,235 |
| NON-CURRENT LIABILITIES | | | |
| Non-current lease liabilities | | 31,238 | 14,364 |
| Provisions for employee benefits | | 97,375 | 85,215 |
| TOTAL NON-CURRENT LIABILITIES | | 128,613 | 99,579 |
| TOTAL LIABILITIES | | 1,241,347 | 1,177,814 |
| NET ASSETS | | 15,520,106 | 20,503,741 |
| EQUITY | | | |
| Share capital | 13 | 43,297,309 | 43,297,309 |
| Reserves | 14 | 8,678,058 | 8,678,057 |
| Accumulated losses | | (36,455,261) | (31,471,625) |
| TOTAL EQUITY | | 15,520,106 | 20,503,741 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

| | Share Capital \$ | Reserves \$ | Accumulated Losses \$ | Total \$ |
|--|------------------------|------------------|-----------------------------|-------------------|
| BALANCE AT 1 JULY 2020 | 18,466,336 | 1,804,502 | (17,958,259) | 2,312,579 |
| COMPREHENSIVE INCOME: | | | | |
| Loss for the period | - | - | (10,191,904) | (10,191,904) |
| Other comprehensive income | - | - | - | - |
| | - | - | (10,191,904) | (10,191,904) |
| TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS: | | | | |
| Issuance of shares (net of cash-settled share issue costs) | 26,231,325 | - | - | 26,231,325 |
| Options issued to Directors | - | 4,665,169 | - | 4,665,169 |
| Options issued to lead manager as capital raising cost | (3,018,244) | 3,018,244 | - | - |
| Conversion of options into ordinary shares | 247,118 | - | - | 247,119 |
| Share-based payments | 66,900 | - | - | 66,900 |
| Transfers from reserves to share capital | 1,220,699 | (1,220,699) | - | - |
| | 24,747,798 | 6,462,714 | - | 31,210,514 |
| BALANCE AT 31 DECEMBER 2020 | 43,214,134 | 8,267,216 | (28,150,163) | 23,331,189 |
| BALANCE AT 1 JULY 2021 | 43,297,309 | 8,678,057 | (31,471,625) | 20,503,742 |
| COMPREHENSIVE INCOME: | | | | |
| Loss for the period | - | - | (4,983,636) | (4,983,636) |
| Other comprehensive income | - | - | - | - |
| | - | - | (4,983,636) | (4,983,636) |
| TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS: | | | | |
| Issuance of shares (net of cash-settled share issue costs) (Note 13) | - | - | - | - |
| Options issued to Directors | - | - | - | - |
| Options issued to lead manager as capital raising cost | - | - | - | - |
| Conversion of options into ordinary shares | - | - | - | - |
| Share-based payments | - | - | - | - |
| Transfers from reserves to share capital | - | - | - | - |
| | - | - | - | - |
| BALANCE AT 31 DECEMBER 2021 | 43,297,309 | 8,678,057 | (36,455,261) | 15,520,106 |

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

CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

| | 31 December 2021 | 31 December 2020 |
|---|---------------------|---------------------|
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from Australian Taxation Office | - | 695,047 |
| Payments to suppliers and employees | (4,792,477) | (6,048,648) |
| Interest received | 53,281 | 36,587 |
| Interest and other costs of finance paid | (630) | (1,279) |
| NET CASH USED IN OPERATING ACTIVITIES | (4,739,826) | (5,318,293) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of plant and equipment | (9,078) | (6,937) |
| Other related payments | (298,332) | (41,161) |
| NET CASH USED IN INVESTING ACTIVITIES | (307,410) | (48,098) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of equity securities | - | 27,950,000 |
| Proceeds from exercise of options | - | 101,237 |
| Transaction costs related to issues of equity or convertible securities | - | (1,718,675) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | - | 26,332,562 |
| Net increase in cash and cash equivalents held | (5,047,236) | 20,966,171 |
| Cash and cash equivalent at the beginning of the period | 20,873,022 | 2,633,122 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 15,825,786 | 23,599,293 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTE 1: GENERAL INFORMATION

The consolidated financial report of Recce Pharmaceuticals Ltd (the "Company") and its controlled entities (the "Group") for the half year ended 31 December 2021 was authorised for issue in accordance with a resolution of the Directors on 28 February 2022.

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

NOTE 2: ACCOUNTING POLICIES

(a) Basis of preparation of the consolidated financial report

These financial statements are general purpose financial statements for the half year ended 31 December 2021 have been prepared in accordance with Australian Accounting Standards 134 Interim Financial Reporting and the Corporations Act 2001.

