Recce Pharmaceuticals
recce.com.au
ACN 124 849 065

Quarterly Cash Flow Statement & Operational Highlights

Highlights:

- **CMAX Research Facility selected for Phase I/II Urinary Tract Infection Clinical Trial**
- **Family 3 Patent to be granted in Australia for "Anti-Virus Agent and Method for Treatment of Viral Infection"**
- **RECCE® Trademark No. 306020153 Issued in Hong Kong**
- **A$6.21m received from R&D rebate payments**

SYDNEY Australia, 28 April 2023: Recce Pharmaceuticals Ltd (**ASX:RCE**, **FSE:R9Q**) (the **Company**), the Company developing a New Class of Synthetic Anti-infectives, today released its March 2023 quarter results and operational highlights.

Financial Update

The Company ended the quarter with a cash balance of $3.99 million. Net cash outflows from operating activities were $0.22 million, with Research and Development ($1.986 million) being the largest item of expenditure supporting ongoing human clinical trials, and the advancement of ongoing pre-clinical studies. Payments to related parties (Executive & Director fees) was ($0.63 million).

Cash balance at time of writing (28 April 2023) is $4.61m and anticipate an additional non-dilutionary R&D Rebate in near weeks.

A$6.21m Received from R&D Rebate Payments

The Company announced a total cash receipt of **A$6,219,241** consisting of two payments, one from the Australian Tax Office for the year ending 30 June 2022 and another from Radium Capital as a proportion of the Company's FY23 (1 July 2022 - 30 November 2023) R&D applicable expenditure.

The **A$4,311,202** received from the Australian Tax Office reflects the Company's expanded pre-clinical and clinical R&D activities undertaken locally and overseas during FY22, with the funds provided to the Company in cash, caveat free.

The advance payment of **A$1,908,039** received from Radium Capital, reflects quarterly R&D expenditure during the 1st July – 30th November FY23 period. The Company may utilise Radium's services to access up to 80 per cent of the anticipated R&D rebate.

Operational Highlights

CMAX Research Facility selected for Phase I/II Urinary Tract Infection Clinical Trial

The Company announced it has selected South Australia's CMAX Clinical Research as the independent trial facility to conduct a Phase I/II intravenous (I.V.) clinical trial of its lead pipeline candidate RECCE® 327 (R327) in healthy male and female subjects.

The trial will look to evaluate and assess R327 as an intravenous dose at faster infusion rates (**15 minutes and 30 minutes**) across three cohorts (approximately **12 participants**). Plasma and urine will be collected at various time points during and following dosing to evaluate R327's concentrations and antibacterial effect in the urine on various bacterial strains.

Conducted independently, a separate *in-vitro* study demonstrated R327 in the presence of human urine was able to have a fast effect against *E. coli*, achieving a 6-log reduction in just 15 minutes. Starting from comparatively low concentrations, R327 was shown to be irreversible (bacteria could not be revived post-treatment). *E. coli* is responsible for causing (approximately) 90% of UTIs[1], with the most common mode of entry into the bloodstream via the urinary tract ('urosepsis'), which accounts for 30% of sepsis infections[2].

Australian Patent to be Granted for RECCE® Anti-Infectives

The Company announced the Australian Patent Office had issued notification of intent to grant Recce's Patent Family 3 for "Anti-Virus Agent and Method for Treatment of Viral Infection".

[1] https://www.ucsfhealth.org/conditions/urinary-tract-infections
[2] https://bmcinfectdis.biomedcentral.com/articles/10.1186/s12879-022-07538-5

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ACN 124 849 065

Chief Executive Officer
James Graham
Recce Pharmaceuticals Ltd
james.graham@recce.com.au

Media and Investor Relations

Australia
Andrew Geddes
CityPR
+61 408 677 734
ageddes@citypublicrelations.com.au

USA
Jordyn Temperato
LifeSci Communications
jtemperato@lifescicomms.com

Europe
Guillaume van Renterghem
LifeSci Advisors
gvanrenterghem@lifesciadvisors.com

The Australian Patent claims relating to RECCE® 327 (R327) and Anti-Viral formulation RECCE® 529 (R529), most notably:

- Composition/method of manufacture of RECCE® anti-infectives
- Use of R327 or R529 for the treatment of viruses having a lipid envelope or coat, examples being SARS-CoV-2 and Corona viruses, Influenza viruses, HIV, Hepatitis, Ross River and Herpes viruses
- Administration of R327 or R529 by oral, injection, inhalation and transdermal dose applications

This is the **final patent of Family 3** (expiry, November 2037), following those already granted in the biggest pharmaceutical markets in the world such as United States, China, Japan, Europe and Hong Kong.

RECCE® Trademark Registered in Hong Kong

The Company has been issued a trademark for RECCE® from the Trademarks Registry Intellectual Property Department in Hong Kong. Trademark No. 306020153 has been issued for the RECCE® mark and is classified under the following class(es) and specification(s):

Class 5

- Antibiotics
- Antibiotics for human use
- Pharmaceutical preparations, namely mixed antibiotic preparations

The pharmaceutical market in Hong Kong is valued at USD $2.3 billion, with rising demand for chronic disease treatment.[3]

Investor Relations Activities

Recce Pharmaceuticals CEO, James Graham, presented at Wholesale Investor Emergence conferences in Sydney and London as part of ongoing investor outreach and engagement. The Company has also established an Investor Hub to increase communications with investors and existing shareholders. It is a platform where you can engage with interactive announcements through likes, questions, and comments.

