

ASX Appendix 4D

Half-Year Financial Report to 31 December 2021

1. Details of reporting period

Name of Entity	Race Oncology Limited ("the Company")
ABN	61 149 318 749
Reporting Period	31 December 2021
Previous Corresponding Period	31 December 2020

2. Results for announcement to the market

Key information	31 December 2021	31 December 2020	Increase/ (decrease)	Amount change \$
Revenues from ordinary activities	-	-	-	-
Loss for the half-year	(4,821,847)	(2,059,989)	134%	(2,761,858)
Total net loss for the half-year attributable to members	(4,821,847)	(2,059,989)	134%	(2,761,858)
		Amount Per Security		Franked Amount Per Security
Final Dividend		Nil		Nil
Interim Dividend		Nil		Nil
Previous Corresponding Period		Nil		Nil
Record Date for Determining Entitlements		Not Applicable		

For further information, refer to the review of operations contained in the directors' report, which forms part of the attached condensed consolidated financial statements.

3. Net tangible asset backing

	31 December 2021	31 December 2020
Net tangible backing per ordinary security	23.69 cents	4.36 cents

4. Details of entities over which control has been gained or lost during the period

N/A

5. Details of Dividends

No dividend has been paid or recommended to be paid for the half-year ended 31 December 2021.

6. Details of dividend reinvestment plans

N/A

7 Details of associate and joint venture entities

N/A

8. Foreign entities

On 6 October 2017, the Company incorporated a new subsidiary in Belgium, (**Race Oncology, Company Number 0682664917**). There have been no significant financial transactions through the subsidiary at 31 December 2021.

9. Audit

This report has been based on accounts that have been subject to an audit review. There are no items of dispute with the auditor and the audit review is not subject to qualification.

Authorised for release by the Board



Phillip Lynch
Managing Director

25 February 2022

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CORPORATE DIRECTORY

Directors

John Cullity – Non-Executive Chairman
Phillip Lynch – Managing Director and Chief Executive Officer
Daniel Tillett – Executive Director and Chief Scientific Officer
Mary Harney – Non-Executive Director

Company Secretary

Peter Webse

Registered office

Level 36
Gateway, 1 Macquarie Place
Sydney NSW 2000
Ph: +2 8051 3043
Website: www.raceoncology.com

Auditor

Hall Chadwick WA Audit Pty Ltd
283 Rokeby Road
SUBIACO WA 6008

Share Registry

Automic Registry Services
Level 5
191 St Georges Terrace
Perth WA 6000
Ph: + 8 9324 2099

Securities Exchange Listing

Australian Securities Exchange Limited
Level 40, Central Park 152-158 St Georges Terrace
Perth, WA, 6000

ASX Code – RAC

DIRECTORS' REPORT

Your Directors present the financial report of the Company for the half-year ended 31 December 2021.

DIRECTORS

The names and the particulars of the Directors of the Company during the half year and to the date of this report are:

Name	Status	Appointed	Resigned
John Cullity	Non-Executive Chairman	6 April 2018	-
Philip Lynch	Managing Director and Chief Executive Officer	1 June 2020	-
Daniel Tillett	Executive Director and Chief Scientific Officer	17 September 2019	-
Mary Harney	Non-Executive Director (Independent)	8 February 2021	-

