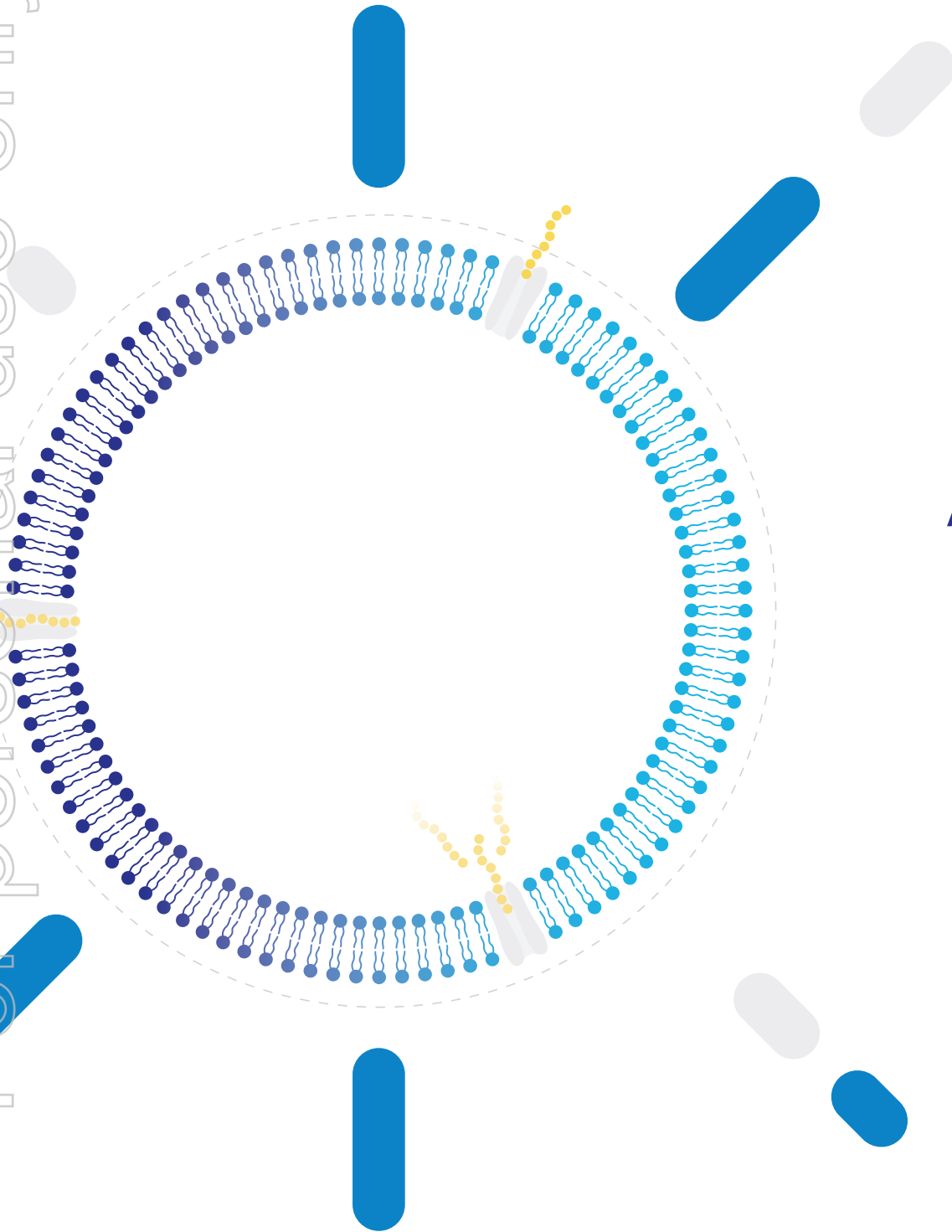


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Annual Report 2022

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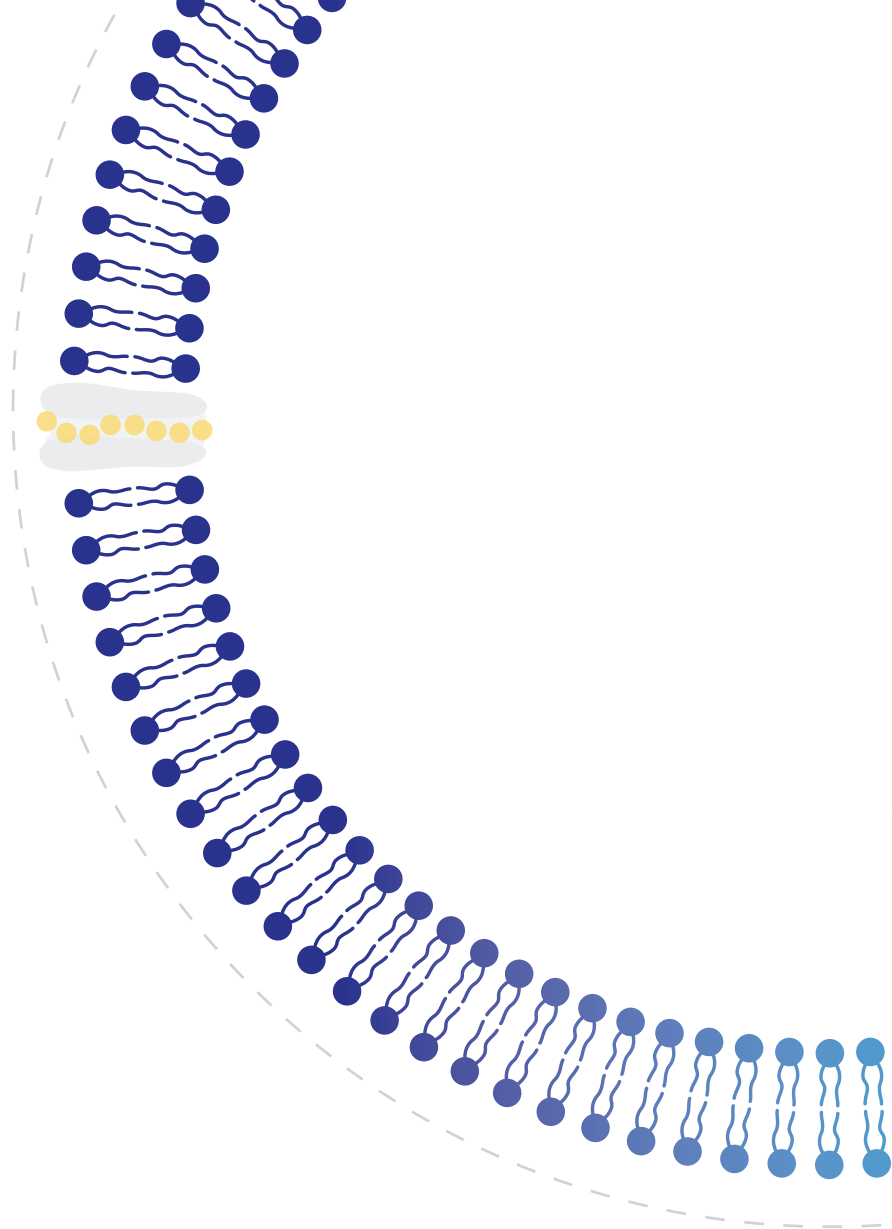
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Recce Pharmaceuticals Ltd (ASX: RCE, FSE: R9Q) is developing a new class of Synthetic Anti-Infectives designed to address the urgent global health problems of antibiotic-resistant superbugs and emerging viral pathogens.

Recce's anti-infective pipeline includes three patented, broad-spectrum, synthetic polymer anti-infectives: RECCE® 327 as an intravenous and topical therapy that is being developed for the treatment of serious and potentially life-threatening infections due to Gram-positive and Gram-negative bacteria including their superbug forms; RECCE® 435 as an orally administered therapy for bacterial infections; and RECCE® 529 for viral infections. Through their multi-layered mechanisms of action, Recce's anti-infectives have the potential to overcome the hypercellular mutation of bacteria and viruses - the challenge of all existing antibiotics to date.

The FDA has awarded RECCE® 327 Qualified Infectious Disease Product designation under the Generating Antibiotic Initiatives Now (GAIN) Act - labelling it for Fast Track Designation, plus 10 years of market exclusivity post approval. Further to this designation, RECCE® 327 has been included on The Pew Charitable Trusts Global New Antibiotics in Development Pipeline as the world's only synthetic polymer and sepsis drug candidate in development. RECCE® 327 is not yet market approved for use in humans with further clinical testing required to fully evaluate safety and efficacy.

Recce wholly owns its automated manufacturing, which is supporting present clinical trials. Recce's anti-infective pipeline seeks to exploit the unique capabilities of its technologies targeting synergistic, unmet medical needs.



Business Highlights

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Commercial



- \$3.08m R&D Rebate Received
- Delivered Opening R&D Address at World Anti-Microbial Resistance Congress
- Bonus Canadian Scientific Research & Experimental Development Rebate received (SR&ED)

Clinical



- Phase I Intravenous Clinical Trial Registered in the Australian New Zealand Clinical Trials Registry (ANZCTR)
- Phase I in-human Intravenous Clinical Trial begins with cohort one subjects dosed with R327 at 50mg.
- Phase I in-human Intravenous Clinical Trial progresses – a total of six cohorts dosed with R327 demonstrating good safety and tolerability at 4000mg.
- Multiple Patients Dosed in Phase I/II Topical Burn Wound Infections Clinical Trial
- Broad-spectrum efficacy across all patients in Phase I/II Clinical Trial of R327 for Treatment of Burn Wound Infections
- R327 Efficacy Against Necrotizing Fasciitis ‘Flesh-Eating’ Bacteria

Regulatory



- Innovation Connections Grant received under the Australian Government’s Entrepreneurs’ Programme
- Anti-Viral Patent Granted in the United States, China and Hong Kong

Letter from the Chairman



Recce is an entrepreneurial company and we see the current market volatility as providing us with a number of exciting growth opportunities.



Dr John Prendergast
Non-Executive Chairman

Dear Shareholders,

As I reflect on Recce Pharmaceuticals over the past year, two themes stand out.

The first is the resilience and tenacity of Recce's dedicated management team adeptly led by our CEO, James Graham. There were many of the operational challenges from the COVID pandemic still flowing into the 2022 financial year. Delayed access to hospital trial sites, a backlog of demands on clinical partners and slower clinical trial recruitment have been issues for every company in the sector as has the global post-pandemic bear market for healthcare and biotechnology investments.

Our progress and success this year is a direct reflection of the impressive focus and execution of James Graham and his team. Recce has continued to demonstrate that it can adapt, respond and operate in this complex environment. Within this situation and its challenges, Recce has honed its capabilities

at predicting timelines and risk-managing our growing clinical activities.

The second theme is the steady growth and progress of our anti-infective product pipeline. The potential applications of our platform continued to expand during the year. This growth is driven by both our internal research and development efforts as well as significant inbound global interest from medical specialists and potential commercial partners who are seeking effective solutions to the unmet medical needs of patients with infections such as sepsis and burns wounds.

For the coming year, completion of our current safety study, the start of pre-clinical studies for new indications and the formal publication of interim clinical data from our R327 intravenous and topical programs will be a primary focus. In addition, we are planning to capitalize on some compelling preclinical research that

we anticipate will provide further clinical opportunities. To that end, Recce welcomes the addition of Dr Phil Sutton from the Murdoch Children's Research Institute, as our Vice President of Translational Sciences. Phil's outstanding expertise will be instrumental in driving our research programs into clinical pathways.

I am pleased to report the business is in a strong capital position to fund the delivery of a number of clinical milestones. At the time of writing, the Company has cash reserves of over \$15 million and a well-managed quarterly cash burn rate of around \$1.2 million. Given the current state of global markets, especially in the biotech industry, this is a significant advantage as we continue to develop the enormous potential of the Company's platform and programs.

At its heart, Recce is an entrepreneurial enterprise. I am proud to state that our entire Recce team strives daily to meet the demands and challenges of a high-growth business with assets to address multiple potential therapeutic applications. It is a testament to their dedication as we remain focused on current programs and continue to aggressively pursue our therapeutic clinical studies and commercialisation strategy.

Given the current market volatility we seek to capitalise on these exciting growth opportunities and maintain keen attention on delivering the key commercial and clinical milestones that will validate our unique and innovative Australian technology.

As an integral part of this process, the emerging quality of our share register and ongoing support of all our shareholders is evidence of the positive perception of what Recce is seeking to accomplish for human health, and the value creation for all shareholders. Over the past 12 months Recce has consistently been one of the top 30 biotechnology businesses listed on the Australian Securities Exchange. Consistent with this position and a critical part of our growth and maturation has been our

communication around the environmental, social and governance matters essential to the sustainable success of the business.

