

## ASX Announcement

### Quarterly Cash Flow Statement and Report

#### Quarter highlights

- R&D advance of A\$256,000 received
- Management commit funds to support antibiotic drug development program
- Multiple manufacturing milestones achieved
- Expanded international patent estate
- Quality assurance manufacturing progress

**Sydney, Australia, 31 January 2019:** Recce Pharmaceuticals Ltd (ASX:RCE) (**Recce** or the **Company**), the Company developing a New Class of Broad Spectrum antibiotics, today reported its December 31, 2018 quarter end results and operating highlights for the period.

#### Financial update

Recce ended the quarter with cash and cash equivalents of \$35,284 having received a A\$256,000 advance payment in November for eligible research and development tax refund expenses during the period as part of the company's non-dilutive funding agreement with Radium Capital.

During the quarter, Recce received A\$200,000 in the form of an unsecured loan from Founder and Chairman Dr Graham Melrose. Subsequent to quarter end, the company received a further \$50,000 from Dr Melrose and A\$100,000 from Executive Director James Graham. The unsecured loans will receive nominal interest of five per cent per annum, for a period of two years.

The provision of these unsecured funds to support the Company, by management, underlines their full commitment and confidence in the future of the business as they continue to deliver on its clinical and development milestones.



ASX: RCE

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The Company received a number of investment proposals during the quarter, none of which it felt sufficiently represented value to its shareholders. With the holiday period in full swing, the Directors opted to support the Company in-lieu of a more economical arrangement.

The Company has since continued to evaluate investment and capital raising proposals and will update the market if and when any of these opportunities are realised.

The Company finished the quarter under budget. The decrease in expenditure has been a result of the Company tightly managing ongoing operating costs; however, clinical investment will increase as the Company continues to streamline the advancement of their highly promising synthetic antibiotic.

### **Manufacturing Milestones and Clinical Progress**

The Company continues to work closely with its contract research organisations in the US to deliver an expanded analysis and documentation in line with the guidance provided to Recce by the US FDA at our invitational meeting in May 2018.

The quarter saw considerable and successful in-house R&D activities to achieve the following manufacturing milestones as the company progresses to human therapeutic use of RECCE® 327:

- ✓ Scale-up quantities of patented synthesis of RECCE® 327
- ✓ Reproducibility of RECCE® 327 across multiple batches
- ✓ Consistency in meeting high standards of internal and external Quality Assurance
- ✓ Packaging and labelling for intravenous use meeting international standards and non-tampering protocols
- ✓ Dosing, monitoring of patient welfare during and following intravenous use, especially by infusion



## Patent protection expands

The Company's intellectual property estate provides Recce with substantial competitive advantages for the long-term commercialisation of their antibiotic compounds. It is a key foundation of the business.

Significant progress was made to expand and strengthen the Company's patent estate on a global scale, and are anticipated within near months to represent significant additional market monopolies to November 2035.

## Investor and shareholder engagement

Management continues to maintain a high level of ongoing engagement with current and potential investors. The latter month of November saw the Company present to a room of over 100 investors at the Finance News Network (FNN) Investor event held in Melbourne. A video from Melbourne's event with a Senior Journalist can be [viewed here](#) and the 20-minute investor presentation can be [viewed here](#).



## **Positive industry developments**

The past few months have seen continued urgency in the need for new antibiotics to address the growing threat from antibiotic resistance. Never has there been a greater need for a new class of antibiotics; with the World Health Organisation listing antibiotic resistance (superbugs) as one of the top 10 global health threats (Article written by CNN).

The Company remains focused on creating significant long-term value for their shareholders by delivering effective new antibiotic therapies for the many and significant life-threatening infections affecting modern medicine.



**Dr Graham Melrose**

**Executive Chairman**

**31 January 2019**



## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Recce Pharmaceuticals Ltd

**ABN**

73 124 849 065

**Quarter ended ("current quarter")**

December 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A</b>	<b>Year to date (6 months) \$A</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from ATO	136,694	679,624
1.2 Payments for		
(a) research and development	(420,175)	(961,945)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(62,964)	(125,925)
(f) administration and corporate costs	(323,380)	(567,637)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	398	1,904
1.5 Interest and other costs of finance paid	(31,658)	(38,509)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(701,085)</b>	<b>(1,012,488)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(11,664)	(85,088)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) 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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(11,664)</b>	<b>(85,088)</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A</b>	<b>Year to date (6 months) \$A</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	456,000	453,141
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>456,000</b>	<b>453,141</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	292,033	679,719
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(701,085)	(1,012,488)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(11,664)	(85,088)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	456,000	453,141
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>35,284</b>	<b>35,284</b>
<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b>	<b>Current quarter \$A</b>	<b>Previous quarter \$A</b>
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	35,284	292,033
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>35,284</b>	<b>292,033</b>
<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A</b>	
6.1	Aggregate amount of payments to these parties included in item 1.2	158,777	
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil	
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2		

Consolidated statement of cash flows	Current quarter \$A	Year to date (6 months) \$A
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7. Payments to related entities of the entity and their associates	Current quarter \$A
7.1 Aggregate amount of payments to these parties included in item 1.2	Nil
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
8.1 Loan facilities	Nil	Nil
8.2 Credit standby arrangements	Nil	Nil
8.3 Other (please specify)	Nil	Nil
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development *	(549)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	-
9.4 PP & E	(72)
9.5 Staff costs	(63)
9.6 Administration and corporate costs	(200)
9.7 Other (provide details if material) – R&D Tax rebate	-
9.8 Other (provide details if material) – Advanced Funding	127
9.9 Other (provide details if material)- Directors Loan	150
<b>9.10 Total estimated cash flows</b>	<b>(607)</b>
* This approximate figure is an estimate of expenditure should all R&D during the period progress and give results according to expected outcomes; therefore these estimates are not reliable	

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration	N/A	N/A
10.3 Consideration for acquisition or disposal	N/A	N/A
10.4 Total net assets	N/A	N/A
10.5 Nature of business	N/A	N/A

**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.

Sign here:  ..... Date: 31 January 2019 .....

Director/Company Secretary

Print name: Alistair McKeough .....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.