

## ASX Announcement

# Quarterly Cashflow Statement and Report

30 July 2018

## Quarter highlights

- Meeting with US FDA and clinical trial protocol explored
- Q4 expenditure less than forecast; net gain on additional \$861,590 R&D rebate
- Patents Families Two and Three Advancing (exp 2034)
- More US legislation to support antibiotic development
- R&D tax incentive expected in Q1 FY 19; on-going R&D funding available

## Summary of key operating developments

In May, the Company met with a 13-member panel of the FDA's Division of Anti-Infective Products, where it received formal guidance on its clinical and regulatory pathways in the US for its lead antibiotic compound RECCE<sup>®</sup> 327, aimed at addressing the urgent global health issue of antibiotic resistance (superbugs).

As part of recent discussions with the FDA, a simplified protocol for a first-in-human study to assess safety and tolerability was explored, as designed with the support of our clinical advisors and regulatory advisors PAREXEL International, responsible for supporting 95% of the world's top 200 selling pharmaceuticals.

Extensive work continues in collaboration with US based polymer experts, with the view to broadening the understanding of the chemical structure and composition of RECCE<sup>®</sup> 327. The insights and data are expected to further expand our intellectual property portfolio and support the Company's regulatory program.



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## Intellectual Property – Patent Family Advances

Recce's intellectual property portfolio continues to expand with patent families two and three, comprising of 15-30 monopolising claims, advancing in their formal examinations. Protecting our intellectual property remains a key focus and we continue to work closely with local and international patent examiners through our respective patent attorneys.

### Patent Family 2 – Multi Drug Applications (Expiry 2034)

- Australian, Europe and US Patent Applications in Advanced stages of review
- Patent Co-operation Treaty countries pending

### Patent Family 3 – Anti-viral Applications (Expiry 2034)

- Japanese Patent Application entered National Phase
- Patent Co-operation Treaty countries pending

## US Legislative Support of Antibiotic Development

The US Right-to-Try Act was passed in the US during the quarter, designed to give all patients with life threatening diseases immediate and direct access to potentially lifesaving drugs after they have completed Phase I clinical trials, and years ahead of formal marketing approval. The new legislation mitigates the possibility of up to weeks of procedural delay in what was previously termed 'Compassionate Use' cases, potentially resulting in improved patient outcomes, with reduced risk to those providing them. Whilst this legislation does not affect the Company's business at present, it is nevertheless further evidence of the evolving favourable regulatory environment in the US - the largest antibiotic market in the world, aimed at expediting new drugs with lifesaving potential.

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For further information please visit [www.recce.com.au](http://www.recce.com.au) or contact:

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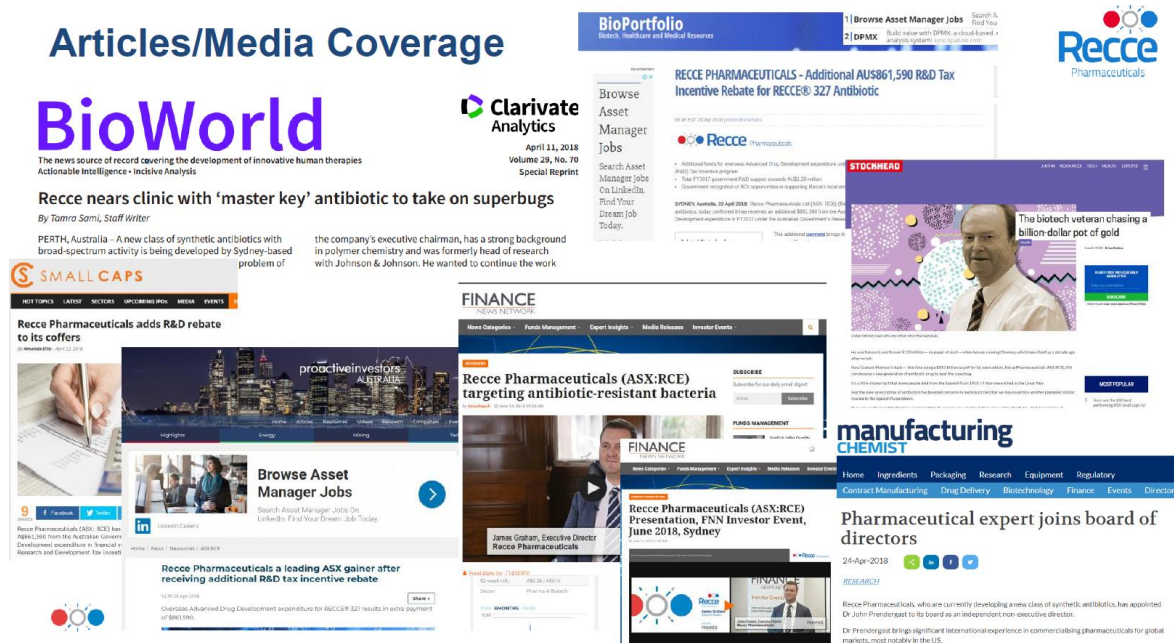
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## Shareholder engagement