Recognising the fact that the prevalence and growth of antimicrobial resistance continues to dramatically impact global healthcare in so many critical social and economic measures, we are building a business model through a highly diverse and global organisation with values that unite and drive highly motivated employees in Australia, the US and Europe. Our values of collaboration, integrity and innovation plus the quality of our team will come into sharper focus as the business grows in size and begins to attract the attention of potential partners and new institutional investors globally.

On behalf of the board and all our Recce team, I thank all our shareholders for their support that has been instrumental in enabling this phase of the Company's growth. The Board and executive team have a clear vision, mindset and dedication to create long term shareholder value and navigate the many ongoing challenges and risks of the current market. I would also like to recognise the enthusiasm, dedication and hard work of our entire Recce team and Board members who greatly contributed to our achievements this year. Together with the support of our clinical collaborators, business partners and shareholders, we are proudly building a company with real global impact positioned to deliver on one of the greatest unmet medical needs currently faced by humanity.

Yours sincerely,



Dr John Prendergast
Non-Executive Chairman

Letter from the CEO



“

Our work gives our employees and supporters a great sense of purpose which I believe is shared by many of our shareholders.

”

James Graham
Chief Executive Officer and
Managing Director

Dear Shareholders,

The market downturn and other supply chain challenges witnessed worldwide, highlight the importance of companies like ours being self-sufficient in our ability to manufacture our product and be well funded.

Despite these global challenges, Recce Pharmaceuticals is one of the 30 most valuable biotechnology stocks on the ASX in 2022 against the backdrop of a significant downturn in the global life sciences sector.

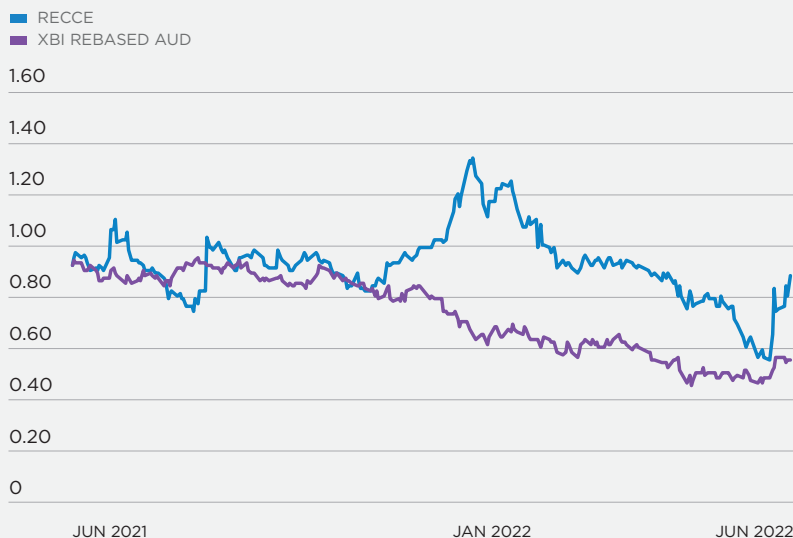
There are many opportunities these times provide for Recce to advance its leading position in the field through a commitment to engage with potential investors, commercial and clinical partners around the world.

Financial Snapshot

Thanks to significant pre-clinical and clinical progress throughout its pipeline of anti-infective assets, Recce Pharmaceuticals share price managed to **outperform the Australian ASX Biotech Index by 3.5%** and the **US XBI Index by 36%** (in AUD terms).

Recce Pharmaceuticals vs XBI Biotech Index

All converted to AUD and rebased to Recce's share price



As awareness of the unique opportunities of our infectious diseases technology grows, the portfolio of new programs and product pipelines expands with it. In the coming year, Recce is firmly placed to build upon this year's achievements and expand our commercial and clinical partnerships ahead of key trial milestones from each of our programs.

The Company is well positioned for key milestones surrounding the validation of our lead compound as safe and well tolerated, and on its clinical trials pathway for the potential treatment of sepsis as the largest unmet medical need suffered by millions each year.

Our hope is millions of people around the world may soon benefit from commitments to advancing this unique anti-infective technology over the time ahead.

Recce looks forward to reinforcing its position as an emerging global leader in anti-infectives in the year ahead by continuing to actively engage and educate local and international markets about the unique advantages of our technology platform and its potential to address a number of urgent global human health threats.

A strong company with the greatest number of commercial and partnering options, requires a robust balance sheet. Our financial resources enable us to be competitive, hire the best people globally and continue to build out a pipeline we believe is one of the most valuable in the sector.

With two clinical trials well underway our hope is millions of people around the world may soon benefit from commitments to advancing this unique anti-infective technology over the time ahead.

Yours sincerely,

James Graham
Chief Executive Officer and
Managing Director

Overview of Company Activities

Throughout the 2021/2022 financial year, the Company primary focus was advancing their clinical trials and the delivery of its overall goals and objectives through the utilisation of its strong financial position.

The Company has made considerable progress in its ongoing human clinical trials, and in its pre-clinical studies. In-human clinical trials are underway, with promising results delivered so far and important milestones being reached, the Company is well placed to continue making progress in the clinic.

According to PEW Charitable Trusts global antibiotic pipeline review, R327 is the only clinical-stage new class of antibiotic in the world being developed for sepsis, the largest unmet medical need in human health.

Pre-clinical studies have also continued, with *in vivo* studies being conducted at Murdoch Children's Research Institute, one of the top three children's health research institutes worldwide for research quality and impact.

Sepsis Patient Journey



Patient Presents at the Hospital

- 1/3 of patients present non-specific symptoms, leading to delayed treatment and high mortality rate^{1,2,3}
- Mortality from sepsis increases by as much as 8% for every hour that treatment is delayed^{1,2,3}
- Cost of sepsis care for inpatient admissions and skilled nursing facility (in-patient rehab medical treatment centre admissions) was more than USD\$62bn/year (USD \$170m/day)^{1,2,3}

1 Filbin et al, 2018
2 Liu VX et al, 2017
3 Paoli et al, 2018



Current Treatment Paradigm

- Introducing broad-spectrum antibiotic(s)
- Running antibiograms
- Adjusting antibiotics based on antibiogram results

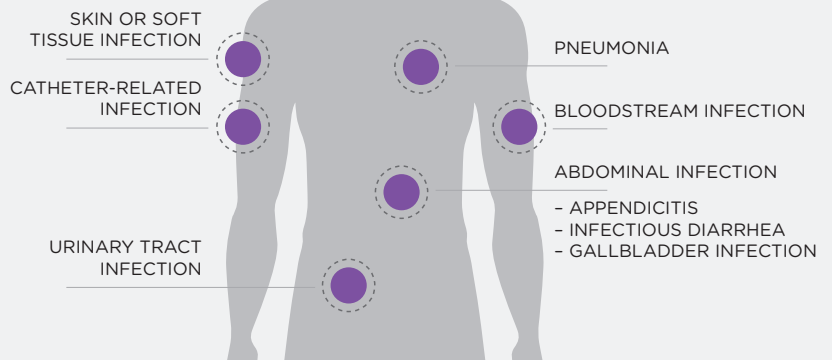


Early treatment with the correct antibiotic is key to improving patient outcome

What is Sepsis?

Sepsis is the body's overwhelming and life-threatening response to infection which can lead to tissue damage, organ failure, and death.

Patient Symptoms





Phase I Clinical Trial

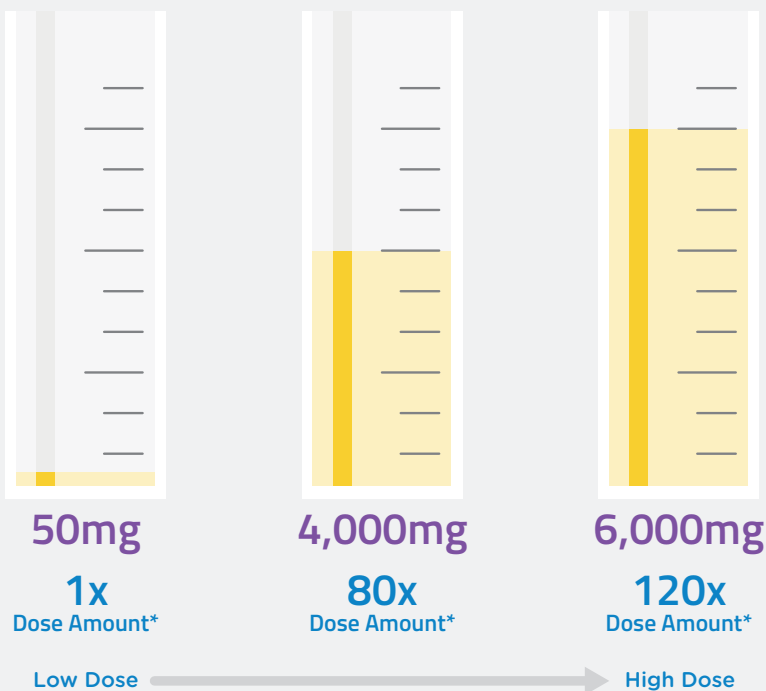
Recce's ongoing Phase I trial is an ascending single-dose, randomised, placebo-controlled, parallel, double blind study being conducted at Adelaide's CMAX clinical trial facility. The study is evaluating the safety and pharmacokinetics of R327 in 7-10 healthy subjects per dose, across eight sequential dosing cohorts (Trial ID ACTRN12621001313820).

Considerable progress has been made over the FY21/22, as the study has completed dosage levels of 50mg up to 4,000mg (80-fold increase on Cohort One 50mg dose), indicating a good safety and tolerability profile among subjects dosed with R327 (56 subjects to date).

Study objectives broadly achieved, now 'dose-ceiling' focused. 6,000mg (6 grams) over 1 hour IV is high (double the jump between prior two cohorts). R327 dosing broadly in efficacy range based on animal models with Phase II (efficacy) to determine.

What is a Phase I Trial?

These studies are usually conducted in small groups of healthy volunteers and aim to determine if the drug is safe, if it has any side effects and how it is metabolised and excreted.



*Dose increase fold based on 50mg.



Phase I/II Topical Clinical Trial

The West Australian Department of Health sponsored clinical trial at Fiona Stanley Hospital is assessing the safety and efficacy of RECCE® 327 (R327) in patients with infected burn wounds under Trial ID ACTRN12621000412831.



- Burn wound infections consisted of Gram-positive and Gram-negative bacteria, including multi-drug resistant and 'biofilm' categorised forms
- Broad spectrum antibiotic activity on bacterial burn wound infections with visible infection reduction <24 hours on all patients to date

Multiple bacterial species were found in and surrounding wounds, with growth swabs locating organisms including pathogens from the ESKAPE group of bacteria. No significant adverse effects or abnormalities have been reported among patients. The Company seeks to build upon these promising interim results in the upcoming year.

"We are highly encouraged by the initial success of R327 in this topical Phase I/II trial. Patients with burn wounds often suffer severe bacterial infections that are painful, prevent wound healing and can even result in death if not properly treated. Because many of these bacteria are resistant to most available drugs, we are pleased by the potential in R327 offering a treatment option for patients in need."

*Study Investigator, Dr Ed Raby,
7 December 2021*

Sponsored by the Western Australia's Department of Health South Metropolitan Health Service, the study is thorough and methodical, which may set a solid foundation for the potential expansion of the study into a wider cohort of patients who often have few medical options.



Trial Investigators

Dr Edward Raby
(Clinical Microbiologist and Infectious Diseases expert at Royal Perth and Fiona Stanley Hospitals).

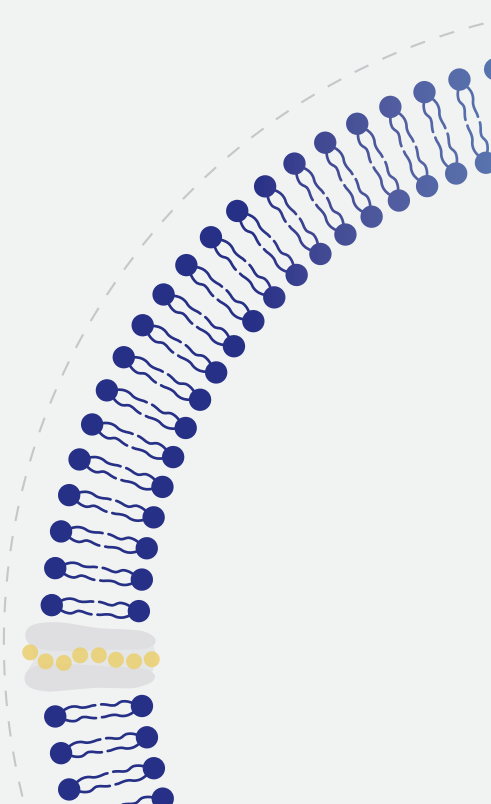
Professor Fiona Wood
(Director of the Burns Service of WA) – world-renowned burns specialist and spray-on skin pioneer.