REVIEW OF OPERATIONS

Operations

- On 9 August 2021, Race announced the first patient was dosed in its Phase 1b/2 AML combination clinical trial at the Chaim Sheba Medical Center Israel under Principal Investigator Professor Arnon Nagler. Treating the first patient is an important step in any trial. We look forward to the full clinical data set and trust this may build upon earlier observations reporting an encouraging 40% overall clinical response rate (ASX announcement: 16 June 2020).
- On 30 September 2021, Race announced that Zantrene had been shown to kill melanoma cancer cells that overproduce FTO. The preclinical program led by University of Newcastle researchers Professor Zhang and Associate Professor Jin identified that Zantrene sensitivity is correlated with FTO levels, and that high FTO producing cells show up to 60x greater sensitivity than low FTO producing cells. The results support future melanoma clinical trials for Zantrene in combination with standard of care treatments.
- On 30 September 2021 Race shared an update to its preclinical and clinical programs, noting some COVID-19 related slowdowns in NSW, but with significant progress occurring outside of the state.
- On 6 & 19 October 2021, Race announced that it had been granted its fifth and sixth USA patents, providing additional protection around the use, formulation, and compositions of Zantrene for improving the efficacy of related treatments.
- On 27 October 2021, Race announced an FTO biomarker research collaboration with Chaim Sheba Hospital, Israel. This research program will see analysis of clinical patient samples by Dr Dom Dominissini, to assess FTO biomarker and m⁶A RNA methylation status in patients treated with Zantrene.
- On 1 November 2021, Race announced submission of its human ethics application to commence a Phase 1b/2 extramedullary AML & MDS trial. This clinical program underpins future registration trials in the EU and US for Zantrene. The study is led by Associate Professor Anoop Enjeti (Calvary Mater Hospital Newcastle) with the support of the Contract Research Organisation, Parexel.
- On 3 November 2021, Race initiated a collaboration study to develop a genomics-based companion diagnostic for Zantrene to support its use as a precision oncology drug. This study will be led by the experienced genomics researcher Professor Murray Cairns at the University of Newcastle. The study will utilise the latest RNA genomics tools to identify genetic biomarkers associated with a cancer's sensitivity to Zantrene at the patient specific level.
- On 9 November 2021, Race announced initiation of a strategic collaboration with The University of Wollongong, focused on the optimisation of new formulations to support long-acting peripheral intravenous delivery (IV) delivery of Zantrene. This collaboration will also pursue the development of an oral formulation of Zantrene. The collaboration will be led by experienced oncology formulator, Professor Marie Ranson in collaboration with Race's Principal Scientist, Professor Michael Kelso, and is supported with the appointment of Race's Senior Scientist, Dr Ben Buckley.

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REVIEW OF OPERATIONS

Operations

- On 22 November 2021, Race announced a preclinical breakthrough heart protection discovery for Zantrene. While anthracyclines are effective anti-cancer drugs they carry a serious risk of causing permanent heart damage. Zantrene[®] was shown to protect heart muscle from anthracycline-induced cell death when used in combination. Furthermore, a Zantrene/doxorubicin combination was also found to better kill cancer cells. This effect was independent of Zantrene's FTO inhibiting activity and provides Race with an entirely novel commercial opportunity.
- On 23 November 2021, Race announced an update to its "Three Pillar" Strategy at the Company's AGM, along with a Share Purchase Plan (SPP) designed to fund plans enabling execution of the new strategy and capitalising on Zantrene's expanded commercial potential, by pursuing the following activities:

Pillar 1 – Current Zantrene, by expanding the EMD AML & FTO clinical programs, initiating a US Investigational New Drug application, and progressing the cardio-protective opportunity.

Pillar 2 – Optimising Zantrene, with formulation development to improve utility via an improved IV formulation, oral formulation, and associated IP.

Pillar 3 – Beyond Zantrene, utilises team capabilities to pursue new RNA targeting molecules, via internal development, partnership, or acquisition.

The SPP was announced with three levels of potential funding to support an expanded FTO-targeted clinical program in solid tumours, improved formulations, a cardio-protection clinical program, new drug development, and expansion of the Phase 1b/2 EMD AML program into Europe.

The SPP was launched at \$3.00 per share to shareholders of record on 22 November 2021, closing 17 December 2021, with the maximum raise capped at \$29.7 million.

- On 8 December, Race announced an additional heart protection preclinical discovery. Zantrene was found to protect heart muscle cells from damage caused by the Multiple Myeloma drug, carfilzomib (Kyprolis[®]) while synergising to improve anti-cancer effects. This cardio-protective observation broadens the formulation and potential commercial opportunities for Zantrene via the potential development of new Zantrene/carfilzomib formulations.
- On 10 December 2021, Race announced an extension to its heart protection collaboration with the University of Newcastle. This program plans to assess Zantrene's cardio-protective potential with additional anti-cancer drugs, where heart damage is a known treatment risk.
- On 21 December 2021, Race announced that it had raised the full \$29.7 million target in a heavily oversubscribed SPP. This allows progression of the FTO solid tumour Phase 1b/2 clinical trial, cardio protective pre-clinical and clinical Phase 2b trial, expansion of the EMD AML Phase 2 trial into Europe, improved Zantrene formulations, and new molecule development.