We continue to expand our engagement with potential investors and the wider business community. Our business and strategy continued to receive coverage in a number of local and international trade publications as well as a number of investor newsletters. Growing awareness is evidenced with an increased interest in our social media profiles, which have more than doubled during the quarter.

## Articles/Media Coverage



A concerted effort is being made to educate the investment community on our anticipated developmental pathway, following recent guidance on the topic from the FDA, as can be viewed on our [website](http://www.recce.com.au).

## Financial update

Cash outflows for the period were \$18k under budget for the quarter. The Company expects total cash outflows over the present quarter to be \$284k, as it continues its data driven focus. An R&D tax refund during the quarter of approximately \$644k is expected

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In seeking to maintain flexibility in the balance sheet during what is expected to be the finalisation of pre-clinical activities, the Company anticipates it will receive quarterly R&D advances from the end of FYQ1 2019, against R&D incurred during the period, through Radium Capital. The negotiated terms would ensure that beyond repayment through receipt of a future government R&D rebate, there would be no covenants against any Company business assets or intellectual properties, with a finance carry rate of only 1.25% per month, repayable without fee at any time - on monies as and when they may be requested.

The Board believes this competitive solution represents greater value to shareholders at this stage of our development compared to the traditional discount to equity market model for the time being.

The net cash gain during the quarter was due to receipt of an additional \$861,590 from the Australian Government, for Advanced Drug Development expenditure under the Research & Development Tax Incentive program. It comes as part of the Company's advanced finding awarded by Innovation and Science Australia under s28A and 28C of the Industry Research & Development Act.

The program allows Recce to recoup 43.5 per cent of its international R&D expenditure for FY17/18/19 – above and beyond what may have otherwise only been available on R&D conducted locally.

Executive Chairman Dr Graham Melrose said, “Recce appreciates the support and acknowledgement of our work by the Australian Government as we seek to address the very urgent challenge posed by the increase in antibiotic resistance in Australia and globally.”

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## 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 2018

| Consolidated statement of cash flows |                                                       | Current quarter<br>\$A | Year to date<br>(12 months)<br>\$A |
|--------------------------------------|-------------------------------------------------------|------------------------|------------------------------------|
| <b>1.</b>                            | <b>Cash flows from operating activities</b>           |                        |                                    |
| 1.1                                  | Receipts from ATO                                     | 861,591                | 1,288,518                          |
| 1.2                                  | Payments for                                          |                        |                                    |
|                                      | (a) research and development                          | (471,694)              | (1,747,526)                        |
|                                      | (b) product manufacturing and operating costs         | -                      | -                                  |
|                                      | (c) advertising and marketing                         | -                      | -                                  |
|                                      | (d) leased assets                                     | -                      | -                                  |
|                                      | (e) staff costs                                       | (80,768)               | (258,055)                          |
|                                      | (f) administration and corporate costs                | (142,097)              | (1,018,754)                        |
| 1.3                                  | Dividends received (see note 3)                       | -                      | -                                  |
| 1.4                                  | Interest received                                     | 2,852                  | 12,015                             |
| 1.5                                  | Interest and other costs of finance paid              | (3,478)                | (8,518)                            |
| 1.6                                  | Income taxes paid                                     | -                      | -                                  |
| 1.7                                  | Government grants and tax incentives                  | -                      | -                                  |
| 1.8                                  | Other (provide details if material)                   | -                      | -                                  |
| <b>1.9</b>                           | <b>Net cash from / (used in) operating activities</b> | <b>166,406</b>         | <b>(1,732,320)</b>                 |
| <b>2.</b>                            | <b>Cash flows from investing activities</b>           |                        |                                    |
| 2.1                                  | Payments to acquire:                                  |                        |                                    |
|                                      | (a) property, plant and equipment                     | (7,403)                | (177,758)                          |
|                                      | (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)                   | -                      | -                                  |
| <b>2.6</b>                           | <b>Net cash from / (used in) investing activities</b> | <b>(7,403)</b>         | <b>(177,758)</b>                   |