Dr Chris Heath
(Snr. Staff Specialist – Infectious Diseases).



Pre-Clinical Studies

The Company's clinical and pre-clinical programs focused on the treatment of significant unmet medical needs of the growing infectious disease landscape. Advancements have continued in their respective third-party operated programs – chosen for their expertise and regulatory recognised capabilities. Please visit Recce's website for further updates.



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Conference and Media Engagement

Key Events with Investors, Key Opinion Leaders, and Global Conferences

The Company has increased its engagement with global conferences and key opinion leaders in order to increase investment opportunities and engagement within the sepsis and antimicrobial resistance community.

See below for the conferences and media opportunities that the Company participated in throughout the financial year.

Two of the most prominent events were the 2022 BIO International Convention, the world's largest trade association representing biotechnology companies, academic institutions, state biotechnology centres and related organisations across the United States and in more than 30 other nations.

The World AMR Congress is the largest AMR conference in the world with more than 1,000 attendees from over 50 countries. The congress attracts industry leaders, clinicians, healthcare payers, and medical regulators from around the world.



Date	Event	Presence	
2021	July	The Capital Network - Corporate Presentation	Virtual
	September	Equity Forum - German Fall Conference	Frankfurt, Germany
		Switzer Small and Microcap Investor Day	Virtual
	November	LifeSci Advisors - Investor Luncheon	Zurich, Switzerland
		The MTP Connect Podcast - World AMR Week	Podcast
	World AMR Congress 2021	Washington DC, USA	
2022	January	11th Annual LifeSci Partners Corporate Access Event	Virtual
	February	Spark Plus NDR	Virtual
	March	German Australian Business Council - CEO Roundtable	Global Webinar
		Wholesale Investor - Emergence	Sydney, NSW
		Wholesale Investor - Emergence	London, UK
		Wholesale Investor - CEO Interview	Podcast
		Stocks Down Under - Meet the CEO (Life Sciences Edition)	Sydney, NSW
	April	Sepsis Alliance Leadership Conference	Global Webinar
		ECCMID 2022	Lisbon, Portugal
	May	Biotech Investors Lunch	Sydney, NSW
		Spark Plus NDR	Singapore
	June	Recce Expert KOL Webinar: How R327 is leading the way as a potential, robust solution to Sepsis and Superbugs	Global Webinar
BIO 2022		San Diego, USA	

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Board of Directors and Key Management



Dr John Prendergast

Non-Executive Chairman

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

Dr Prendergast is currently Chairman and Co-founder of Palatin Technologies, Inc. (NYSE: PTH), a US biotechnology company developing therapeutics for diseases with significant unmet medical need. He is also lead director of Nighthawk Biosciences (NYSE: HHWK). During his career, Dr Prendergast has been responsible for the approval of three (3) New Drug Applications.



James Graham

Managing Director and
Chief Executive Officer

BCom (Entrepreneurship), GAICD

Mr Graham is the Chief Executive Officer of Recce Pharmaceuticals. Mr Graham was former Executive Director and has extensive experience in marketing, business development and commercialisation of early-stage technologies with global potential. Mr Graham has served on Recce's Board of Directors for six years and has invested in almost every capital raise to date with a focus on expanding Recce's commercial opportunities and clinical initiatives.



Michele Dilizia

Executive Director and
Chief Scientific Officer

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

Ms Dilizia is a qualified Medical Scientist with a specialisation in medical microbiology. Ms Dilizia successfully co-led the research and development of Recce's suite of anti-infective compounds, resulting in a portfolio of granted patents across the globe, including a Qualified Infectious Disease Product designation with the U.S. Food and Drug Administration (FDA).



Dr Justin Ward

Executive Director and
Principal Quality Chemist

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

Dr Ward is a qualified Chemist who specialises in pharmaceutical quality management and product development. He previously held a technical role with Pfizer, involving providing data for the regulatory submissions to the FDA and TGA.



Dr Alan Dunton

Non-Executive Director

BSc (BioChem) Hons, M.D. (NYU)

Dr Dunton has over three decades of senior pharmaceutical experience, where he has held leadership positions at various biotechnology and pharmaceutical companies including former President and Managing Director of Janssen Research Foundation (Johnson & Johnson). Dr Dunton has advanced numerous blockbuster antibiotics through regulatory review and commercialisation at Fortune 500 companies including Johnson & Johnson and Roche. Dr Dunton has been responsible for the approval of approximately 20 New Drug Applications; an amalgamation of prescription and OTC products.



Arthur Kollaras

Principal Engineer & Head of Manufacturing

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

Mr Kollaras is highly qualified in chemical engineering and microbiology. He has significant experience taking a new technology concept from pilot plant to full-scale international production under FDA standards.



Dr Philip Sutton

(appointed after June 30, 2022)

Vice President of Translational Sciences

BSc (Hons), PhD

Global infectious disease expert with over 30 years of research and industry experience, having served as former Head of Immunology at CSL Ltd in Melbourne. Dr Sutton has acted as an expert advisor to the World Health Organisation was Chief Editor of the book '*Helicobacter pylori* in the 21st Century' and has co-authored 100 manuscripts published in peer-reviewed journals.



Justin Reynolds

Chief Financial Officer (Pitcher Partners)

Mr Reynolds is a Partner at Pitcher Partners Sydney. Mr Reynolds' experience with multinational companies has led him to developing expertise as an Outsourced Financial Controller.



Alistair McKeough

Company Secretary (Automic Group)

Mr McKeough is a Principal at Automic Legal. He specialises in complex commercial matters that require careful and strategic planning. Mr McKeough has extensive experience advising ASX-listed companies and their directors and is a member of the University of New South Wales Law Advisory Council.



Daniel Astudillo

Head of Marketing

BCom (Marketing), BA (Spanish), MBA

Mr Astudillo is an experienced Marketing Specialist in the pharmaceutical and clinical trial sector with expertise in digital marketing campaigns and targeting key investors in the healthcare industry.



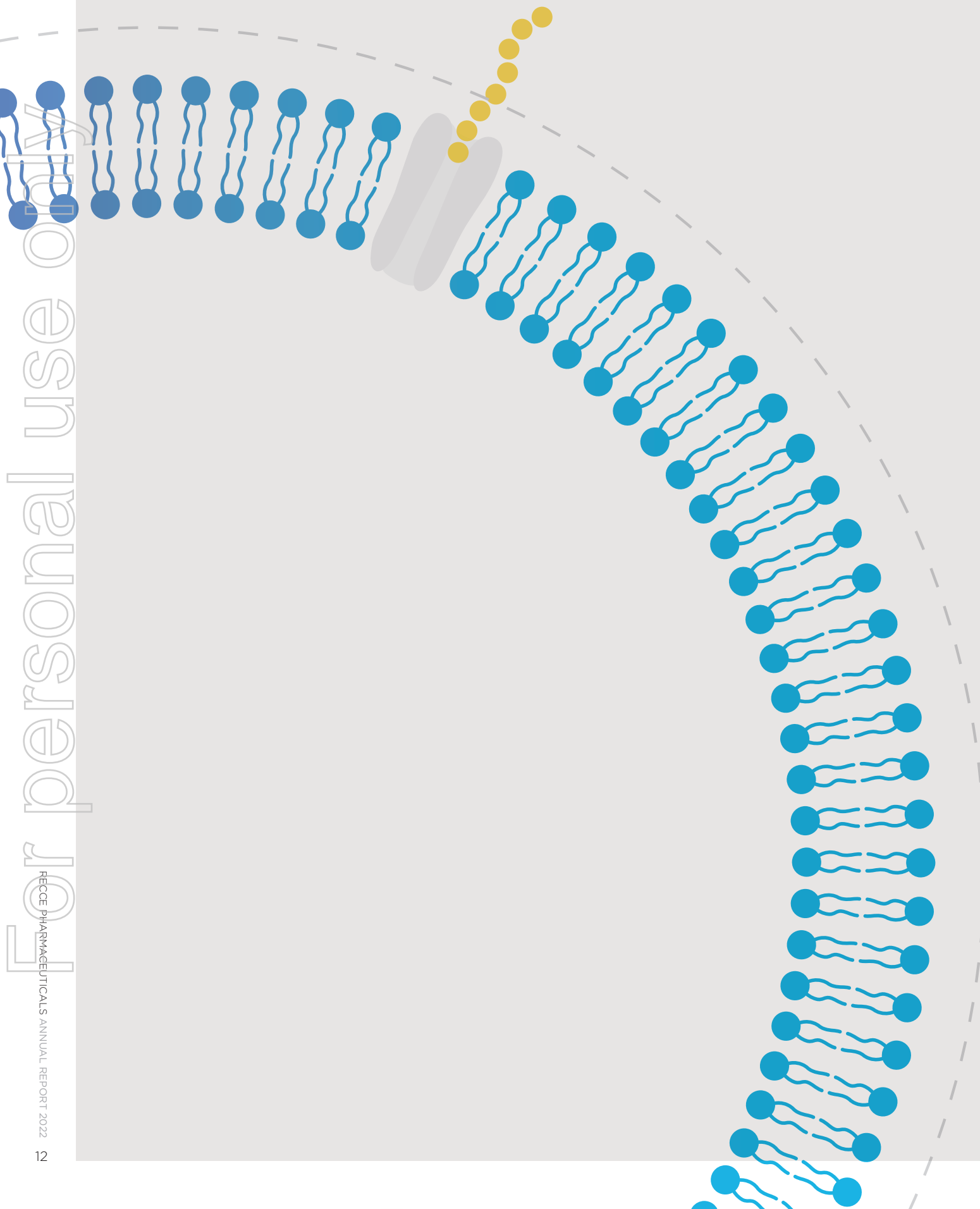
Thomas Jarrett

Operations Manager (Macquarie Park)

BSc (Bioengineering)

With a background in bioengineering, Thomas is an experienced pilot plant operations manager overseeing all manufacturing activities including quality assurance programs and strategic process improvements.

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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 2022

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Directors' Report

For the year ended 30 June 2022

Your Directors present their report on Recce Pharmaceuticals Ltd (the 'Company') and controlled entities (the 'Group') for the year ended 30 June 2022.

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
Non-Executive Chairman

Dr Alan Dunton
Non-Executive Director

Mr James Graham
Managing Director & Chief Executive Officer

Ms Michele Dilizia
Executive Director and Chief Scientific Officer

Dr Justin Ward
Executive Director and Principal Quality Chemist

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)

Qualifications

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

Experience

Dr Prendergast is currently Non-Executive Chairman and Co-Founder of Palatin Technologies developing targeted therapeutics for the treatment of diseases with significant unmet medical need and Lead Director of Nighthawk Biosciences, Inc., a publicly traded, clinical stage immunomodulatory company.

He was previously a member of the board of the life science companies, Avigen, AVAX Technologies and MediciNova Inc and also 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.

Prior to that he was a Managing Director of The Castle Group Ltd., a New York medical venture capital firm. Dr Prendergast held Post-Doctoral Fellowships in the Department of Biochemistry and Molecular Biology, Harvard University and at the Center for Research on Blood Diseases in Paris with Professor Jean Dausset (Nobel Prize, 1980).

During his career, Dr Prendergast has been responsible for the approval of three (3) New Drug Applications.

Dr Prendergast received his M.Sc. and Ph.D. from the University of New South Wales, Sydney, Australia and a C.S.S. in administration and management from Harvard University.

Interest in Shares and Options

250,000 Ordinary Shares

2,175,000 Unlisted Options

Special Responsibilities

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

Directorships held in other listed entities during the last three years

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

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Ms Michele Dilizia

Director (Executive) and Chief Scientific Officer

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 and Options

3,543,485 Ordinary Shares

1,500,000 Unlisted Options

Special Responsibilities

Nil

Directorships held in other listed entities during the last three years

Nil

Mr James Graham

Director (Executive) and Chief Executive Officer

Qualifications

BCom (Entrepreneurship), GAICD

Experience

Mr Graham is Chief Executive Officer and Executive Director of the Company.

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

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

Interest in Shares and Options

Direct ownership

2,840,332 Ordinary Shares

2,250,000 Unlisted Options

Indirect ownership

3,191,600 Ordinary Shares

Special Responsibilities

Member of the Audit and Risk Management Committee

Directorships held in other listed entities during the last three years

Nil

Directors' Report Continued

For the year ended 30 June 2022

Dr Justin Ward

Director (Executive)

Qualifications

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

Experience

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

Before Recce Pharmaceuticals, he held a technical speciality 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.

