

ASX Appendix 4D

Half-Year Financial Report to 31 December 2020

1. Details of reporting period

Name of Entity	Race Oncology Limited ("the Company")
ABN	61 149 318 749
Reporting Period	31 December 2020
Previous Corresponding Period	31 December 2019

2. Results for announcement to the market

Key information	31 December 2020	31 December 2019	Increase/ (decrease)	Amount change \$
Revenues from ordinary activities	-	-	-	-
Loss for the half-year	(2,059,989)	(1,502,092)	37%	(557,897)
Total net loss for the half-year attributable to members	(2,059,989)	(1,502,092)	37%	(557,897)
		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 2020	31 December 2019
Net tangible backing per ordinary security	4.36 cents	1.27 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 2020.

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 2020.

On 17 December 2019, the Company incorporated new subsidiary in United States, (**Race Oncology Research, Inc**). On 9 December 2020, the Company has been deregistered. There have been no significant transactions through the subsidiary at 31 December 2020.

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.



Phillip Lynch
Managing Director

Authorised for release by the Board

25 February 2021

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CORPORATE DIRECTORY

Directors

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

Company Secretary

Peter Webse

Registered office

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 Sydney NSW 2000
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Auditor

Bentleys Audit & Corporate (WA) Pty Ltd
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 PERTH WA 6000

Share Registry

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 267 St Georges Terrace
 Perth WA 6000
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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 2020.

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	Ceased/Resigned
John Cullity	Non-Executive Chairman	1 September 2020	-
	Interim Executive Chairman	20 May 2020	1 September 2020
	Non-Executive Chairman	6 March 2020	20 May 2020
	Non-Executive Director	4 April 2018	6 March 2020
Philip Lynch	Managing Director and Chief Executive Officer	1 September 2020	-
	Independent Non-Executive Director	1 June 2020	1 September 2020
Daniel Tillett	Executive Director and Chief Scientific Officer	1 September 2020	-
	Executive Director and Chief Operating Officer	20 May 2020	1 September 2020
	Executive Director and Chief Scientific Officer	30 September 2019	20 May 2020
	Non-Executive Director	17 September 2019	30 September 2020
Mary Harney	Non-Executive Director (Independent)	8 February 2021	-
Borje Andersson	Executive Director	1 October 2020	10 December 2020
	Non-Executive Director	1 February 2020	1 October 2020
William Garner	Non-Executive Director	6 March 2020	28 October 2020
Chris Ntoumenopoulos	Non-Executive Director	21 April 2016	28 October 2020

REVIEW OF OPERATIONS

Operations

During July 2020, the Company issued 818,560 fully paid ordinary shares at an issue price of \$0.099 on exercise of 818,560 unlisted options with an expiry date of 31 August 2021.

On 6 July 2020, the Company issued 500,000 fully paid ordinary shares at an issue price of \$0.25 on exercise of 500,000 unlisted options with an expiry date of 1 April 2022.

On 13 July 2020, the Company advised it had received firm commitments for \$3 million in new equity funding via a strategic placement of 5,000,000 ordinary shares, at an issue price \$0.60 per share. The placement was made to three prominent biotechnology investors, Kidder Williams' David Williams, EFM Asset Management's Jeff Emmanuel and a follow-on investment by biotechnology institutional investor Merchant Opportunities Fund. The Shares were issued on the 14 July 2020.

On 22 July 2020, the Company announced it had secured a new patent on its cancer drug, Bisantrene, from the United States Patent and Trademarks Office. This was Race's fourth patent granted on Bisantrene in the United States.

On 11 August 2020, the Company held its General Meeting of Shareholders and all resolutions were passed. Resolutions passed included the Selective Share Buy-Back by Race of former Managing Director and CEO Peter Molloy's Loan Shares. The 2,222,222 loan shares were subsequently cancelled on 26 August 2020.

On 12 August 2020, the Company issued 6,000,000 fully paid ordinary shares at an issue price of \$0.25 on exercise of 6,000,000 unlisted options with an expiry date of 1 July 2021. The options were originally issued to former CEO and Managing Director, Peter Molloy and were acquired by a strategic investor on the 12 August 2020 and exercised.