Corporate

On 1 July 2021, the Company issued 500,000 unlisted employee options with exercise price of \$4.90 and expiry date of 1 July 2026.

On 6 July 2021, 750,000 ordinary fully paid shares were issued on exercise of unlisted options with exercise price of \$0.45 and expiry date of 12 March 2022.

On 12 July 2021, the Company issued 270,000 unlisted employee options with exercise price of \$4.76 and expiry date of 12 July 2026.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

Corporate

On 23 August 2021, 2,143,939 ordinary fully paid shares were issued on exercise of unlisted options with exercise price of \$0.099 and expiry date of 31 August 2021.

On 12 November 2021, 1,000,000 ordinary shares were issued on exercise of unlisted options with exercise price of \$0.25 and expiry date of 25 November 2021.

On 12 November 2021, 2,000,000 ordinary shares were issued on exercise of unlisted options with exercise price of \$0.23 and expiry date of 27 November 2021.

On 3 December 2021, the Company issued 150,000 unlisted employee options with exercise price of \$4.77 and expiry date of 3 December 2026.

In December 2021, the Company raised \$29.7 million in heavily oversubscribed Share Purchase Plan with the issue of 9,900,000 ordinary fully paid shares at \$3.00 issue price.

FINANCIAL PERFORMANCE

The loss for the six months ended 31 December 2021 was \$4,821,847 or \$2,928,662 excluding share-based payments (a non-cash expense). At 31 December 2021, the Company had \$37,102,124 in cash reserves (compared with \$9,322,436 at 30 June 2021).

OUTLOOK

Race has made considerable progress in this last half year, particularly in respect of its strategic opportunity, human and capital resources. Calendar year 2022 will see the Company capitalise on pre-clinical findings as we move into the clinic in the AML EMD, FTO-targeted and cardio protection arena.

Race now has an additional and significant growth opportunity in cardio protection. This follows the pre-clinical findings that Zantrene when used in combination with an anthracycline improved cancer outcomes, as well as protecting from cardio related damage. In addition, this effect was seen in Multiple Myeloma where the drug carfilzomib, combined with Zantrene led to similar results – this new opportunity is independent of FTO and will be a major focus of our pre-clinical and clinical programs.

The Race team was expanded through 2021 and while remaining lean now has drug development capability as well as an agreement with the University of Wollongong to pursue new formulation development programs. Race has well advanced plans to address peripheral dosing via an intravenous Zantrene formula and is making good progress on other formulations that will both improve patient utility and increase intellectual property value.

In December 2021 the Company raised \$29.7 million in an oversubscribed share placement plan strongly supported by shareholders, which enables Race to progress the updated Three Pillar strategy, with funds available to support new drug development, cardioprotective preclinical and clinical programs, an FTO-focused clinical plan in solid tumours, and additional extended funding to expand the AML extramedullary trial to Europe.

This last half year was significant, and Race starts calendar 2022 with a broad range of opportunities with the capital and human capabilities to make significant progress on the prospects that Zantrene has unlocked. Race looks forward to updating shareholders on the progress of your company over the coming year.

DIRECTORS' REPORT

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to balance date, Race received a \$707,807 Research & Development Tax Incentive Refund from the Australian Taxation Office for the financial year ended 30 June 2021.


There have been no other matters or circumstances that have arisen since 31 December 2021.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 5 of the financial report.

Signed in accordance with a resolution of directors made pursuant to s306(3) of the Corporations Act 2001.

