Recce Pharmaceuticals
recce.com.au
ACN 124 849 065

# Quarterly Cashflow Report

**Financial highlights:**

- Cash of $1.13 million with net cash burn to remain at AU$335,000 for the current quarter
- Successful Share Purchase Plan raised AU$946,500 from existing shareholders
- New York-based Australian Special Opportunity Fund doubles monthly investment to $100,000
- Australian R&D Rebate of AU$426,000 received.

**Operational highlights**

- US FDA Grant of Qualified Infectious Disease Product Designation (QIDP), a legal status under Generating Antibiotic Initiatives Now (GAIN) Act – labelling RECCE® 327 for Fast Track regulatory process and 10 years of exclusivity post approval
- Appointed Alistair McKeough, from McKeough & Whittens Lawyers as independent consultant Company Secretary
- Appointed Justin Reynolds of Pitcher Partners Sydney as independent consultant CFO.

Executive Chairman Dr Graham Melrose said, “We continue to manage our resources prudently and ended the reporting period in a sound financial position. With the support of our shareholders, employees and partners we are building a valuable Australian enterprise”.

**About Recce Pharmaceuticals Ltd**

Recce Pharmaceuticals Ltd (ASX: RCE) is pioneering the development and commercialisation of a new class of synthetic antibiotics with broad spectrum activity designed to address the urgent global health problem of antibiotic resistant superbugs. Its patented lead candidate known as RECCE® 327 has been developed for the treatment of blood infections and sepsis derived from *E. coli* and *S. aureus* bacteria – including their superbug forms. Pre-clinical testing in laboratories and animal models, in Australia and overseas has demonstrated positive results. Recce has a manufacturing facility in Australia and is developing clinical research partners in the USA. The Company has developed an automated process to manufacture its lead compound ahead of first-in-man clinical trials.

*+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 Limited

| **ABN** | **Quarter ended ("current quarter")** |
|---|---|
| 73 124 849 065 | December 2017 |

| **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 | 426,927 | 426,927 |
| 1.2 | Payments for | | |
| | (a) research and development | (332,717) | (581,150) |
| | (b) product manufacturing and operating costs | - | - |
| | (c) advertising and marketing | - | - |
| | (d) leased assets | - | - |
| | (e) staff costs | (186,556) | (418,267) |
| | (f) administration and corporate costs | (328,700) | (630,699) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | 3,530 | 5,754 |
| 1.5 | Interest and other costs of finance paid | (1,662) | (4,013) |
| 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** | **(419,718)** | **(1,201,448)** |
| **2.** | **Cash flows from investing activities** | | |
| 2.1 | Payments to acquire: | | |
| | (a) property, plant and equipment | (3,727) | (168,608) |
| | (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** | **(3,727)** | **(168,608)** |

| **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 | 1,246,500 | 1,396,500 |
| 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 | (8,795) | (14,513) |
| 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** | **1,237,705** | **1,416,297** |

| **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 | 321,879 | 1,090,438 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (419,178) | (1,201,448) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (3,727) | (168,608) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 1,237,705 | 1,416,297 |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| **4.6** | **Cash and cash equivalents at end of quarter** | **1,136,679** | **1,136,679** |

| **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 | 1,136,679 | 321,879 |
| 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)** | 1,136,679 | 321,879 |

| **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 | 125,651 |
| 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'000** |
|---|---|---|
| 9.1 | Research and development * | (400) |
| 9.2 | Product manufacturing and operating costs | (120) |
| 9.3 | Advertising and marketing | (50) |
| 9.4 | PP & E | (120) |
| 9.5 | Staff costs | (75) |
| 9.6 | Administration and corporate costs | (300) |
| 9.7 | Other (provide details if material) – Funding from ASOF | 300 |
| 9.8 | Other (provide details if material) – R&D Tax rebate | 430 |
| 9.9 | Other (provide details if material) | - |
| **9.10** | **Total estimated cash flows** | **(335)** |

* 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 January 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.