The half year consolidated financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report. Accordingly, the half-year consolidated financial report should be read in conjunction with the annual report for the year ended 30 June 2021 and considered together with any public announcements made by the Company during the half year ended 31 December 2021 in accordance with the continuous disclosure obligations of the ASX Listing Rules and the Corporations Act 2001.

Historical Cost Convention

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

(b) Adoption of new and revised standards

The Group has reviewed all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current half-year. The Group has also reviewed all standards and interpretations that have been issued but are not yet effective for the half-year ended 31 December 2021. As a result of this review, the Directors have determined that there is no material impact on the Group and, therefore no material change is necessary to Group accounting policies.

(c) Rounding of amounts to nearest dollar

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

NOTE 3: CRITICAL ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the consolidated financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

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

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. At 31 December 2021, no deferred tax assets on temporary differences and carry forward losses were recognised.

Share-based payment transactions

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

NOTE 4: GOING CONCERN

For the half-year ended 31 December 2021 the Group recorded a loss of \$4,983,636 (2020: \$10,191,904) and had net cash outflows from operating activities of \$4,772,599 (2020: \$5,318,293). On 30 September 2020 the Company raised \$27.95 million from the issue of 21.5 million ordinary shares at \$1.30 (before capital raising costs). The Group currently has sufficient cash resources to fund its operations for the foreseeable future. The directors have reviewed the Group's financial position and are of the opinion that there are sufficient funds to meet the Group's working capital requirements and as at the date of this report.

NOTE 5: SEGMENT INFORMATION

(a) Reportable segments

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

(b) Segment results

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

| | Segment revenue and other income for the period | | Segment loss after tax for the period | |
|------------------------|---|---------------------|--|---------------------|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| | \$ | \$ | \$ | \$ |
| Australia | 19,206 | 228,078 | (1,796,436) | (1,190,543) |
| USA | 12,154 | 221,579 | (1,136,820) | (1,164,972) |
| Europe | 1,626 | 246 | (152,131) | (1,292) |
| Canada | 168 | 281,734 | (15,748) | (1,481,246) |
| Central Administration | 20,126 | - | (1,882,500) | (6,353,851) |
| | 53,281 | 731,636 | (4,983,635) | (10,191,904) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTE 5: SEGMENT INFORMATION (Continued)

The segment revenue and other income above comprises bank interest.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the Group's 30 June 2021 notes to the consolidated financial statements. Segment loss represents the loss after tax incurred by each segment. This is the measure reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance.

(c) Segment assets and liabilities

| | Segment assets at end of the period | | Segment liabilities at end of the period | |
|------------------------|--|-------------------|---|------------------|
| | 31 December 2021 | 30 June 2021 | 31 December 2021 | 30 June 2021 |
| | \$ | \$ | \$ | \$ |
| Australia | 339,085 | 357,577 | - | - |
| USA | - | - | - | - |
| Europe | - | - | - | - |
| Canada | - | - | - | - |
| Central Administration | 16,422,368 | 21,323,978 | 1,241,347 | 1,177,814 |
| | <u>16,761,453</u> | <u>21,681,555</u> | <u>1,241,347</u> | <u>1,177,814</u> |

(d) Segment net assets

| | 31 December 2021 | 30 June 2021 |
|------------------------|---------------------|-------------------|
| | \$ | \$ |
| Australia | 339,085 | 357,578 |
| USA | - | - |
| Europe | - | - |
| Canada | - | - |
| Central Administration | 15,181,021 | 20,146,163 |
| | <u>15,520,106</u> | <u>20,503,741</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTE 6: LOSS PER SHARE

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

| | 31 December 2021 | 31 December 2020 |
|--|---------------------|---------------------|
| | \$ | \$ |
| Loss for the period attributable to the members of the parent | <u>(4,983,636)</u> | <u>(10,191,904)</u> |
| Weighted average number of shares: | | |
| Weighted average number of ordinary shares used in calculating basic loss per share | 132,764,977 | 132,764,977 |
| Effect of dilutive securities: | | |
| Adjusted weighted average number of ordinary shares used in calculating diluted loss per share | - | - |
| | <u>132,764,977</u> | <u>132,764,977</u> |
| Loss per share (cents per share): | | |
| Basic loss per share for the period | (3.75) | (7.68) |
| Diluted loss per share for the period | (3.75) | (7.68) |

