RECCE PHARMACEUTICALS LTD
ABN 73 124 849 065

Appendix 4E

Preliminary Final Report for the financial year ended 30 June 2023

Current Reporting Period:	**30 June 2023**
Previous Reporting Period:	**30 June 2022**

Results for Announcement to the Market

	12 months to 30 June 2023 $	12 months to 30 June 2022 $	% Change
Revenue from ordinary activities	-	-	0%
Loss from ordinary activities after tax attributable to members	(13,077,422)	(10,986,277)	19%
Net loss for the period attributable to members	(13,077,422)	(10,986,277)	19%

Brief Explanation of Results

Operational Report

During the reporting period, significant advances were made in support of the development of the Company's synthetic anti-infective programe. Some of the highlights for the year were as follows:

- Total cash receipt of A$4.31m received from R&D Rebate Payments for the year ending 30 June 2023.
- Anti-Infective Research Unit established at Murdoch Children’s Research Institute.
- New Family 4 patent granted for RECCE® Anti-Infectives and RECCE® Trademark registered in Hong Kong and Israel.
- Dr John Prendergast appointed as Executive Chairman and Alistair McKeough appointed to Board of Directors.

Clinical progress

- Positive safety data from 7th cohort (6,000mg dose) of Phase I clinical trial evaluating RECCE® 327 intravenous formulation in healthy male volunteers – Phase I trial data review since complete (as announced post FY23).
- Phase I/II Diabetic Foot Infection Trial ethics approval received, with leading healthcare provider Ascott to support trial with in-home (out-patient) nurses trained in R327 diabetic foot infection treatment.

- Ethics approval received to start Phase I/II Intravenous Urinary Tract Infection/Urosepsis Rapid Infusion Clinical Trial, to be conducted at Scientia (NSW) and CMAX (SA) broadening patient population across multiple world class facilities.

Brief Explanation of Results (Continued)

Financial Report

The operating loss has increased to $13,077,422 (2022: loss of $10,986,277) as a result of increased expenditure in consulting and research and development costs. The annual loss was after a R&D tax incentive of $4,311,202 (2022: $3,084,955).

The loss per share has increased during the year to 7.52 cents (2022: 6.31 cents).

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

Dividends

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

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

Net Tangible Assets per Security

As at 30 June 2023 (cents)	(1.45)
As at 30 June 2022 (cents)	5.66

Audit of the Financial Report

The financial report is in the process of being audited. The independent audit report is likely to contain a paragraph referring to material uncertainty related to Going Concern.

RECCE PHARMACEUTICALS LTD

ABN 73 124 849 065

PRELIMINARY FINAL REPORT (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2023

RECCE PHARMACEUTICALS LTD
ABN 73 124 849 065

TABLE OF CONTENTS

RECCE PHARMACEUTICALS LTD
ABN 73 124 849 065

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2023

Your Directors present their report on Recce Pharmaceuticals Ltd (the 'Company') and controlled entities (the 'Group') for the year ended 30 June 2023.

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	Executive Chairman (effective 5 September 2022)
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
Dr Alan Dunton	Non-Executive Director
Mr Alistair McKeough	Non-Executive Director (effective 1 September 2022)

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 (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

Member 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)

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
2,250,000 Unlisted Options

Indirect ownership
6,531,932 Ordinary Shares

Special Responsibilities
Member of the Audit and Risk Management Committee

Directorships held in other listed entities during the last three years
Nil

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

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.

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

Interest in Shares 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) and Chief Medical Officer

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)

Mr Alistair McKeough
Director (Non-Executive)

Qualifications
BA, LLB, LLM

Experience
Mr McKeough is an experienced executive and solicitor. Before being appointed as a non-executive director on 1 September 2022, Alistair served as Recce's company secretary and he has been involved with the company since 2017.

Alistair has extensive experience in a variety of private and listed corporations across many sectors, including professional services, technology, financial services, charities, health, biotech, child care and education. He recently stepped down as Managing Director of a legal practice specialising in equity capital markets and advice to listed companies and as part of the senior leadership team at share registry, Automic Group.

Interest in Shares and Options
Indirect ownership
25,000 Ordinary Shares
1,125,000 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
Nil

Chief Financial Officer
Justin Reynolds

Experience
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 Officer. He and his team provide their clients with the peace of mind that comes from high quality, technically expert outsourced accounting.

Mr Reynolds' has a broad range of experience having dealt with a variety of different sized organisations from small family business to multinational companies and high net worth individuals.