On behalf of the Directors



Managing Director
Sydney, Australia
Dated: 25 February 2022

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To the Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit partner for the review of the financial statements of Race Oncology Limited for the half year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours Faithfully,

Hall Chadwick
HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis
MARK DELAURENTIS CA
Director

Dated in Perth, Western Australia 25th day of February 2022

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021



		Consolidated 31 December 2021 \$	Consolidated 31 December 2020 \$
Revenue			
Interest received		8,336	10,577
Other income	2	707,807	424,885
Administrative expenses		(53,958)	(22,959)
Accounting and audit fees		(63,260)	(42,877)
Amortisation	3	(140,598)	(140,598)
Business development and marketing		(87,063)	(73,415)
R&D manufacturing and distribution		(312,178)	(318,190)
Corporate advice fees		(111,705)	(162,043)
Director fees		(84,000)	(99,306)
Employee benefits expense		(210,646)	(71,368)
Research and development expense		(2,286,349)	(535,686)
Share based payment expense	7	(1,893,185)	(883,683)
Share registry expense		(31,907)	(19,257)
Other expenses		(263,141)	(126,069)
Loss before income tax		<u>(4,821,847)</u>	<u>(2,059,989)</u>
Income tax expense		-	-
Loss for the period		(4,821,847)	(2,059,989)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation (net of tax)		(203)	(466)
Total comprehensive loss for the period net of tax		<u>(4,822,050)</u>	<u>(2,060,455)</u>
Basic and diluted loss per share (cents per share)		(3.28)	(1.63)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021



		Consolidated 31 December 2021	Consolidated 30 June 2021
	Note	\$	\$
CURRENT ASSETS			
Cash and cash equivalents		37,102,124	9,322,436
Trade and other receivables		797,428	128,169
Other assets		652,397	1,139,423
TOTAL CURRENT ASSETS		38,551,949	10,590,028
NON-CURRENT ASSETS			
Intangible assets	3	3,514,948	3,655,546
TOTAL NON-CURRENT ASSETS		3,514,948	3,655,546
TOTAL ASSETS		42,066,897	14,245,574
CURRENT LIABILITIES			
Trade and other payables	4	724,095	492,157
Provision		61,554	30,953
TOTAL CURRENT LIABILITIES		785,649	523,110
TOTAL LIABILITIES		785,649	523,110
NET ASSETS		41,281,248	13,722,464
SHAREHOLDERS' EQUITY			
Issued capital	5	61,983,060	31,495,411
Reserve	6	6,586,470	4,693,488
Accumulated losses		(27,288,282)	(22,466,435)
SHAREHOLDERS' EQUITY		41,281,248	13,722,464

The above consolidated financial position should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021



	Issued Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2021	31,495,411	4,693,488	(22,466,435)	13,722,464
Loss attributable to members	-	-	(4,821,847)	(4,821,847)
Other comprehensive income for the period	-	(203)	-	(203)
Total comprehensive income for the period	-	(203)	(4,821,847)	(4,822,050)
Transactions with owners, in their capacity as owners and other transfers				
Issue of share capital net of costs	29,228,363	-	-	29,228,363
Share based payments	-	1,893,185	-	1,893,185
Exercise of options	1,259,286	-	-	1,259,286
BALANCE AT 31 DECEMBER 2021	61,983,060	6,586,470	(27,288,282)	41,281,248

	Issued Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2020	19,660,008	1,800,587	(15,770,560)	5,690,035
Loss attributable to members	-	-	(2,059,989)	(2,059,989)
Other comprehensive income for the period	-	(466)	-	(466)
Total comprehensive income for the period	-	(466)	(2,059,989)	(2,060,455)
Transactions with owners, in their capacity as owners and other transfers				
Conversion of performance shares				
Issue of share capital net of costs	2,371,056	800,000	(355,556)	2,815,500
Share based payments	-	787,802	-	787,802
Exercise of options of options	2,206,637	-	-	2,206,637
BALANCE AT 31 DECEMBER 2020	24,237,701	3,387,923	(18,186,105)	9,439,519

The consolidated statement of changes in equity should be read in conjunction with the accompanying note

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021



	Consolidated 31 December 2021 \$	Consolidated 31 December 2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	8,336	12,335
Research and development tax incentive	-	387,385
Other income – government incentive	-	50,000
Payments for research and development	(1,440,607)	(560,833)
Payments for business development and marketing	(134,755)	(107,202)
Payments for manufacturing and distribution	(270,622)	(379,761)
Payments to suppliers and employees	(886,917)	(586,706)
Net cash used in operating activities	(2,724,565)	(1,184,782)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash provided by investing activities	-	-
CASH FLOWS FROM FINANCING ACITIVITIES		
Proceeds from shares issued	29,700,000	3,000,000
Proceeds issue of shares on exercise of options	1,259,286	2,206,637
Capital raising costs	(439,228)	(184,500)
Net cash provided by financing activities	30,520,058	5,022,137
Net increase in cash held	27,795,493	3,837,355
Foreign currency translation	(15,805)	8,947
Cash at beginning of the period	9,322,436	1,730,773
Cash at end of the period	37,102,124	5,577,075