Interest in Shares and Options

Direct ownership

158,966 Ordinary Shares

600,000 Unlisted Options

Special Responsibilities

Nil

Directorships held in other listed entities during the last three years

Nil

Dr Alan Dunton

Director (Non-Executive)

Qualifications

M.D. New York University School of Medicine

B.S. Biochemistry. (Magna cum laude) State University School of New York at Buffalo

Experience

Dr Dunton has held leadership positions at various biotechnology and pharmaceutical companies including serving as President and Chief Executive Officer at Panacos Pharmaceuticals, Inc., Metaphore Pharmaceuticals, Inc., and Chief Operating Officer at Emisphere Technologies, Inc.

Dr Dunton served in several positions at Johnson and Johnson including President and Managing Director at the Janssen Research Foundation where he was responsible for leading over 2,000 professionals worldwide and prior to this as Vice President of global clinical research and development at the R.W. Johnson Pharmaceutical Research Institute. During his career, Dr Dunton has been responsible for the approval of approximately 20 New Drug Applications; an amalgamation of prescription and OTC products.

Dr Dunton earned his medical degree from New York University School of Medicine following his bachelor's degree in biochemistry from the State University of New York at Buffalo. Dr Dunton then completed his fellowship in clinical pharmacology at New York Hospital/Cornell University Medical Center and, in 1987, was awarded The Nellie Westerman Prize from the American Federation for Clinical Research (AFCR) for his work in medical ethics.

Interest in Shares and Options

Direct ownership

60,000 Ordinary Shares

1,125,000 Unlisted Options

Indirect ownership

10,000 Ordinary Shares

Special Responsibilities

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

Directorships held in other listed entities during the last three years

Palatin Technologies, Inc. (NYSE: PTN)
Oragenics, Inc. (NYSE: OGEN)
CorMedix, Inc. (NYSE: GRMD)
Regeneus Ltd (ASX: RGS)

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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.

Company Secretary

Alistair McKeough

Alistair McKeough is a Partner at Automic Legal.

Mr 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 applied his exceptional back 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 Activity

The Group is pioneering the development and commercialisation of a drug discovery and development business commercialising new Classes of synthetic anti-infectives with broad spectrum activity designed to address the urgent global health threat of antibiotic resistant superbugs and emerging viral pathogens. Its patented lead candidate, 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 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.

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.

Directors' Report Continued

For the year ended 30 June 2022

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.

On 7 January 2022, the Company announced positive data from its Phase I intravenous (IV) clinical trial of RECCE® 327, demonstrating safety and tolerability, among 9 healthy male subjects in cohort one. Based upon clinical data readouts, an independent safety committee approved a threefold increase (from 50mg to 150mg) among 7-10 healthy subjects (cohort two).

On 18 January 2022, the Company announced further positive data from its Phase I intravenous (IV) clinical trial of RECCE® 327, demonstrating safety and tolerability, among 7 healthy male subjects in Cohort Two. Based upon these clinical data readouts, an independent safety committee approved a tenfold increase on the initial dosing of Cohort one (50mg) or threefold increase (from 150mg to 500mg) among 7-10 healthy subjects (Cohort Three).

On 8 February 2022, the Company announced Phase I intravenous (IV) clinical trial of RECCE® 327 Cohort Three at 500mg (tenfold increase on cohort one 50mg dose), indicating a good safety and tolerability profile among 7 healthy male subjects.

On 21 February 2022, the Company announced that the final three subjects of Cohort three at 500mg had been intravenously dosed in the Phase I intravenous (IV) clinical trial of RECCE® 327, indicating a good safety and tolerability profile among 10 healthy male subjects.

On 7 March 2022, the Company announced that an Independent Safety Committee data review of 10 healthy human subjects intravenously dosed in the Phase I intravenous (IV) clinical trial of RECCE® 327, demonstrating good safety and tolerability - unanimously recommending Cohort 4 (R327, 1,000mg I.V.) to go ahead.

On 28 March 2022, the Company announced the cash receipt of A\$3,084,955 Research and Development Tax Incentive rebate from the Australian Tax Office for the year ending 30 June 2021.

On 30 March 2022, the Company announced Phase I intravenous (IV) clinical trial of RECCE® 327 Cohort Four at 1,000mg (twenty-fold increase on cohort one 50mg dose), indicating a good safety and tolerability profile among 10 healthy male subjects.

On 11 April 2022, the Company announced that the Intellectual Property Department of the Hong Kong Special Administrative Region had granted Patent Family 3 'Anti-Virus Agent and Method for Treatment of Viral Infection', furthering marketing and manufacturing monopolies to February 2037.

On 12 April 2022, the Company announced an Independent Safety Committee data review of 10 healthy human subjects dosed in the Phase I intravenous (IV) clinical trial of RECCE® 327, demonstrating good safety and tolerability at 1,000mg. 'Low-dose' cohorts data review complete, end-points achieved with unanimous recommendation to start 'high-dose' Cohort 5 (R327, 2,000mg IV).

On 20 May 2022, the Company announced that in Cohort 5 of a Phase I clinical trial, R327 demonstrated a good safety and tolerability profile among 10 healthy male subjects intravenously dosed at 2,000mg. An Independent Safety Committee has unanimously approved Cohort 6 to commence at 4,000mg, with subjects recruited and dosing underway.

On 16 June 2022, the Company announced that the remaining 1,356,249 Class C Performance Shares and 1,356,249 Class D Performance Shares, held by former directors and key management personnel of the Company, were converted following the resolution of a dispute. Each Class C Performance Share and Class D Performance Share converted into one fully paid ordinary share.

On 21 June 2022, the Company announced Phase I intravenous (IV) clinical trial of RECCE® 327 Cohort 6 Six at 4,000mg (80-fold increase on Cohort One 50mg dose) indicating a good safety and tolerability profile among 10 healthy male subjects. A review of the data will be conducted by an Independent Safety Committee with an expected recommendation to commence recruiting for Cohort Seven.

Results of Operations

The operating loss has decreased to \$10,986,277 (2021: loss of \$13,513,366) as a result of reduced share based payment costs. The annual loss was after a R&D tax incentive of \$3,084,955 (2021: \$1,566,031).

The Company settled its legal dispute in relation to the Class C and Class D Performance shares with the payment of \$1,417,527 as full and final settlement of all matters in the dispute.

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.

The loss per share has decreased during the year to 6.31 cents (2021: 8.70 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 435,000 (2021: 12,165,000) options to acquire ordinary shares in the Company at exercise prices and dates as disclosed in Note 22 to the consolidated financial statements. 1,156,565 options were exercised for \$287,408 during the financial year (2021: 1,331,440 options were exercised for \$255,249).

Significant Changes in State of Affairs

No significant changes in the Group's state of affairs occurred during the year.

Environmental 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

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

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 intervened 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 other 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 2022:

(i) Directors

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

(ii) Key Management Personnel

Mr Arthur Kollaras ¹	Principal Engineer
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¹ Entered into a consultancy agreement with the Company effective 1 August 2019.

Directors' Report Continued

For the year ended 30 June 2022

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 right scheme, 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 approved 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' believe that as at this stage, there is no relationship between the remuneration policy and performance.

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

(B) Service Agreements

Name	Base Salary	Performance-Based Incentives	Term	Notice Period
Dr John Prendergast	\$120,000 pa	Nil	No fixed term	3 months
Ms Michele Dilizia	\$230,000 pa	Nil	No fixed term	3 months
Mr James Graham	\$300,000 pa	Nil	No fixed term	3 months
Mr Justin Ward ¹	-	Nil	No fixed term	4 weeks
Mr Arthur Kollaras ²	-	Nil	No fixed term	4 weeks
Dr Alan Dunton	\$60,000 pa	Nil	No fixed term	4 weeks

1 Entered into an employment agreement with the Company effective 1 January 2020. Remunerated at \$170 per hour plus 10% Superannuation based on a one-day per week basis. Overtime pay of \$250 per hour plus 10% Superannuation.

2 Entered into a consultancy agreement with the Company effective 1 August 2019. Remunerated at the rate of \$450 per hour

(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 2022

Name	Short-term benefits, cash salary and fees \$	Accrued Long Service Leave \$	Superannuation (post-employment benefit) \$	Termination payments \$	Bonus ¹ \$	Share-based payments \$	Total \$	Percentage Performance Related %
Directors								
M Dilizia	230,000	40,042	29,900	-	69,000	-	368,942	18.7
J Graham	328,403	38,459	46,340	-	135,000	-	548,202	24.6
J Prendergast	120,000	-	-	-	-	-	120,000	-
J Ward	176,066	14,298	17,607	-	-	-	207,971	-
A Dunton	60,000	-	-	-	-	-	60,000	-
Executives								
A Kollaras	168,347	-	12,515	-	-	117,925	298,786	39.5
	1,082,815	92,800	106,362	-	204,000	117,925	1,603,901	

1 30 June 2022 bonus values were determined at the discretion of the Board based on performance.

Year ended 30 June 2021

Name	Short-term benefits, cash salary and fees \$	Accrued Long Service Leave \$	Superannuation (post-employment benefit) \$	Termination payments \$	Bonus \$	Share-based payments \$	Total \$	Percentage Performance Related %
Directors								
G Melrose	2,538	-	240	99,805	-	-	102,584	-
M Dilizia	216,346	35,646	20,553	-	-	91,4739	1,187,284	-
J Graham	294,314	27,539	27,960	-	-	1,372,109	1,721,922	-
J Prendergast	120,000	-	-	-	-	1,326,372	1,446,372	-
J Ward	139,123	8,858	13,217	-	-	365,896	527,093	-
A Dunton	60,000	-	-	-	-	752,954	812,954	-
Executives								
A Kollaras ¹	131,200	-	-	-	-	243,930	375,130	-
	963,521	72,043	61,969	99,805	-	4,976,000	6,173,340	

1 Entered into a consultancy agreement with the Company effective 1 August 2019.

Directors' Report Continued

For the year ended 30 June 2022

(D) Share-Based Remuneration

Year ended 30 June 2022

(i) Issue of ordinary shares

There were no ordinary shares issued to Directors or KMP as part of their compensation during the year ended 30 June 2022.

(ii) Issue of options

The following options were issued on 11 February 2022 as part of remuneration under a share-based payment.

Name	Options Issued	
	No.	\$
Executives		
A Kollaras	200,000	117,925
	200,000	117,925

The terms and conditions of each grant of options affecting remuneration in the current reporting period are as follows:

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

(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 2022.

1,356,249 Class C and 1,356,249 Class D performance shares were converted to ordinary shares during the year. These related to ex-employees and the performance shares were fully expensed during the 30 June 2016 financial year.

Year ended 30 June 2021

(i) Issue of ordinary shares

The following shares were issued on 4 December 2020 after approval at the Annual General Meeting on 30 November 2020 as part of remuneration under a share-based payment.

Name	Shares issued	
	No.	\$
Executives		
A Dunton	60,000	66,900
	60,000	66,900

(ii) Issue of options

The following options were issued on 22 February 2021 after approval at the Annual General Meeting on 30 November 2020 as part of remuneration under a share-based payment.

Name	Options Issued	
	No.	\$
Directors		
J Graham	2,250,000	1,372,109
M Dilizia	1,500,000	914,739
A Dunton	1,125,000	686,054
J Prendergast	2,175,000	1,326,372
J Ward	600,000	365,896
Executives		
A Kollaras	400,000	243,930
	8,050,000	4,909,100

The terms and conditions of each grant of options affecting remuneration in the current reporting period are as follows:

- exercise price: \$1.56
- grant date 9 October 2020
- grant date share price: \$1.115
- value per option at grant date \$0.6098
- issue date 22 February 2021
- dividend yield: 0.0%;
- risk-free rate based on the Australian Treasury bond rate for five years, to align with the term of the options: 0.32%;
- expected volatility derived from the share volatility of compatible listed companies over five years, to align with the term of the options: 77.0%; and
- expected life of the Share Option: five years.

(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 2021.

Details of Performance Shares issued

There were no new performance shares issued during the year ended 30 June 2021. The Class B performance shares lapsed whilst the Class C and Class D performance shares were converted to ordinary shares.

A summary of performance shares which were on issue is as follows:

Name	Performance Shares		
	Class B	Class C	Class D
Directors			
G Melrose	6,075,000	6,075,000	6,075,000
M Dilizia	577,212	577,212	577,212
J Graham	745,962	745,962	745,962
	7,398,174	7,398,174	7,398,174
Value per performance share	0.00 ¹	0.111 ²	\$0.054 ²

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. These shares lapsed during the year.

2 The Class C and Class D performance shares were expensed in full during the 30 June 2016 financial year. These were converted to ordinary shares during the current financial year.

