Quarterly Cash Flow Statement & Operational Highlights

Highlights:

- **Strong cash position of $18.62 million**
- **Phase I/II Topical Burn Wound Infections Clinical Trial - Multiple Patients Dosed**
- **Phase I Intravenous Clinical Trial Registered in the Australian New Zealand Clinical Trials Registry (ANZCTR)**
- **Innovation Connections Grant received under the Australian Government's Entrepreneurs' Programme**
- **Bonus Canadian Scientific Research & Experimental Development Rebate received (SR&ED)**
- **R327 Efficacy Against Necrotizing Fasciitis 'Flesh-Eating' Bacteria**
- **Anti-Viral Patent Granted in China and the United States**

SYDNEY Australia, 29 October 2021: Recce Pharmaceuticals Ltd (**ASX:RCE**, **FSE:R9Q**) (the **Company**), the Company developing New Classes of Synthetic Anti-infectives, today released its October 2021 quarter results and operational highlights.

Financial Update

The Company ended the quarter with a cash balance of $18.62 million. Net cash out-flows were ($2.14 million) with Research and Development ($1.18 million) the largest item of expenditure. Payments to related parties (Executive & Director fees) was ($0.616 million).

Bonus Canadian SR&ED Rebate Received

In addition to the Australian 43.5% R&D rebate, the Company captured a further 10% (A$183,444) in its first Canadian Government R&D rebate, as part of its Scientific Research & Experimental Development (SR&ED) Tax Incentive program (booked 30 June 2021, received and announced early July)

Innovation Connections Grant received under the Australian Government's Entrepreneurs' Programme

Recce was awarded a second grant of AUD $50,000 plus GST by the Australian Government Department of Industry, Science, Energy and Resources as part of the Entrepreneurs' Programme. The grant has been directed towards assessing R327 in Stage 2 of the Australian SARS-CoV-2 Antiviral Screening Program. The Company has received a total of AUD $87,508 plus GST over the course of the program.

Operational Highlights

Phase I/II Topical Burn Wound Infections Clinical Trial - Multiple Patients Dosed

An important clinical milestone was achieved in the Company's Phase I/II Topical Burn Wound Infections clinical trial at the Fiona Stanley Hospital Burns Unit in Perth, Western Australia, dosing multiple patients with no adverse symptoms reported. Interim efficacy indications are expected to be available soon.

Phase I Intravenous Clinical Trial Registered in the Australian New Zealand Clinical Trials Registry (ANZCTR)

The Company's Phase I clinical trial was registered in the Australian New Zealand Clinical Trial Registry (ANZCTR) under: *'An Ascending-dose, Randomized, Placebo-controlled, Parallel, Double-blind, Single-dose, First-in-Human Study to Evaluate the Safety and Pharmacokinetics of R327 in Healthy Male Subjects'.*

R327 was recently added to The Pew Charitable Trusts' list of *Non-traditional Products in Development to Combat Bacterial Infections.* Of the 36 candidates in clinical development, R327 is the only synthetic polymer drug candidate and the only clinical stage antibiotic for the indication of sepsis – globally.

Outstanding Efficacy Against Necrotizing Fasciitis 'Flesh-Eating' Bacteria

R327 shown to reduce deadly 'flesh-eating' bacterial count Below Limit of Quantification (BLOQ) within 24 hours, at varying concentrations. R327 BLOQ efficacy as early as 30 minutes in *C. perfringens* – a leading bacterial cause of myonecrosis (gas gangrene). A 99.9% (3-log) bacterial reduction achieved in all bacteria tested, at various

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concentrations. Data demonstrates R327's potential against bacterial infections that thrive in nil/low oxygen environments i.e., diabetic wounds/ulcers infections.

Anti-Viral Patent Granted in China and United States for RECCE® Anti-Infectives

The Company announced the grant of Patent Family 3 "Anti-Virus Agent and Method for Treatment of Viral Infections", by the Chinese Patent Office and the United States (U.S.) Patent and Trademark Office, furthering marketing and manufacturing monopolies to February 2037.

Annual Report FY21

The Company released its annual report for the 2021 financial year. The report documents commercial, clinical, regulatory, and managerial highlights. The Annual Report can be viewed here.

Looking Ahead

The Company now has two active human clinical trials, both focused on the large and unmet medical needs of sepsis and burn wound infections. A suite of pre-clinical infectious disease programs continues to progress in parallel. With a strong financial position, the Company is well placed to continue to deliver upon its overall goals and objectives over the time ahead.

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

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About Recce Pharmaceuticals Ltd

Recce Pharmaceuticals Ltd (ASX: RCE, FSE: R9Q) 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's anti-infective pipeline is unique and comprised of broad-spectrum synthetic polymer antibiotics RECCE® 327, RECCE® 435, and RECCE® 529 for viral infections with unique mechanisms of action against hyper-mutation on bacteria and viruses, respectively.

Patented lead candidate RECCE® 327 as an intravenous therapy, is being developed for treatment of serious and potentially life-threatening infections including sepsis due to Gram-positive and Gram-negative bacteria including their superbug forms. Recce's new antibiotic compound, RECCE® 435, has been formulated for oral use.

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. Further to this designation, RECCE® 327 has been included on The Pew Charitable Trusts Global New Antibiotics in Development Pipeline as the only synthetic polymer and sepsis drug candidate in development.

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	September 2021

Consolidated statement of cash flows		**Current quarter**	**Year to date (3 months)**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) research and development	(1,188,134)	(1,188,134)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(623,061)	(623,061)
	(f) administration and corporate costs	(364,911)	(364,911)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	29,463	29,463
1.5	Interest and other costs of finance paid	-	-
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**	**(2,146,643)**	**(2,146,643)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(4,510)	(4,510)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter	Year to date (3 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)	(98,996)	(98,996)
2.6	**Net cash from / (used in) investing activities**	**(103,506)**	**(103,506)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.	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**	**-**	**-**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	20,873,022	20,873,022
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,146,643)	(2,146,643)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(103,506)	(103,506)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter	Year to date (3 months)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**18,622,873**	**18,622,873**

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	18,622,873	20,873,022
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)**	**18,622,873**	**20,873,022**

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	606,917
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**	**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)	(2,146,643)
8.2	Cash and cash equivalents at quarter end (item 4.6)	18,622,873
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	18,622,873
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	8.68

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.

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:

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.

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: 29 October 2021

Authorised 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.