The consolidated statement of cash flows should be read in conjunction with the accompanying notes

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**a) Statement of compliance**

The half-year financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001*, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

The interim financial report was issued on 25 February 2022 by the directors of the Company.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by Race Oncology during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

b) Basis of preparation

The condensed financial statements have been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted. The financial statements have been prepared on a going concern basis.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2021 annual financial report for the financial year ended 30 June 2021, except for the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standard and with International Financial Reporting Standards.

c) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Research and development costs**

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Patents

The Company made upfront payments to purchase patents. The patents have been granted for a period of 20 years by the relevant government agency.

As a result, those patents are amortised on a straight-line basis over the period of the patent.

d) New and Amended Standards Adopted by the Group

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current annual financial reporting period beginning on or after 1 July 2021. It has been determined by the Group that there is no impact, material or otherwise, of the new or amended Accounting Standards and therefore no changes to Group accounting policies. No retrospective change in accounting policy of material reclassification has occurred during the half year.

e) Equity-settled compensation

The consolidated entity operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. The fair value of performance right options is determined using the satisfaction of certain performance criteria (Performance Milestones). The number of shares option and performance rights expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest. The fair value is determined using either a black-scholes or monte-carlo simulation model depending on the type of share-based payment.

f) Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

For the current reporting period, the Company is operated in two segments, being research into oncology drug, Zantrene and the manufacturing and distribution of the drug for the clinical trials. Accordingly, the financial information reported elsewhere in this financial report is representative of the nature and financial effects of the business activities in which it engages and the economic environment in which it operates.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**g) Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Share-based payments

The value attributed to share options and remuneration shares issued is an estimate calculated using an appropriate mathematical formula based on Black-Scholes option pricing model. The choice of models and the resultant option value require assumptions to be made in relation to the likelihood and timing of the conversion of the options to shares and the value and volatility of the price of the underlying shares. Share-based payments assumptions are detailed in Note 7.

Amortisation of patents

Costs incurred in acquiring patents and licenses are capitalised and amortised on a straight line basis over the life of the patent. Costs include only those costs directly attributable to the acquisition of the patents and licences. The recoverability of the carrying amount of the capitalised patent costs is dependent on the ability of the Company to generate positive cash inflows from the future development and sale of its pharmaceutical products.

NOTE 2: OTHER INCOME

	31 December 2021	31 December 2020
	\$	\$
Research and development tax incentives	707,807	387,385
COVID-19 business incentives (ATO)	-	37,500
	<u>707,807</u>	<u>424,885</u>

NOTE 3: INTANGIBLE ASSETS

	31 December 2021	30 June 2021
	\$	\$
At cost	5,000,000	5,000,000
Accumulated amortisation	(1,485,052)	(1,344,454)
Total intangible assets	<u>3,514,948</u>	<u>3,655,546</u>

Movement during the half-year

	Intellectual Property
Balance at 1 July 2021	3,655,546
Amortisation expense	(140,598)
Balance at 31 December 2021	<u>3,514,948</u>

Intellectual property totalling \$5,000,000 comprises patents and licenses initially acquired by the Company and pertain to the oncology drug, called Zantrene. The initial acquisition of intellectual property was supported by 2 patent applications. Subsequent to the initial patent applications the Company strategy has evolved to include a total of four patent families. The portfolio of patents is a robust program and the two most recent patent applications expands Zantrene's protected use of combination therapies. The patent useful life has been aligned to the patent term and as a result, those patents are amortised on a straight-line basis over the period of the patent. The amortisation expense has been included in the line item 'amortisation' in profit or loss.

