



Appendix 4D

Current Reporting Period: 31 December 2018

Previous Reporting Period: 31 December 2017

Results for Announcement to the Market

		Percentage Change	\$
Revenue from ordinary activities	-	0.0% to	-
Loss from ordinary activities after tax attributable to members	up	2.0% to	(1,065,299)
Net loss for the period attributable to members	up	2.0% to	(1,065,299)

Brief explanation of Results

Operational Report

Received a \$256,000 advance payment secured against the R&D incentive refund in November for eligible research and development tax refund expenses during the period as part of the company's nondilutive funding agreement with Radium Capital.

The Company's Founder and Chairman demonstrated support and confidence in the continued antibiotic development program in the form of a \$200,000 unsecured loan.

The quarter saw considerable and successful in-house R&D activities to achieve the following manufacturing milestones as the company progresses to human therapeutic use of RECCE® 327:

- Scale-up quantities of patented synthesis of RECCE® 327
- Reproducibility of RECCE® 327 across multiple batches
- Consistency in meeting high standards of internal and external Quality Assurance
- Packaging and labelling for intravenous use meeting international standards and non-tampering protocols
- Dosing, monitoring of patient welfare during and following intravenous use, especially by infusion

Significant progress was made to expand and strengthen the Company's patent estate on a global scale, and is anticipated to represent significant additional market monopolies to November 2035.

Appendix 4D

Financial Report

The half-year operating loss for the period was \$1,065,299 (2017: loss of \$1,044,076). The increase was a result of increased R&D related costs.

The loss per share for the period was 1.19 cents (2017: 1.28 cents).

Dividends

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

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

Net Tangible Assets per Security

As at 31 December 2018 (cents)	-0.41
As at 31 December 2017 (cents)	1.11

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



RECCE PHARMACEUTICALS LTD

ABN 73 124 849 065

INTERIM REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

The Directors present their report together with the interim consolidated financial report of Recce Pharmaceuticals Ltd (the "Company") and controlled entities (the "Group") for the half-year ended 31 December 2018.

Directors

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

Dr Graham Melrose	Executive Chairman
Ms Michele Dilizia	Executive Director
Mr James Graham	Executive Director
Mr John Prendergast	Executive Director (Appointed 23-04-2018)

Principal Activity

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

Review of Operations

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

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

The Company was represented at the World Anti-Microbial Resistance Congress in Washington D.C., held on 25 and 26 October 2018. The conference featured 150 speakers from 20 countries and is a leading international forum for researchers, investors, businesses and governments working to address antibiotic resistance.

On 23 November 2018, the Company announced it had received a secured loan of \$256,000 from Radium Capital against future research and development tax incentive funds.

On 18 December 2018, the Company advised that it had received a short term, unsecured loan of A\$200,000 from Executive Chairman and Chief Research Officer, Dr Graham Melrose for the ongoing support of the Company's short-term cash flows.

DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

Results of Operations

The half-year operating loss for the period was \$1,065,299 (2017: loss of \$1,044,076). The increase was as a result of increased R&D related costs.

The loss per share for the period was 1.19 cents (2017: 1.28 cents).

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

Events Subsequent to Reporting Period

On 18 January 2019, the Company advised that Executive Chairman and Chief Research Officer, Dr Graham Melrose had provided the Company with a short term, unsecured loan of \$50,000. In addition to the loan offered by Dr Melrose, Executive Director James Graham also provided the Company with a short term, unsecured loan of \$100,000. Of the initial \$200,000 loan provided by Dr Graham Melrose, \$100,00 plus applicable interest was repaid after period end.

On 31 January 2019, the Company announced it had received an advance payment of \$127,000 from Radium Capital against future research and development tax incentive funds.

On 8 February 2019, the Company successfully raised approximately \$1.8m (before costs) from sophisticated and institutional investors that will result in 12,857,143 fully paid ordinary shares being issued at \$0.14 per share. DJ Carmichael acted as Lead Manager to the placement and remains engaged to provide advisory and future capital raising services.

