Recce Pharmaceuticals
recce.com.au
ACN 124 849 065

Quarterly Cash Flow Statement & Operational Highlights

Highlights:

- **Phase I/II clinical trial of RECCE® 327 (R327) approved to start at South West Sydney Limb Preservation and Wound Research Unit, located at the Ingham Institute of Medical Research**
- **New Anti-Infective Research Unit located within world-leading Murdoch Children's Research Institute**
- **R327 shown to significantly reduce SARS-CoV-2 in hamsters**
- **Post-quarter cash inflow of A$6.21m received from Australian Government Tax R&D Rebate and Radium Capital**

SYDNEY Australia, 30 January 2023: Recce Pharmaceuticals Ltd (**ASX:RCE**, **FSE:R9Q**) (the **Company**), the Company developing a New Class of Synthetic Anti-infectives, today released its December 2022 quarter results and operational highlights.

Financial Update

The Company ended the quarter with a cash balance of $1.84 million. Net cash outflows from operating activities were $4.27 million, with Research and Development ($2.01 million) being the largest item of expenditure supporting three human clinical trials, and the advancement of ongoing pre-clinical studies. Payments to related parties (Executive & Director fees) was ($1.02 million).

Post-quarter end, the Company has since received a cash inflow of A$6.21m from the Australian Government's R&D Rebate and Radium Capital's R&D Advance covering the period of 1 July 2022 - 30 November 2022 (announced 25 January 2023). These inflows provide the company with a significant cash injection to support ongoing operations and offset otherwise traditional capital raising requirement in the near-term.

Recce and Acuity: At-the-Market Subscription Agreement Update

As previously announced, Recce entered into an At-the-Market Subscription Agreement (**ATM**) (also referred to as a Controlled Placement Deed or CPD) with Acuity Capital. The ATM provides Recce with up to $20 million of standby equity capital and is due to expire on 31 January 2023 (see announcements on 1 November 2018, 15 February 2019, 30 August 2019, and 31 July 2020). Recce and Acuity Capital have agreed to extend the ATM expiry date by an additional three years to 31 January 2026.

There are no requirements on Recce to utilise the ATM and the Company may terminate the ATM at any time without cost or penalty.

Acuity Capital currently holds 4.5 million fully paid ordinary RCE shares as security against the ATM (**Collateral Shares**). The Company may at any time cancel the ATM, including buying back (and cancelling) the Collateral Shares for nil consideration (subject to shareholder approval).

There were no fees or costs associated with the extension of the ATM.

Operational Highlights

Ethics Approval Received to Start Phase I/II Diabetic Foot Ulcer Study

The Company announced it has received ethics approval to begin a Phase I/II clinical trial assessing R327 as a spray-on, broad-spectrum antibiotic therapy for mild skin and soft tissue diabetic foot infections (DFI). The study is being conducted at the South West Sydney Limb Preservation and Wound Research Unit, located at the Ingham Institute of Medical Research.

The Company is exploring R327 as a treatment for DFI, as studies in the United States have shown between 14-24% per cent of patients with diabetes who develop a foot ulcer will require an amputation, and foot ulceration precedes 85% of diabetes-related amputations.[1] The total medical cost for treating diabetic foot diseases in the United States is US $9-13 billion every year.[2]

[1] *https://surgery.ucsf.edu/conditions--procedures/diabetic-foot-ulcers.aspx*

[2] *Zhang P. et al. – "Global epidemiology of diabetic foot ulceration: A systematic review and meta-analysis" (dagger) - Ann. Med. 2017;49:106–116.*

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Anti-Infective Research Unit Established at Murdoch Children's Research Institute

The Company announced the commencement of an Anti-Infective Research (AIR) Unit through the execution of a research collaboration agreement with Murdoch Children's Research Institute (Murdoch Children's), securing a dedicated Murdoch Children's research team with access to infectious disease expertise and fit-for-purpose laboratory space. Research activities conducted in Recce's AIR Unit will advance the Company's Bacterial Sinusitis program, *Mycobacterium abscessus* program, and more.

Based in Melbourne, Murdoch Children's Research Institute is the largest child health research institute in Australia and one of the top three worldwide for research quality and impact. All intellectual property rights and results will be owned by the Company.

Anti-Infective Portfolio Update Provided

A live online presentation provided a comprehensive update on new pre-clinical datasets, interim clinical trial data, and expanding operational activities. The event featured segments from experts in their respective fields and highlighted the Company's significant progress across its portfolio of anti-infective programs. A copy of the presentation can be found here.

Full Presentation

Dr. Alan Dunton

Dr. Marc Sharp (Linnaeus Bioscience)

Guillaume van Renterghem (LifeSci Advisors)

Dr Philip Sutton

Michele Dilizia

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R327 SARS-CoV-2 Study Update – Efficacious Activity in Animal Models

The Company was pleased to release the findings of its SARS-CoV-2 studies. Undertaken by an independent, third-party contract research organisation (CRO), Netherlands-based CRO, Viroclinics, saw its SARS-CoV-2 studies demonstrate significant efficacious activity of R327 against the SARS-CoV-2 virus in the throat of Syrian golden hamsters – the gold-standard in COVID studies.

Throughout the ongoing studies, R327 was shown to significantly reduce SARS-CoV-2 levels in a dose-dependent manner, in throat swab samples collected from animals. The study provided proof-of-concept that intra-nasal treatment with R327 has the potential to reduce SARS-CoV-2 levels during infection.

2022 AGM Conducted

The Company held its Annual General Meeting of shareholders on Monday, 14th November 2022. All resolutions were passed averaging 88.59% in favour.

Looking Ahead

The Company is well-placed to expedite its pre-clinical studies and continue to advance both new and existing human clinical trials. The Company is confident it will 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	December 2022

Consolidated statement of cash flows		**Current quarter**	**Year to date (6 months)**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) research and development	(2,019,089)	(4,808,916)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(1,301,868)	(2,006,349)
	(f) administration and corporate costs	(975,489)	(1,991,337)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	19,528	38,824
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (legal dispute settlement)	-	(1,428,334)
1.9	**Net cash from / (used in) operating activities**	**(4,276,918)**	**(10,196,113)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(2,229)	(4,449)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter	Year to date (6 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)	399,083	394,734
2.6	**Net cash from / (used in) investing activities**	**396,854**	**390,285**

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
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**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	5,728,813	11,581,933
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,276,918)	(10,196,113)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	396,854	390,286
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	72,643

Consolidated statement of cash flows		Current quarter	Year to date (6 months)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**1,848,749**	**1,848,749**

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	1,848,749	5,728,813
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)**	**1,848,749**	**5,728,813**

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	1,026,413
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)	(4,276,918)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,848,749
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,848,748
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	0.43

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 calculation does not take into account the quarter-to-quarter variation in expenditure e.g. one off upfront new clinical trial commitments nor funding from Research and Development tax incentives etc.

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, post quarter, the Company received a cash receipt of A$6.21m comprised of the Australian Govt. R&D Tax incentive and an advance payment from Radium Capital as a proportion of the Company's FY23 R&D applicable expenditure. The Company is in regular engagement with local and overseas funding 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 received an advance R&D payment from Radium Capital of $1.9m on 24th January 2023 and a further $4.3m from the Australian Taxation Office as a Research and Development tax incentive on 25th January 2023.

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: 30 January 2023

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.