

28 February 2017

Companies Announcements Office
Australian Securities Exchange Limited
Exchange Centre
Level 4
20 Bridge Street
SYDNEY NSW 2000

Via ASX Online

Dear Sir

Please find attached the Company's Appendix 4D and the Interim Financial Statements for the half year ended 31 December 2016, for immediate release to the market.

Yours Faithfully



Peter Williams
CFO and Company Secretary

Att.



RECCE LTD

Appendix 4D

Current Reporting Period: 31 December 2016

Previous Corresponding Period: 31 December 2015

Results for announcement to the Market

		Percentage Change		\$
Revenue from ordinary activities	down	73%	to	37,201
Loss from ordinary activities after tax attributable to members	down	66%	to	(1,332,540)
Net loss for the period attributable to members	down	66%	to	(1,332,540)

Brief explanation of Results

Operational Report

During the reporting period, Recce Limited ("Company" or "Recce") was very busy and made significant progress. Some of the highlights for the period were as follows:

- Anti-viral activity was evident during in-vitro tests of RECCE® 327 against influenza;
- Three separate in-vitro screening tests for genetic toxicity indicated that RECCE® 327 was not carcinogenic (cancer causing);
- Started to scale-up quality and manufacture (non-GLP) of RECCE® 327 at its Perth facilities;
- Established a Head Office in Sydney;
- Leased a property at Macquarie Park in Sydney to develop a pilot plant facility to manufacture RECCE® 327;
- Test results in mice against a bacterial MRSA superbug indicated a substantial therapeutic window;
- A dose escalation study of its lead compound in a cancer-mouse model indicated "treatment with RECCE® 327 was tolerated without animal deaths at both doses tested"; and
- A study using RECCE® 327 in a mouse model for virus induced human influenza indicated a correlation of efficacy from the doses administered.

Financial Report

The half-year operating loss has reduced to \$1,332,540 (2015: loss of \$3,956,257). The major item that has had the largest impact on this reduced loss is that in the 2015 half year the Company booked two large "one-off" share based payment expenses i.e. in 2015 a total of \$3,314,689 was recognised that related to share issues; one such issue was to two executive directors (1,778,466 ordinary shares) and the second was an issue of 35,017,692 Performance Shares to employees and non-executive directors.

As well as the impact of the Share Based payments in 2015 the company did incur substantial increases in various expenses during 2016 that basically reflected the transformation of the Company from a private company waiting to list on the ASX - to



a public company embarking on a rigorous R&D campaign with the aim of being granted Investigational New Drug status by the Food & Drug Administration of the US in 2017. A summary of these key expenditure changes are as follows:

- Laboratory expenses increased by around \$350,000;
- Employee benefits expense increased by \$238,045 reflecting primarily, the appointment of new staff and following a Nomination and Remuneration Committee review, salary increases for existing staff;
- No IPO expenses for the 2016 half year as all costs associated with this activity were incurred in the first half of CY 2016 (2015: \$204,812);
- Other expenses increased by \$159,632 which primarily related to:
 - ASX fees which increased by \$30,065;
 - Share registry expenses – first time expenses when compared to last half-year - \$12,231;
 - Consultancy fees which increased by \$54,318;
 - Legal fees which increased by \$58,330; and
 - An unrealised FX loss of \$16,559 which related to the Company's US\$ forward contract.

The receipt of the R&D tax incentive has been delayed, whereas in 2015 the Company had already received \$132,918.

Partially offset by an increase of interest income of \$36,649.

The loss per share has decreased during the period to 1.75 cents (2015: loss of 9.63 cents).

Dividends

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

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

Net Tangible Assets per Security

As at 31 December 2016 (cents)	2.90
As at 31 December 2015 (cents)	6.89

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





**Interim Financial Report
for the half year ended 31st December 2016**

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1. Directors' Report

Your Directors present their Report together with the financial statements of the Group for the half-year ended 31 December 2016. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Director details

The names of Directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

- Dr Graham Melrose Executive Chairman
- Ms Michele Dilizia Executive Director
- Mr James Graham Executive Director
- Dr Dominic Barnes Non-Executive Director (resigned 20 January 2017)
- Ms Bernadette Murdoch Non-Executive Director (resigned 21 November 2016)

Review of operations and financial results

Operational Report

During the reporting period, Recce Limited ("Company" or "Recce") was very busy and made significant progress. Some of the highlights for the period were as follows:

