

Quarterly Cash Flow Statement & Operational Highlights

Highlights:

- **Strong cash position of \$23.59 million**
- **Human Research Ethics Committee Approval for Phase I/II Human Burns Wounds Study at leading teaching hospital**
- **Both RECCE® 327 and RECCE® 529 indicating >95% effective against SARS-CoV-2, the virus that causes COVID-19, in both *in-vitro* and *in-vivo* studies. Further testing before R327 and/or R529 may be considered for human use**
- **\$26.78m Australian Government R&D rebate commitment for Recce's Antibiotic and Anti-viral programs globally, over three years**
- **RECCE® 327 Phase I intravenous (I.V) study advances with clinicians appointed and independent facility audit approval**
- **Japan Family 3 Anti-viral patent Granted furthering marketing and manufacturing monopolies to February 2037**

SYDNEY Australia, 28 January 2021: Recce Pharmaceuticals Ltd (ASX: RCE), the Company developing New Classes of Synthetic Anti-infectives, today released its December 2020 quarter results and operational highlights.

Financial Update

The Company ended the quarter with a cash balance of \$23.59 million. Cash out-flows from operations were \$2.01 million with investment in research and development (\$1.64m), the main source of expenditure during the period; \$0.372m to related parties (Executive & Director fees). In-flows of \$640,049 under Australian R&D tax incentive scheme represented domestic R&D rebated activity of previous financial year with an additional, greater rebate from the international component expected.

The Australian Government awarded two Advanced Overseas Findings for the Company's Antibiotic and Anti-viral development programs. This uniquely sees the 43.5% cash rebate otherwise legislated for local R&D only, extended to include \$26.78 million of



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the Company's overseas R&D activities, for a period of three years (1 July 2019 to 30 June 2022).

Operational Highlights

HREC Approval for Burns Wounds Study

Human Research Ethics Committee approval to start a Phase I/II clinical trial of broad-spectrum antibiotic R327 on patients with infected burns wounds was received during the quarter. The study site has been identified as Fiona Stanley Hospital's Burn Unit in Perth, Western Australia and is anticipated to be sponsored by the South Metropolitan Health Service, Department of Health, Government of Western Australia. The study will assess safety and efficacy of R327 on up to 30 patients with Gram-positive and Gram-negative bacterial burn wound infections and first patient data is expected to be available Q1 2021.

SARS-CoV-2 Studies – Local and International

The Company was pleased to report positive data from Australian SARS-CoV-2 studies indicating efficacy of R327 in an *in-vitro* screening assay against SARS-CoV-2. The Company has advanced to Stage Ib (confirmation and cytotoxicity) with expected data due.

On an international front, R327 and R529 showed a significant reduction in the SARS-CoV-2 virus with dose-dependant activity in Syrian golden hamsters – a well accepted animal model of infection. This study indicated potential for nasal administration of the Company's anti-infective compounds, specifically when used against viruses. Gold-standard ferret studies investigating both compounds have been initiated at the same USA Department of Defence accredited research institute. This will build upon the multiple potential modes of administration of R327 in the prevention and treatment of the SARS-CoV-2 virus.

The Company is delighted by the results to date, with further testing to be completed before R327 and/or R529 may be considered for human use.

Phase I Intravenous (I.V.) Study – Adelaide CMAX

Phase I intravenous (I.V.) study of R327 at Adelaide's CMAX clinical research institute continued to advance with clinicians appointed and an independent facility audit completed that ensures international regulatory standards.



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Murdoch Childrens Research Institute – *Helicobacter pylori*

World *Helicobacter pylori* expert Prof Phil Sutton and team have been approved by the animal ethics committee to start oral dosing of animals at the facility with data expected Q1 2021.

Expanding Patent Portfolio

The Company continues to strengthen its patent portfolio with the Japan Patent Office (JPO) granting Patent Family 3 titled “*Anti-virus Agent and Method for Treatment of Viral Infection*”, furthering marketing and manufacturing monopolies to 2037.

The JPO granted claims related to the administration and manufacture of R327 and R529 for the potential application against viruses such as SARS-CoV-2, influenza viruses, HIV, and Herpes viruses. Claims were also granted for multiple modes of administration including oral, injection, inhalation and transdermal dosing.

Patent Family 3 applications in other major pharmaceutical markets are in the advanced stages of independent patent reviews. Our focus is to build a solid foundation in every major healthcare market, ensuring the Company maintains its market advantage.

Looking Ahead

Significant progress was made during the past quarter to give Recce’s expanding infectious disease portfolio its best chances of success in addressing the global health threat posed by antibiotic resistant superbugs and emerging viral pathogens. The Company looks forward to a number data read-outs from Recce’s portfolio studies becoming available in the current quarter of Q1 2021.

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



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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

73 124 849 065

Quarter ended ("current quarter")

December 2020

Consolidated statement of cash flows	Current quarter	Year to date (6 months)
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(1,643,225)	(4,103,936)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(384,890)	(754,561)
(f) administration and corporate costs	(665,776)	(1,191,431)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	34,902	36,587
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	640,049	640,049
1.8 Other (provide details if material)	12,500	55,000
1.9 Net cash from / (used in) operating activities	(2,006,439)	(5,318,292)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(6,937)	(6,937)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter	Year to date (6 months)
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)	(41,160)	(41,160)
2.6	Net cash from / (used in) investing activities	(48,097)	(48,097)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	27,950,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	6,451	101,237
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(40,525)	(1,718,675)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(34,074)	26,332,561

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	25,687,906	2,633,123
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,006,439)	(5,318,292)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(48,097)	(48,097)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(34,074)	26,332,561

Consolidated statement of cash flows		Current quarter	Year to date (6 months)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	23,599,295	23,599,295

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	Previous quarter
5.1	Bank balances	23,599,296	23,599,296
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	23,599,295	23,599,295

6.	Payments to related parties of the entity and their associates	Current quarter
6.1	Aggregate amount of payments to related parties and their associates included in item 1	372,061
6.2	Aggregate amount of payments to related parties and their associates included in item 2	Nil
<i>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.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end	Amount drawn at quarter end
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	
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,006,439)
8.2	Cash and cash equivalents at quarter end (item 4.6)	23,599,295
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	23,599,295
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	11.76
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	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:	
8.6.2	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:	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

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 matters disclosed.

Date: 28 January 2021

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.