Company Secretary
Maggie Niewidok

Maggie is an admitted lawyer and employee of Kardos Scanlan Corporate Lawyers. Maggie is an experienced corporate lawyer and is the Company Secretary to various ASX listed and unlisted companies, across a range of industries.

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

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

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

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

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

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

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

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

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

On 10 January 2023, the Company announced the Australian Patent Office issued notification of intent to grant Recce's Patent Family 3 "Anti-Virus Agent and Method for Treatment of Viral Infection".

On 25 January 2023, the Company announced an advance payment of $1,908,039 from Radium Capital (Radium) for Recce's future Research and Development (R&D) tax incentive.

On 2 February 2023, the Company announced it had been issued a trademark for RECCE® from the Trade Marks Registry Intellectual Property Department in Hong Kong.

On 20 February 2023, the Company announced it had selected South Australia's CMAX Clinical Research as the independent trial facility to conduct a Phase I/II intravenous (IV) clinical trial of its lead pipeline candidate RECCE® 327 (R327) in healthy male and female subjects.

On 4 March 2023, the Company announced further non-dilutive funds from Radium for A$973,144 of Recce's future Research and Development (R&D) tax incentive.

On 11 April 2023, the Company announced the Australian Patent Office issued notification of intent to grant the first of Recce's new Patent Family 4 for RECCE's anti-infectives "Process for Preparation of Biologically Active Copolymer", expiry 2041.

On 12 April 2023, the Company announced it had been issued Trade Mark Registration for RECCE® from the Israeli Patent Office, Trademarks Department.

On 17 April 2023, the Company announced it had received Human Research Ethics Committee (HREC) approval to start its Phase I/II intravenous (IV) clinical trial of its lead pipeline compound RECCE® 327 (R327) in healthy male and female subjects.

On 8 May 2023, the Company announced it had received sponsorship from the West Australian Government to attend BIO Korea 2023.

On 29 May 2023, the Company announced it had awarded and on-boarded outpatient nurses from leading healthcare provider Ascott (an IQVIA Company) broadening the Company's Diabetic Foot Infection (DFI) trial patient population.

On 29 June 2023, the Company announced it had received approval from the Human Research Ethics Committee (HREC) to expand its Faster Infusion, Phase I/II Urinary Tract Infections (UTI) intravenous clinical trial of its lead product, RECCE® 327 (R327), to Scientia Clinical Research.

The operating loss has increased to $13,077,422 (2022: loss of $10,986,277) as a result of increased expenditure in consulting and research and development costs. The annual loss was after a R&D tax incentive of $4,311,202 (2022: $3,084,955).

The loss per share has increased during the year to 7.47 cents (2022: 6.31 cents).

The Group's focus is on progressing RECCE® 327's multiple ongoing human clinical trials, in parallel to the suite of pre-clinical programs.

Dividends Paid or Recommended

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

Options

During the financial year, the Company issued 1,125,000 (2022: 435,000) options to acquire ordinary shares in the Company at exercise prices and dates as disclosed in Note 19 to the consolidated financial statements. 607,400 options were exercised for $102,043 during the financial year (2022: 1,156,565 options were exercised for $287,408).

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 12 July 2023, the Company announced the receipt of an advance payment of $801,604 from Radium Capital against the R&D refund due from the Australian Taxation Office.

On 28 July 2023, the Company announced the receipt of $98,428 as a Canadian Government R&D rebate.

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 (Unaudited)

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 2023:

(i) Directors

Dr John Prendergast	Executive Chairman
Dr Alan Dunton	Non-Executive Director
Mr Alistair McKeough	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	Principal Engineer & Head of Manufacturing

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[1]	-	Nil	No fixed term	3 months
Ms Michele Dilizia	$350,000 pa	Nil	No fixed term	3 months
Mr James Graham	$450,000 pa	Nil	No fixed term	3 months
Mr Justin Ward[2]	$280,000 pa	Nil	No fixed term	4 weeks
Mr Arthur Kollaras[3]	-	Nil	No fixed term	4 weeks
Dr Alan Dunton[4]	-	Nil	No fixed term	4 weeks
Mr Alistair McKeough[5]	-	Nil	No fixed term	4 weeks

[1] Entered into a consultancy agreement with the Company effective 26 February 2023. Remunerated monthly consulting and services fee of US $20,833.33 totalling US$250,000 per annum.
[2] Entered into an employment agreement with the Company effective 10 March 2023. Total remuneration excluding super is $280,000 plus superannuation.
[3] Entered into a consultancy agreement with the Company effective 1 October 2021. Remunerated at the rate of $400 per hour.
[4] Remunerated monthly consulting fees of US$468.75 per hour plus monthly director fees of $6,250.
[5] Entered into a consultancy agreement with the Company effective 1 September 2022. Remunerated monthly consulting fees of $6,770.83.