- Anti-viral activity was evident during *in-vitro* tests of RECCE[®] 327 against influenza;
- Three separate *in-vitro* screening tests for genetic toxicity indicated that RECCE[®] 327 was not carcinogenic (cancer causing);
- Started to scale-up quality and manufacture (non-GLP) of RECCE[®] 327 at its Perth facilities;
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Financial Report

The half-year operating loss has reduced to \$1,332,540 (2015: loss of \$3,956,257). The major item that has had the largest impact on this reduced loss is that in the 2015 half year the Company booked two large "one-off" share based payment expenses i.e. in 2015 a total of \$3,314,689 was recognised that related to share issues; one such issue was to two executive directors (1,778,466 ordinary shares) and the second was an issue of 35,017,692 Performance Shares to employees and non-executive directors.

As well as the impact of the Share Based payments in 2015 the company did incur substantial increases in various expenses during 2016 that basically reflected the transformation of the Company from a private company waiting to list on the ASX - to a public company embarking on a rigorous

R&D campaign with the aim of being granted Investigational New Drug status by the Food & Drug Administration of the US in 2017. A summary of these key expenditure changes are as follows:

- Laboratory expenses increased by around \$350,000;
- Employee benefits expense increased by \$238,045 reflecting primarily the appointment of new staff and following a Nomination and Remuneration Committee review, salary increases for existing staff;
- No IPO expenses for the 2016 half year as all costs associated with this activity were incurred in the first half of CY 2016 (2015: \$204,812)
- Other expenses increased by \$159,632 which primarily related to:
 - ASX fees which increased by \$30,065;
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 - Consultancy fees which increased by \$54,318;
 - Legal fees which increased by \$58,330; and
 - An unrealised FX loss of \$16,559 which related to the Company's US\$ forward contract.

The receipt of the R&D tax incentive has been delayed, whereas in 2015 the Company had already received \$132,918.

Partially offset by an increase of interest income of \$36,649.

The loss per share has decreased during the period to 1.75 cents (2015: loss of 9.63 cents).

Significant events subsequent to the end of the reporting period

On 16 January 2017 the company converted 1,059,000 Class A Performance Shares (the balance owed to G Melrose) into ordinary shares (escrowed until 15 January 2018).

On 20 January 2017 Dr Dominic Barnes (Non-executive Director) resigned.

On 31 January 2017 the Company extended its US\$ forward contract for 28 days. The new expiry date for this forward contract being 28 February 2017 with a revised US\$/A\$ exchange rate of 0.7320.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 3 of this financial report and forms part of this Directors' Report.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Dr Graham Melrose
Executive Chairman

Date: 28 February 2017

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF RECCE LIMITED

As lead auditor for the review of Recce Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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



Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 28 February 2017

3. Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2016

	Note	2016 \$	2015 \$
Revenue from continuing operations		37,201	552
Other Income		-	136,502
Total Revenue		37,201	137,054
Laboratory equipment & consumables		(357,009)	(6,402)
Employee benefits expense		(568,902)	(330,857)
Share based payments expense	7 (f)	(32,164)	(3,314,689)
Depreciation and amortisation expense		(10,956)	(5,935)
Travel expenses		(28,313)	(10,178)
IPO expenses		-	(204,812)
Patent related costs		(10,693)	(50,457)
Rental expenses		(89,639)	(55,304)
Other expenses		(270,335)	(110,703)
Finance costs		(1,730)	(3,974)
Loss before income tax expense		(1,332,540)	(3,956,257)
Income tax (expense)/benefit		-	-
Loss after tax from continuing operations		(1,332,540)	(3,956,257)
Loss attributable to non-controlling interests		-	-
Loss attributable to owners of Recce Ltd		(1,332,540)	(3,956,257)
		Cents	Cents
Loss per share for loss attributable to owners of Recce Ltd			
Basic and diluted loss per share		(1.75)	(9.63)
Dividends per share		-	-