Rounding of amounts

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

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

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

Dr Graham Melrose
Executive Chairman
27 February 2019

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

As lead auditor for the review of Recce Pharmaceuticals Ltd for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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



Neil Smith
Director

BDO Audit (WA) Pty Ltd
Perth, 27 February 2019

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Note	2018 \$	2017 \$
Revenue		-	-
Other income			
Research and Development ("R&D") tax incentive		679,624	426,927
Interest income		1,904	5,754
		<u>681,528</u>	<u>432,681</u>
Expenses			
Laboratory expenses		(323,123)	(194,191)
Employee benefits expenses		(678,585)	(567,670)
Depreciation and amortisation expenses		(26,680)	(25,539)
Travel expenses		(117,399)	(83,924)
Patent related costs		(43,117)	(20,278)
Rental expenses		(71,815)	(79,244)
Finance costs		(38,702)	(18,719)
Other expenses		(447,406)	(487,192)
		<u>(1,746,827)</u>	<u>(1,476,757)</u>
Loss before income tax		(1,065,299)	(1,044,076)
Income tax expense		-	-
Loss for the period after income tax		(1,065,299)	(1,044,076)
Other comprehensive income		-	-
Total comprehensive loss for the period		<u>(1,065,299)</u>	<u>(1,044,076)</u>
		Cents	Cents
Loss per share:			
Basic loss per share for the period	6	(1.19)	(1.28)
Diluted loss per share for the period	6	(1.19)	(1.28)
Dividends per share for the period	7	-	-

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	31 December 2018 \$	30 June 2018 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	35,284	679,719
Trade and other receivables		40,500	20,957
Other current assets		3,200	7,821
TOTAL CURRENT ASSETS		<u>78,984</u>	<u>708,497</u>
NON-CURRENT ASSETS			
Plant and equipment	9	492,518	435,240
TOTAL NON-CURRENT ASSETS		<u>492,518</u>	<u>435,240</u>
TOTAL ASSETS		<u>571,502</u>	<u>1,143,737</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	10	221,664	229,404
Financial liabilities	11	456,000	2,859
Provisions for employee benefits		224,878	184,128
TOTAL CURRENT LIABILITIES		<u>902,542</u>	<u>416,391</u>
NON-CURRENT LIABILITIES			
Provisions for employee benefits		39,344	32,431
TOTAL NON-CURRENT LIABILITIES		<u>39,344</u>	<u>32,431</u>
TOTAL LIABILITIES		<u>941,886</u>	<u>448,822</u>
NET (LIABILITIES)/ ASSETS		<u>(370,384)</u>	<u>694,915</u>
EQUITY			
Share capital	12	10,031,509	10,031,509
Reserves	13	1,515,731	1,515,731
Accumulated losses		(11,917,624)	(10,852,325)
TOTAL EQUITY		<u>(370,384)</u>	<u>694,915</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Share Capital \$	Reserves \$	Accumulated Losses \$	Total \$
BALANCE AT 1 JULY 2017	8,235,009	1,533,172	(9,178,037)	590,144
COMPREHENSIVE INCOME:				
Loss for the period	-	-	(1,044,076)	(1,044,076)
Other comprehensive income	-	-	-	-
	<u>-</u>	<u>-</u>	<u>(1,044,076)</u>	<u>(1,044,076)</u>
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:				
Issuance of shares	1,346,500	-	-	1,346,500
Conversion of convertible notes	100,000	(33,150)	-	66,850
	<u>1,446,500</u>	<u>(33,150)</u>	<u>-</u>	<u>1,413,350</u>
BALANCE AT 31 DECEMBER 2017	<u>9,681,509</u>	<u>1,500,022</u>	<u>(10,222,113)</u>	<u>959,418</u>
BALANCE AT 1 JULY 2018	10,031,509	1,515,731	(10,852,325)	694,915
COMPREHENSIVE INCOME:				
Loss for the period	-	-	(1,065,299)	(1,065,299)
Other comprehensive income	-	-	-	-
	<u>-</u>	<u>-</u>	<u>(1,065,299)</u>	<u>(1,065,299)</u>
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:				
Issuance of shares	-	-	-	-
Conversion of convertible notes	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
BALANCE AT 31 DECEMBER 2018	<u>10,031,509</u>	<u>1,515,731</u>	<u>(11,917,624)</u>	<u>(370,384)</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	2018	2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Australian Taxation Office	679,624	426,927
Payments to suppliers and employees	(1,656,444)	(1,629,986)
Interest received	1,904	5,754
Interest and other costs of finance paid	(38,702)	(4,229)
NET CASH USED IN OPERATING ACTIVITIES	(1,013,618)	(1,201,534)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of plant and equipment	(83,958)	(168,607)
NET CASH USED IN INVESTING ACTIVITIES	(83,958)	(168,607)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	456,000	34,310
Repayments of loans	(2,859)	(14,296)
Proceeds from issue of shares (net of costs)	-	1,396,500
NET CASH PROVIDED BY FINANCING ACTIVITIES	453,141	1,416,514
Net (decrease)/increase in cash and cash equivalents held	(644,435)	46,373
Cash and cash equivalent at the beginning of the period	679,719	1,090,438
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	35,284	1,136,811