(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:

Name	Short-term benefits, cash salary and other fees $	Accrued Long Service Leave $	Superannuation (post-employment benefit) $	Termination payments $	Bonus $	Share based payments $	Total $	Percentage Performance Related %
Directors								
M Dilizia	367,650	64,191	27,500	-	80,000	-	539,341	14.8%
J Graham	550,849	69,455	19,423	-	135,000	-	774,727	17.4%
J Prendergast	369,848	-	-	-	-	-	369,848	-
J Ward	249,620	30,928	26,210	-	-	-	306,758	-
A Dunton	72,500	-	-	-	-	-	72,500	-
A McKeough	66,937	-	-	-	-	325,217	392,154	-
Executives								
A Kollaras	288,800	-	30,324	-	-	-	319,124	-
	1,966,204	164,574	103,457	-	215,000	325,217	2,774,452	

Year ended 30 June 2022

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								
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	

(D) Share-Based Remuneration

Year ended 30 June 2023

(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 2023.

(ii) Issue of options
The following options were issued on 15 November 2022 as part of remuneration under a share based payment.

Name	Options Issued	
Executives	No.	$
A McKeough	1,125,000	325,217
	1,125,000	325,217

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 15 November 2022
- grant date share price: $0.69
- value per option at grant date $0.28908
- grant date 15 November 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: 3.44%;
- expected volatility derived from the share volatility of compatible listed companies over five years, to align with the term of the options: 70%; 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 2023.

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	
Executives	No.	$
A McKeough	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.

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 2023 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 2022	Net Change Other	Share-based Payment	Balance at 30 June 2023
Directors				
M Dilizia	3,543,485	-	-	3,543,485
J Graham	6,031,932	500,000	-	6,531,932
J Prendergast	250,000	-	-	250,000
J Ward	158,966	-	-	158,966
A Dunton	60,000	10,000	-	70,000
A McKeough	25,000	-	-	25,000
Executives				
A Kollaras	67,155	-	-	67,155
	10,136,538	510,000	-	10,646,538

(b) Performance Shares

There are no performance shares outstanding as at 30 June 2023.

(c) Options

The movement of the numbers of options in the Company for the year ended 30 June 2023 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 2022	Share based payments	Balance at 30 June 2023
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
A McKeough	-	1,125,000	1,125,000
Executives			
A Kollaras	600,000	-	600,000
	-	-	-
	8,250,000	1,125,000	9,375,000

(E) Other Transactions with KMP

During the financial year, consulting fees for technical services totalling $1,029,537 (2022: $727,348) were paid to an entity associated with Mr A Dunton. Additionally consulting fees for professional services totalling $105,000 (2022: $Nil) were paid to an entity associated with Mr A McKeough. All payments were made on normal commercial terms and conditions. There were no other related party transactions during the financial year other than loans to key management personnel (refer below).

(F) Other Information

Loans to key management personnel

An amount of $104,388 (2022: $388,734) was advanced to Mr James Graham as an unsecured loan. The amount outstanding at reporting date including accrued interest was $112,836 (2022: $400,234). The loan is interest bearing at the rate of 5% per annum. Interest accrued on the loan amounted to $8,448 (2022: $11,500). The loan is repayable within 12 months of reporting date.

At year end, expense advances repayable by Mr James Graham totalled $Nil (2022: $Nil).

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

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

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

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

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

At the Annual General Meeting held in November 2022, the Company received a 'For' vote of 94.2% on its Remuneration Report for the 2022 financial year (2021: 98.28%). 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 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.