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NOTE 4: TRADE AND OTHER PAYABLES

	31 December 2021	30 June 2021
	\$	\$
Trade and other payables	524,165	311,833
Accruals	199,930	180,323
Total trade and other payables	724,095	492,157

NOTE 5: ISSUED AND UNISSUED CAPITAL

	Note	31 December 2021	30 June 2021
		\$	\$
Opening balance		31,495,411	19,660,008
Shares issued during the period		29,700,000	8,400,000
Shares issued on exercise of options		1,259,286	4,390,377
Reserve share buy back and cancellation	5b	-	(444,444)
Less: transaction costs arising from issue of shares		(471,637)	(510,530)
		61,983,060	31,495,411

The Company has issued share capital amounting to 159,444,782 ordinary shares (30 June 2021: 143,650,843 ordinary shares) of no par value and the Company does not have a limited amount of authorised capital.

a. Ordinary shares – Fully Paid

	31 December 2021	30 June 2021
	No.	No.
At beginning of year	143,650,843	116,450,037
Shares issued during the year	15,793,939	27,200,806
At end of the period/year	159,444,782	143,650,843

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. Reserve Shares

	Date	Quantity	Unit Price \$	Total \$
Reserve shares (loan shares)	1 July 2016	4,000,000	\$0.20	800,000
Balance at 31 December 2021		-	N/A	-

Employee loan shares

Remuneration in the form of Employee Loan Shares were issued to former Managing Director, Peter Molloy, upon settlement of the Company's acquisition of intellectual property from Update Pharma Inc. The acquisition of intellectual property was completed on 1 July 2016.

On 20 May 2020, Mr Molloy ceased to be employed by the Company, resigning as the Managing Director, thus the Loan become repayable 5 business days following his resignation date which was subsequently extended to 18 June 2020 as agreed by the Company.

As approved by shareholders at the General Meeting held on 11 August 2020, the Loan was repaid through a selective buy-back and cancellation of \$800,000 worth of Loan Shares under Part 2J.1, Division 2 of the Corporation Act (Buy-Back). The selective buy-back and cancellation was completed on the 28 August 2020 with 2,222,222 shares bought back at \$0.36 per shares (the volume weighted average price for the Company shares for the five-day trading period).

NOTE 6: RESERVE

	31 December 2021	30 June 2021
	\$	\$
Opening balance	4,693,488	2,600,587
Foreign currency translation (net of tax)	(203)	(553)
Share based payment expense	1,893,185	2,528,521
Extinguishment of options	-	(453,067)
Closing balance	6,586,470	4,693,488

a. Performance Shares Issued

On 1 July 2016, as part of the consideration for the acquisition of intellectual property of Update Pharma, the Company agreed to issue 10,000,000 performance shares to the vendor upon satisfaction of two milestones. On 21 December 2018, the Company issued 5,000,000 fully paid ordinary shares following the conversion of the first milestone and the remaining 5,000,000 performance shares were converted into fully paid ordinary shares on the 12 July 2019.

b. Performance Rights Issued

As approved by the Shareholders at the Annual General Meeting held on 30 November 2020, the Company issued 118,577 incentive performance rights to Prof. Borje Andersson subject to following vesting condition:

- (i) Incentive Performance Rights are granted on the basis of Prof. Borje Andersson's contribution to the initiation and execution of the forthcoming Phase 2b clinical trial of bisantrene at the Chaim Sheba Medical Center in Tel Aviv, Israel.
- (ii) Any Performance Rights not converted before the date which is 5 years from the date of issue (Expiry Date) shall automatically lapse on the Expiry Date and the holder shall have no entitlement to Shares pursuant to those Performance Rights.
- (iii) Vesting will occur in full upon recruitment of the 10th patient into the Chaim Sheba Phase 2b protocol or alternatively following the conclusion of the protocol at the election of the appointed Chaim Sheba Medical Centre Institutional Review Board (IRB) or the appointed Data Safety Monitoring Board (DSMB), whichever comes first.

Refer to Note 7 for additional information on Performance Rights.

NOTE 7: SHARE-BASED PAYMENTS

The following share-based payment arrangement existed at 31 December 2021:

On 27 November 2018, the Company issued 2,000,000 unlisted options to a Director John Cullity, exercisable at \$0.23 and expiring on or before 27 November 2021.