On 2 September 2020, the Company appointed Mr Phillip Lynch as CEO and Managing Director and Dr Daniel Tillett as Chief Scientific Officer and Executive Director on 50% full time equivalent basis, respectively.

DIRECTORS' REPORT

REVIEW OF OPERATIONS (CONTINUED)

On 2 October 2020, the Company announced that Prof. Borje Andersson was appointed Chief Medical Officer (CMO) on 40% full time equivalent basis.

On 28 October 2020, William 'Bill' Garner and Chris Ntoumenopoulos resigned as Non-Executive Directors.

On 24 November 2020, the Company shared impressive results from preclinical research program in breast cancer, conducted in collaboration with the University of Newcastle. The research program confirmed the historical clinical data that Bisantrene showed similar efficacy to doxorubicin and epirubicin in a range of breast cancer types. In addition, the research program showed that Bisantrene was effective and compatible in combination with other oncology drugs currently used in breast cancer setting. The program provided evidence to support the progression of Bisantrene into breast cancer clinical trials.

On 26 November 2020 announced clinical research organisation, George Clinical, would assist to scope and cost a proof of concept Phase I/II breast cancer clinical trial of Bisantrene in combination with cyclophosphamide. The program will enable the Company to make an informed and costed decision on this potential clinical pathway prior to expending investor funds.

On 30 November 2020, the Company shared the Three Pillar Strategy, communicating the Company evolution to a precision oncology focus via the Fat Mass and Obesity associated protein (FTO), while retaining legacy opportunities in breast cancer and Acute Myeloid Leukaemia (AML). The updated strategy allows the Company to pursue outsized rewards for shareholders, while minimising clinical and commercial risk. Three Pillars addresses the following areas:

- Pillar 1 – FTO inhibition focused on Melanoma and Clear Cell Renal Cell Carcinoma as proof-of-concept indications
- Pillar 2 – Breast cancer treatment as a safer chemotherapeutic agent with expanded therapeutic index
- Pillar 3 – AML addressing legacy plains in adult and paediatric populations. Evaluation of extramedullary AML building on the Israel trial observation and clear unmet clinical need.

On 30 November 2020, as approved at the Annual General Meeting, the Company issued a total of 5,600,000 Incentive Options and 118,557 Incentive Performance Rights as follows:

- 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;
- d) 118,557 Performance Rights expiring on 29 November 2025 to Prof. Borje Andersson.

On 10 December 2020, Prof. Borje Andersson resigned as an Executive Directors to focus on the role of Chief Medical Officer and Chair of the Race Clinical Advisory Board.

On 17 December 2020, the Company received Research and Development tax incentives refund of \$387,385 from Australian Taxation Office for the financial year ended 30 June 2020.

FINANCIAL PERFORMANCE

The loss for the six months ended 31 December 2020 was \$2,059,989 or \$1,176,306 excluding share-based payments (a non-cash expense). At 31 December 2020, the Company had \$5,577,075 in cash reserves (compared with \$1,730,773 at 30 June 2020).

OUTLOOK

The outlook for Race Oncology has been significantly enhanced following the November 2020 AGM release of its Three Pillar Strategy. This Strategy builds upon Bisantrene's differentiated chemotherapeutic credentials in Breast, Acute Myeloid Leukemia (AML) and Ovarian Cancers, but capitalises through Pillar 1 on the significant opportunity Bisantrene may have, in addressing cancer with dysregulation of the Fat Mass and Obesity-associated protein (FTO). FTO was identified by the City of Hope (June 2020) in a pre-clinical cell line and mouse study to be a potent inhibitor of FTO activity.

Race is fortunate to have significant clinical opportunities, so in pursuing an optimal agenda the team is completing regulatory and consultant supported feasibility assessments to determine the optimal preclinical and clinical program and plans. Communication of those outcomes will be shared before the end of March 2021.

DIRECTORS' REPORT

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 8 February 2021, Ms Mary Harney was appointed as Non-Executive Director. Ms Harney is the director of specialist consulting firm (Mary Harney Advisory) providing leadership, governance and strategic advice across innovation industries such as health, biotech and agriculture. She currently serves as Chairman of private Australian Biotech, CTxONE Pty Ltd, a cancer drug discovery and development company pursuing novel epigenetic and immune-oncology program.

