Quarterly Cash Flow Statement & Operational Highlights

Highlights:

- **Human Research Ethics Committee approval to start Phase I/II (I.V.) Clinical Trial**
- **Phase I/II (I.V.) UTI Clinical Trial site expansion and Human Research Ethics Committee approval received**
- **Diabetic Foot Infection Clinical Trial - outpatient nurses awarded and on-boarded from leading healthcare provider Ascott**
- **New Family 4 Patent to be granted for RECCE® anti-Infectives by Australian Patent Office**
- **RECCE® Trademark Registered in Israel from the Israeli Patent Office, Trademarks Department**
- **CEO, James Graham, Increases Shareholding by 500,000 Shares (A$306,871.75)**
- **Further A$973,144 R&D Advance Received (A$3,682,787 total)**
- **WA Government Sponsorship for BIO Korea 2023**

SYDNEY Australia, 31 July 2023: Recce Pharmaceuticals Ltd (**ASX:RCE**, **FSE:R9Q**) (the **Company**), the Company developing a New Class of Synthetic Anti-infectives, today released its June 2023 quarter results and operational highlights.

Financial Update

The Company ended the quarter with a cash balance of $1.562 million. Net cash outflows from operating activities were ($3.337 million), with Research and Development ($2.43 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 ($0.83 million).

The Company is thrilled with the status of its clinical programs, the local and international opportunities before it. As outlined in section 8.6 of the attached Appendix 4C, the Company will look to raise capital in the range of $12-15m during the present quarter and will update the market on such a raising at the appropriate time. The quantum indicated reflects 12-18 months

cash runway on a full-committed basis; in no way reflective of wider capital opportunities available to it.

Further A$973,144 Received from R&D Rebate Advance

The Company announced further non-dilutive funds from Radium Capital (Radium) for A$973,144 of Recce's future Research and Development (R&D) tax incentive. The advance payment of A$973,144 received from Radium Capital, represents an accountant verified proportion of its December-February FY23 R&D applicable expenditure. Total R&D Advance approximately A$3,682,787 for FY23.

The Australian Government's 43.5% Research & Development Tax Incentive rebate is typically reserved for Australian-based R&D only however, also has the ability to capture 43.5% of R&D applicable activities overseas as well (as reflected in this rebate).

James Graham, CEO, Increases Shareholding by 500,000 Shares (A$306,871.75)

As announced, 26 June 2023, the Company advised that Recce Pharmaceuticals, Chief Executive Officer, James Graham had increased his shareholding through the on-market purchase of an additional 500,000 shares totalling AUD $306,871.75.

Operational Highlights

Ethics Approval Received to Start Phase I/II Clinical Trial of RECCE® 327

The Company announced it had received Human Research Ethics Committee (HREC) approval to start its Phase I/II intravenous (IV) clinical trial of its lead pipeline compound RECCE® 327 (R327) in healthy male and female subjects.

The Phase I/II trial will look at assessing R327 as an intravenous dose at faster infusion rates across three cohorts. During and following dosing, plasma and urine will be collected to evaluate R327's antibacterial and concentration effects.

RECCE® 327 Faster Infusion Phase I/II Clinical Trial Site Expansion – Additional Ethics Approval Received

The Company announced it had received approval from the Human Research Ethics Committee (HREC) to expand its Faster Infusion, Phase I/II Urinary Tract Infections (UTI)

intravenous clinical trial of its lead product, RECCE® 327 (R327), to Scientia Clinical Research. Human Research Ethics Committee approval allows for further dosing at Scientia Clinical Research, broadening patient population across multiple facilities.

Scientia Clinical Research is an FDA audited world-class clinical trials facility in Sydney, New South Wales, Australia, specialising in first-in-human and first-in-patient studies, as well as single and multiple dose studies, food effect studies, drug interaction studies, ethnopharmacology, formulation studies. It is co-located in a major research precinct with Prince of Wales Hospital, Royal Hospital for Women, University of New South Wales and the Lowy Cancer Research Centre.

Diabetic Foot Infections Clinical Trial Update Outpatient Nurses Appointed

The Company announced it has awarded and on-boarded outpatient nurses from leading healthcare provider Ascott (an IQVIA Company) broadening the Company's Diabetic Foot Infection (DFI) trial patient population.

The Phase I/II clinical trial is a prospective, interventional study assessing the safety and efficacy of R327 as a broad-spectrum, topical anti-infective treatment for patients with mild skin and soft tissue diabetic foot infections.

