Recce Pharmaceuticals
recce.com.au
ACN 124 849 065

ASX Announcement

Quarterly Cash Flow Statement & Operational Highlights

Highlights:

- Cash balance of $2.6 million without debt and costs tracking to budget
- Phase I Human Intra-Venous Clinical Trial Agreement on track with first patients expected to be dosed in second half of 2020
- Phase I/II topical efficacy study application for treatment of burn wound infections presented to West Australian (WA) Human Trial Ethics Committee
- Positive preclinical data for RECCE® 327 against Influenza A respiratory virus in recognized study model
- New RECCE® 529 antiviral compound patent lodged; compound dispatched to USA in international COVID-19 study

Sydney Australia, 31 July 2020: Recce Pharmaceuticals Ltd (**ASX: RCE**) (**Company**), the Company developing New Classes of Synthetic Anti-infectives, today reported its 30 June 2020 quarter results and operational highlights.

Financial Update

The Company ended the quarter with cash reserves of $2.63 million. Cash out-flows from operations were $1.73 million with investment in research and development ($1.4m) the main source of expenditure during the period; $0.235m to related parties (executive & director fees). The Company continues to hold no debt and manage expenses prudently.

Operational Highlights

Phase I Human Intra-Venous Clinical Trial Agreement Executed - on track

It was a busy quarter for the Company, which included the execution of a Phase I Human Clinical Trial Agreement with leading clinical research organisation PAREXEL, for the safety and tolerability assessment of intravenous infusion of RECCE® 327 in 40 healthy subjects. The Australian trial remains on track with first patients expected to be dosed in the second half of CY 2020.

Phase I/II topical efficacy study application for treatment of burn wound infections - West Australian (WA) Human Trial Ethics Committee

RECCE® 327's topical antibiotic potential was further indicated against Methicillin-Resistant *Staphylococcus aureus* (MRSA superbug) on rats with topical burns, demonstrating repeated efficacy against topical pathogens and superbugs at different dosing levels including superior wound healing (closure).

These further topical antibiotic indications supported important discussions with a leading West Australian teaching hospital and related regulatory authorities. Together, a protocol for a Phase I/II topical efficacy study on burn wound infections was established for intended use within their hospital burns unit. The Company now awaits decision by the West Australian Department of Health Human Ethics Trial Committee, expected imminently.

New indication against *Neisserie gonorrhoeae*

In May, the Company reported positive efficacy showing significant antibacterial activity against *Neisserie gonorrhoeae* bacteria in mice treated with RECCE® 327. The study director had concluded RECCE® 327 demonstrated significant dose dependent antibacterial effect in vaginal load at 100, 500 and 1000 mg/kg given by intravenous (IV) bolus when compared to the control group seven days post infection.

Infectious Disease Portfolio broadens to include viral pathogens & new RECCE® 327

An independent anti-viral study against Influenza A respiratory virus Infection showed RECCE® 327 (bacterial designated to date) to be highly active, indicating a dramatic reduction in viral load in the lungs of mice treated with RECCE® 327 as compared to the approved antiviral drug treated and vehicle control untreated groups. It further indicated RECCE® 327's unique Mechanism of Action, reinforcing efficacy against both bacterial cells and enveloped viruses.

A new, wholly owned, antiviral formulation RECCE® 529 was chemically synthesised to exhibit a higher affinity to viral cells. A patent Family 4 application has been lodged in support of this and related claims still under investigation. If granted, the patent will expire in 2040.

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SARS-CoV-2 Antiviral Program

Post quarter end, the Company announced RECCE® 327 was selected by leading Australian Research agencies as part of a priority 1 test candidate in their COVID-19 screening program. RECCE® 327 and RECCE® 529 are also under active investigation at a leading university in the United States of America as part of an independent, parallel program.

Capital Update

The Company expects to receive a substantial Australian Government R&D rebate for expenditure over the recent financial year. Application for release of the 43.5% cash rebate is in the final stages of lodgement.