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

**4. Consolidated Statement of Financial Position
as at 31 December 2016**

	Note	31 December 2016	30 June 2016
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		2,312,003	3,591,382
Trade and other receivables		45,255	39,565
Other		18,381	6,432
Total current assets		2,375,639	3,637,379
NON-CURRENT ASSETS			
Property, plant and equipment		98,346	83,280
Total non-current assets		98,346	83,280
TOTAL ASSETS		2,473,985	3,720,659
CURRENT LIABILITIES			
Trade and other payables		108,745	95,885
Interest-bearing liabilities		-	6,978
Other		135,197	92,197
Total Current Liabilities		243,942	195,060
NON-CURRENT LIABILITIES			
Provisions		16,558	11,738
Total non-current liabilities		16,558	11,738
TOTAL LIABILITIES		260,500	206,798
NET ASSETS		2,213,485	3,513,861
EQUITY			
Contributed equity	7(e)	8,051,802	7,418,863
Reserves		1,646,756	2,247,531
Retained earnings (Accumulated losses)		(7,485,073)	(6,152,533)
Capital and reserves attributable to owners of Recce Ltd		2,213,485	3,513,861
Non-controlling interests		-	-
TOTAL EQUITY		2,213,485	3,513,861

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

**5. Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2016**

	Contributed Equity	Accumulated Losses	Share-Based Payments Reserve	Performance Share Reserve	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2016	7,418,863	(6,152,533)	6,904	2,240,627	3,513,861
<i>Total comprehensive income for the half-year</i>					
Loss for the half year	-	(1,332,540)	-	-	(1,332,540)
<i>Transactions with owners in their capacity as owners</i>					
Shares to be issued to Non-executive director	-	-	12,164	-	12,164
Conversion of Performance Shares	612,939	-	-	(612,939)	-
Shares issued to Staff	20,000	-	-	-	20,000
Balance at 31 December 2016	8,051,802	(7,485,073)	19,068	1,627,688	2,213,485
Balance at 1 July 2015	1,586,139	(1,312,175)	-	-	273,964
<i>Total comprehensive income for the half-year</i>					
Loss for the half year	-	(3,956,257)	-	-	(3,956,257)
<i>Transactions with owners in their capacity as owners</i>					
Issue of Performance Shares	-	-	-	2,958,996	2,958,996
Shares allotted per resolution	355,693	-	-	-	355,693
Shares allotted as per IPO (net of transaction costs)	4,909,463	-	-	-	4,909,463
Balance at 31 December 2015	6,851,295	(5,268,432)	-	2,958,996	4,541,859

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

**6. Consolidated Statement of Cash Flows
for the half-year ended 31 December 2016**

	2016	2015
	\$	\$
Cash flows from operating activities		
Receipts from ATO	-	132,918
Payments to suppliers and employees	(1,297,994)	(644,644)
Interest received	53,345	552
Interest and other costs of finance paid	(1,730)	(3,974)
Net cash outflow from operating activities	(1,246,379)	(515,148)
Cash flows from investing activities		
Payments for property, plant and equipment	(26,022)	(363)
Proceeds from sale of property, plant and equipment	-	59,700
Net cash (outflow)/inflow from investing activities	(26,022)	59,337
Cash flows from financing activities		
Proceeds from borrowings	-	126,208
Repayment of borrowings	(6,978)	(30,626)
Proceeds from issue of shares (net of costs)	-	4,909,463
Net cash (outflow)/inflow from financing activities	(6,978)	5,005,045
Net (decrease)/increase in cash held	(1,279,379)	4,549,234
Cash and cash equivalents at beginning of the period	3,591,382	451,711
Cash and cash equivalents at the end of the period	2,312,003	5,000,945

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

7. Notes to the Consolidated Financial Statements for the Half-Year Ended 31 December 2016

a) Basis of Preparation of Half-Year Financial Statements

These consolidated interim financial statements for the half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The historical cost basis has been used, except for investment properties, land and buildings, derivatives and available-for-sale financial assets which have been measured at fair value.

These consolidated half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial statements. Accordingly, these consolidated half-year financial statements are to be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Recce Ltd during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The same accounting policies and methods of computation have generally been followed in these consolidated half-year financial statements as compared with the most recent annual financial statements.

Estimates

The preparation of the consolidated half-year financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this half-year financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2016.

Share based payments to employees and directors

Share-based payments transactions, in the form of performance shares, are valued using the pricing models as outlined in Note (f). Models use assumptions and estimates as inputs.