NOTE 7: DIVIDENDS PAID AND PROPOSED

The Company had not declared any dividends during and/or since the end of the half-year 31 December 2021 (31 December 2020: \$nil).

| | 31 December 2021 | 30 June 2021 |
|--|---------------------|-------------------|
| NOTE 8: CASH AND CASH EQUIVALENTS | | |
| Cash at bank | 15,825,769 | 20,873,023 |
| Cash on hand | 17 | 17 |
| | <u>15,825,786</u> | <u>20,873,040</u> |

NOTE 9: OTHER CURRENT ASSETS

| | \$ | \$ |
|-------------------|----------------|---------------|
| Prepayments | 25,170 | 2,106 |
| Rental Deposits | 20,101 | 20,100 |
| Director Advances | 298,332 | 40,193 |
| | <u>343,602</u> | <u>62,399</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

| NOTE 10: PLANT AND EQUIPMENT | 31 December 2021 | 30 June 2021 |
|---------------------------------------|-----------------------|-----------------------|
| NON-CURRENT | | |
| Laboratory plant and equipment | | |
| At cost | 530,462 | 530,462 |
| Less accumulated depreciation | <u>(235,896)</u> | <u>(218,722)</u> |
| | <u>294,566</u> | <u>311,740</u> |
| Office furniture and equipment | | |
| At cost | 55,776 | 49,497 |
| Less accumulated depreciation | <u>(39,078)</u> | <u>(32,697)</u> |
| | <u>16,698</u> | <u>16,800</u> |
| Computer equipment | | |
| At cost | 43,652 | 40,853 |
| Less accumulated depreciation | <u>(36,817)</u> | <u>(35,887)</u> |
| | <u>6,835</u> | <u>4,966</u> |
| Office improvements | | |
| At cost | 78,646 | 78,646 |
| Less accumulated depreciation | <u>(35,316)</u> | <u>(34,132)</u> |
| | <u>43,330</u> | <u>44,514</u> |
| Library and website costs | | |
| At cost | 7,176 | 7,176 |
| Less accumulated depreciation | <u>(5,943)</u> | <u>(5,799)</u> |
| | <u>1,233</u> | <u>1,377</u> |
| Total Plant and Equipment | <u>362,662</u> | <u>379,397</u> |

Reconciliations

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

| | \$ |
|---|-----------------------|
| Opening balance, 1 July 2021 | 379,397 |
| Additions | 9,078 |
| Depreciation expense | <u>(25,813)</u> |
| Ending balance, 31 December 2021 | <u>362,662</u> |

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

| | | |
|-----------------------------------|----------------------|-----------------------|
| Land and buildings - right-of-use | 124,264 | 295,939 |
| Less: Accumulated depreciation | <u>(31,238)</u> | <u>(174,704)</u> |
| | <u>93,026</u> | <u>121,235</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTE 12: TRADE AND OTHER PAYABLES

| | 31 December 2021 | 30 June 2021 |
|---------------------------|---------------------|-----------------|
| | \$ | \$ |
| CURRENT | | |
| Trade payables | 592,130 | 487,321 |
| Employee related payables | 158,192 | 52,582 |
| Sundry creditors | 55,180 | 53,500 |
| Other Payables | 29,004 | 34,500 |
| | <u>834,506</u> | <u>627,903</u> |

NOTE 13: SHARE CAPITAL

| | 31 December 2021 | | 30 June 2021 | |
|---------------------------------------|--------------------|-------------------|--------------------|-------------------|
| | No. | \$ | No. | \$ |
| Issued and fully paid ordinary shares | 173,777,847 | 43,297,309 | 173,777,847 | 43,297,309 |
| Collateral shares issued in trust | - | - | - | - |
| | <u>173,777,847</u> | <u>43,297,309</u> | <u>173,777,847</u> | <u>43,297,309</u> |

Movements in ordinary shares on issue

| | | | | |
|--|--------------------|-------------------|--------------------|-------------------|
| Opening balance | 173,777,847 | 43,297,309 | 136,071,787 | 18,466,336 |
| Shares issued during the period: | | | | |
| - shares issued to consultants/KMP | - | - | 78,272 | 86,268 |
| - Conversion of performance shares | - | - | 14,796,348 | 1,220,699 |
| - Acuity Placement Deed | - | - | - | - |
| - new shares issued from placement (net costs) | - | - | 21,500,000 | 23,213,081 |
| - new shares issued on options exercised | - | - | 1,331,440 | 255,249 |
| | <u>-</u> | <u>-</u> | <u>37,706,060</u> | <u>24,775,297</u> |
| Transfer from reserves to share capital | - | - | - | 55,676 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>55,676</u> |
| Total | <u>173,777,847</u> | <u>43,297,309</u> | <u>173,777,847</u> | <u>43,297,309</u> |