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

John Prendergast

Dr John Prendergast
Executive Chairman
31 August 2023

RECCE PHARMACEUTICALS LTD
ABN 73 124 849 065

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $	2022 $
OTHER INCOME	**5**	4,431,406	3,175,953
EXPENSES			
Laboratory expenses		(7,167,133)	(6,223,502)
Employee benefits expenses	**6**	(3,610,301)	(2,031,393)
Share based payments expense	**23**	(325,217)	(256,487)
Depreciation and amortisation expenses	**13**	(47,039)	(48,499)
Travel expenses		(962,910)	(484,281)
Patent related costs		(162,684)	(61,994)
Rental outgoings expenses		(176,994)	(85,127)
Finance costs	**6**	(172,623)	(2,416)
Other expenses	**6**	(3,585,001)	(3,825,574)
Amortisation: Leases	**14**	(170,116)	(139,173)
Interest expense: Leases		(10,642)	(9,510)
Advertising and marketing		(1,118,168)	(994,274)
		(17,508,828)	(14,162,230)
LOSS BEFORE INCOME TAX		**(13,077,422)**	**(10,986,277)**
Income tax expense	**8**	-	-
LOSS FOR THE YEAR		**(13,077,422)**	**(10,986,277)**
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(13,077,422)**	**(10,986,277)**
		Cents	**Cents**
LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF RECCE PHARMACEUTICALS:			
Basic loss per share for the year	**9**	(7.52)	(6.31)
Diluted loss per share for the year	**9**	(7.52)	(6.31)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	30 June 2023 $	30 June 2022 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	**10**	1,561,579	11,581,934
Trade and other receivables	**11**	90,667	182,474
Other current assets	**12**	295,213	420,334
TOTAL CURRENT ASSETS		**1,947,459**	**12,184,742**
NON-CURRENT ASSETS			
Plant and equipment	**13**	362,837	371,243
Right of use asset	**14**	245,573	67,537
TOTAL NON-CURRENT ASSETS		**608,410**	**438,780**
TOTAL ASSETS		**2,555,869**	**12,623,522**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	**15**	4,319,719	752,013
Provisions for employee benefits	**16**	299,201	202,548
Other provisions	**17**	83,054	1,417,527
Lease Liabilities	**18**	147,878	74,762
TOTAL CURRENT LIABILITIES		**4,849,852**	**2,446,850**
NON-CURRENT LIABILITIES			
Provisions for employee benefits	**16**	192,133	115,312
Lease Liabilities	**18**	102,688	-
TOTAL NON-CURRENT LIABILITIES		**294,821**	**115,312**
TOTAL LIABILITIES		**5,144,673**	**2,562,162**
NET ASSETS		**(2,588,804)**	**10,061,358**
EQUITY			
Share capital	**19**	44,111,963	43,968,321
Reserves	**20**	8,834,557	8,550,939
Accumulated losses		(55,535,324)	(42,457,902)
TOTAL EQUITY		**(2,588,804)**	**10,061,358**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Share Capital $	Reserves $	Accumulated Losses $	Total $
BALANCE AT 1 JULY 2021	43,297,310	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 option 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**
BALANCE AT 1 JULY 2022	43,968,321	8,550,939	(42,457,902)	10,061,358
COMPREHENSIVE INCOME:				
Loss for the year	-	-	(13,077,422)	(13,077,422)
Other comprehensive loss	-	-	-	-
	-	-	(13,077,422)	(13,077,422)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:				
Options issued to KMPs and employees	-	325,217	-	325,217
Conversion of options into ordinary shares	102,043	-	-	102,043
Transfer from reserve to share capital	41,599	(41,599)	-	-
	143,642	283,618	-	427,260
BALANCE AT 30 JUNE 2023	**44,111,963**	**8,834,557**	**(55,535,324)**	**(2,588,804)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $	2022 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Australian Taxation Office		4,311,202	3,084,955
Payments to suppliers and employees		(15,694,642)	(12,174,716)
Interest received		59,583	79,498
Other income		54,014	-
Other (legal dispute settlement)		(1,417,527)	-
NET CASH USED IN OPERATING ACTIVITIES	**21**	**(12,687,370)**	**(9,010,263)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of plant and equipment		(38,633)	(40,345)
NET CASH USED IN INVESTING ACTIVITIES		**(38,633)**	**(40,345)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances to directors	**24**	(104,388)	(388,734)
Repayment of lease liabilities		(170,116)	(139,173)
Proceeds from exercise of options		102,043	287,408
Proceeds from borrowings		2,878,107	-
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES		**2,705,647**	**(240,499)**
Net (decrease)/increase in cash and cash equivalents held		(10,020,355)	(9,291,106)
Cash and cash equivalent at the beginning of the year		11,581,934	20,873,040
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**10**	**1,561,579**	**11,581,934**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 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 2023.

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).

