ASX Announcement

Recce Pharmaceuticals
recce.com.au
ACN 124 849 065

Quarterly Cashflow Statement and Report

Quarter highlights

- Submitted R&D Claim
- Patent Advances and Trademark awarded in China
- Finalist in WA Innovator of the Year Awards
- Capital Update
- World Anti-Microbial Congress USA
- Healthcare Day Singapore

Sydney, Australia, 31 October 2018: Recce Pharmaceuticals Ltd (ASX:RCE), the company developing a new class of synthetic antibiotics, today reported its 30 September 2018 quarter results, $29,379 ahead of budget.

Research and Development Claim

As part of the advanced finding, the Company extended the 43.5% cash rebate to include overseas antibiotic development expenditure. This October the Company received their research and development (R&D) claim of $679,624 for FY18 from the Australian Government for Local and Overseas R&D. Prior to receiving the refund, the Company received $543,699 as an advanced payment from Radium Capital as part of their agreement. The pre-payment from Radium Capital has been fully repaid with a small amount of A$3,851 interest.

International Patents and Trademarks

Recce continues to strengthen and expand their intellectual portfolio (IP) with additional patents and trademarks in Asia-Pacific. IP remains an important commercial focus in the protection of our new class of antibiotic technology.

<u>Patent Family 3 – Anti-virus agent and method for treatment of viral infection (Expiry 2035)</u>

- China patent application currently before examiners and offered to extend patent coverage to include Hong Kong
- Application now published in the Chinese Patent Gazette

The advance on our patents in China and Hong Kong directly correlates with our newly awarded Trademark Registration of 'REKKI' in China. US and Europe Patent Applications are currently in the advanced stages of review and expect to be granted in near months.

Finalist in category of WA Innovator of the Year Awards

We have been selected as a finalist in the Business News ‘Great for State’ Encouragement Award as part of the 2018 WA Innovator of the Year program. The ‘Great for State’ award is given to a WA applicant that has developed an outstanding innovation which raises the profile of WA and contributes to developing WA's reputation as an innovative and pioneering state.

The Company was chosen by a panel of industry specialists who assessed thousands of applications for this award. With free entry into this competition, the Company will attend the awards ceremony on the 7th November where there is a possibility of winning $10,000.

Capital Update

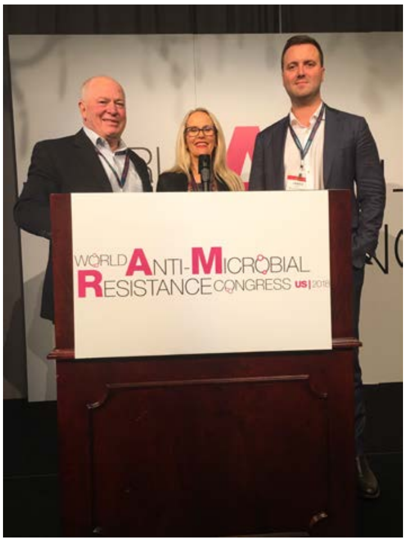
During the month of October, the Company entered into a controlled placement deed (CPD) with Acuity Capital. Acuity Capital provides At-the-Market (ATM) capital management solutions to ASX listed companies. ATMs optimise the cost of capital by mitigating risk and allowing companies to capitalise on opportunities. The CPD provides Recce with up to $3 million of standby equity capital over a 26 month period.

Recce retains **full control** of all aspects of the placement process: having sole discretion as to whether or not to utilise the CPD, the quantum of issued shares, the minimum issue price of shares and the timing of each placement tranche (if any).

There are no requirements on Recce to utilise the CPD and may wish to terminate the CPD at any time, without cost or penalty. Acuity Capital and the CPD **do not place any restrictions** at any time on Recce raising capital through other methods.

World Anti-Microbial Resistance Congress USA 2018

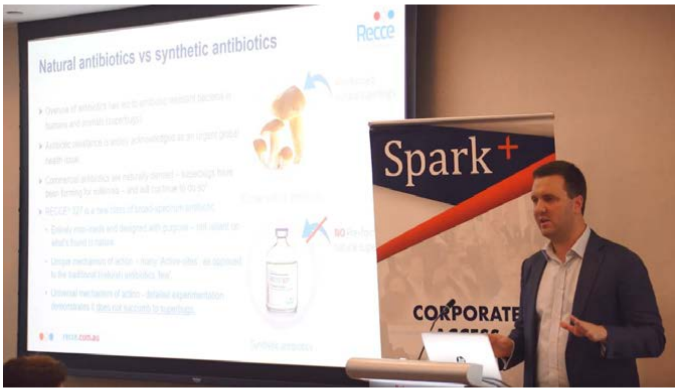
Post-quarter the Company attended a leading conference on Anti-Microbial Resistance (superbugs) where it engaged in range of meetings with key opinion leaders of big Pharma, Government, Hospital, Private/Public Investment and Social Enterprise.



Left-to-right: Dr John Prendergast (Non-Executive Director), Michele Dilizia (Executive Director), James Graham (Executive Director)

Singapore Healthcare Investor Day 2018

The Company presented in Singapore at the Healthcare Investor day hosted by Spark Plus 12th September 2018, which featured three other healthcare specific listed-companies on the Australian Stock Exchange. Executive Director James Graham presented in front of a room of over 50 investors from a range of hedge funds, institutional and accredited groups.



James Graham (Executive Director) presenting at the Healthcare Investor Day 2018)

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	**Quarter ended ("current quarter")**
73 124 849 065	September 2018

Consolidated statement of cash flows			**Current quarter $A**	**Year to date (3 months) $A**
1.	**Cash flows from operating activities**			
1.1	Receipts from ATO		542,930	542,930
1.2	Payments for			
	(a)	research and development	(541,770)	(541,770)
	(b)	product manufacturing and operating costs	-	-
	(c)	advertising and marketing	-	-
	(d)	leased assets	-	-
	(e)	staff costs	(62,961)	(62,961)
	(f)	administration and corporate costs	(244,260)	(244,260)
1.3	Dividends received (see note 3)		-	-
1.4	Interest received		1,506	1,506
1.5	Interest and other costs of finance paid		(6,851)	(6,851)
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**		**(311,406)**	**(311,406)**

2.	**Cash flows from investing activities**			
2.1	Payments to acquire:			
	(a)	property, plant and equipment	(73,421)	(73,421)
	(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)		-	-
2.6	**Net cash from / (used in) investing activities**		**(73,421)**	**(73,421)**

Consolidated statement of cash flows		**Current quarter $A**	**Year to date (3 months) $A**
3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	-	-
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	-	-
3.6	Repayment of borrowings	(2,859)	(2,859)
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**	**(2,859)**	**(2,859)**

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	679,719	679,719
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(311,406)	(311,406)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(73,421)	(73,421)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2,859)	(2,859)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of quarter**	**292,033**	**292,033**

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	292,033	679,719
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)**	292,033	679,719

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	153,344
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 $A	Year to date (3 months) $A

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 *Add notes as necessary for an understanding of the position*	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
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 *****	(802)
9.2	Product manufacturing and operating costs	(83)
9.3	Advertising and marketing	-
9.4	PP & E	(114)
9.5	Staff costs	(63)
9.6	Administration and corporate costs	(196)
9.7	Other (provide details if material) – R&D Tax rebate	-
9.8	Other (provide details if material) – Advanced Funding	200
9.9	Other (provide details if material)	2,500
9.10	**Total estimated cash flows**	**1,442**
	* 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: 31 October 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.