Adoption of new and revised standards

The group has reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current half-year. The Group has also reviewed all Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2016. As a result of this review, the directors have determined that there is no material impact on the Group and, therefore no material change is necessary to Group accounting policies.

b) Going concern

Recce Ltd listed on the ASX on 15 January 2016, and at that time it had raised \$5 million to meet its projected commitments, with the ultimate aim of being granted IND status by the U.S. Food and Drug Administration, which were outlined in the prospectus. Subsequent to the issue of the prospectus,

Recce Ltd has updated its cash flow forecast using more reliable and/or more accurate information, and based on the updated cash flow forecast Recce Ltd may not have sufficient funds to complete all work required to submit its application for IND status. As a result, the going concern status of the group is dependent upon future capital raisings through equity or debt to fund its operational activities over the next 12 months. This indicates the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Accordingly, the Group may have to seek additional funding; if as presently projected, schedules are earlier than perhaps inferred in the prospectus. Based on the success of current progress in the Group, it is considered that the re-financing would be well-supported.

As required by AASB 101 Presentation of Financial Statements the directors are required to make an assessment as to whether the Group is able to continue as a going concern which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Directors have undertaken such an assessment and do believe that the Group has the ability to continue as a going concern. Accordingly, the financial statements for the half year do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to amounts or classifications of liabilities that might be necessary should the Group not be able to continue as a going concern. . In the event that the Group is unable to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the interim financial report.

c) Segment information

The Directors have considered the requirements of AASB 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 i.e. the Company operates in only one business segment being research and development of pharmaceutical drugs. It also operated in one geographic segment which was Australia. There have been no significant changes in the nature of these activities during the period.

d) Dividends

The Company has not declared any dividends either during or since the end of the half-year.

e) Equity securities issued

	2016	
	Shares	\$
On issue at 1 July 2016	72,643,872	7,418,863
Shares issued during the half-year		
- Shares issued to J Ward & A Kollaras	103,913	20,000
- Conversion of Performance Shares – Class A ¹	3,543,000	612,939
On issue at 31 December 2016	76,290,785	8,051,802

¹ The milestone attributable to the Class A performance Shares 2016 i.e. the 20 day VWAP was \$0.30 or higher over 20 consecutive trading days, was achieved on 16 February. However, 4,602,000 Performance Shares granted to G Melrose could not be converted as a result of the application of section 606(1) of the *Corporations Act 2001*.

	2015	
	Shares	\$
On issue at 1 July 2015	25,515,834	1,586,139
Shares issued during the half-year	-	-
- Shares issued to J Graham & M Dilizia	1,778,466	355,693
- Share split 3:2	13,647,149	-
- IPO (net of transaction costs)	25,000,000	4,909,463
As at 31 December 2015	65,941,449	6,851,295

f) Share Based Payments

	2016	2015
	\$	\$
<i>Share-based payments expense recognised during the half-year</i>		
Shares issued to executive directors	-	355,693
Shares issued to staff	20,000	-
Shares not issued to non-executive directors ¹	12,164	-
Shares issued under Performance Share Scheme	-	2,958,996
	32,164	3,314,689

¹ Dr Barnes, a non-executive director was entitled to receive \$30,000 of shares in the Company for each year of service. Accordingly a pro-rata accrual has been expensed for this entitlement. At 30 June 2016 an accrual was also raised for Ms Murdoch, as a result of her resignation during the period this accrual has been reversed.

Issue of Ordinary Shares

Half year ended 31 December 2016

On 15 July 2016 the Company issued 3,543,000 fully paid ordinary shares as a result of converting 3,543,000 Class A Performance Shares that were granted to G Melrose, however due to the application of section 606(1) of the *Corporations Act 2001* could not be converted at the time the milestone attributable to this class of share was achieved i.e. 16 February 2016.

On 25 November 2016 the Company issued a further 103,913 fully paid ordinary shares to two employees as a sign-on bonus.

Half year ended 31 December 2015

On 1 July 2015 the Company issued 1,778,466 fully paid ordinary shares to 2 of its directors for services provided. These shares were then split on the ratio of 3 for 2. A summary of this event is as follows:

Director	Shares issued 1 July 2015	Additional shares from Split	Total shares from this issue
J Graham	889,233	444,616	1,333,849
M Dilizia	889,233	444,616	1,333,849
	1,778,466	889,232	2,667,698

The value assigned to this transaction was based on the price of shares issued to “seed” investors who invested in the Company around the time that these shares were issued i.e. \$0.20 per share.

Issue of Performance Shares

Half year ended 31 December 2016

No additional performance shares were issued during the half year.