[3] https://www.pacificbridgemedical.com/target-asian-markets/hong-kong-medical-market/

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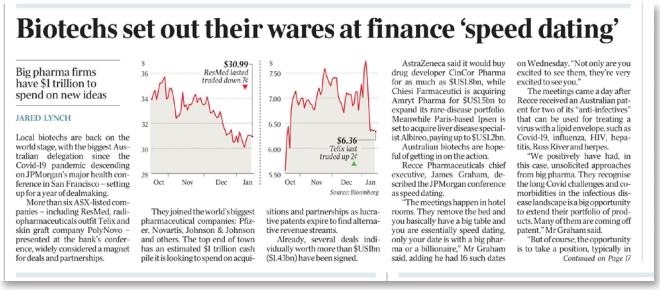
In January, the Company was represented at the 41st Annual J.P. Morgan Healthcare Conference, the largest global healthcare investment symposium. Following the success of this event, key coverage was received in major media outlets including The Australian and the Australian Financial Review.

CEO, James Graham Presenting at Wholesale Investor Emergence - Sydney



Biotechs set out their wares at finance 'speed dating'

Big pharma firms have $1 trillion to spend on new ideas

JARED LYNCH

Local biotechs are back on the world stage, with the biggest Australian delegation since the Covid-19 pandemic descending on JPMorgan's major health conference in San Francisco – setting up for a year of dealmaking.

More than six ASX-listed companies – including ResMed, radiopharmaceuticals outfit Telix and skin graft company PolyNovo – presented at the bank's conference, widely considered a magnet for deals and partnerships.

$30.99 ResMed lasted traded down 2c

$6.36 Telix last traded up 2c

Source: Bloomberg

They joined the world's biggest pharmaceutical companies: Pfizer, Novartis, Johnson & Johnson and others. The top end of town has an estimated $1 trillion cash pile it is looking to spend on acquisitions and partnerships as lucrative patents expire to find alternative revenue streams.

Already, several deals individually worth more than $US1bn ($1.43bn) have been signed.

AstraZeneca said it would buy drug developer CinCor Pharma for as much as $US1.8bn, while Chiesi Farmaceutici is acquiring Amryt Pharma for $US1.5bn to expand its rare-disease portfolio. Meanwhile Paris-based Ipsen is set to acquire liver disease specialist Albireo, paying up to $US1.2bn.

Australian biotechs are hopeful of getting in on the action.

Recce Pharmaceuticals chief executive, James Graham, described the JPMorgan conference as speed dating.

"The meetings happen in hotel rooms. They remove the bed and you basically have a big table and you are essentially speed dating, only your date is with a big pharma or a billionaire," Mr Graham said, adding he had 16 such dates on Wednesday. "Not only are you excited to see them, they're very excited to see you."

The meetings came a day after Recce received an Australian patent for two of its "anti-infectives" that can be used for treating a virus with a lipid envelope, such as Covid-19, influenza, HIV, hepatitis, Ross River and herpes.

"We positively have had, in this case, unsolicited approaches from big pharma. They recognise the long Covid challenges and co-morbidities in the infectious disease landscape is a big opportunity to extend their portfolio of products. Many of them are coming off patent." Mr Graham said.

"But of course, the opportunity is to take a position, typically in

Continued on Page 17

The Australian, Published 16 January 2023

Looking Ahead

The Company is encouraged by the advancements made in its clinical trial programs, with a key highlight being the facility selection of the Phase I/II I.V. UTI Clinical Trial. Important operational steps are being taken towards long-term objectives and goals.

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	March 2023

Consolidated statement of cash flows		**Current quarter**	**Year to date (9 months)**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) research and development	(1,986,271)	(6,795,187)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(688,346)	(2,694,695)
	(f) administration and corporate costs	(1,485,416)	(3,476,753)
1.3	Dividends received (see note 3)		-
1.4	Interest received	19,396	58,219
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	4,361,202	4,361,202
1.8	Other (legal dispute settlement)	-	(1,428,334)
1.9	**Net cash from / (used in) operating activities**	**220,565**	**(9,975,548)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(20,886)	(25,335)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter	Year to date (9 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)	5,387	400,121
2.6	**Net cash from / (used in) investing activities**	**(15,499)**	**374,786**

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	29,400	102,043
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	1,907,240	1,907,240
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**	**1,936,640**	**2,009,283**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,848,749	11,581,933
4.2	Net cash from / (used in) operating activities (item 1.9 above)	220,565	(9,975,548)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(15,499)	374,786
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,936,640	2,009,283

Consolidated statement of cash flows		Current quarter	Year to date (9 months)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**3,990,455**	**3,990,455**

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	3,990,455	1,848,749
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)**	**3,990,455**	**1,848,749**

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	633,881
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)	220,565
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,990,455
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,990,455
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	N/A

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:

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:

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:

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: 28/04/2023 .....

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.