Directors' Report Continued

For the year ended 30 June 2022

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

The following assumptions were used:

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

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 2022 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 2021	Net Change Other	Share-based Payment	Conversion of Class C and D Performance Shares	Balance at 30 June 2022
Directors					
M Dilizia	3,543,485	-	-	-	3,543,485
J Graham	6,031,932	-	-	-	6,031,932
J Prendergast	250,000	-	-	-	250,000
J Ward	158,966	-	-	-	158,966
A Dunton	60,000	-	-	-	60,000
Executives					
A Kollaras	67,155	-	-	-	67,155
	10,121,538	-	-	-	10,121,538

(b) Performance Shares

There are no performance shares outstanding as at 30 June 2022.

(c) Options

The movement of the numbers of options in the Company for the year ended 30 June 2022 held by the Directors of the Company and other KMP of the Group, including their personally related parties, are set out below:

	Balance at 1 July 2021	Share-based payments	Balance at 30 June 2022
Directors			
J Graham	2,250,000	-	2,250,000
M Dilizia	1,500,000	-	1,500,000
A Dunton	1,125,000	-	1,125,000
J Prendergast	2,175,000	-	2,175,000
J Ward	600,000	-	600,000
Executives			
A Kollaras	400,000	200,000	600,000
	8,050,000	200,000	8,250,000

(E) Other Transactions with KMP

During the financial year, consulting fees for technical services totalling \$727,348 (2021:\$406,770) were paid to an entity associated with Dr A Dunton. All payments were made on normal commercial terms and conditions.

(F) Other Information

Loans to key management personnel

An amount of \$388,734 (2021: \$Nil) was advanced to Mr James Graham as a loan. The amount outstanding at reporting date including accrued interest was \$400,324 (2021: \$Nil). The loan is interest bearing at the rate of 5% per annum. Interest accrued on the loan amounted to \$11,500 (2021: \$Nil). The loan is repayable within 12 months of reporting date.

At year end, expense advances repayable by Mr James Graham totalled \$Nil (2021: \$40,193).

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.

At the Annual General Meeting held in November 2019, the Company received a 'Yes' vote of more than 96.3% on its Remuneration Report for the 2019 financial year. No such vote was received in the November 2021 Annual General Meeting for the 2021 financial year. The group did not receive any specific remuneration related feedback from shareholders at either meeting.

No remuneration consultants were engaged during the year.

End of audited remuneration report.

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

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 26.

No non-audit services were provided during the year.

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



Dr John Prendergast
Non-Executive Chairman

31 August 2022

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 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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

31 August 2022

Corporate Governance Statement

This corporate governance statement sets out Recce Pharmaceutical Limited's (**Company**) current compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Fourth Edition) (**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 31 August 2022 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 board charter setting out:	YES	The Board is responsible for the corporate governance of the Company.
(a) the respective roles and responsibilities of its board and management; and		The Board has adopted a Board Charter which outlines the manner in which its powers and responsibilities will be exercised, discharged or delegated, having regard to principles of good corporate governance and applicable laws.
(b) those matters expressly reserved to the board and those delegated to management.		A copy of the Board Charter is available on the Company's website at the following URL: https://www.recce.com.au/index.php/company/corporate-governance .
1.2 A listed entity should:	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 puts forward a candidate to security holders for election as a director.
(a) undertake appropriate checks before appointing a director or senior executive, or putting someone forward for election as a director; and		(b) All material information relevant to the decision on whether or not to elect any potential directors, including information relating to their qualifications, experience and proposed roles within the Board are provided to shareholders in the Company's notices of meetings.
(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.		
1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	YES	Directors and senior executives of the Company are given letters of appointment and/or service agreements prior to their engagement with the Company 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 position is directly accountable to the Board through the Chairperson on all matters relevant to the proper functioning of the Board. The Company Secretary is accessible to all Directors.

For personal use only

Corporate Governance Statement Continued

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
<p>1.5 A listed entity should:</p> <p>(a) Have and disclose a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(a) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and</p> <p>(b) disclose in relation to each reporting period:</p> <p>(1) the measurable objectives set for that period to achieve gender diversity;</p> <p>(2) the entity's progress towards achieving those objectives; and</p> <p>(3) either:</p> <p>(A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined 'senior executive' for these purposes); or</p> <p>(B) if the entity is a 'relevant employer' under the Workplace Gender Equality Act, the entity's most recent 'Gender Equality Indicators', as defined in and published under that Act.</p> <p>If the entity was in the S&P/ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.</p>	<p>NO</p>	<p>(a) The Company has adopted a Diversity Policy which complies with the guidelines prescribed by the ASX Corporate Governance Council. The Diversity Policy is available on the Company's website at https://recce.com.au/index.php/company/corporate-governance.</p> <p>(b) The Diversity Policy:</p> <p>(i) provides a framework for the Company to set and achieve measurable objectives for achieving diversity;</p> <p>(ii) 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.</p> <p>A copy of the Diversity Policy is available on the Company's website at the following URL: https://www.recce.com.au/index.php/company/corporate-governance.</p> <p>(c) As of 30 June 2022, the respective proportions of men and women on the Board, in Senior Executive positions and across the whole organisation are set out below.</p> <p>(i) 80% of the Company's Board were male and 20% were female;</p> <p>(ii) 67% of the Company's Senior Executives were male and 33% were female; and</p> <p>(iii) 31% of the Group's entire workforce (including Board members) were female and 69% were male.</p> <p>Senior Executives are defined as the Executive Directors and those with a direct report into the CEO.</p>

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ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
<p>1.6 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, for each reporting period, whether a performance evaluation has been undertaken in the reporting period in accordance with that process during or in respect of that period.</p>	YES	<p>(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://www.recce.com.au/index.php/company/corporate-governance.</p> <p>(b) An informal evaluation of the performance of the board, its committees and its individual Directors was conducted in relation to the reporting period.</p>
<p>1.7 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives at least once every reporting period; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation has been undertaken in the reporting period in accordance with that process during or in respect of that period.</p>	YES	<p>(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 which is available on the Company's website at: https://www.recce.com.au/index.php/company/corporate-governance.</p> <p>(b) An evaluation of the Company's Senior Executives was conducted in relation to the reporting period.</p>

Corporate Governance Statement Continued

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
2: Structure the Board to be effective and add value		
<p>2.1 The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</p> <p>(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, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>YES</p>	<p>The Company has established a Nomination and Remuneration Committee with Dr Alan Dunton, an independent Director, as Chair of the Committee.</p> <p>The Committee has three members, who are:</p> <p>(a) Dr Alan Dunton - Independent Non-executive Director;</p> <p>(b) Dr John Prendergast - Independent Non-executive Director; and</p> <p>(c) Mr James Graham - Managing Director and CEO.</p> <p>The attendance at each committee meeting is disclosed in the Company's Annual Report. A copy of the Nomination and Remuneration Committee Charter is available on the Company's website at the following URL: https://www.recce.com.au/index.php/company/corporate-governance.</p>
<p>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.</p>	<p>YES</p>	<p>The Board strives to ensure that it is comprised of Directors with a blend of skills, experience and attributes appropriate for the Company and its business. The Company has a board skills matrix, setting out the mix of skills and diversity of the current Directors of the Company.</p> <p>A copy of the Board Skills Matrix is available on the Company website at the following URL: https://www.recce.com.au/index.php/company/corporate-governance.</p>
<p>2.3 A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 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</p> <p>(c) the length of service of each director.</p>	<p>YES</p>	<p>(a) Dr John Prendergast and Dr Alan Dunton, are the only Directors of the Company considered independent.</p> <p>(b) Dr John Prendergast and Dr Alan Dunton, are the only two Directors of the Company considered independent and does not have an interest, position, association or relationship of the type described in Box 2.3 of the ASX Principles and Recommendations. The Board assesses the independence of new Directors upon appointment and reviews Director independence as appropriate.</p> <p>(c) Details of each Director (including their length of service) is disclosed in the Company's Annual Report.</p>

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
<p>2.4 A majority of the board of a listed entity should be independent directors.</p>	<p>NO</p>	<p>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 two are considered to be independent, being Dr John Prendergast and Dr Alan Dunton.</p> <p>The Board does not currently consider an independent majority of the Board to be appropriate given:</p> <ul style="list-style-type: none"> (a) the magnitude of the Company's operations; and (b) the relevant skills and experience of Ms Dilizia, Mr Graham Dr Ward, Dr Prendergast and Dr Dunton mean that the Board is appropriately skilled at this stage, to further the progress and development of the Company.
<p>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.</p>	<p>YES</p>	<p>The Company's Non-Executive Chairman, Dr Prendergast, satisfies the ASX Principles and Recommendations definition of an independent director and is not the CEO of the Company.</p>
<p>2.6 A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.</p>	<p>YES</p>	<p>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.</p> <p>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.</p> <p>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.</p>

Corporate Governance Statement Continued

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
3: Instill a culture of acting lawfully, ethically and responsibly		
3.1 A listed entity should articulate and disclose its values.	YES	<p>The Company values are:</p> <ul style="list-style-type: none"> (a) Integrity; (b) Inclusivity; (c) Innovation; (d) Respect; and (e) Accountability. <p>The Company values are published on the Company's website at the following URL: https://www.recce.com.au/index.php/company/corporate-governance</p>
<p>3.2 A listed entity should:</p> <ul style="list-style-type: none"> (a) have and disclose a code of conduct for its directors, senior executives and employees; and (b) ensure that the board or a committee of the board is informed of any material breaches of that code. 	YES	<ul style="list-style-type: none"> (a) The Board is committed to the establishment and maintenance of appropriate ethical standards in order to instil confidence in both clients and the community in the way the Company conducts its business. These standards are encapsulated in the Code of Conduct which outlines how the Company expects each person who represents it to behave and conduct business. The Company has a Code of Conduct which applies to all Directors, senior executives and employees and is available on the Company's website at the following URL: https://www.recce.com.au/index.php/company/corporate-governance. (b) The Company ensures that the Board is informed of any material breaches under the Code of Conduct Policy.
<p>3.3 A listed entity should:</p> <ul style="list-style-type: none"> (a) have and disclose a whistleblower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy. 	YES	<ul style="list-style-type: none"> (a) The Company has adopted a Whistleblower Protection Policy which establishes a system for the reporting, investigation and rectification of wrongdoing. A copy of the Whistleblower Policy is available on the Company's website at the following URL: https://www.recce.com.au/index.php/company/corporate-governance. (b) Through ongoing reporting, whilst preserving confidentiality, the Board is provided periodic reports on any disclosures under the Whistleblower Policy.

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ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
<p>3.4 A listed entity should:</p> <p>(a) have and disclose an anti-bribery and corruption policy; and</p> <p>(b) ensure that the board or committee of the board is informed of any material breaches of that policy.</p>	YES	<p>(a) The Company has adopted an Anti-bribery and Corruption Policy which sets out the Company's policy in relation to bribery, corruption and related improper conduct and establishes a process for the reporting of such conduct. The Anti-bribery and Corruption Policy is available on the Company's website at: https://www.recce.com.au/index.php/company/corporate-governance.</p> <p>(b) Through on-going reporting, the Company ensures that the Board is informed of any material breaches under the Anti-bribery and Corruption Policy.</p>

4: Safeguard the integrity of corporate reports		
<p>4.1 The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(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</p> <p>(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.</p>	YES	<p>The Company has established an Audit and Risk Management Committee with Dr Alan Dunton, an independent Director, as Chair of the Committee. The Committee has three members, who are:</p> <p>(a) Dr Alan Dunton – Independent Non-executive Director;</p> <p>(b) Dr John Prendergast – Independent Non-executive Director; and</p> <p>(c) Mr James Graham – Managing Director and CEO.</p> <p>The attendance at each committee meeting is disclosed in the Company's Annual Report. A copy of the Audit and Risk Management Committee Charter is available on the Company's website at https://www.recce.com.au/index.php/company/corporate-governance.</p>
	N/A	

Corporate Governance Statement Continued

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
<p>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, in their opinion, 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.</p>	<p>YES</p>	<p>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 controls which is operating effectively in all material aspects in relation to the Company's financial reporting risks.</p>
<p>4.3 A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.</p>	<p>YES</p>	<p>The Board ensures that any periodic corporate report the Company releases to the market that has not been subject to audit or review by an external auditor discloses the process taken to verify the integrity of its content.</p> <p>The Company releases Half Year Financial Reports which are reviewed by external auditor, BDO, and Full Year Financial Reports which are audited by external auditor BDO.</p> <p>The Company is committed to providing clear, concise and effective disclosure in its corporate reports. The Company's goal is that periodic corporate reports will be accurate, balanced and provide investors with appropriate information to make informed investment decisions. The Company's process for verifying unaudited periodic corporate reports is as follows:</p> <ul style="list-style-type: none"> • reports are prepared by or under the supervision of subject matter experts; • material statements in the reports are reviewed for accuracy and material requirements and appropriately interrogated; • other than administrative announcements all the announcements must be approved by the Board. <p>This process is intended to ensure that all applicable laws, regulations and company policies have been complied with and that the source of the information is able to be verified and that appropriate approvals have been obtained before a report is released to the market.</p>

