ASX Announcement

Recce Pharmaceuticals
recce.com.au
ACN 124 849 065

Quarterly Cash Flow Statement & Operational Highlights

Highlights:

- **Strong cash position of $22.92 million**
- **Topical Phase I/II burns study formalised with West Australian Health Department and Fiona Stanley Hospital**
- **Phase I (I.V) clinical study progressing at Adelaide's CMAX facility**
- **The PEW Charitable Trusts lists RECCE® 327 (R327) on global register of non-traditional antibiotics in clinical development – only sepsis drug**
- **Encouraging Results from Anti-viral Screening Program Evaluating R327 Against SARS-CoV-2**
- **Dual listed on Frankfurt Stock Exchange under code R9Q**

SYDNEY Australia, 27 April 2021: Recce Pharmaceuticals Ltd (ASX:RCE, FSE:R9Q), the Company developing New Classes of Synthetic Anti-infectives, today released its March 2021 quarter results and operational highlights.

Financial Update

The Company ended the quarter with a cash balance of $22.92 million. Net cash out-flows were ($0.671 million), significantly offset by R&D rebates, grants and other state/federal initiatives.

Research and Development ($1.13m) was the largest item of expenditure. Payments to related parties (Executive & Director fees) was ($0.315m). In-flows of $963,488 (part two of R&D rebate (overseas) - total to $1,566,030 for the year ending 30 June 2020) including grants and other initiatives.

Overall, expenses were less than previous quarter with non-recurring costs for the Topical Phase I/II burns study completed and the West Australian Health Department sponsored study well-underway.

Operational Highlights

Phase I/II Topical Clinical Trial

A study agreement with the West Australian Health department and Fiona Stanley Hospital for a Phase I/II clinical trial was achieved. The study aims to assess R327 as a spray-on, broad-spectrum antibiotic for the treatment of topical burn wound infections.

Post quarter, the clinical trial was registered on the Australia New Zealand Clinical Trial Registry under the ID number ACTRN12621000412831 titled '*Proof of Concept Study of RECCE 327 Topical Antibiotic Therapy for Infected Burn Wounds in Adults*'. Some time passed between submission to the registry and the publication of stated bulletin. Unable to publish a study start date of the past, a date of near future was chosen for matters of administration.

The trial investigators are Dr Edward Raby (Clinical Microbiologist and Infectious Diseases expert at Royal Perth and Fiona Stanley Hospitals); Dr Chris Heath (Head of Infectious Diseases at Fiona Stanley Hospital); and Professor Fiona Wood (Director of State Adult Burns Unit at Fiona Stanley Hospital), internationally renowned burns surgeon, known for pioneering the development of 'spray-on skin'.

Phase I Intravenous (IV) Study – Adelaide CMAX

Recce selected South Australia's CMAX Clinical Research as the independent trial facility, which will conduct a Phase I clinical study of its lead compound R327.

The Phase I clinical trial is a randomised, double blind, placebo-controlled single-ascending dose study of 48 healthy adult subjects. The study seeks to evaluate the safety, tolerability, pharmacokinetics and pharmacodynamic profile of R327 following intravenous administration.

CMAX is one of Australia's largest, longest running and leading clinical trial facilities, located adjacent to The Royal Adelaide Hospital and centrally positioned in Adelaide. South Australia has one of the lowest rates of COVID-19 infection in the country, making it an attractive location for Recce's clinical studies. The clinical trial facility has consistently maintained world-class standards, and meets international regulatory authority data entry

and quality requirements, including the European Medicines Agency and U.S Food and Drug Administration (FDA). CMAX has more than 30,000 registered patient volunteers on file.

Study preparations continue with patient dosing anticipated in near months.

R327 on global register of non-traditional antibiotics in clinical development

R327 was added to a prestigious list of antibiotics in clinical development, commonly recognised by world leading authorities.[1] The Pew Charitable Trust's annual assessment of non-traditional antibiotic treatment in clinical development saw R327 recognised as the only synthetic polymer drug candidate for treating sepsis currently in development.

The register of non-traditional treatments shows 36 candidates which are in clinical development as of March 2021. It includes new approaches ranging from well-known medical interventions, such as vaccines and immunotherapies, to new therapies which have never been approved for use in human medicine.

SARS-CoV-2 Study – Australia

An independent study reported R327 to be 99.9% efficacious in confirmatory in-vitro screening assay against SARS-CoV-2 virus. No toxicity identifiable at 1,333ppm or less. SARS-CoV-2 virus no-longer detectable by virus titration at 4,000ppm – minimal toxicity to Vero cells.

Further testing (as underway overseas) must be completed before R327 may be confirmed as active or safe in use against the SARS-CoV-2 virus.

Expanding Global Patent Portfolio - Europe

The European Patent Office (EPO) granted Patent Family 3 titled *"Anti-virus Agent For Treatment of Viral Infection"*, furthering marketing and manufacturing monopolies to 2037.

The EPO granted claims relate the composition and method of manufacture of RECCE anti-infectives, use of R327 and RECCE 529 (R529) for the treatment of viruses having

[1] https://www.fda.gov/media/133086/download

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a lipid envelope such as SARS-CoV-2 and Corona viruses, influenza viruses, HIV, Herpes viruses and more. Claims were also granted for multiple modes of administration including oral, injection, inhalation and transdermal dosing.

It is the second Patent in Family Three to be granted to the Company following its recent patent grant in Japan, with applications among other major pharmaceutical markets around the world in their advanced stages of independent patent reviews.

Dual Listed – Frankfurt Stock Exchange

The Company dual listed on the Frankfurt Stock Exchange (FSE) under the ticker code R9Q, seeing trade of the Company's securities on German Trading Exchanges: Frankfurt, Tradegate, Munich, Stuttgart and Gettex. No associated capital raise or related issuance of securities was necessary thanks to the Company's strong financial position. Investor awareness activities are underway in the region with the Company looking forward to further broadening its institutional and retail investor base across Europe.

Looking Ahead

The Company would like to thank its shareholders and wider network for their ongoing support to see the potential of Recce's therapeutics to address the global unmet medical need of antibiotic resistance and emerging viral pathogens. A strong cash position and increasingly positive data sees it well placed to continue to deliver on its globally relevent objectives over the time ahead.

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	**Quarter ended ("current quarter")**
73 124 849 065	March 2021

Consolidated statement of cash flows		**Current quarter**	**Year to date (9 months)**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) research and development	(1,126,938)	(5,230,874)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(298,577)	(1,053,138)
	(f) administration and corporate costs	(258,547)	(1,449,977)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	36,889	73,476
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	963,488	1,566,031
1.8	Other (provide details if material)	12,600	105,107
1.9	**Net cash from / (used in) operating activities**	**(671,085)**	**(5,989,376)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(22,847)	(29,785)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

+ See chapter 19 of the ASX Listing Rules for defined terms.

Consolidated statement of cash flows		Current quarter	Year to date (9 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)	18,039	(23,121)
2.6	**Net cash from / (used in) investing activities**	**(4,808)**	**(52,906)**

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	5,040	106,276
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(1,718,675)
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**	**5,040**	**26,337,601**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	23,599,295	2,633,123
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(671,085)	(5,989,376)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,808)	(52,906)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,040	26,337,601

Consolidated statement of cash flows		Current quarter	Year to date (9 months)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**22,928,442**	**22,928,442**

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	22,928,442	22,928,442
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)**	**22,928,442**	**22,928,442**

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	315,606
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)	(671,084.62)
8.2	Cash and cash equivalents at quarter end (item 4.6)	22,928,442
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	22,928,442
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	(34.17)

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: 27 April 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.