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 1: GENERAL INFORMATION

The consolidated financial report of Recce Pharmaceuticals Ltd (the "Company") and its controlled entities (the "Group") for the half year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on 26 February 2019.

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

NOTE 2: ACCOUNTING POLICIES

(a) Basis of preparation of the consolidated financial report

These financial statements are general purpose financial statements for the half year ended 31 December 2018 have been prepared in accordance with Australian Accounting Standards 134 Interim Financial Reporting and the Corporations Act 2001.

The half year consolidated financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report. Accordingly, the half-year consolidated financial report should be read in conjunction with the annual report for the year ended 30 June 2018 and considered together with any public announcements made by the Company during the half year ended 31 December 2018 in accordance with the continuous disclosure obligations of the ASX Listing Rules and the Corporations Act 2001.

The accounting policies applied in these half year consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2018, with the exception of the groups adoption of IFRS 9 and IFRS 15 during the period.

Historical Cost Convention

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

(b) Rounding of amounts to nearest dollar

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 2: ACCOUNTING POLICIES (CONTINUED)

(c) New and amended standards adopted by Recce Pharmaceuticals

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

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

The new accounting policies are disclosed below. There is no impact on the Company for the period ended 31 December 2018.

Changes in accounting policy

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

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

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

AASB 9 Financial Instruments

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

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

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

Classification and measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 2: ACCOUNTING POLICIES (CONTINUED)

(c) New and amended standards adopted by Recce Pharamceuticals (Continued)

Classification and measurement (continued)

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

Impairment

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

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

AASB 15 Revenue from contracts with Customers

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 3: CRITICAL ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Performance Shares

The Company had previously issued 8,754,425 performance shares which will convert into ordinary shares upon achievement of certain milestones. The likelihood of achieving these milestones was assumed to be nil probability as at 31 December 2018 and as a result no share-based payment expense has been recognised. This assessment will be required to be carried out at each reporting period. Should the milestones vest or the probability of achievement be very likely than a share-based payment expense will be recognised.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. At 31 December 2018, no deferred tax assets on temporary differences and carry forward losses were recognised.

NOTE 4: GOING CONCERN

For the period ended 31 December 2018, the Company recorded a loss of \$1,065,299 (2017: \$1,044,076), net assets deficiency of \$370,384 and had net cash outflows from operating activities of \$1,013,618 (2017: \$1,201,534). The ability of the Company to continue as a going concern and being able to continue to fund its operating activities is dependent on securing additional funding through share placements 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 Company'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 4: GOING CONCERN (CONTINUED)

The Directors believe there are sufficient funds to meet the Company's working capital requirements as at the date of this report. Based on the success of current progress in the Group, it is considered that re-financing through equity funds would be well supported. Subsequent to period end the Company raised approximately \$1.8m via a share placement and expects to continue to receive the R&D tax rebates. Additional funds will be raised via share placements and/or other financing options as required.

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

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

Should the Company 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 Company not continue as a going concern.

NOTE 5: SEGMENT INFORMATION

(a) Reportable segments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 5: SEGMENT INFORMATION (CONTINUED)

(b) Segment results

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

	Segment revenue and other income for the period		Segment loss after tax for the period	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	\$	\$	\$	\$
Australia	-	-	(236,849)	(482,783)
USA	-	-	(50,115)	(211,890)
Central Administration	681,528	432,681	(778,335)	(349,403)
	681,528	432,681	(1,065,299)	(1,044,076)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the Group's 30 June 2018 notes to the consolidated financial statements. Segment loss represents the loss after tax incurred by each segment. This is the measure reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance.