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ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
5: Make timely and balanced disclosure		
5.1 A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.	YES	<p>The Company is committed to providing timely, complete and accurate disclosure of information to allow a fair and well-informed market in its securities and compliance with the continuous disclosure requirements imposed by law, including the Corporations Act and the ASX Listing Rules.</p> <p>A copy of the Company's Continuous Disclosure Policy is available at the following URL: https://www.recce.com.au/index.php/company/corporate-governance.</p>
5.2 A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	YES	The Company ensure that the Board receives copies of all material market announcements promptly after they have been made.
5.3 A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	YES	The Company ensure that ahead of any new and substantive investor or analyst presentations, a copy of the presentations materials are released to ASX Announcement Platform.
6: Respect the rights of security holders		
6.1 A listed entity should provide information about itself and its governance to investors via its website.	YES	<p>The Company provides information about itself and its governance to its investors on the Company's website via the following URL: https://www.recce.com.au/index.php/company/corporate-governance.</p> <p>The Company will regularly update the website and contents therein as deemed necessary.</p>
6.2 A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	YES	<p>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.</p> <p>A copy of the Company's Shareholder Communications Strategy policy is available on the Company's website at: https://www.recce.com.au/index.php/company/corporate-governance.</p>

Corporate Governance Statement Continued

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
<p>6.3 A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.</p>	<p>YES</p>	<p>The Company encourages shareholder participate at the Company's general meetings through various means including:</p> <ul style="list-style-type: none"> (a) having the opportunity to ask questions of Directors at all general meetings; (b) ensuring that the auditor is present at AGMs to take shareholder questions on any issue relevant to their capacity as auditor; (c) ensuring that Directors are available to answer shareholder questions submitted by telephone, email and other means (where appropriate); and (d) providing Shareholders with the option of appointing a proxy to vote on their behalf. <p>Traditionally, the key forum for two-way communication between the Company and its shareholders is its AGM.</p>
<p>6.4 A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.</p>	<p>YES</p>	<p>All resolutions at a meeting of security holders are decided by a poll rather than a show of hands.</p>
<p>6.5 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	<p>YES</p>	<p>Shareholders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX.</p> <p>Shareholders can also elect to receive electronic communications via the Company's registry, Automatic Registry Services.</p>

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ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
7: Recognise and manage risk		
<p>7.1 The Board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</p> <p>(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.</p>	<p>YES</p> <p>N/A</p>	<p>The Company has established an Audit and Risk Management Committee with Dr Alan Dunton, an independent Director, as Chair of the Committee. The Committee has three members, who are:</p> <p>(a) Dr Alan Dunton – Independent Non-executive Director;</p> <p>(b) Dr John Prendergast – Independent Non-executive Director; and</p> <p>(c) Mr James Graham – Managing Director and CEO.</p> <p>The attendance at each committee meeting is disclosed in the Company's Annual Report. A copy of the Audit and Risk Management Committee Charter is available on the Company's website at: https://www.recce.com.au/index.php/company/corporate-governance.</p>
<p>7.2 The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and</p> <p>(b) disclose in relation to each reporting period, whether such a review has taken place.</p>	<p>YES</p>	<p>(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.</p> <p>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://www.recce.com.au/index.php/company/corporate-governance .</p> <p>In addition, the Company has a number of other policies that directly or indirectly serve to reduce and/or manage risk, including:</p> <p>(i) Continuous Disclosure Policy;</p> <p>(ii) Code of Conduct; and</p> <p>(iii) Trading Policy.</p> <p>(b) The Audit and Risk Management Committee completed such a review during the current reporting period. Having conducted such reviews throughout the reporting period the Audit and Risk Management Committee resolved that the Company's risk management framework continues to be sound.</p>

Corporate Governance Statement Continued

ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
<p>7.3 A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(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 governance, risk management and internal control processes.</p>	<p>YES</p>	<p>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.</p> <p>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. In addition, the Audit and Risk Management Committee will directly monitor the potential exposures facing the Company through ongoing reporting by the CFO.</p> <p>For each reporting period the Company's external auditor also conducts a control review to consider and report on the risks facing the Company and the controls the Company has in place to mitigate those risks.</p>
<p>7.4 A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.</p>	<p>YES</p>	<p>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 within the Annual Report.</p>

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ASX PRINCIPLES AND RECOMMENDATIONS	COMPLY (Yes/No)	EXPLANATION
8: Remunerate fairly and responsibly		
<p>8.1 The Board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ul style="list-style-type: none"> (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 <p>(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.</p>	YES	<p>The Company has established a Nomination and Remuneration Committee with Dr Alan Dunton, an independent Director, as Chair of the Committee. The Committee has three members, who are:</p> <ul style="list-style-type: none"> (a) Dr Alan Dunton – Independent Non-executive Director; (b) Dr John Prendergast – Independent Non-executive Director; and (c) Mr James Graham – Managing Director and CEO. <p>The attendance at each committee meeting is disclosed in the Company’s Annual Report. A copy of the Nomination and Remuneration Committee Charter is available on the Company’s website at: https://www.recce.com.au/index.php/company/corporate-governance.</p>
<p>8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	YES	<p>The structure and details of Directors’ remuneration is disclosed in the 2022 Annual Report.</p>
<p>8.3 A listed entity which has an equity-based remuneration scheme should:</p> <p>(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</p> <p>(b) disclose that policy or a summary of it.</p>	YES	<p>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. 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://www.recce.com.au/index.php/company/corporate-governance.</p>

Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Note	2022 \$	2021 \$
OTHER INCOME	5	3,175,953	1,963,254
EXPENSES			
Laboratory expenses		(6,223,502)	(5,556,647)
Employee benefits expenses	6	(2,031,393)	(1,553,387)
Share-based payments expense	23	(256,487)	(5,217,955)
Depreciation and amortisation expenses	13	(48,499)	(120,926)
Travel expenses		(484,281)	(14,520)
Patent related costs		(61,994)	(100,703)
Rental outgoings expenses		(85,127)	(41,979)
Finance costs	6	(2,416)	(2,107)
Other expenses	6	(3,825,574)	(1,888,147)
Amortisation: Leases	14	(139,173)	(174,704)
Interest expense: Leases		(9,510)	(10,034)
Advertising and marketing		(994,274)	(695,511)
Donations		-	(100,000)
		(14,162,230)	(15,476,620)
LOSS BEFORE INCOME TAX		(10,986,277)	(13,513,366)
Income tax expense	8	-	-
LOSS FOR THE YEAR		(10,986,277)	(13,513,366)
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(10,986,277)	(13,513,366)
		Cents	Cents
LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF RECCE PHARMACEUTICALS:			
Basic loss per share for the year	9	(6.31)	(8.70)
Diluted loss per share for the year	9	(6.31)	(8.70)

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

Financial Position

As at 30 June 2022

	Note	2022 \$	2021 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	11,581,934	20,873,040
Trade and other receivables	11	182,474	245,484
Other current assets	12	420,334	62,399
TOTAL CURRENT ASSETS		12,184,742	21,180,923
NON-CURRENT ASSETS			
Plant and equipment	13	371,243	379,397
Right of use asset	14	67,537	121,235
TOTAL NON-CURRENT ASSETS		438,780	500,632
TOTAL ASSETS		12,623,522	21,681,555
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	752,013	627,903
Provisions for employee benefits	16	202,548	337,747
Other provisions	17	1,417,527	-
Lease Liabilities	18	74,762	112,585
TOTAL CURRENT LIABILITIES		2,446,850	1,078,235
NON-CURRENT LIABILITIES			
Provisions for employee benefits	16	115,312	85,215
Lease Liabilities	18	-	14,364
TOTAL NON-CURRENT LIABILITIES		115,312	99,579
TOTAL LIABILITIES		2,562,163	1,177,814
NET ASSETS		10,061,358	20,503,741
EQUITY			
Share capital	19	43,968,321	43,297,309
Reserves	20	8,550,939	8,678,057
Accumulated losses		(42,457,902)	(31,471,625)
TOTAL EQUITY		10,061,358	20,503,741

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

Changes in Equity

For the year ended 30 June 2022

	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 year	-	-	(13,513,366)	(13,513,366)
Other comprehensive loss	-	-	-	-
	-	-	(13,513,366)	(13,513,366)
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 KMPs and employees	-	5,131,685	-	5,131,685
Options issued to lead manager	(3,018,244)	3,018,244	-	-
Conversion of option into ordinary shares	255,249	-	-	255,249
Share based payments	86,268	-	-	86,268
Transfer from reserve to share capital	1,276,375	(1,276,375)	-	-
	24,830,973	6,873,555	-	31,704,527
BALANCE AT 30 JUNE 2021	43,297,309	8,678,057	(31,471,625)	20,503,742
BALANCE AT 1 JULY 2021	43,297,309	8,678,057	(31,471,625)	20,503,742
COMPREHENSIVE INCOME:				
Loss for the year	-	-	(10,986,277)	(10,986,277)
Other comprehensive loss	-	-	-	-
	-	-	(10,986,277)	(10,986,277)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:				
Options issued to KMPs and employees	-	256,487	-	256,487
Conversion of options into ordinary shares	287,406	-	-	287,406
Transfer from reserve to share capital	383,605	(383,605)	-	-
	671,011	(127,118)	-	543,894
BALANCE AT 30 JUNE 2022	43,968,321	8,550,939	(42,457,902)	10,061,358

The above consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Cash Flows

For the year ended 30 June 2022

	Note	2022 \$	2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Australian Taxation Office		3,084,955	1,566,031
Payments to suppliers and employees		(12,174,716)	(9,636,495)
Interest received		79,498	105,757
Other income		-	108,858
NET CASH USED IN OPERATING ACTIVITIES	21	(9,010,263)	(7,855,849)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of plant and equipment		(40,345)	(76,007)
NET CASH USED IN INVESTING ACTIVITIES		(40,345)	(76,007)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances to directors	24	(388,734)	-
Other assets		-	(40,193)
Repayment of lease liabilities		(139,173)	(174,704)
Proceeds from issue of equity securities		-	27,950,000
Proceeds from exercise of options		287,408	106,276
Transaction costs related to issues of equity or convertible securities		-	(1,718,675)
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES		(240,499)	26,122,704
Net (decrease)/increase in cash and cash equivalents held		(9,291,106)	18,190,848
Cash and cash equivalent at the beginning of the year		20,873,040	2,682,192
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	10	11,581,934	20,873,040

The above consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Financial Statements

For the year ended 30 June 2022

1: Corporate Information

The consolidated financial statements of Recce Pharmaceuticals Ltd ('the Company') and together with its controlled entities ('the Group') for the year ended 30 June 2022.

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

2: Significant Accounting Policies

(a) New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(b) 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 consolidated financial statements have been prepared on an accrual basis and are based on historical costs, except for the Consolidated Statement of Cash Flows.

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.

(c) 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.

(d) 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.

(e) Revenue Recognition

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 (both Australian and overseas) are recognised when received or when the right to receive payment is established.

(f) 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.

(g) Impairment of Non-Financial 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.

(h) 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.

(i) 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.

(j) 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.

Consolidated Financial Statements

For the year ended 30 June 2022

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

(k) 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.

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 assets' 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 assets' carrying amount and are included in profit or loss in the year that the item is derecognised.

(l) Research Expenditure

Research costs are expensed as incurred.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(r) 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.

(s) Share-Based Payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Consolidated Financial Statements

For the year ended 30 June 2022

(t) 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.

(u) 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.

(v) 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 the new and amended pronouncements.

(w) 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.

(x) 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.

3: Going Concern

For the year ended 30 June 2022 the Group recorded a loss of \$10,986,277 (2021: \$13,513,366) and had net cash outflows from operating activities of \$9,010,263 (2021: \$7,855,849). The ability of the Group to continue as a going concern and being able to continue to fund its operating activities is dependent on securing additional funding through a share placement to new or existing investors and financial support through short-term loans, together with continuous receipt of the R&D tax rebate.

These conditions indicate a material uncertainty that may cast significant doubt about the 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 there will be sufficient funds to meet the Company's working capital requirements. Based on the success of current progress in the Group, it is considered that re-financing through equity funds would be well supported. Additional funds will be raised via share placements and/or other financing options as required.

The financial statements have been prepared on the basis that the Group is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Directors have prepared cashflow projections that support the ability of the Company to continue as a going concern, subject to raising additional funds through equity or other means as detailed above
- The Company continually receiving its Australian R&D tax rebates for R&D expenditure in Australia and overseas incurred by the Company

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.