On 22 January 2019, the Company issued 420,000 unlisted options exercisable at \$0.12 and expiring on or before 21 January 2024. The options were issued pursuant to a consultancy agreement with Professor Borje Andersson.

On 13 March 2019, the Company issued 100,000 options issued pursuant to the Plan exercisable at \$0.135 and expiring on or before 12 March 2024.

On 31 May 2019, the Company issued 840,000 unlisted options exercisable at \$0.085 and expiring on or before 31 May 2024. The options were issued to consultants for services performed.

On 26 November 2019, the Company issued 2,500,000 unlisted options exercisable at \$0.19 each on or before 25 November 2022, pursuant to the terms and conditions of appointment of Dr Daniel Tillett as an Executive Director of the Company.

On 5 December 2019, the Company issued 840,000 unlisted options exercisable at \$0.18 each on or before 5 December 2024, issued to Professor Borje Andersson in recognition of the services to be provided by him in relation to the Clinical Advisory Board.

NOTE 7: SHARE-BASED PAYMENTS (CONTINUED)

On 28 January 2020, the Company issued 2,400,000 unlisted options exercisable at \$0.275 each on or before 23 January 2025, issued to Professor Borje Andersson in lieu of Director fees pursuant to his terms of appointment as a Non-Executive Director.

On 17 February 2020, the Company issued 2,400,000 unlisted options exercisable at \$0.49 each on or before 17 February 2024, issued to Marinella Messina under the employee incentive option plan.

On 12 March 2020, the Company issued 1,500,000 unlisted options exercisable at \$0.45 each on or before 12 March 2022, issued to Nascent Capital as part of the placement on 12 March 2020.

On 30 November 2020, the Company issued the following incentives options:

- a) 2,000,000 Options exercisable at \$2.65 and expiring on 29 November 2025 to Phillip Lynch;
- b) 2,000,000 Options exercisable at \$2.65 and expiring on 29 November 2025 to Daniel Tillett;
- c) 1,600,000 Options exercisable at \$2.65 and expiring on 29 November 2025 to Prof. Borje Andersson.

The vesting conditions for the incentives options are as follow:

- (i) Tranche A; 1/3 Options will vest and become exercisable on the date which is 12 months from the date of issue of the Options (First Vesting Date);
- (ii) Tranche B; Commencing on the date that is 1 month after the First Vesting Date, 2.77775% of the Options will vest and become exercisable on each monthly anniversary of the First Vesting Date thereafter for a twenty-three month period; and
- (iii) Tranche C; 2.7784% Options will vest and become exercisable on the date which is 24 months from the First Vesting Date.

On 30 November 2020, the Company issued 118,577 Incentive Performance Rights to Prof. Borje Andersson. The Performance Rights have been valued at grant date and are linked to non-market based vesting conditions, from which a probability based valuation have been applied. The Company value the Performance Rights at \$203,952, 80% probability being \$1.72 per Incentive Performance Rights.

On 1 July 2021, the Company issued 500,000 unlisted employee options with exercise price of \$4.90 and expiry date of 1 July 2026. The options were valued at grant date and are linked to service-based conditions.

On 12 July 2021, the Company issued 270,000 unlisted employee options with exercise price of \$4.76 and expiry date of 12 July 2026. The options were valued at grant date and are linked to service-based conditions.

On 3 December 2021, the Company issued 150,000 unlisted employee options with exercise price of \$4.77 and expiry date of 3 December 2026. The options were valued at grant date and are linked to service-based conditions.

NOTE 7: SHARE-BASED PAYMENTS (CONTINUED)**Fair value of options**

The fair value of share options granted during the half year have been valued using a Black-Scholes Model, taking into account the terms and conditions upon which the unlisted share options were granted.