(c) Segment assets and liabilities

	Segment assets at end of the period		Segment liabilities at end of the period	
	31 December 2018	30 June 2018	31 December 2018	30 June 2018
	\$	\$	\$	\$
Australia	411,970	384,503	-	-
Central Administration	159,532	759,234	941,886	448,822
	571,502	1,143,737	941,886	448,822

(d) Segment net assets

	31 December 2018	30 June 2018
	\$	\$
Australia	411,970	384,503
Central Administration	(782,354)	310,412
	(370,384)	694,915

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 6: LOSS PER SHARE

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

	31 December 2018	31 December 2017
	\$	\$
Loss for the period attributable to the members of the parent	<u>(1,065,299)</u>	<u>(1,044,076)</u>
<u>Weighted average number of shares:</u>		
Weighted average number of ordinary shares used in calculating basic loss per share	89,342,418	81,491,967
Effect of dilutive securities:		
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share	-	-
	<u>89,342,418</u>	<u>81,491,967</u>
<u>Loss per share (cents per share):</u>		
Basic loss per share for the period	(1.19)	(1.28)
Diluted loss per share for the period	(1.19)	(1.28)

NOTE 7: DIVIDENDS PAID AND PROPOSED

The Company had not declared any dividends during and/or since the end of the half-year 31 December 2018 (31 December 2017: \$nil).

	31 December 2018	30 June 2018
	\$	\$
NOTE 8: CASH AND CASH EQUIVALENTS		
Cash at bank	35,262	679,677
Cash on hand	22	42
	<u>35,284</u>	<u>679,719</u>

NOTE 9: PLANT AND EQUIPMENT

NON-CURRENT

Laboratory plant and equipment

At cost	504,074	420,258
Less accumulated depreciation	<u>(92,104)</u>	<u>(69,594)</u>
	<u>411,970</u>	<u>350,664</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	31 December 2018	30 June 2018
	\$	\$
NOTE 9: PLANT AND EQUIPMENT (CONTINUED)		
Furniture, fittings and office equipment		
At cost	58,927	58,785
Less accumulated depreciation	(29,522)	(26,802)
	<u>29,405</u>	<u>31,983</u>
Leasehold improvements		
At cost	56,835	56,835
Less accumulated depreciation	(5,692)	(4,242)
	<u>51,143</u>	<u>52,593</u>
Total Plant and Equipment	<u>492,518</u>	<u>435,240</u>

Reconciliations

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

	\$
Opening balance, 1 July 2018	435,240
Additions	83,958
Depreciation expense	(26,680)
Ending balance, 31 December 2018	<u>492,518</u>

	31 December 2018	30 June 2018
	\$	\$
NOTE 10: TRADE AND OTHER PAYABLES		
CURRENT		
Trade payables	89,907	125,378
Employee related payables	131,565	54,026
Sundry creditors	192	50,000
	<u>221,664</u>	<u>229,404</u>

NOTE 11: FINANCIAL LIABILITIES

CURRENT		
Loans payable	<u>456,000</u>	<u>2,859</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 11: FINANCIAL LIABILITIES (CONTINUED)

The current period balance comprises of \$200,000 provided as a short term unsecured loan by Dr Graham Melrose at an interest rate of 5% per annum and \$256,000 advanced by Radium Capital secured against future R&D tax incentive funds. The amount at 30 June 2018 related to the funding of Directors and Officers insurance premiums.

	31 December 2018	30 June 2018
	\$	\$

NOTE 12: SHARE CAPITAL

(a) Issued capital

Issued and fully paid ordinary shares	<u>10,031,509</u>	<u>10,031,509</u>
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(b) Movements in ordinary shares on issue

	31 December 2018		30 June 2018	
	No of shares	\$	No of shares	\$
Opening balance	89,342,418	10,031,509	78,004,500	8,235,009
Shares issued during the period:				
- shares issued through Share Purchase Plan ¹	-	-	5,408,487	946,500
- shares issued to ASOF ²	-	-	3,607,881	550,000
- shares issued to employees	-	-	-	-
	<u>-</u>	<u>-</u>	<u>9,016,368</u>	<u>1,496,500</u>
Conversions during the period:				
- Convertible notes ²	-	-	2,321,550	300,000
	<u>-</u>	<u>-</u>	<u>2,321,550</u>	<u>300,000</u>
Total³	<u>89,342,418</u>	<u>10,031,509</u>	<u>89,342,418</u>	<u>10,031,509</u>

(b) Movements in ordinary shares on issue

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 12: SHARE CAPITAL (CONTINUED)

(b) Movements in ordinary shares on issue (Continued)

³At 30 June 2018, 89,342,418 ordinary shares on issue were quoted in ASX whilst 42,810,081 ordinary shares were unquoted.