Consolidated Financial Statements

For the year ended 30 June 2022

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 three geographic segment being Australia, UK 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	
	2022 \$	2021 \$	2022 \$	2021 \$
Australia	2,835,787	1,803,747	(4,521,529)	(4,523,537)
USA	317,158	134,174	(505,694)	(336,488)
UK	23,008	25,333	(36,685)	(63,532)
Central Administration	-	-	(5,922,368)	(8,589,810)
	3,175,953	1,963,254	(10,986,277)	(13,513,366)

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	
	2022 \$	2021 \$	2022 \$	2021 \$
Australia	332,271	357,577	-	-
Central Administration	12,291,251	21,323,978	2,562,163	1,177,814
	12,623,522	21,681,555	2,562,163	1,177,814

There are no assets or liabilities in other countries.

(d) Segment net assets/(liabilities)

	2022 \$	2021 \$
Australia	332,270	357,577
Central Administration	9,729,088	20,146,164
	10,061,358	20,503,741

2022
\$2021
\$

5: Revenue and Other Income

Other Income:

Research and Development (R&D) tax incentive	3,084,955	1,566,031
Interest income	90,998	105,757
Other income	-	71,351
Other grants	-	37,507
Project Reimbursements - Canadian Government	-	182,608
Total other income	3,175,953	1,963,254

6: Expenses

Employee Benefits Expenses:

Salaries and wages	1,777,787	1,431,768
Superannuation expenses	170,718	99,576
Long service leave expenses	30,098	9,557
Payroll taxes	52,790	12,486
Total employee benefit expenses	2,031,393	1,553,387

Finance Costs:

Interest from short-term borrowings	644	-
Bank fees and charges	1,772	2,107
Total finance costs	2,416	2,107

Other Expenses:

Audit and review fees	52,499	48,806
Communication expenses	3,277	8,019
Computer maintenance and consumables	45,451	47,244
Consulting fees	818,791	466,829
Insurance expenses	73,529	63,929
Legal expenses	336,833	193,969
Legal dispute settlement	17	1,417,527
Listing and regulatory fees	89,796	123,786
Overseas listing and regulatory fees	59,693	88,865
Printing and stationery expenses	59,187	35,475
Roadshows and conferences	278,998	134,616
Sundry expenses	589,993	676,609
Total other expenses	3,825,574	1,888,147

Consolidated Financial Statements

For the year ended 30 June 2022

2022
\$2021
\$**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):

Audit services

- BDO for audit and review of the consolidated financial statements	52,499	48,806
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Non-audit services

- BDO	-	-
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8: Income Tax Expense

Loss before income tax	(10,986,277)	(13,513,366)
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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% (2021: 27.5%)	(2,746,569)	(3,716,176)
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Add:

Non-allowable items:

- Share-based payments expense	64,122	1,431,288
- Expenses subject to R&D tax incentive	2,074,075	2,169,886
- Other non-allowable items	125,142	14,439

Less:

- Non assessable income	771,239	(451,770)
- Tax losses and deferred tax not recognised	1,254,469	552,333

Income tax attributable to the Group	-	-
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Deferred tax attributable to the Group

Tax losses carried forward	3,379,191	2,249,758
Accruals and provisions	99,848	124,427
Blackhole expenses	382,663	490,960
Patents	-	-
	3,861,702	2,865,145

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.

2022
\$

2021
\$

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	(10,986,277)	(13,513,366)
	No.	No.
Weighted average number of shares		
Weighted average number of ordinary shares used in calculating basic losses per share	174,133,576	155,404,474
	174,133,576	155,404,474
Loss per share (cents per share):		
Basic loss for the year attributable to the members of the Company	(6.31)	(8.70)
Diluted loss for the year attributable to the members of the Company	(6.31)	(8.70)
	2022	2021
	\$	\$

10: Cash and Cash Equivalents

Cash at bank	11,581,494	20,873,023
Cash on hand	440	17
	11,581,934	20,873,040

Cash at bank and in hand bear floating interest rates between 0.10% and 0.50% depending on the amount on deposit. Refer to Note 22 for additional risk exposure analysis.

11: Trade and Other Receivables

CURRENT

Rebates receivable from Canadian Government	-	183,444
Sundry debtors	67,530	4,325
Net GST receivable	114,944	57,715
	182,474	245,484

Refer to Note 22 for additional risk exposure analysis.

Consolidated Financial Statements

For the year ended 30 June 2022

	2022 \$	2021 \$
12: Other Current Assets		
Prepayments	-	2,106
Rental deposits	20,100	20,100
Director loans	24	400,234
Other current assets	-	40,193
	420,334	62,399
13: Plant and Equipment		
Laboratory machinery and equipment		
- at cost	542,153	530,462
- accumulated depreciation	(253,104)	(218,722)
	289,049	311,740
Office furniture and equipment		
- at cost	64,232	49,497
- accumulated depreciation	(40,610)	(32,697)
	23,622	16,800
Computer equipment		
- at cost	54,772	40,853
- accumulated depreciation	(39,456)	(35,887)
	15,316	4,966
Office improvements		
- at cost	78,646	78,646
- accumulated depreciation	(36,481)	(34,132)
	42,165	44,514
Library		
- at cost	4,379	4,379
- accumulated depreciation/amortisation	(3,321)	(3,057)
	1,058	1,322
Website Development		
- at cost	2,797	2,797
- accumulated depreciation/amortisation	(2,764)	(2,742)
	33	55
Total plant and equipment	371,243	379,397

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 improvements \$	Library and website costs \$	Total \$
2022						
Beginning of the year	311,740	16,800	4,966	44,514	1,377	379,397
Additions	11,691	14,735	13,919	-	-	40,345
Depreciation	(34,382)	(7,913)	(3,569)	(2,349)	(286)	(48,499)
End of the year	289,049	23,622	15,316	42,165	1,091	371,243
2021						
Beginning of the year	349,592	18,517	7,435	47,027	1,745	424,316
Additions	23,013	20,960	10,223	21,811	-	76,007
Depreciation	(60,865)	(22,677)	(12,692)	(24,324)	(368)	(120,926)
End of the year	311,740	16,800	4,966	44,514	1,377	379,397

	2022 \$	2021 \$
14: Right of Use Assets		
Land and buildings - right-of-use	206,710	295,939
Less: Current year amortisation	(139,173)	(174,704)
	67,537	121,235

The Company leases land and buildings for its offices under agreements of between one to five years. On renewal, the terms of the leases are renegotiated.

15: Trade and Other Payables

CURRENT

Unsecured liabilities

Trade payables	481,429	487,321
Employee related payables	173,277	52,582
Sundry creditors	97,307	88,000
	752,013	627,903

Consolidated Financial Statements

For the year ended 30 June 2022

	2022 \$	2021 \$
16: Provisions for Employee Benefits		
CURRENT		
<i>Unsecured liabilities</i>		
Annual leave	202,548	153,765
Sick leave	-	183,982
	202,548	337,747
NON-CURRENT		
Long service leave	115,312	85,215

17: Other Provisions

CURRENT		
Provision for legal settlement	1,417,527	-

An unfavourable judgement was handed down with respect to the non-issue of ordinary shares to holders of 1,356,249 Class C Performance Shares and 1,356,249 Class D Performance Shares. However, after taking appropriate legal advice, the directors appealed the decision. The appeal was subsequently lost resulting in a damages payment to the Plaintiffs of \$1,417,527 subsequent to year end. Refer also to Note 19.

18: Lease Liabilities

CURRENT		
Lease liability	74,762	112,585
NON-CURRENT		
Lease liability	-	14,364

19: Share Capital

	2022		2021	
	No.	\$	No.	\$
Movements in ordinary shares on issue:				
Opening balance	173,777,847	43,297,309	136,071,787	18,466,336
Shares issued during the year:				
- shares issued to KMP and consultants	-	-	78,272	86,268
- conversion of performance shares ¹	2,712,498	383,605	14,796,348	1,220,699
- new shares issued from placement (net costs) ²	-	-	21,500,000	23,213,081
- new shares issued on options exercised	1,156,565	287,408	1,331,440	255,249
	3,869,063	671,013	37,706,060	24,775,297
- Transfer from reserves to share capital	-	-	-	55,676
	-	-	-	55,676
Total³	177,646,910	43,968,323	173,777,847	43,297,309

1 Settlement of a dispute in relation to 1,356,249 of the Company's Class C Performance Shares and 1,356,249 Class D Performance Shares resulted in the issue of 2,712,498 ordinary fully paid shares.

2 On 30 September 2020, the Company issued 21,500,000 ordinary shares raising \$27,950,000 (before capital raising costs). Total capital raising costs were \$4,736,919 comprising cash component of \$1,718,675 and options fee component of \$3,018,244 (refer Note 22).

3 At 30 June 2022, 177,646,910 ordinary shares on issue were quoted on the ASX.

Options from shares issued

The following options remain outstanding at each respective reporting date:

Particulars	Issue Date	Exercise Date	Exercise Price cents	2022 No.	2021 No.
Options	15-Feb-19	15-Feb-23	16.80	607,400	1,117,400
Options	19-Dec-19	19-Feb-23	31.20	603,435	1,250,000
Options	30-Sep-20	30-Sep-23	156.00	3,750,000	3,750,000
Options	22-Feb-21	22-Feb-26	156.00	8,415,000	8,415,000
Options	11-Feb-22	11-Feb-27	156.00	435,000	-
				13,810,835	14,532,400

Consolidated Financial Statements

For the year ended 30 June 2022

	Note	2022 \$	2021 \$
20: Reserves			
Performance shares reserve	20(a)	-	223,782
Options reserve	20(b)	8,550,939	8,454,275
		8,550,939	8,678,057

(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		223,782	1,444,481
Conversion of Class C performance shares		(111,891)	(821,198)
Conversion of Class D performance shares		(111,891)	(399,501)
At end of year		-	223,782

(b) Options reserve

The options reserve is used to recognise the fair value of options issued.

Movements of options reserve:

At beginning of year		8,454,275	360,022
Options issued to KMPs and employees ¹		256,487	5,131,685
Options issued to lead manager		-	3,018,244
Conversion of options into ordinary shares		(159,823)	(55,676)
At end of year		8,550,939	8,454,275

¹ Refer to Note 23.

21: Cash Flow Information**Reconciliation of loss after income tax to net cash flow from operating activities:**

Loss for the year		(10,986,277)	(13,513,366)
Adjustments and non-cash items:			
- Depreciation and amortisation		48,499	120,926
- Share-based payments expense		256,487	5,217,955
- Accounting for lease assets and liabilities		139,173	174,704
Change in operating assets and liabilities			
- Decrease/(Increase) in trade and other receivables		63,010	(204,120)
- Decrease/(Increase) in other current assets		43,810	(6,538)
- Increase in trade and other payables		112,610	284,421
- (Decrease)/Increase in provisions for employee benefits		(105,102)	70,169
- Increase in other provisions		1,417,527	-
Net cash outflow from operating activities		(9,010,263)	(7,855,849)

22: 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 risks 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:

	2022 \$	2021 \$
Financial Assets		
<i>At amortised cost</i>		
Director loan	400,234	-
Cash and cash equivalents	11,581,934	20,873,040
Trade and other receivables	182,474	245,484
	12,164,642	21,118,524
Financial Liabilities		
<i>At amortised cost</i>		
Trade payables and sundry creditors	578,736	575,321
Loans payable	-	-
R&D Advance	-	-
	578,736	575,321

(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, Canada and Netherlands to perform numerous laboratory tests as well as use the services of expert consultants in the USA, Canada and The Netherlands that will result in approximately US\$3.285 million and CDN\$0.06 million in expenditure.

(ii) 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:

	2022		2021	
	Weighted average	Balance \$	Weighted average	Balance \$
Cash and cash equivalents	0.60%	11,581,494	0.58%	20,873,023
Director loan	5.00%	400,234	0.00%	-

Consolidated Financial Statements

For the year ended 30 June 2022

(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 hold any credit derivatives to offset its credit exposure. The Group trades only with recognised and credit worthy third parties. 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	2022 \$	2021 \$
Cash held with BankWest Bank	AA-	1,948,305	1,299,443
Cash held with National Australian Bank	AA-	2	2
Cash held with ME Bank	BBB	9,651,138	19,573,478
Cash held with American Express	N/A	(17,951)	100
		11,581,494	20,873,023

The Group's primary banker is BankWest. The Board considers the use of this financial institution, 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, employee related payables, sundry creditors, loan payables, R&D advance and lease liability 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 2022					
Trade payables	481,429	-	-	481,429	481,429
Employee related payables	173,277	-	-	173,277	173,277
Sundry creditors	97,307	-	-	97,307	97,307
Lease liability	74,762	-	-	74,762	74,762
	826,775	-	-	826,775	826,775
30 June 2021					
Trade payables	487,321	-	-	487,321	487,321
Employee related payables	52,582	-	-	52,582	52,582
Sundry creditors	88,000	-	-	88,000	88,000
Lease liability	112,585	-	-	112,585	112,585
	740,488	-	-	740,488	740,488

At 30 June 2022, the Group had sufficient cash to meet the financial liabilities as and when they are due and payables.