| Consolidated statement of cash flows |                                                                             | Current quarter<br>\$A | Year to date<br>(12 months)<br>\$A |
|--------------------------------------|-----------------------------------------------------------------------------|------------------------|------------------------------------|
| 3.                                   | Cash flows from financing activities                                        |                        |                                    |
| 3.1                                  | Proceeds from issues of shares                                              | -                      | 1,496,500                          |
| 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                                                    | -                      | 34,310                             |
| 3.6                                  | Repayment of borrowings                                                     | (8,578)                | (31,451)                           |
| 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                              | (8,578)                | 1,499,359                          |

|     |                                                                       |         |             |
|-----|-----------------------------------------------------------------------|---------|-------------|
| 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        | 529,294 | 1,090,438   |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above)       | 166,406 | (1,732,320) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above)       | (7,403) | (177,758)   |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above)      | (8,578) | 1,499,359   |
| 4.5 | Effect of movement in exchange rates on cash held                     | -       | -           |
| 4.6 | Cash and cash equivalents at end of quarter                           | 679,719 | 679,719     |

|     |                                                                                                                                                                      |                        |                         |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-------------------------|
| 5.  | Reconciliation of cash and cash equivalents<br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter<br>\$A | Previous quarter<br>\$A |
| 5.1 | Bank balances                                                                                                                                                        | 679,719                | 529,294                 |
| 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)                                                                                            | 679,719                | 529,294                 |

|     |                                                                                                      |                        |
|-----|------------------------------------------------------------------------------------------------------|------------------------|
| 6.  | Payments to directors of the entity and their associates                                             | Current quarter<br>\$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 |                        |

| Consolidated statement of cash flows | Current quarter<br>\$A | Year to date<br>(12 months)<br>\$A |
|--------------------------------------|------------------------|------------------------------------|
|--------------------------------------|------------------------|------------------------------------|

|     |                                                                                                      |                        |
|-----|------------------------------------------------------------------------------------------------------|------------------------|
| 7.  | Payments to related entities of the entity and their associates                                      | Current quarter<br>\$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 |                        |
|     |                                                                                                      |                        |

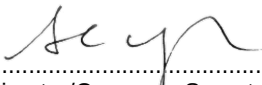
| 8.  | Financing facilities available<br><i>Add notes as necessary for an understanding of the position</i>                                                                                                                                                                                   | Total facility amount<br>at quarter end<br>\$A | Amount drawn at<br>quarter end<br>\$A |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|---------------------------------------|
| 8.1 | Loan facilities                                                                                                                                                                                                                                                                        | Nil                                            | Nil                                   |
| 8.2 | Credit standby arrangements                                                                                                                                                                                                                                                            | Nil                                            | Nil                                   |
| 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. |                                                |                                       |

|                                                                                                                                                                                               |                                                        |                |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|----------------|
| <b>9.</b>                                                                                                                                                                                     | <b>Estimated cash outflows for next quarter</b>        | <b>\$A'000</b> |
| 9.1                                                                                                                                                                                           | Research and development *                             | (821)          |
| 9.2                                                                                                                                                                                           | Product manufacturing and operating costs              | (85)           |
| 9.3                                                                                                                                                                                           | Advertising and marketing                              | -              |
| 9.4                                                                                                                                                                                           | PP & E                                                 | (2)            |
| 9.5                                                                                                                                                                                           | Staff costs                                            | (63)           |
| 9.6                                                                                                                                                                                           | Administration and corporate costs                     | (253)          |
| 9.7                                                                                                                                                                                           | Other (provide details if material) – R&D Tax rebate   | 644            |
| 9.8                                                                                                                                                                                           | Other (provide details if material) – Advanced Funding | 286            |
| 9.9                                                                                                                                                                                           | Other (provide details if material)                    | -              |
| <b>9.10</b>                                                                                                                                                                                   | <b>Total estimated cash flows</b>                      | <b>(294)</b>   |
| * 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 |                                                        |                |

|            |                                                                                            |                     |                  |
|------------|--------------------------------------------------------------------------------------------|---------------------|------------------|
| <b>10.</b> | <b>Acquisitions and disposals of business entities<br/>(items 2.1(b) and 2.2(b) above)</b> | <b>Acquisitions</b> | <b>Disposals</b> |
| 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 2018  
(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.