The Company is exploring R327 as a treatment for DFI. In the United States, 14-24% of patients with diabetes who develop a foot ulcer will require an amputation, and foot ulceration precedes 85% of diabetes-related amputations[1]. Treating diabetic foot diseases in the United States costs US$9-13 billion every year[2].

New Family 4 Patent to be Granted for RECCE® Anti-Infectives

The Company announced the Australian Patent Office issued notification of intent to grant the first of Recce's new Patent Family 4 for RECCE's anti-infectives "Process for Preparation of Biologically Active Copolymer", expiry 2041.

The Australian Patent claims relate to RECCE® 327 (R327) and RECCE® 529 (R529), most notably:

[1] *https://surgery.ucsf.edu/conditions--procedures/diabetic-foot-ulcers.aspx*
[2] *https://pubmed.ncbi.nlm.nih.gov/27585063/*

recce.com.au
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

- Process for preparation of RECCE® anti-infectives.
- Use of R327/R529 for the treatment of disease, particularly in treatment of bacterial infections, viral infections and more.
    - Specifically, further validating RECCE® anti-infectives from studies in Burn Wounds, Urinary Tract Infections, Gonorrhoea, Influenza, SARS-CoV2 and more (bacterial/viral pathogen examples below)
- Administration by oral, inhalation, transdermal delivery or by injection (into the blood stream, intramuscular and/or intravenous).
- Administration may also be applied as an aerosol, gel, topical foam or ointment (or impregnated into a dressing for application to skin or mucous membranes for transdermal or transmucosal delivery).

This is the first of Recce's wholly-owned Family 4 patents accepted with Intention to Grant, with Patent Cooperation Treaty Country (PCT) patent submissions in respective stages of review.

RECCE® Trademark Registered in Israel

The Company announced it had been issued Trade Mark Registration for RECCE® from the Israeli Patent Office, Trademarks Department.

The International Trade Mark Registration No. 1289603, formally assigns Israeli Trademark No. 355216 for the RECCE® mark, classified under the following class(es) and specification(s):

Class 5

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

WA Government Sponsorship for BIO Korea 2023

The Company announced it had received sponsorship from the West Australian Government to attend BIO Korea 2023. The Company was selected as one of three West Australian companies to attend BIO Korea 2023 and participate in the Australian Biotech Mission. The sponsorship includes registration and participation fees, one-on-one meetings and VIP participation in networking events.

recce.com.au
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 conference was held on May 10-12, 2023 at COEX in Seoul, South Korea. In 2023, the conference had attendees from 51 countries, over 730 companies and 29,400 on-site visitors.

This announcement has been approved for release by Recce Pharmaceuticals Board.

recce.com.au
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

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	June 2023

Consolidated statement of cash flows		**Current quarter**	**Year to date (12 months)**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) research and development	(2,426,723)	(9,221,910)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(411,158)	(3,105,853)
	(f) administration and corporate costs	(510,682)	(3,987,435)
1.3	Dividends received (see note 3)		-
1.4	Interest received	12,047	70,266
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	4,361,202
1.8	Other (legal dispute settlement)	-	(1,428,334)
1.9	**Net cash from / (used in) operating activities**	**(3,336,516)**	**(13,312,065)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(13,298)	(38,633)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter	Year to date (12 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)	(51,442)	348,679
2.6	**Net cash from / (used in) investing activities**	**(64,741)**	**310,045**

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	-	102,043
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	972,380	2,879,620
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**	**972,380**	**2,981,663**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	3,990,455	11,581,933
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,336,516)	(13,312,065)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(64,741)	310,045
4.4	Net cash from / (used in) financing activities (item 3.10 above)	972,380	2,981,664

Consolidated statement of cash flows		Current quarter	Year to date (12 months)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**1,561,578**	**1,561,578**

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	1,561,578	3,990,455
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)**	**1,561,578**	**3,990,455**

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	830,108
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)	(3,336,516)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,561,578
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,561,578
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	0.47

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: Yes.

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: The Company will look to raise capital in the range of $12-15m during the present quarter and will update the market on such a raising at the appropriate time. The Company has been successful in raising equity funds through the issue of new shares in the past and the Directors believe that based on past experience, any such raising will be successful.

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. As detailed in the response to question 8.6.2, the Company believes that a successful raising of funds will assist the business to continue its operations and to meet its strategic business objectives.	

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: **31 July 2023**

Authorised 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.