Shareholders approved the issue of 250,000 fully paid ordinary shares at the 2018 AGM. The Company had 12 months from the date of Shareholder approval to issue the shares. The shares were issued on 15 February 2019, which was within that timeframe. These shares were captured as a share-based payment expense at 30 June 2018.

(c) Options from shares issued

Particulars	Issue Date	Exercise Date	Exercise Price cents	31 December 2018 No.	30 June 2018 No.
Options	16-Jun-17	21-Jun-21	25.93	-	-
Tranche 1	19-Jul-17	19-Jul-20	21.71	59,880	59,880
Tranche 2	06-Sep-17	25-Aug-20	18.72	104,167	104,167
Tranche 3	29-Sep-17	29-Sep-20	17.80	109,569	109,569
Tranche 4	02-Nov-17	01-Nov-20	20.40	127,470	127,470
Tranche 5	01-Dec-17	30-Nov-20	20.96	124,069	124,069
Tranche 6	17-Jan-18	10-Jan-21	19.88	130,804	130,804
Tranche 7	16-Feb-18	13-Feb-21	19.81	65,617	65,617
				721,576	721,576
				31 December 2018	30 June 2018
				\$	\$

NOTE 13: RESERVES

Performance shares reserve	1,515,731	1,515,731
	1,515,731	1,515,731

NOTE 14: COMMITMENTS AND CONTINGENCIES

The Group leases various premises under non-cancellation operating leases expiring between one and two years. All leases have annual CPI escalation clauses. Lease terms usually run for two years with a two-year renewal option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 14: COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Company entered into a Controlled Placement Deed Agreement with Acuity Capital Investment Management Pty Ltd (the "Option Holder") on the 31 October 2018. The Controlled Placement Deed allows the Company to make available 4,500,000 Collateral Shares to the Option Holder, with a maximum Option Size of \$3,000,000. As at 31 December 2018 the facility has not been utilised.

The Group is not aware of any contingent liabilities or contingent assets as at 31 December 2018.

	31 December 2018	30 June 2018
	\$	\$

NOTE 15: RELATED PARTY TRANSACTIONS

CURRENT

Loans payable

<u>200,000</u>	<u>-</u>
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The current period balance comprises of \$200,000 provided as a short term loan by Dr Graham Melrose. Interest is payable at the rate of 5% per annum and the loan is repayable within 2 years. Interest of \$192 has been accrued in the accounts.

NOTE 16: EVENTS SUBSEQUENT TO REPORTING PERIOD

On 18 January 2019, the Company advised that Executive Chairman and Chief Research Officer, Dr Graham Melrose had provided the Company with a short term, unsecured loan of \$50,000. Further to the loan offered by Dr Melrose, Executive Director James Graham also provided the Company with a short term, unsecured loan of \$100,000.

On 31 January 2019, the Company announced it had received an advance payment of \$127,000 from Radium Capital against future research and development tax incentive funds.

On 8 February 2019, the Company successfully raised approximately \$1.8m (before costs) from sophisticated and institutional investors that will result in 12,857,143 fully paid ordinary shares being issued at \$0.14 per share. DJ Carmichael acted as Lead Manager to the placement and remains engaged to provide advisory and future capital raising services.

Of the initial \$200,000 loan from Dr Graham Melrose, \$100,000 plus applicable interest was repaid after the period end.

Apart from the above, there has been no other matter or circumstance, which has arisen since 31 December 2018, which has significantly affected, or may significantly affect the state of affairs of the Group in subsequent financial years.

DIRECTORS' DECLARATION
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

The Directors of the Company declare that:

1. The condensed consolidated financial statements and notes to the financial statements of the Group are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* ; and
 - b. give a true and fair view of the consolidated financial position as at 31 December 2018 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in black ink, appearing to read "Graham Melrose", written over a horizontal line.

Dr Graham Melrose
Executive Chairman
27 February 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Recce Pharmaceuticals Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Recce Pharmaceuticals Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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 then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 4 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

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 Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Neil Smith'. The signature is written in a cursive style with a large loop at the end.

Neil Smith

Director

Perth, 27 February 2019