Half year ended 31 December 2015

On 19 August 2015 the Company issued to Directors and Key Management Personnel the following Performance Shares:

- 7,566,924 Class A Performance Shares; and
- 7,566,924 Class B Performance Shares

On 20 August 2015 the Company issued to Directors and Key Management Personnel the following Performance Shares:

- 7,566,924 Class C Performance Shares; and
- 7,566,924 Class D Performance Shares

A summary of these transactions are as follows:

	Performance Shares			
	Class A	Class B	Class C	Class D
Directors				
G Melrose	6,075,000	6,075,000	6,075,000	6,075,000
J Graham	745,962	745,962	745,962	745,962
M Dilizia	577,212	577,212	577,212	577,212
I Brown	56,250	56,250	56,250	56,250
D Zhang	56,250	56,250	56,250	56,250
Key Management				
P Williams	56,250	56,250	56,250	56,250
	7,566,924	7,566,924	7,566,924	7,566,924
Other employees				
	1,187,499	1,187,499	1,187,499	1,187,499
	8,754,423	8,754,423	8,754,423	8,754,423
Value ¹ per performance share	\$0.173	Nil	\$0.111	\$0.054

¹ The Trinomial option pricing model has been used to calculate the value of Class A, Class C and Class D performance shares. Class B performance shares have a non-market vesting condition i.e. the Company is awarded the US Food and Drug Administration's Investigational New Drug (IND) status on or before 19 August 2020. The multiplicity of the inter-dependent variables required for the achievement of IND status means there are no statistical data to support the probability of Class B performance shares vesting. Accordingly a value of zero has been assigned to these shares. The following assumptions were used:

	Performance Shares		
	Class A	Class C	Class D
Underlying share price	\$0.20	\$0.20	\$0.20
20-day VWAP barrier	\$0.30	\$0.60	\$1.20
Term	5 Years	5 Years	5 Years
Risk-free rate	2.18%	2.18%	2.18%
Number of Performance Shares	8,754,423	8,754,423	8,754,423

The above transactions relate to the share-based payment expense as disclosed in the Statement of Profit or Loss and Other Comprehensive Income. 2016 \$32,164 (2015: \$3,314,689).

g) Financial instruments

i. Derivatives

Foreign currency forward contracts

At 31 December 2016 US\$772,942 of the US\$1 million had not been utilised. This forward contract had an average US\$/A\$ exchange rate of 0.7329. At 31 December 2016 the US\$/A\$ exchange rate was 0.7208 accordingly the company recorded an unrealised exchange loss of \$16,559 in relation to this forward contract.

h) Commitments

	<u>2016</u>	<u>2015</u>
	\$	\$
Lease commitments		
<i>Operating leases:</i>		
Minimum lease payments		
Within one year	126,068	92,865
Later than one year but not later than five years	39,967	45,064
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	<u>166,035</u>	<u>137,929</u>

The Group leases various premises under non-cancellable operating leases expiring between 1 and 2 years. All leases have annual CPI escalation clauses. Lease terms usually run for 2 years with a 2 year renewal option. Lease conditions do not impose any restrictions on the ability of Recce Ltd and its subsidiaries from borrowing further or paying dividends.

i) Contingent liabilities

There are no contingent liabilities or contingent assets as at the date of this report.

j) Significant events subsequent to the end of the reporting period

On 16 January 2017 the company converted 1,059,000 Class A Performance Shares (the balance owed to G Melrose) into ordinary shares (escrowed until 15 January 2018).

On 20 January 2017 Dr Dominic Barnes (Non-executive Director) resigned.

On 31 January 2017 the Company extended its US\$ forward contract for 28 days. The new expiry date for this forward contract being 28 February 2017 with a revised US\$/A\$ exchange rate of 0.7320.

No other significant events have occurred.

8. Declaration by Directors

- a) The financial statements and notes set out on pages 4 to 12 are in accordance with the *Corporations Act 2001* and:
 - i. comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - ii. give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
- b) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and behalf of the directors by:

A handwritten signature in blue ink, appearing to read "G. Melrose".

Dr Graham Melrose
Executive Chairman

Dated the 28th day of February 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Recce Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Recce Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Recce Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Recce Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Recce Limited is not in accordance with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 7 (b) in the financial report which describes the conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, consisting of the letters 'BDO' on the top line and 'J Prue' on the bottom line.

Jarrad Prue

Director

Perth, 28 February 2017