

ASX Announcement

Quarterly Cash Flow Statement & Operational Update

SYDNEY Australia 30 July 2019: Recce Pharmaceuticals Ltd (ASX: RCE) (**Recce** or the **Company**), the company developing a new class of synthetic antibiotics, today reported its June 2019 quarter and operating highlights.

Financial update

The business ended the quarter with cash reserves of AUD \$403,384. Research and development (R&D) was the largest expenditure at AUD \$503,396 with an intensive drive on lead antibiotic compound RECCE[®] 327's developmental pathway.

The Company today announced it has received A\$262,462 of R&D accrued expenditure by way of an independent cash advance. Receiving and reinvesting the Australian R&D Incentive applicable expenditure provides non-dilutionary capital to extend the Company's operational runway.

The Company further anticipates imminent non-dilutionary cash proceeds from the Australian Government as part of its R&D Advanced Finding Certification and FY19 submission during the quarter ending 30 September 2019.

Senior appointments

Recce established a Clinical Advisory Committee to guide its interactions with local and international medical stakeholders, including considerations and requests to use RECCE[®] 327. Under the Therapeutic Goods Administration (TGA) Special Access Scheme (SAS), Category A, Recce is permitted to supply RECCE[®] 327 to Australian medical practitioners in defined circumstances.



ASX: RCE

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The new advisory committee is independently (without remuneration) chaired by Dr David Bowers, Head of Sydney's Royal North Shore Hospital spinal department and leading physician at other University hospitals in Sydney. Dr Bowers has a specialist interest in the treatment of complex and life-threatening antibiotic resistant infections, and is a most welcome addition to the Recce team.

Subsequent to quarter end, the Company further announced the appointment of Dr John Prendergast as Non-Executive Chairman. Dr Graham Melrose continues as Executive Director and Chief Research Officer. Additionally, Principal Quality Chemist, Dr Justin Ward, was appointed as Executive Director.

Global Antibiotic Initiatives

The Company surveys on a continual basis relevant global incentives offered by governments around the world to further combat the global health problem of antibiotic-resistant superbugs. Of note, the UK government passed a bill for Britain's National Health Service (NHS), to trial a new program to make additional cash payments to drug companies for antibiotics by a subscription-style model.

The program allows the NHS to pay pharmaceutical companies up-front for access to effective antibiotics, rather than reimbursing them based on the quantity of antibiotics sold.

The program's purpose is to pay for antibiotics based on their public health value and encourage the development of new antibiotics. Significantly, under the new model, drug makers would still be reimbursed by the NHS even if the new drugs are kept in reserve¹.

¹ University of Minnesota – *UK to test new payment model for antibiotics*



Global Antibiotic Pipeline

During the Quarter, The PEW Charitable Trusts released its Antibiotics Currently in Global Clinical Development², intended to shed light on the antibiotic pipeline, evaluate public policies, and monitor the potential impact on public health.

No New Classes of Antibiotics have been Approved in over 30 years and the global antibiotic pipeline report indicates a continuation of the same. There are currently no drugs approved specifically for the treatment of Bacteraemia (blood infections and sepsis). Based on this unmet medical need the Company believes its RECCE[®] 327 product received the only Food and Drug Administration (FDA) Qualified Infectious Disease Product (QIDP) designated, for indications of Bacteraemia, derived from *E. coli* and *S. aureus* bacteria including their superbug forms. Bacteraemia is the most expensive human condition treated in US hospitals³.

It is further evident global pharmaceutical companies who rely on antibiotics to support their wider-drug portfolios, especially immunosuppressive oncology drugs that rely on lowering the body's ability to fight off infection⁴, are increasingly leaving the innovative work to biotech companies. Tim Jinks, Head of Wellcome's drug-resistant infections program⁵ has stated: "*Small biotech companies are becoming the innovation engine for antibiotics*". With its QIDP designation, Recce will continue to advance RECCE[®] 327's commercial development as expeditiously as possible.