On 19 February 2021, Prof. Borje Andersson provide notice of resignation as Race's Chief Medical Officer (CMO) to enable Race to appoint a full-time Australian based CMO. The 1,600,000 Options previously issued to Prof. Andersson under the Company's Incentive Option Plan will immediately lapse upon Prof. Andersson's effective resignation date.

On 19 February 2021, the Company issued 2,972,575 fully paid ordinary shares following the exercise of following options:

- 757,575 unlisted options with an exercise price of \$0.099 expiring 31 August 2021;
- 1,540,000 unlisted options with an exercise price of \$0.25 expiring 25 November 2021; and
- 675,000 unlisted options with an exercise price of \$0.45 expiring 12 March 2022.

There have been no other matters or circumstances that have arisen since 31 December 2020.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 6 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 2021

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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 2020, 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



BENTLEYS
Chartered Accountants



MARK DELAURENTIS CA
Partner

Dated at Perth this 25th day of February 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020



		Consolidated 31 December 2020	Consolidated 31 December 2019
	Note	\$	\$
Revenue			
Interest received		10,577	2,828
Other income	2	424,885	159,371
 Administrative expenses		(22,959)	(11,806)
Accounting and audit fees		(42,877)	(41,113)
Amortisation	3	(140,598)	(140,598)
Business development and marketing		(73,415)	(36,927)
R&D manufacturing and distribution		(318,190)	(114,151)
Corporate advice fees		(162,043)	(50,925)
Director fees		(99,306)	(108,499)
Employee benefits expense		(71,368)	(24,542)
Research and development expense		(535,686)	(540,858)
Share based payment expense	7	(883,683)	(497,781)
Share registry expense		(19,257)	(4,979)
Travel and accommodation		(441)	(11,213)
Other expenses		(125,628)	(80,899)
Results from operating activities		(2,059,989)	(1,502,092)
Loss before income tax			
Income tax expense		-	-
Loss for the period		(2,059,989)	(1,502,092)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation (net of tax)		(466)	(193)
Total comprehensive loss for the period net of tax		(2,060,455)	(1,502,285)
 Basic and diluted loss per share (cents per share)		(1.63)	(1.50)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020



		Consolidated 31 December 2020	Consolidated 30 June 2020
	Note	\$	\$
CURRENT ASSETS			
Cash and cash equivalents		5,577,075	1,730,773
Trade and other receivables		16,775	48,918
Other assets		163,875	217,253
TOTAL CURRENT ASSETS		5,757,725	1,996,944
NON CURRENT ASSETS			
Intangible assets	3	3,796,144	3,936,742
TOTAL NON CURRENT ASSETS		3,796,144	3,936,742
TOTAL ASSETS		9,553,869	5,933,686
CURRENT LIABILITIES			
Trade and other payables	4	91,225	239,520
Provision		23,125	4,131
TOTAL CURRENT LIABILITIES		114,350	243,651
TOTAL LIABILITIES		114,350	243,651
NET ASSETS		9,439,519	5,690,035
SHAREHOLDERS' EQUITY			
Issued capital	5	24,237,701	19,660,008
Reserve	6	3,387,923	2,600,587
Reserve shares	5b	-	(800,000)
Accumulated losses		(18,186,105)	(15,770,560)
SHAREHOLDERS' EQUITY		9,439,519	5,690,035

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020



	Issued Capital	Accumulated Losses	Reserves	Total
	\$	\$	\$	\$
Balance at 1 July 2020	19,660,008	(15,770,560)	1,800,587	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	-	(2,059,989)	(466)	(2,060,455)

Transactions with owners, in their capacity as owners and other transfers

Issue of share capital net of costs	2,371,056	(355,556)	800,000	2,815,500
Share based payments	-	-	787,802	787,802
Exercise of options	2,206,637	-	-	2,206,637
BALANCE AT 31 DECEMBER 2020	24,237,701	(18,186,105)	3,387,923	9,439,519

	Issued Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2019	15,422,621	3,054,997	(13,427,712)	5,049,906
Loss attributable to members	-	-	(1,502,092)	(1,502,092)
Other comprehensive income for the period	-	(193)	-	(193)
Total comprehensive income for the period	-	(193)	(1,502,092)	(1,502,285)

