

ASX Announcement

Quarterly Cash Flow Statement and Operational Update

Sydney, Australia, 29 April 2019: Recce Pharmaceuticals Ltd (ASX:RCE) (**Recce** or the **Company**), today reported its March 2019 quarter results and operational highlights.

Financial update

Cash outflows for the period were \$29,187 under budget. The Company ended the quarter with cash reserves of \$952,112 following the placement of \$1.8 million (before costs) from sophisticated and institutional investors in February. Research and development was the largest expenditure at \$560,904 with an intensive drive on lead antibiotic compound RECCE[®] 327's developmental pathway.

The Company expects to receive \$204,408 of the research and development accrued expenditure back by way of cash advance shortly. Receiving and reinvesting the Australian R&D Incentive applicable expenditure sees non-dilutionary capital continue to extend the Company's runway forward.

Business development

Management and the Board continue to actively evaluate potential external opportunities that enhance shareholder value, and are complementary and strategically valuable to the Company. During the quarter, Recce received unsolicited enquires from representatives at a number of Australian hospitals.

The enquiries relate to RECCE[®] 327 as a consideration under the TGA *Special Access Scheme (SAS) Category A*, for patients not responding to other antibiotic treatments, may be allergic to those antibiotic treatments, or at risk of mortality as a result of unresponsive, drug-resistant bacterial infection/s. The Special Access Scheme is for health practitioners who wish to access therapeutic goods not-registered on the Australian Register of Therapeutic Goods.



ASX: RCE

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The Company will continue exploring these opportunities with the volunteer assistance of a leading Australian Hospital's emergency physician and will update shareholders if and when these discussions progress.

International Patents and Trademarks

The Company's patent portfolio continued to expand during the quarter with the US Patent and Trademark office Granting an additional US patent, Family 2 '*Copolymer and Method for Treatment of Bacterial Infection*', forming potential monopolies to November 2035.

Across 23 granted claims, additional US coverage includes, but is not limited to:

- Composition and Matter of RECCE[®] antibiotics;
- Prevention of bacterial infection from surgical procedures;
- Administration of RECCE[®] antibiotics by intravenous, oral (tablet, caplet, syrup or liquid), injection, intramuscular, inhalation and transdermal application;
- Treatment of parenteral bacterial infections, including of the blood (bacteraemia) which cause sepsis, meningitis infections of the brain and spinal cord membranes, infections of the lungs, urinary tract, sinuses and skin (e.g. wounds and abscesses), from Gram-positive (G+) and Gram-negative (G-) bacteria, including their superbug forms; and
- G+ and G- and superbug forms of deadly bacteria covered under the patent include *Pseudomonas aeruginosa*, *Neisseria meningitidis*, *Escherichia coli*, *Klebsiella pneumoniae*, *Enterococcus* species, *Proteus* species, *Staphylococcus* species and *Streptococcus* species. These bacteria cause serious life-threatening infections such as septicaemia, meningitis, meningococcal disease, urinary tract infection, necrotising wounds and pneumonia.

Recce's commercialisation strategy is focused on leveraging its expanding local and international intellectual property estate. Further progress was made to again expand the Company's patent estate in another significant international market and anticipates this related patent in near months.



Food and Drug Administration (FDA)

The Company submitted additional data to the US FDA during the period. The Company was pleased to receive positive preliminary feedback, with a particular emphasis on RECCE® 327's Chemistry, Manufacturing, and Controls (CMC).

Data included a 500% increase in its manufacturing capabilities, scaling up its wholly owned Macquarie Park facility in response to increased hospital enquiry and potential future need beyond Phase I & II volumes.



300 vials of pharmaceutical grade RECCE® 327

As part of RECCE® 327's *Qualified Infectious Disease Product (QIDP)* designation, the FDA prioritises review of data, seeing a continuous feedback loop with the Company, increasing the likelihood of meeting points of interest, with added clarity on what they'd like to see next.

The Company looks forward to updating shareholders when conclusive feedback is received from the FDA.



We look forward to providing further updates as we progress our lead compound towards First in Human use in our pursuit to tackle the global problem of antibiotic resistant superbugs.

We thank all our shareholders for their ongoing support.



Dr Graham Melrose
Executive Chairman
Recce Pharmaceuticals Ltd
29 April 2019

For further information please visit www.recce.com.au or contact:

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Recce Pharmaceuticals Ltd	
ABN	Quarter ended ("current quarter")
73 124 849 065	March 2019

Consolidated statement of cash flows	Current quarter \$A	Year to date (9 months) \$A
1. Cash flows from operating activities		
1.1 Receipts from ATO	-	679,624
1.2 Payments for		
(a) research and development	(560,904)	(1,522,850)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(63,932)	(189,856)
(f) administration and corporate costs	(157,550)	(725,187)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2,400	4,304
1.5 Interest and other costs of finance paid	(67,340)	(105,850)
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	(847,326)	(1,859,815)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(4,846)	(89,933)
(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)	-	-
2.6 Net cash from / (used in) investing activities	(4,846)	(89,933)

Consolidated statement of cash flows		Current quarter \$A	Year to date (9 months) \$A
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	1,692,000	1,692,000
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	77,000	530,141
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)	-	-
3.10	Net cash from / (used in) financing activities	1,769,000	2,222,141
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	35,284	679,719
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(847,326)	(1,859,815)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,846)	(89,933)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,769,000	2,222,141
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	952,112	952,112

Consolidated statement of cash flows		Current quarter \$A	Year to date (9 months) \$A
5.	Reconciliation of cash and cash equivalents	Current quarter \$A	Previous quarter \$A
	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	952,112	35,284
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)	952,112	35,284
6.	Payments to directors of the entity and their associates		Current quarter \$A
6.1	Aggregate amount of payments to these parties included in item 1.2		165,162
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3		Nil

Consolidated statement of cash flows		Current quarter \$A	Year to date (9 months) \$A
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2		
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 Add notes as necessary for an understanding of the position		
8.1	Loan facilities		
8.2	Credit standby arrangements		
8.3	Other (please specify)		
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.		

Consolidated statement of cash flows		Current quarter \$A	Year to date (9 months) \$A
9.	Estimated cash outflows for next quarter		\$A'000
9.1	Research and development *		(407)
9.2	Product manufacturing and operating costs		-
9.3	Advertising and marketing		-
9.4	PP & E		(3)
9.5	Staff costs		(64)
9.6	Administration and corporate costs		(185)
9.7	Other (provide details if material) – R&D Tax rebate		-
9.8	Other (provide details if material) – Advanced Funding		204
9.9	Other (provide details if material)- Capital Raising and Directors Loan		-
9.10	Total estimated cash flows		(455)
* 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:
(~~Director~~/Company Secretary)

Date: 29 April 2019

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.