(d) Fair Value Hierarchy

Fair value of assets and liabilities approximates carrying value given their short term nature.

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Consolidated Financial Statements

For the year ended 30 June 2022

	2022	2021
	\$	\$

23: Share-Based Payments

Share-based payments expense recognised during the financial year:

Issue of 18,272 shares to Spark Plus	-	19,368
Issue of 60,000 shares to Alan Dunton ¹	-	66,900
Issue of 2,250,000 options to James Graham ²	-	1,372,109
Issue of 1,500,000 options to Michele Dilizia ²	-	914,739
Issue of 1,125,000 options to Alan Dunton ²	-	686,054
Issue of 2,175,000 options to John Prendergast ²	-	1,326,372
Issue of 600,000 options to Justin Ward ²	-	365,896
Issue of 400,000 options to Arthur Kollaras ²	-	243,930
Issue of 100,000 options to Daniel Astudillo ²	-	60,983
Issue of 125,000 options to Thomas Jarrett ²	-	76,228
Issue of 70,000 options to Wendy Potts ²	-	42,688
Issue of 70,000 options to Julia Stanford ²	-	42,688
Issue of 100,000 options to Daniel Astudillo ⁴	58,963	-
Issue of 75,000 options to Thomas Jarrett ⁴	44,222	-
Issue of 200,000 options to Arthur Kollaras ⁴	117,925	-
Issue of 30,000 options to Wendy Potts ⁴	17,689	-
Issue of 30,000 options to Julia Stanford ⁴	17,689	-
Total share-based payments recognised through P&L	256,487	5,217,955
Issue of 3,750,000 Corporate Advisor Options ³	-	3,018,244
Total share-based payments recognised through equity	-	3,018,244

1 Issued 60,000 shares on 4 December 2020 as part of remuneration for his services.

Fair value of share options granted to executive and employees

2 The fair value of the 8,415,000 Share Options was calculated using the Black-Scholes model. The assumptions used in calculating the fair value of Share Options, were:

- exercise price: \$1.56
- grant date 9 October 2020
- grant date share price: \$1.115
- value per option at grant date \$0.6098
- issue date 22 February 2021
- dividend yield: 0.0%;
- risk-free rate based on the Australian Treasury bond rate for five years, to align with the term of the options: 0.32%;
- expected volatility derived from the share volatility of compatible listed companies over five years, to align with the term of the options: 77.0%; and
- expected life of the Share Option: five years.

Fair value of share options granted to corporate advisors

3 Where the fair value of services rendered by consultant during the period could not be reliably measured, these are measured by reference to the fair value of equity instruments granted. The estimate of the fair value of the services is measured based on a Black-Scholes option valuation methodology. The fair value of the 3,750,000 Share Options was calculated using the Black-Scholes model. The assumptions used in calculating the fair value of share Options, were:

- exercise price: \$1.56
- grant date share price: \$1.115
- grant date 23 October 2020
- issue date 30 September 2020
- dividend yield: 0.0%;
- 3,750,000 options issued to Shaw and Partners as part of payment for capital raising fee;
- risk-free rate based on the Australian Treasury bond rate for three years, to align with the term of the options: 0.19%;
- expected volatility derived from the share volatility of compatible listed companies over three years, to align with the term of the options: 81.0%; and
- expected life of the Share Option: three years.

Fair value of share options granted to executive and employees

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

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

The value brought to account as share-based payment expenses in the year ended 30 June 2022 was \$256,487 (2021: \$5,217,955) relating to the fair value of options granted to the employees was expensed to the profit or loss. The fair value of options granted to the Corporate Advisors for capital raising amounting to \$Nil (2021: \$3,018,244) has been recognised as transaction costs on share issue.

Consolidated Financial Statements

For the year ended 30 June 2022

24: Related Party Transactions**Parent entity**

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

Subsidiaries

Interests in subsidiaries are disclosed in Note 26.

	2022 \$	2021 \$
Key management personnel compensation		
Short-term employee benefits	1,082,815	963,521
Post-employment benefits	199,161	134,013
Bonus	204,000	-
Termination payments	-	99,805
Share-based payments	117,925	4,976,000
	1,603,901	6,173,340

The following transactions occurred with related parties:

Superannuation contributions

Contributions to superannuation funds on behalf of employees	106,362	61,969
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Loans to key management personnel

An amount of \$388,734 (2021: \$Nil) was advanced to Mr James Graham as an unsecured loan. The amount outstanding at reporting date including accrued interest was \$400,234 (2021: \$Nil). The loan is interest bearing at the rate of 5% per annum. Interest accrued on the loan amounted to \$11,500 (2021: \$Nil). The loan is repayable within 12 months of reporting date.

At year end, expense advances repayable by Mr James Graham totalled \$Nil (2021: \$40,193).

Other transactions with key management personnel

During the financial year, consulting fees for technical services totalling \$727,348 (2021: \$406,770) were paid to an entity associated with Dr A Dunton. All payments were made on normal commercial terms and conditions. There were no other related party transactions during the financial year.

25: Parent Entity Information

The following information relates to the parent entity, Recce Pharmaceuticals Ltd, as at 30 June 2022. The information presented hereto has been prepared using accounting policies consistent with those presented in Note 2.

	2022 \$	2021 \$
(a) Summarised statement of financial position		
Current assets	12,184,742	21,180,923
Non-current assets	438,780	500,632
Total assets	12,623,522	21,681,554
Current liabilities	2,446,850	1,078,235
Non-current liabilities	115,312	99,579
Total liabilities	2,562,163	1,177,814
Share capital	43,968,321	43,297,309
Reserves	8,550,939	8,678,057
Accumulated losses	(42,457,902)	(31,471,625)
Net Assets/(Liabilities)	10,061,358	20,503,741
(b) Summarised consolidated statement of profit or loss and other comprehensive income		
Loss for the year	(10,986,277)	(13,513,366)
Other comprehensive income	-	-
Total comprehensive loss for the year	(10,986,277)	(13,513,366)

The parent entity has no contingent liabilities as at 30 June 2022.

26: Interest in Subsidiaries

	Country of Incorporation	Percentage Owned	
		2022 %	2021 %
Parent entity			
Recce Pharmaceuticals Ltd	Australia	-	-
Subsidiaries			
Recce (USA) LLP	United States	100	100
Recce (UK) Limited	United Kingdom	100	100

27: Events Subsequent to Reporting Period

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

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.

28: Contingent Liabilities

There were no contingent liabilities as at 30 June 2022.

In the prior year, there was a dispute in relation to the non-conversion of Performance Shares to Ordinary Shares. Refer to Note 19.

Director's 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 40 to 65, 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 2022 and of the performance for the year ended on that date of the Group;
2. The 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 Directors' 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
Non-Executive Chairman

31 August 2022

Independent Auditor's Report



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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 Pharmaceuticals Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2022 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 Company 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 (including Independence Standards)* (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.

Independent Auditor's Report Continued



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.

Measurement and Disclosure of Legal Provisions

Key audit matter	How the matter was addressed in our audit
<p>During the 30 June 2022 financial year the Group was subject to legal proceedings with former employees and key management personnel which required management to make an assessment of a legal provision recognition as at 30 June 2022 in accordance with <i>AASB 137 Provisions, Contingent Liabilities and Contingent Assets</i>.</p> <p>There were also subsequent events which impacted this assessment in accordance with <i>AASB 110 Events after the Reporting Period</i>. This legal provision and the related subsequent event is disclosed in Note 17 and Note 27, respectively, to the financial report.</p> <p>Given the nature of the matter and its material impact on the financial report of Recce Pharmaceuticals Ltd, we deem this to be a key audit matter at 30 June 2022.</p>	<p>Our audit procedures in respect of this area included but were not limited to the following:</p> <ul style="list-style-type: none">• Assessing management's position and evaluation of items of legal proceedings and claims as a provision in line with the requirements of AASB 137;• Assessing management's position of the adjusting subsequent event in line with the requirements of AASB 110;• Reviewing the Director's minutes, ASX announcements and correspondence with third parties;• Reviewing supporting legal documentation and supporting payment records to support the post year-end settlement payment; and• Assessing the adequacy of disclosures in Note 1, Note 17 and Note 27 to the financial report

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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 2022, but does not include the financial report and our 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 Company's ability 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 Company 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 (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Independent Auditor's Report Continued



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Recce Pharmaceuticals Ltd, for the year ended 30 June 2022, 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

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

Neil Smith

Director

Perth

31 August 2022

ASX Additional Information

Shareholder Information as at 22 August 2022

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 22 August 2022)

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	1,084	689,662	0.39
1,001 - 5,000	1,487	4,284,499	2.41
5,001 - 10,000	675	5,492,178	3.09
10,001 - 100,000	1,140	37,496,774	21.06
100,001 and over	206	130,056,197	73.06
Total	4,592	178,019,310	100.00

Holding	Option Holders	Number of Options	% Issued Share Capital
1 - 1,000	-	-	0.00
1,001 - 5,000	-	-	0.00
5,001 - 10,000	-	-	0.00
10,001 - 100,000	6	435,000	3.24
100,001 and over	14	13,003,435	96.76
Total	20	13,438,435	100.00

Holding	Performance Right Holders	Number of Shares	% Issued Share Capital
1 - 1,000	-	-	0.00
1,001 - 5,000	-	-	0.00
5,001 - 10,000	-	-	0.00
10,001 - 100,000	3	168,750	1.93
100,001 and over	7	8,585,673	98.07
Total	10	8,754,423	100.00

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ASX Additional Information Continued

(b) Twenty largest shareholders (as at 22 August 2022)

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

Name	Number of Shares	%
1 Graham Melrose and Olga Melrose	37,028,311	20.80
2 HSBC Custody Nominees (Australia) Limited	6,552,554	3.68
3 Mr James Graham	6,031,932	3.39
4 M Rogers and A Veliss	5,000,000	2.81
5 Acuity Capital Investment Management Pty Ltd <Acuity Capital Holdings A/C>	4,500,000	2.53
6 Ms Michele Keryn Dilizia	3,543,485	1.99
7 LDU Pty Ltd	3,518,180	1.98
8 Acewood Investments Pty Ltd <Chivers Super Fund A/C>	3,184,616	1.79
9 Pejay Pty Limited	2,250,000	1.26
10 Querion Pty Ltd	2,100,000	1.18
11 Mr John James Liddelow <John Liddelow A/C>	2,050,000	1.15
12 BNP Paribas Noms Pty Ltd <DRP>	1,615,152	0.91
13 Mr Michael Noel Aarons & Mrs Mami Aarons <The Aarons Superfund A/C>	1,437,498	0.81
14 Mark David Swinn	1,217,002	0.68
15 Shortis Natural Therapies Pty Limited <Shortis Family A/C>	1,200,000	0.67
16 BNP Paribas Nominees Pty Ltd ACF Clearstream	1,165,110	0.65
17 BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	1,136,987	0.64
18 Mr Nikolai Shirobokov & Mrs Svetlana Shirobokov	1,111,974	0.62
19 Citicorp Nominees Pty Limited	1,037,843	0.58
20 McCray Investments Pty Ltd <McCray Fam SF A/C>	1,025,661	0.58
Total	86,706,305	48.71
Total issued capital - selected security class(es)	178,019,310	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 22 August 2022.

Name	Number of Shares	%
Mr Graham Melrose & Ms Olga Melrose	32,353,311	18.17

(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 478 Shareholders holding less than a marketable parcel, totalling 172,036 shares.

Corporate Directory

For the year ended 30 June 2022

Directors

Dr John Prendergast

Non-Executive Chairman

Ms Michele Dilizia

Executive Director and Chief Scientific Officer

Mr James Graham

Managing Director and Chief Executive Officer

Dr Justin Ward

Executive Director and Principal Quality Chemist

Dr Alan Dunton

Non-Executive Director

Company Secretary

Alistair McKeough

Chief Financial Officer

Justin Reynolds

Registered Office

Suite 10, 3 Brodie Hall Drive

Bentley WA 6102

Phone: +61 8 9362 9860

Share Register

Automic Pty Limited

Level 5, 126 Phillip Street

Sydney NSW 2000

Phone: 1300 288 664

Auditors

Level 9, Mia Yellagonga Tower 2

5 Spring Street

Perth WA 6000

Internet Address

www.recce.com.au

ASX Code

RCE

FSE Code

R9Q

Annual General Meeting

The Annual General Meeting will be held on the 14 November 2022.

Automic Pty Limited

Level 5/126 Phillip Street

Sydney NSW 2000

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