A summary of the inputs used in the valuation of the options is as follows:

Unlisted Employee Options	Milestone A	Milestone B	Milestone C
Exercise price	\$4.90	\$4.90	\$4.90
Spot price	\$3.13	\$3.13	\$3.13
Grant date	15 June 2021	15 June 2021	15 June 2021
Issue date	1 July 2021	1 July 2021	1 July 2021
Expected volatility	100%	100%	100%
Expiry date	1 July 2026	1 July 2026	1 July 2026
Risk free interest rate	0.72%	0.72%	0.72%
Vesting period	12 months	12-24 months	24 months
Number of options	166,667	319,424	13,909
Total value of options	\$354,307	\$679,043	\$29,568
Value recognised during the period	\$193,170	\$201,456	\$5,369

Unlisted Employee Options	Milestone A	Milestone B	Milestone C
Exercise price	\$4.76	\$4.76	\$4.76
Spot price	\$3.20	\$3.20	\$3.20
Grant date	12 July 2021	12 July 2021	12 July 2021
Issue date	12 July 2021	12 July 2021	12 July 2021
Expected volatility	100%	100%	100%
Expiry date	12 July 2026	12 July 2026	12 July 2026
Risk free interest rate	0.65%	0.65%	0.65%
Vesting period	12 months	12-24 months	24 months
Number of options	90,000	172,500	7,500
Total value of options	\$199,824	\$382,995	\$16,652
Value recognised during the period	\$94,164	\$98,209	\$2,616

Unlisted Employee Options	Milestone A	Milestone B	Milestone C
Exercise price	\$4.77	\$4.77	\$4.77
Spot price	\$3.20	\$3.20	\$3.20
Grant date	29 November 2021	29 November 2021	29 November 2021
Issue date			
Expected volatility	100%	100%	100%
Expiry date	3 December 2021	3 December 2021	3 December 2026
Risk free interest rate	1.35%	1.35%	1.35%
Vesting period	12 months	12-24 months	24 months
Number of options	50,000	95,833	4,167
Total value of options	\$116,862	\$218,235	\$9,488
Value recognised during the period	\$9,982	\$10,418	\$277

NOTE 7: SHARE-BASED PAYMENTS (CONTINUED)

During the half year end 31 December 2021, a share-based payment expense of \$1,893,185 was recognised, which included options vesting from prior periods.

Recipient	Class of SBP	Quantity	Share price at Grant date	Value recognised during the half year	Value to be recognised in future years
Marinella Messina	Unlisted Options	2,400,000	\$0.35	73,283	77,281
Phillip Lynch	Unlisted Options	2,000,000	\$2.15	602,121	456,064
Daniel Tillett	Unlisted Options	2,000,000	\$2.15	602,121	456,064
Employee Options	Unlisted Options	500,000	\$3.13	399,995	662,924
Employee Options	Unlisted Options	270,000	\$3.20	194,988	404,483
Employee Options	Unlisted Options	150,000	\$3.28	20,677	320,909
		7,320,000		1,893,185	2,377,725

NOTE 8: COMMITMENTS AND CONTINGENT LIABILITIES

There have been no significant changes in contingent liabilities or commitments since the last reporting date

NOTE 9: FINANCIAL INSTRUMENTS

The Company's financial instruments consist of trade and other receivables, deposits paid, trade and other payables, and financial liabilities. These financial instruments are measured at amortised cost, less any provision for non-recovery. The carrying amounts of the financial assets and liabilities approximate their fair value.

NOTE 10: SUBSEQUENT EVENTS

Subsequent to balance date, Race received a \$707,807 Research & Development Tax Incentive Refund from the Australian Taxation Office for the financial year ended 30 June 2021.

There have been no other matters or circumstances that have arisen since 31 December 2021.

NOTE 11: RELATED PARTY TRANSACTIONS

The related party transactions of the half-year financial report are consistent with those adopted and disclosed in the Company's 2021 annual financial report for the financial year ended 30 June 2021.

DIRECTORS' DECLARATION

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with the accounting standards and giving true and fair view of the financial position as at 31 December 2021 and its performance for the half-year then ended.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Managing Director
Dated: 25 February 2022

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INDEPENDENT AUDITOR'S REVIEW TO THE MEMBERS OF RACE ONCOLOGY LIMITED

Conclusion

We have reviewed the accompanying half-year financial report of Race Oncology Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Race Oncology Limited and Controlled Entities does not comply with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Race Oncology Limited financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: *Interim Financial Reporting and Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001 which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Financial Report

The directors of the Race Oncology Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Hall Chadwick
HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis
MARK DELAURENTIS CA
Director

Dated in Perth, Western Australia 25th day of February 2022

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