NOTE 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income Tax (Continued)

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 365 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Provisions (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Share-Based Payments (Continued)

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

NOTE 3: GOING CONCERN

For the year ended 30 June 2023 the Group recorded a loss of $13,077,422 (2022: $10,986,277) and had net cash outflows from operating activities of $12,687,370 (2022: $9,010,263). As at 30 June 2023, the Company had a deficiency of total assets to total liabilities of $2,588,804 and a deficiency in working capital of $2,902,393. 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 company is currently in discussions with various parties in relation to this.

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
– Funding received subsequent to balance date
– 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 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	
	2023 $	**2022 $**	**2023 $**	**2022 $**
Australia	4,340,868	2,835,787	(4,532,459)	(4,521,529)
USA	58,470	317,158	(61,051)	(505,694)
UK	32,068	23,008	(33,483)	(36,685)
Central Administration	-	-	(8,450,429)	(5,922,368)
	4,431,406	**3,175,953**	**(13,077,422)**	**(10,986,277)**

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	
	2023 $	**2022 $**	**2023 $**	**2022 $**
Australia	314,837	332,270	374,716	-
Central Administration	2,241,033	12,291,251	4,769,957	2,562,162
	2,555,869	**12,623,522**	**5,144,673**	**2,562,162**

There are no assets or liabilities in other countries.

(d) Segment net assets / (liabilities)

	2023 $	**2022 $**
Australia	(59,879)	332,270
Central Administration	(2,528,924)	9,729,088
	(2,588,804)	**10,061,358**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 5: REVENUE AND OTHER INCOME	2023 $	2022 $
Other Income:		
- Research and Development ("R&D") tax incentive	4,311,202	3,084,955
- Interest income	66,190	90,998
- Other income	54,014	-
Total other income	**4,431,406**	**3,175,953**

NOTE 6: EXPENSES

Employee Benefits Expenses:		
- Salaries and wages	3,176,995	1,777,787
- Superannuation expenses	241,149	170,718
- Long service leave expenses	76,820	30,098
- Payroll taxes	115,337	52,790
Total employee benefit expenses	**3,610,301**	**2,031,393**
Finance Costs:		
- Interest from short-term borrowings	167,395	644
- Bank fees and charges	5,228	1,772
Total finance costs	**172,623**	**2,416**
Other Expenses:		
- Audit and review fees	59,880	52,499
- Communication expenses	7,487	3,277
- Computer maintenance and consumables	83,660	45,451
- Consulting fees (Note 24)	1,775,074	818,791
- Insurance expenses	88,538	73,529
- Legal expenses	189,203	336,833
- Legal dispute settlement (Note 17)	83,054	1,417,527
- Listing and regulatory fees	80,373	89,796
- Overseas listing and regulatory fees	65,551	59,693
- Printing and stationery expenses	50,083	59,187
- Roadshows and conferences	221,137	278,998
- Sundry expenses	880,961	589,993
Total other expenses	**3,585,001**	**3,825,574**

NOTE 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	**59,880**	**52,499**
Non-audit services		
-BDO	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 8: INCOME TAX EXPENSE

	2023 $	2022 $
Loss before income tax	(13,077,422)	(10,986,277)
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 30% (2022: 30%)	(3,923,227)	(3,295,883)
Add:		
- Non-allowable items:		
- Share-based payments expense	97,565	76,946
- Expenses subject to R&D tax incentive	2,622,292	2,666,723
- Other non-allowable items	55,033	115,198
Less:		
- Non assessable income	(1,294,816)	(926,230)
- Tax losses and deferred tax not recognised	2,443,153	1,363,246
Income tax attributable to the Group	-	-
Deferred tax attributable to the Group		
Tax losses carried forward	6,445,746	3,379,191
Accruals and provisions	183,666	99,848
Blackhole expenses	294,573	382,663
Patents	-	-
	6,923,985	**3,861,702**

Tax losses carried forward at 30 June 2023 total approximately $21,485,819 (2022 $13,039,568). The Group's ability to use losses in the future is subject to the companies in the Group satisfying the Continuity of Ownership Test or failing that, the Similar Business Test.

NOTE 9: LOSS PER SHARE

	2023	2022
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	(13,077,422)	(10,986,277)
Weighted average number of shares		
Weighted average number of ordinary shares used in calculating basic losses per share	173,978,170	174,133,576
	173,978,170	**174,133,576**
Loss per share (cents per share):		
Basic loss for the year attributable to the members of the Company	(7.52)	(6.31)
Diluted loss for the year attributable to the members of the Company	(7.52)	(6.31)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 10: CASH AND CASH EQUIVALENTS	**2023**	**2022**
	$	**$**
Cash at bank	1,561,579	11,581,494
Cash on hand	-	440
	1,561,579	**11,581,934**

Cash at bank and on hand bear floating interest rates between 0.75% and 3.75% depending on the amount on deposit. Refer to Note 22 for additional risk exposure analysis.

