ASX Announcement

Recce Pharmaceuticals
recce.com.au
ACN 124 849 065

Quarterly Cash Flow Statement & Operational Highlights

Highlights:

- **Expansion and Acceleration of Anti-Infective Clinical Programs**
- **Phase I (I.V) Safety/Tolerability study to progress to Phase Ib/IIa multi-dose/sepsis efficacy study**
- **Positive Safety Data from Seventh Cohort of Phase I Clinical Trial – 6,000mg Dosing Complete**
- **Strengthened management team with Executive Chairman, Non-Executive Director, Vice President of Translational Sciences and Company Secretary appointments**
- **Opening R&D Address at World Anti-Microbial Resistance Congress 2022**

SYDNEY Australia, 28 October 2022: Recce Pharmaceuticals Ltd (**ASX:RCE**, **FSE:R9Q**) (the **Company**), the Company developing a New Class of Synthetic Anti-infectives, today released its September 2022 quarter results and operational highlights.

Financial Update

The Company ended the quarter with a cash balance of $5.73 million. Net cash outflows were $5.86 million, with Research and Development ($2.79 million) being the largest item of expenditure supporting two active human clinical trials, establishment of new additional clinical trials and the advancement of ongoing pre-clinical studies. Payments to related parties (Executive & Director fees) was ($0.730 million).

The Company anticipates a number of significant (imminent) cash inflows during the present quarter (e.g. R&D rebates) attributing to expectation of a net-positive outcome being reflected in now quarters cashflow.

Operational Highlights

Positive Safety Data from Seventh Cohort of Phase I Clinical Trial – 6,000mg Complete

The Company completed dosing at 6,000mg (120-fold increase on Cohort One 50mg dose) over 1 hour I.V. infusion, with no serious adverse effects among 10 healthy male subjects. R327 dosing is now

broadly in efficacy range based on data from animal models, demonstrating R327 to be safe and well tolerated and paving the way for a Phase Ib/IIa multi-dose and early-stage sepsis efficacy study.

Expansion and Acceleration of Clinical Programs

The company provided a full strategic update outlining clinical trial objectives and an updated timeline for its clinical programs with several significant data read-outs provided in 2022 and continuing in 2023. Below are the key objectives outlined within the update:

- Following successful conclusion of Phase I (I.V) Safety/Tolerability single-dose study – has progressed to **Phase Ib/IIa multi-dose/sepsis efficacy study.**
- New **Phase II clinical trial of R327 for treatment of Urinary Tract Infections (UTI) –** the most common outpatient infections in the US.
- New **Phase II study on Diabetic Foot Ulcer infections** to be conducted at a leading NSW teaching hospital – building upon the success of on-going burn would infection program.
- **Multiple Pre-clinical Programs** progressed to advanced stage demonstrating activity against WHO Priority Pathogens including *Streptococcus pneumoniae*, *Mycobacterium abscessus* and *Helicobacter pylori*.

Opening R&D Address at World Anti-Microbial Resistance Congress 2022

Recce Pharmaceuticals, Executive Director and Chief Scientific Officer, Michele Dilizia delivered the Opening R&D Address at the World Anti-Microbial Resistance Conference, positioning Recce as a sign of new hope in the fight against superbugs on the international stage. The presentation can be viewed here.

The World AMR Congress took place in Washington DC and is the World's largest AMR conference with more than 1,000 attendees from over 50 countries and has been the go-to event globally since 2015 for all stakeholders in the AMR space to meet and formulate initiatives to combat anti-microbial resistance.

Michele Dilizia delivering the opening R&D address at World AMR Congress 2022

Left-Right: Dr Alan Dunton, James Graham, Dr John Prendergast

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Board and Management

During the reporting period, the Company strengthened its management and advisory teams with a number of important appointments to support the growth and development of the Company's next phase of clinical programs and expanded pipeline.

Dr Philip Sutton Appointed as Vice President of Translational Sciences

Dr Philip Sutton joined the Company on a full-time basis as Vice President of Translational Sciences, taking a leading role advancing Recce's compounds across a portfolio of infectious disease programs focussed on significant unmet medical needs. Dr Sutton was previously on Recce's Scientific Advisory Committee whilst leading the Mucosal Immunology Group at Murdoch Children's Research Institute.

Alistair McKeough Appointed to Board of Directors & Maggie Niewidok as Company Secretary

The Company announced that Alistair McKeough was appointed to the Board of Directors as Non-Executive Director and Maggie Niewidok appointed as Company Secretary. Formerly Head of Professional Services at Automic Group, Alistair immediately stepped out of the Company Secretary role to become a Director of Recce, having previously served as Recce Pharmaceuticals' Company Secretary and primary legal adviser.

Dr John Prendergast Appointed as Executive Chairman

The Company announced US-based Dr John Prendergast as Executive Chairman, having joined the Board of Directors as Non-Executive Director in April 2018, Dr Prendergast, then became Non-Executive Chairman in July 2019. As Executive Chairman, he will be working alongside CEO James Graham at an important and exciting time as the Company's anti-infective programs advance locally and internationally.

Annual Report 2022 Released

The Company released its Annual Report for the 2022 financial year. The report documents commercial, clinical, and regulatory highlights. The Annual Report can be viewed here.

Looking Ahead

The Company is focused on its updated clinical trial objectives and timelines, with priority placed upon getting its products to market expediently. The Company remains well placed 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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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 2022

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	(2,789,828)	(2,789,828)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(704,481)	(704,481)
	(f) administration and corporate costs	(1,015,848)	(1,015,848)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	19,296	19,296
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (performance shares settlement)	(1,428,334)	(1,428,334)
1.9	**Net cash from / (used in) operating activities**	**(5,919,195))**	**(5,919,195)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(2,219)	(2,219)
	(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)	(4,349)	(4,349)
2.6	**Net cash from / (used in) investing activities**	**(6,569)**	**(6,569)**

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	72,643	72,643
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**	**72,643**	**72,643**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	11,581,933	11,581,933
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,919,195)	(5,919,195)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,569)	(6,569)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	72,643	72,643

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**	**5,728,813**	**5,728,813**

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	5,728,813	11,581,933
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)**	**5,728,813**	**11,581,933**

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	730,264
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)	(5,919,195)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,728,813
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	5,728,813
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	0.97

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: No, the nature of this form allows only to reflect a previous quarters expenditure (8.1), divided by 'Cash on Hand' (8.4). It does not account for quarter-to-quarter variance in expenditure e.g. once off upfront new clinical trial commitments, significant and imminent inflows (e.g. R&D rebates) as well as return of capital from surrounding sources that would more accurately reflect significantly more than two quarters of funding.

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: Yes, the Company is in regular engagement with local and overseas sources.

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:	Yes, the Company will shortly receive its Research and Development tax incentive estimated to exceed $3.5m. A variety of dilutionary and non-dilutionary financial opportunities beyond are well established.

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: 28 October 2022

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.