Transactions with owners, in their capacity as owners and other transfers

Conversion of performance shares	1,000,000	(1,000,000)	-	-
Issue of share capital net of costs	1,414,904	-	-	1,414,904
Share based payments	-	497,781	-	497,781
Extinguishment of options	-	(269,752)	269,752	-
BALANCE AT 31 DECEMBER 2019	17,837,525	2,282,833	(14,660,052)	5,460,306

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020



		Consolidated 31 December 2020 \$	Consolidated 31 December 2019 \$
	Note		
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		12,335	2,828
Research and development tax incentive		387,385	159,371
Other income – government incentive		50,000	-
Payments for research and development		(560,833)	(512,688)
Payments for business development and marketing		(107,202)	(29,104)
Payments for manufacturing and distribution		(379,761)	(122,352)
Payments to suppliers and employees		(586,706)	(350,337)
Net cash used in operating activities		(1,184,782)	(852,282)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash provided by investing activities		-	-
CASH FLOWS FROM FINANCING ACITIVITIES			
Proceeds from shares issued		3,000,000	1,445,999
Proceeds issue of shares on exercise of options		2,206,637	-
Capital raising costs		(184,500)	(31,095)
Net cash provided by financing activities		5,022,137	1,414,904
Net increase in cash held		3,837,355	562,622
Foreign currency translation		8,947	(2,772)
Cash at beginning of the period		1,730,773	988,714
Cash at end of the period		5,577,075	1,548,564

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

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 2021 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 2020 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 2020 annual financial report for the financial year ended 30 June 2020, except for the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standard and with International Financial Reporting Standards.

Going Concern

The half year financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The consolidated entity incurred a loss for the half year ended 31 December 2020 of \$2,059,989 (2019 loss: \$1,502,092) and net cash outflows from operating activities of \$1,184,782 (2019: \$852,282 outflows).

The Directors have prepared a cash flow forecast which indicates that the consolidated entity will have sufficient cash flows to meet all commitments and working capital requirements for the 12 months period from the date of signing this financial report.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Intangible assets (continued)

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.

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 2020. 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**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, Bisantrene 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.

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. Details of 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 2020	31 December 2019
	\$	\$
Research and development tax incentives	387,385	159,371
COVID-19 business incentives (ATO)	37,500	-
	<u>424,885</u>	<u>159,371</u>

NOTE 3: INTANGIBLE ASSETS

	31 December 2020	30 June 2020
	\$	\$
At cost	5,000,000	5,000,000
Accumulated amortisation	(1,203,856)	(1,063,258)
Total intangible assets	<u>3,796,144</u>	<u>3,936,742</u>

NOTE 3: INTANGIBLE ASSETS (CONTINUED)

Movement during the half-year	Intellectual Property
Balance at 1 July 2020	3,936,742
Amortisation expense	(140,598)
Balance at 31 December 2020	3,796,144

Intellectual property totalling \$5,000,000 comprises patents and licenses initially acquired by the Company and pertain to the oncology drug, called Bisantrene. The initial acquisition of intellectual property is supported by 2 patents application. 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 Bisantrene'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.

NOTE 4: TRADE AND OTHER PAYABLES

	31 December 2020	30 June 2020
	\$	\$
Trade and other payables	57,750	132,571
Accruals	33,475	106,949
Total trade and other payables	91,225	239,520

NOTE 5: ISSUED AND UNISSUED CAPITAL

	31 December 2020	30 June 2020
	\$	\$
Opening balance	19,660,008	15,422,621
Shares issued during the period	3,000,000	3,246,000
Shares issued on conversion of performance shares	-	1,000,000
Shares applied for but unissued	-	11,138
Shares issued on exercise of options	2,206,637	122,315
Reserve share buy back and cancellation	(444,444)	-
Less: transaction costs arising from issue of shares	(184,500)	(142,066)
	24,237,701	19,660,008

The Company has issued share capital amounting to 129,458,875 ordinary shares (30 June 2020: 116,450,037 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 2020	30 June 2020
	No.	No.
At beginning of year	116,450,037	82,235,813
Shares issued during the year	13,008,838	34,214,224
At end of the period/year	129,458,875	116,450,037

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.