Due to the recent price appreciation of RCE shares, the Company has modified its existing standby Controlled Placement Agreement (CPA) with Acuity Capital (see original announcement dated 15 February 2019). The modification increases the maximum standby capital available under the CPA from the existing CPA limit of $3m to a new limit of $20m. The Company has also extended the existing CPA maturity date of 31 December 2020 to 31 January 2023. The Company is under no obligation to utilise the CPA and has not paid any fees for the increase in the CPA limit or the extension to the maturity date.

The global COVID-19 crisis has underscored the importance of anti-infective medicines, including an evolving landscape of new supportive legislative measures, among other opportunities for an infectious disease company.

We look forward to updating shareholders in due course of any material outcomes and sincerely thank you for your continued support.

This announcement has been approved for release by Recce Pharmaceuticals Board.

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About Recce Pharmaceuticals Ltd

Recce Pharmaceuticals Ltd (ASX: RCE) is pioneering the development and commercialisation of New Classes of Synthetic Anti-Infectives designed to address the urgent global health problems of antibiotic resistant superbugs and emerging viral pathogens.

Recce antibiotics are unique – their potency does not diminish even with repeated use, a common failure associated with existing antibiotics and their propensity to rapidly succumb to resistant superbugs.

Patented lead candidate RECCE® 327, wholly owned and manufactured in Australia, has been developed for the treatment of blood infections and sepsis derived from *E. coli* and *S. aureus* bacteria – including their superbug forms.

The FDA has awarded RECCE® 327 *Qualified Infectious Disease Product* designation under the *Generating Antibiotic Initiatives Now* (GAIN) Act – labelling it for Fast Track Designation, plus 10 years of market exclusivity post approval.

Recce wholly owns its automated manufacturing, ready to support first-in-human clinical trials. Recce's anti-infective pipeline seeks to exploit the unique capabilities of RECCE® technologies targeting synergistic, unmet medical needs.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Recce Pharmaceuticals Ltd

ABN	**Quarter ended ("current quarter")**
73 124 849 065	June 2020

Consolidated statement of cash flows		**Current quarter $A**	**Year to date (12 months) $A**
1.	**Cash flows from operating activities**		
1.1	Receipts from ATO	50,000	1,121,727
1.2	Payments for		
	(a) research and development	(1,445,534)	(3,643,934)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(133,913)	(349,004)
	(f) administration and corporate costs	(215,775)	(1,236,729)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	9,434	25,802
1.5	Interest and other costs of finance paid	(318)	(45,847)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,736,106)**	**(4,127,985)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	(5,945)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter $A	Year to date (12 months) $A
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**-**	**(5,945)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	6,394,063
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	129,650	558,653
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	379,365
3.6	Repayment of borrowings	-	(1,087,408)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	148,971	148,971
3.10	**Net cash from / (used in) financing activities**	**278,621**	**6,393,643**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	4,090,608	373,409
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,736,106)	(4,127,985)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(5,945)

Consolidated statement of cash flows		Current quarter $A	Year to date (12 months) $A
4.4	Net cash from / (used in) financing activities (item 3.10 above)	278,621	6,393,643
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**2,633,123**	**2,633,123**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A	Previous quarter $A
5.1	Bank balances	2,633,123	2,590,608
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	1,500,000
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**2,633,123**	**4,090,608**

6.	Payments to related parties of the entity and their associates	Current quarter $A
6.1	Aggregate amount of payments to related parties and their associates included in item 1	235,737
6.2	Aggregate amount of payments to related parties and their associates included in item 2	Nil

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A**	**Amount drawn at quarter end $A**
7.1	Loan facilities	Nil	Nil
7.2	Credit standby arrangements	Nil	Nil
7.3	Other (please specify)	Nil	Nil
7.4	**Total financing facilities**	Nil	Nil

7.5	**Unused financing facilities available at quarter end**	Nil

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8.	**Estimated cash available for future operating activities**	**$A**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,736,106)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	2,633,123
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	2,633,123
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	1.52

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Application for release of the 43.5% cash rebate is in the final stages of lodgement. Capital market opportunities plentiful.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes. On basis of 1 & 2 above

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the mattersdisclosed.

Date: 31/07/2020

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.