NOTE 11: TRADE AND OTHER RECEIVABLES

CURRENT		
Sundry debtors	85	67,530
Net GST receivable	90,582	114,944
	90,667	**182,474**

Refer to Note 22 for additional risk exposure analysis.

NOTE 12: OTHER CURRENT ASSETS

Prepayments	135,377	-
Rental deposits	47,000	20,100
Director loans (Note 24)	112,836	400,234
	295,213	**420,334**

NOTE 13: PLANT AND EQUIPMENT

Laboratory machinery and equipment		
- at cost	559,825	542,153
- accumulated depreciation	(285,801)	(253,104)
	274,024	**289,049**
Office furniture and equipment		
- at cost	66,461	64,232
- accumulated depreciation	(45,034)	(40,610)
	21,427	**23,622**
Computer equipment		
- at cost	73,504	54,772
- accumulated depreciation	(46,950)	(39,456)
	26,554	**15,316**
Office improvements		
- at cost	78,646	78,646
- accumulated depreciation	(38,680)	(36,481)
	39,966	**42,165**
Library		
- at cost	4,379	4,379
- accumulated depreciation/amortisation	(3,533)	(3,321)
	846	**1,058**
Website Development		
- at cost	2,797	2,797
- accumulated depreciation/amortisation	(2,777)	(2,764)
	20	**33**
Total plant and equipment	**362,837**	**371,243**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 13: PLANT AND EQUIPMENT (CONTINUED)

Reconciliations

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

	Laboratory machinery and equipment	Office furniture and equipment	Computer equipment	Office improve-ments	Library and website costs	Total
	$	$	$	$	$	$
2023						
Beginning of the year	289,049	23,622	15,316	42,165	1,091	371,243
Additions	17,672	2,229	18,732	-	-	38,633
Depreciation	(32,697)	(4,424)	(7,494)	(2,199)	(225)	(47,039)
End of the year	**274,024**	**21,427**	**26,554**	**39,966**	**866**	**362,837**
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**

NOTE 14: RIGHT OF USE ASSETS

	2023 $	2022 $
Land and buildings - right-of-use	415,689	206,710
Less: Current year amortisation	(170,116)	(139,173)
	245,573	**67,537**

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.

NOTE 15: TRADE AND OTHER PAYABLES

	2023 $	2022 $
CURRENT		
Unsecured liabilities		
Trade payables	948,887	481,429
Employee related payables	111,153	173,277
Sundry creditors	211,418	97,307
	1,271,458	**752,013**
Secured liabilities		
R&D advances - Radium Capital	3,048,261	-
	3,048,261	**-**
	4,319,719	**752,013**

The above advances are secured against the R&D refunds due from the Australian Taxation Office (ATO). The advances attract interest at rates of between 14 and 15 percent per annum and are repayable as soon as the ATO refund is received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 16: PROVISIONS FOR EMPLOYEE BENEFITS

	2023	2022
CURRENT	$	$
Unsecured liabilities		
Annual leave	299,201	202,548
	299,201	**202,548**
NON-CURRENT		
Long service leave	**192,133**	**115,312**

NOTE 17: OTHER PROVISIONS

	2023	2022
	$	$
CURRENT		
Provision for legal settlement	**83,054**	**1,417,527**

In 2022 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, despite the employee's tenure having ended many years prior to the performance hurdles being achieved. After taking appropriate legal advice, the directors appealed the decision. The appeal was subsequently lost resulting in a payment of $1,417,527 during the current financial year. An additional $83,054 was paid subsequent to year end to cover the plaintiff's legal costs with the matter now settled.