² The PEW Charitable Trusts – *Antibiotics Currently in Global Clinical Development*

³ US National Library of Medicine National Institutes of Health – *The Centrality of Sepsis: A Review on Incidence, Mortality and Cost of Care*

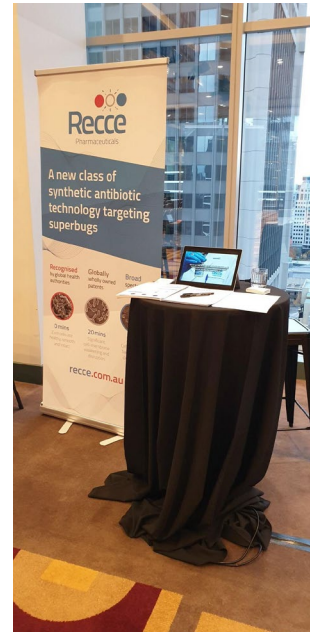
⁴ National Cancer Institute at the National Institutes of Health – *Immunosuppression*

⁵ FierceBiotech – *Small biotech the 'true engine' of antibiotic innovation as pharma 'spews nonsense' on its R&D: Jim O'Neill*



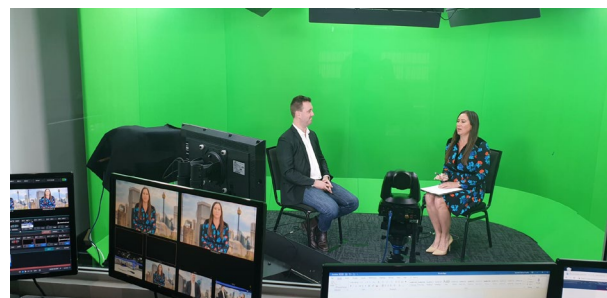
Investor engagement

The Company maintained an emphasis on engagement with the investment community and industry players. This was undertaken across Australia, Hong Kong, China and the UK; in addition to participating in partnering and investor events.



Interviews

The Company was also given the opportunity to be interviewed by Proactive Investor and Finance News Network. These interviews allowed our Executive Director James Graham to provide an update on the clinical pathway and current status of the Company's lead candidate⁶.



⁶ Recce Pharmaceuticals – Events and Presentations <https://www.recce.com.au/index.php/shareholder-centre/investor-presentations>



Looking Ahead

The Company is progressively making good advancements with its lead compound and is well positioned as an emerging leader at the forefront of developments to address the global threat of antibiotic resistance.

Recce thanks all who are following and to shareholders for being a part of this journey.



Dr John Prendergast
Non-Executive Chairman

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

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+Rule 4.7B



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")

June 2019

Consolidated statement of cash flows		Current quarter \$A	Year to date (12 months) \$A
1.	Cash flows from operating activities		
1.1	Receipts from ATO	-	679,624
1.2	Payments for		
	(a) research and development	(503,396)	(2,026,248)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(63,931)	(253,788)
	(f) administration and corporate costs	(234,337)	(959,521)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2,694	6,998
1.5	Interest and other costs of finance paid	49,156	(56,694)
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	(749,814)	(2,609,629)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	(89,933)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		



Consolidated statement of cash flows		Current quarter \$A	Year to date (12 months) \$A
	(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	-	(89,933)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	(3,322)	1,688,678
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	204,408	734,549
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	201,086	2,423,227
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	922,137	649,744
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(749,814)	(2,609,629)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(89,933)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	201,086	2,423,227
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	373,409	473,409



Consolidated statement of cash flows		Current quarter \$A	Year to date (12 months) \$A
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 \$A	Previous quarter \$A
5.1	Bank balances (should equal item 4.6 above)	373,409	922,137
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposit)	29,975	29,975
5.5	Cash and cash equivalents at end of quarter	403,384	952,112

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	145,087
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	

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



Consolidated statement of cash flows		Current quarter \$A	Year to date (12 months) \$A
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 *	(1,360)
9.2	Product manufacturing and operating costs	-
9.3	Advertising and marketing	-
9.4	PP & E	(2)
9.5	Staff costs	(63)
9.6	Administration and corporate costs	(275)
9.7	Other (provide details if material) – R&D Tax rebate	1,120
9.8	Other (provide details if material) – Advanced Funding	(630)
9.9	Other (provide details if material)- Capital Raising	2,298
9.10	Total estimated cash flows	1,088
* 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: 30 July 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.

