Recce
Targeting Superbugs

recce.com.au
ACN 124 849 065

ASX ANNOUNCEMENT

Quarterly Update and Cash Flow Statement

Highlights:

Key developments during the past three months

- **Recce reports encouraging anti-viral activity for lead compound RECCE® 327**
- **Progress towards establishment of Sydney manufacturing facility**

Sydney, New South Wales, 30 January 2017 – Recce Ltd (ASX: RCE), a pre-clinical-stage pharmaceutical company engaged in the development of a new class of synthetic antibiotics to treat serious infections, is pleased to share an update on activities.

Financial and operational update

Recce is making good progress towards its stated goal of initiating Phase I human clinical trials for its lead candidate RECCE® 327 as a therapy for drug resistant sepsis.

The Company remains in a positive cash position with $2.3 million in cash in the bank at 31 December 2016.

The current cash balance should be sufficient to upgrade our laboratory facility in Perth and further develop our manufacturing facility in Sydney, necessary for quality assurance according to US Food and Drug Administration (FDA) requirements for anticipated clinical trials in 2017.

R&D expenditure for the quarter was $266,787, representing a decrease of 34 per cent from the previous quarter – lower than anticipated, due to tight scheduling at CRO's in USA.

We expect this figure to increase as it is a direct reflection of our activities and engagement with multiple suppliers who are helping to create the foundations for our ongoing pre-clinical programs to establish safety and efficacy of RECCE® 327.

Aside from the decrease in R&D expenditure, all other operating expenses remain at a similar level as the previous quarter.

Industry developments

The issue of antibiotic resistance continues to make news. Most recently big pharmaceutical companies have initiated a major push to establish a global alliance to fight antibiotic-resistant superbugs.

Drug-resistant bacteria are becoming a huge threat and governments must support pharmaceutical companies in developing new treatments.

Pharmaceutical giants including GlaxoSmithKline and Merck are teaming up with other healthcare companies to accelerate the development of drugs for "superbug" infections that are resistant to existing antibiotic treatments.

The Declaration on Combating Antimicrobial Resistance, announced at the World Economic Forum in Davos recently was signed by 85 companies in the pharmaceutical, diagnostic, biotech and generic sectors, along with nine industry associations.

The coalition wants to develop principles for better use of antibiotics globally and lobby governments to support the development of new drugs, vaccines and diagnostics.

At least 2 million people in the US alone are infected by bacteria that are resistant to common antibiotics and 23,000 die each year, according to the Centers for Disease Control and Prevention, based in Atlanta, Georgia.

While public health experts say the risk from infections has been growing, the pipeline of new antibiotics to treat drug-resistant “superbugs” hasn’t kept pace.

Recce is encouraged to see such a broad range of companies committing to this declaration and serves to reinforce our focus and efforts to bring our promising new synthetic antibiotic platform to market as soon as possible.

Interest in the potential for our proprietary synthetic antibiotic technology platform is growing as demand grows for solutions to the growing problem of antibiotic resistance.

We believe the business is well positioned to continue to make excellent progress and we are grateful for the ongoing support of our shareholders.

Dr Graham Melrose
Executive Chairman

January 2017

For further information please visit www.recce.com.au or contact:

Investor Relations
Peter Williams
CFO & Company Secretary
Recce Ltd
Tel: +61 8 9253 9800

Media (Australia)
Andrew Geddes
Tel: +61 (0)408 677 734
E: ageddes@citypublicrelations.com.au

Media (International)
Sue Charles/Daniel Gooch
Tel: +44 (0)20 7866 7905
E: Sue.Charles@instinctif.com

About Recce Ltd

Recce Ltd (ASX: RCE) is a world-leader in synthetic-polymer antibiotics. The RECCE® antibiotics have been synthesized by an extremely economic method.

RECCE® antibiotics have shown in laboratory tests that they have continued activity against bacteria, including superbugs, even after repeated use.

Recce is positioned to achieve milestones in both pre-clinical trials for FDA purposes, and the development of the manufacture of RECCE® 327.

The discovery of RECCE® 327’s capabilities against cancer and viruses (as well as bacteria-superbugs) has greatly increased the value of the Company’s technology, especially in view of the synergism between antibiotic/anti-cancer properties and anti-viral/anti-cancer properties.

Recce has granted patents in Australia, United States, Europe, Japan and China – giving it legal monopolies, and potential financial returns, from manufacture and distribution of its products in about 80% of the world’s pharmaceutical markets for antibiotics.

To receive the latest information on Recce - Subscribe here

+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 Ltd	
ABN	**Quarter ended ("current quarter")**
73 124 849 065	December 2016

Consolidated statement of cash flows		**Current quarter $A**	**Year to date (6 months) $A**
1.	**Cash flows from operating activities**		
1.1	Receipts from ATO	-	-
1.2	Payments for		
	(a) research and development	(216,787)	(625,511)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(184,406)	(349,553)
	(f) administration and corporate costs	(154,813)	(322,930)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	27,958	53,345
1.5	Interest and other costs of finance paid	(976)	(1,730)
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**	**(529,024)**	**(1,246,379)**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(18,329)	(26,022)
	(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**	**(18,329)**	**(26,022)**

Consolidated statement of cash flows		**Current quarter $A**	**Year to date (6 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	-	(6,978)
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**	**-**	**(6,978)**

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	2,859,356	3,591,382
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(529,024)	(1,246,379)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(18,329)	(26,022)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(6,978)
4.5	Effect of movement in exchange rates on cash held	-	
4.6	**Cash and cash equivalents at end of quarter**	**2,312,003**	**2,312,003**

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	2,312,003	2,859,356
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)**	2,312,003	2,859,356

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	310,904
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 (6 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**
9.1	Research and development	(893,510)
9.2	Product manufacturing and operating costs	-
9.3	Advertising and marketing	-
9.4	Leased assets	-
9.5	Staff costs	(146,349)
9.6	Administration and corporate costs	(133,920)
9.7	Other (provide details if material) – R&D tax incentive	117,347
9.8	**Total estimated cash outflows**	**(1,056,432)**

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: 30 January 2017
(~~Director/~~Company Secretary)

Print name: Peter Williams

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.