NOTE 18: LEASE LIABILITIES

	2023	2022
CURRENT		
Lease liability	**147,878**	**74,762**
NON-CURRENT		
Lease liability	**102,688**	-

NOTE 19: SHARE CAPITAL

Movements in ordinary shares on issue:

	2023		2022	
	No.	$	No.	$
Opening balance	177,646,910	43,968,321	173,777,847	43,297,309
Shares issued during the year:				
- conversion of performance shares[1]	-	-	2,712,498	383,605
- new shares issued on options exercised	607,400	102,043	1,156,565	287,407
	607,400	102,043	3,869,063	671,012
- Transfer from reserves to share capital	-	41,599	-	-
	-	41,599	-	-
Total[2]	**178,254,310**	**44,111,963**	**177,646,910**	**43,968,321**

[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] At 30 June 2023, 178,254,310 ordinary shares on issue were quoted on the ASX.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 19: SHARE CAPITAL (CONTINUED)

Options from shares issued

The following options remain outstanding at each respective reporting date:

Particulars	Issue Date	Exercise Date	Exercise Price (cents)	Expiry Date	2023 No	2022 No
Options	15-Feb-19	15-Feb-23	16.80	15-Feb-23	-	607,400
Options	19-Dec-19	19-Feb-23	31.20	19-Dec-23	603,435	603,435
Options	30-Sep-20	30-Sep-23	156.00	30-Sep-23	3,750,000	3,750,000
Options	22-Feb-21	22-Feb-26	156.00	22-Feb-26	8,415,000	8,415,000
Options	11-Feb-22	11-Feb-27	156.00	11-Feb-27	435,000	435,000
Options	15-Nov-22	15-Nov-27	156.00	15-Nov-27	1,125,000	-
					14,328,435	**13,810,835**

NOTE 20: RESERVES	Note	2023 $	2022 $
Options reserve	**20(a)**	8,834,557	8,550,939
		8,834,557	**8,550,939**

(a) Options reserve

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

Movements of options reserve	2023	2022
At beginning of year	8,550,939	8,454,275
Options issued to KMPs and employees[1]	325,217	256,487
Conversion of options into ordinary shares	(41,599)	(159,823)
At end of year	**8,834,557**	**8,550,939**

[1]Refer to Note 23.

NOTE 21: CASH FLOW INFORMATION

Reconciliation of loss after income tax to net cash flow from operating activities:

	2023	2022
Loss for the year	(13,077,422)	(10,986,277)
Adjustments and non-cash items:		
- Depreciation and amortisation	47,039	48,499
- Share-based payments expense	325,217	256,487
- Accounting for lease assets and liabilities	170,116	139,173
Change in operating assets and liabilities		
- Decrease/(Increase) in trade and other receivables	91,807	63,010
- Decrease/(Increase) in other current assets	233,884	43,810
- Increase in trade and other payables	766,042	112,610
- (Decrease)/Increase in provisions for employee benefits	173,474	(105,102)
- Increase/(Decrease) in other provisions	(1,417,527)	1,417,527
Net cash outflow from operating activities	**(12,687,370)**	**(9,010,263)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 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:

	2023 $	2022 $
Financial Assets		
At amortised cost		
Director loan	112,836	400,234
Cash and cash equivalents	1,561,579	11,581,934
Trade and other receivables	90,667	182,474
	1,765,082	**12,164,642**
Financial Liabilities		
At amortised cost		
Trade payables and sundry creditors	1,160,305	578,736
R&D Advance	3,048,261	-
	4,208,566	**578,736**

(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$XXX million and CDN$XXX 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:

	2023		2022	
	Weighted average	**Balance $**	**Weighted average**	**Balance $**
Cash and cash equivalents	1.33%	1,561,579	0.60%	11,581,494
Director loan	5.00%	112,836	5.00%	400,234

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 22: FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit Risk

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

The carrying amount of financial assets included in the Consolidated Statement of Financial Position represents the Group's maximum exposure to credit risk in relation to those assets. The Group does not held any credit derivatives to offset its credit exposure. The Group trades only with recognised 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	2023 $	2022 $
Cash held with BankWest Bank	AA-	697,860	1,948,305
Cash held with National Australian Bank	AA-	2	2
Cash held with ME Bank	BBB	1,012,874	9,651,138
Cash held with American Express	N/A	(149,157)	(17,951)
		1,561,579	11,581,494

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 2023					
Trade payables	948,887	-	-	948,887	948,887
Employee related payables	111,153	-	-	111,153	111,153
Sundry creditors	211,418	-	-	211,418	211,418
Lease liability	147,878	-	-	147,878	147,878
	1,419,336	**-**	**-**	**1,419,336**	**1,419,336**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 22: FINANCIAL RISK MANAGEMENT (CONTINUED)
'(c) Liquidity Risk

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**

At 30 June 2023, 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 approximaties carrying value given their short term nature.