(c) Options from shares issued

| Particulars | Issue Date | Exercise Date | Exercise Price cents | 31 December 2021 No. | 30 June 2021 No. |
|-------------|------------|---------------|----------------------|----------------------|-------------------|
| Options | 15-Feb-19 | 15-Feb-23 | 16.80 | 1,107,400 | 1,117,400 |
| Options | 19-Dec-19 | 19-Feb-23 | 31.20 | 1,250,000 | 1,250,000 |
| Options | 23-Sep-20 | 23-Sep-25 | 156.00 | 3,750,000 | 3,750,000 |
| Options | 30-Sep-20 | 30-Sep-23 | 156.00 | 8,415,000 | 8,415,000 |
| | | | | <u>14,522,400</u> | <u>14,532,400</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

| | 31 December 2021 | 30 June 2021 |
|--|---------------------|------------------|
| NOTE 14: RESERVES | \$ | \$ |
| Performance shares reserve | 223,782 | 223,782 |
| Share-based payments reserve | - | - |
| Options reserve | 8,454,276 | 8,454,275 |
| | <u>8,678,058</u> | <u>8,678,057</u> |
| | Performance | Options |
| | \$ | \$ |
| Movements in reserves | | |
| Opening balance | 223,782 | 8,454,275 |
| Options issued during the period | - | - |
| - Conversion of Class C performance shares | - | - |
| - Conversion of Class D performance shares | - | - |
| - Issue of Corporate Advisory Options | - | - |
| - Options issued to KMP (refer to note 16) | - | - |
| | <u>223,782</u> | <u>8,454,275</u> |

NOTE 15: COMMITMENTS AND CONTINGENCIES

Other than the contingent liability in note 17, the Company is not aware of any other contingent liabilities or contingent assets as at 31 December 2021.

NOTE 16: EVENTS SUBSEQUENT TO REPORTING PERIOD

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

NOTE 17: CONTINGENT LIABILITIES

On 20 August 2015 the Company issued 8,754,423 Class C Performance Shares and 8,754,423 Class D Performance Shares to directors and key management personnel of the Company. On 26 June 2020 the Company announced that milestones for conversion of 7,398,174 of the Class C Performance Shares into fully paid ordinary shares had been achieved, but that the Company had determined that the remaining 1,356,249 Class C Performance Shares were ineligible for conversion. On 17 August 2020 the Company announced that milestones for conversion of 7,398,174 of the Class D Performance Shares into fully paid ordinary shares had been achieved, but that the Company had determined that the remaining 1,356,249 Class D Performance Shares were ineligible for conversion.

The holders of the 1,356,249 Class C Performance Shares and 1,356,249 Class D Performance Shares that the Company determined to be ineligible contest the Company's decision of ineligibility for conversion and have commenced proceedings, seeking orders that the Class C and Class D Performance Shares held by them be converted into fully paid ordinary shares in the Company. If those holders are successful in that litigation then the Company expects that it will be ordered to convert the 1,356,249 Class C Performance Shares and 1,356,249 Class D Performance Shares held by them into fully paid ordinary shares in the Company.

There were no other contingent liabilities as at 31 December 2021.

DIRECTORS' DECLARATION
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

The Directors of the Company declare that:

1. The condensed consolidated financial statements and notes to the financial statements of the Group are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements ; and
 - b. give a true and fair view of the consolidated financial position as at 31 December 2021 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Dr John Prendergast
Non-Executive Chairman
28 February 2022

RECCE PHARMACEUTICALS LTD
(formerly RECCE LTD)
ABN 73 124 849 065



Independent Auditor's Review Report

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Recce Pharmaceuticals Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Recce Pharmaceuticals Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

Responsibility of the directors for the financial report

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

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Neil Smith', is written over a small, faint BDO logo.

Neil Smith

Director

Perth, 28 February 2022

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

As lead auditor for the review of Recce Pharmaceuticals Ltd for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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



Neil Smith
Director

BDO Audit (WA) Pty Ltd
Perth, 28 February 2022

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