NOTE 23: SHARE-BASED PAYMENTS	2023 $	2022 $
Share-based payments expense recognised during the financial year:		
Issue of 100,000 options to Daniel Astudillo[1]	-	58,963
Issue of 75,000 options to Thomas Jarrett[1]	-	44,222
Issue of 200,000 options to Arthur Kollaras[1]	-	117,925
Issue of 30,000 options to Wendy Potts[1]	-	17,689
Issue of 30,000 options to Julia Stanford[1]	-	17,689
Issue of 1,125,000 options to Alistair McKeough[2]	325,217	-
Total share-based payments recognised through P&L	**325,217**	**256,487**

Fair value of share options granted to executive and employees
[1]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:
- expected volatility derived from the share volatility of comparable listed companies over five years, to align with the term of the options: 68.94%; and
- expected life of the Share Option: five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 23: SHARE-BASED PAYMENTS (CONTINUED)

Fair value of share options granted to Alistair McKeough

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

- exercise price: $1.56
- grant date 15 November 2022
- grant date share price: $0.69
- value per option at grant date $0.28908
- grant date 15 November 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:
- expected volatility derived from the share volatility of compatible listed companies over five years, to align with the term of the options: 70%; 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 2023 was $325,217 (2022: $256,487) relating to the fair value of options granted to the employees was expensed to the profit or loss.

NOTE 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.	2023 $	2022 $
Key management personnel compensation		
- Short-term employee benefits	1,966,204	1,082,815
- Post-employment benefits	268,031	199,161
- Bonus	215,000	204,000
- Termination payments	-	-
- Share-based payments	325,217	117,925
	2,774,452	**1,603,901**
The following transactions occurred with related parties:		
Superannuation contributions		
Contributions to superannuation funds on behalf of employees	**103,457**	**106,362**

Loans to key management personnel

An amount of $104,388 (2022: $388,734) was advanced to Mr James Graham as an unsecured loan. The amount outstanding at reporting date including accrued interest was $112,836 (2022: $400,234). The loan is interest bearing at the rate of 5% per annum. Interest accrued on the loan amounted to $8,448 (2022: $11,500). The loan is repayable within 12 months of reporting date.

At year end, expense advances repayable by Mr James Graham totalled $Nil (2022: $Nil).

Other transactions with key management personnel

During the financial year, consulting fees for technical services totalling $1,029,537 (2022: $727,348) were paid to an entity associated with Mr A Dunton. Additionally consulting fees for professional services totalling $105,000 (2022: $Nil) were paid to an entity associated with Mr A McKeough. All payments were made on normal commercial terms and conditions. There were no other related party transactions during the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 25: PARENT ENTITY INFORMATION

The following information relates to the parent entity, Recce Pharmaceuticals Ltd, as at 30 June 2023. The information presented hereto has been prepared using accounting policies consistent with those presented in Note 2.

	2023 $	2022 $
(a) Summarised statement of financial position		
Current assets	1,947,459	12,184,742
Non-current assets	608,410	438,780
Total assets	**2,555,868**	**12,623,522**
Current liabilities	4,849,852	2,446,850
Non-current liabilities	294,821	115,312
Total liabilities	**5,144,673**	**2,562,162**
Share capital	44,111,963	43,968,321
Reserves	8,834,557	8,550,939
Accumulated losses	(55,535,324)	(42,457,902)
Net Assets / (Liabilities)	**(2,588,804)**	**10,061,358**
(b) Summarised consolidated statement of profit or loss and other comprehensive income		
Loss for the year	(13,077,422)	(10,986,277)
Total comprehensive loss for the year	**(13,077,422)**	**(10,986,277)**

The parent entity has no contingent liabilities as at 30 June 2023.

NOTE 26: INTEREST IN SUBSIDIARIES

	Country of Incorporation	Percentage Owned 2023 %	Percentage Owned 2022 %
Parent entity			
Recce Pharmaceuticals Ltd	Australia	-	-
Subsidiaries			
Recce (USA) LLP	United States	100	100
Recce (UK) Limited	United Kingdom	100	100

NOTE 27: EVENTS SUBSEQUENT TO REPORTING PERIOD

On 12 July 2023, the Company announced the receipt of an advance payment of $801,604 from Radium Capital against the R&D refund due from the Australian Taxation Office.

On 28 July 2023, the Company announced the receipt of $98,428 as a Canadian Goverment R&D rebate.

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.

NOTE 28: CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 June 2023.

In the prior year, there was a dispute in relation to the non-conversion of Performance Shares to Ordinary Shares. Refer to Note 17.

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2023

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 11 to 36, 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 2023 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
Executive Chairman
31 August 2023