NOTE 5: ISSUED AND UNISSUED CAPITAL (CONTINUED)

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 2020		-		-

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 2020	30 June 2020
	\$	\$
Opening balance	2,600,587	3,854,997
Foreign currency translation (net of tax)	(466)	173
Conversion of Performance Shares to Ordinary Shares	-	(1,000,000)
Share based payment expense	787,802	1,276,049
Extinguishment of options	-	(1,503,117)
Exercise of options	-	(27,515)
Closing balance	3,387,923	2,600,587

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 payments occurred during the half year ending 31 December 2020:

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

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 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.

Fair value of options

The fair value of share options granted have been valued using a trinomial valuation model, taking into account the terms and conditions upon which the unlisted share options were granted.

NOTE 7: SHARE-BASED PAYMENTS (CONTINUED)

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

Unlisted Share Options	Director Options		
	Tranche A	Tranche B	Tranche C
Exercise price	\$2.65	\$2.65	\$2.65
Spot price	\$2.15	\$2.15	\$2.15
Grant date	30 November 2020	30 November 2020	30 November 2020
Expected volatility	76%	76%	76%
Expiry date	29 November 2025	29 November 2025	29 November 2025
Risk free interest rate	0.30%	0.30%	0.30%
Vesting period	12 months	12- 36 months	36 months
Provision for Employee Exit (%)	16%	16%	16%
Number of options	666,667	356,858	55,568
Total value of options	\$680,135	\$1,100,239	\$40,001
Value recognised during the period	\$57,765	\$53,991	\$1,168

Unlisted Share Options	Borje Andersson Options			Borje Andersson Performance Rights
	Tranche A	Tranche B	Tranche C	
Exercise price	\$2.65	\$2.65	\$2.65	Nil
Spot price	\$2.15	\$2.15	\$2.15	\$2.15
Grant date	30 November 2020	30 November 2020	30 November 2020	30 November 2020
Expected volatility	76%	76%	76%	-
Expiry date	29 November 2025	29 November 2025	29 November 2025	29 November 2025
Risk free interest rate	0.30%	0.30%	0.30%	-
Vesting period	12 months	12- 36 months	36 months	Nil
Provision for Employee Exit (%)	16%	16%	16%	-
Number of options	533,333	1,022,212	44,455	118,557
Total value of options	\$544,108	\$880,191	\$32,001	\$203,952
Value recognised during the period	\$46,212	\$43,193	\$934	\$203,952

During the half year end 31 December 2020, a share based payment expense of \$883,683¹ was recognised, which included options vesting from prior periods.

NOTE 8: CONTINGENT LIABILITIES

There are no contingent liabilities.

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.

¹ Daniel Tillett and Borje Andersson's share based payments for the year ended 30 June 2020 was apportioned over 12 month period with 6 months expense of \$49,000 and \$46,882 were recognised for the half-year ended 31 December 2020.

NOTE 10: SUBSEQUENT EVENTS

On 8 February 2021, Ms Mary Harney was appointed as Non-Executive Director. Ms Harney is the director of specialist consulting firm (Mary Harney Advisory) providing leadership, governance and strategic advice across innovation industries such as health, biotech and agriculture. She currently serves as Chairman of private Australian Biotech, CTxONE Pty Ltd, a cancer drug discovery and development company pursuing novel epigenetic and immune-oncology program.

On 19 February 2021, Prof. Borje Andersson provide notice of resignation as Race's Chief Medical Officer (CMO) to enable Race to appoint a full-time Australian based CMO. The 1,600,000 Options previously issued to Prof. Andersson under the Company's Incentive Option Plan will immediately lapse upon Prof. Andersson's effective resignation date.

On 19 February 2021, the Company issued 2,972,575 fully paid ordinary shares following the exercise of following options:

- 757,575 unlisted options with an exercise price of \$0.099 expiring 31 August 2021;
- 1,540,000 unlisted options with an exercise price of \$0.25 expiring 25 November 2021; and
- 675,000 unlisted options with an exercise price of \$0.45 expiring 12 March 2022.

There have been no other matters or circumstances that have arisen since 31 December 2020.

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 2020 annual financial report for the financial year ended 30 June 2020 except for the share based payments as disclosed in note 7.

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 2020 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

A handwritten signature in blue ink that reads 'Phillip Lynch'.

Managing Director
Dated: 25 February 2021

Independent Auditor's Review Report

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 2020, 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 2020 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.

Independent Auditor's Review Report

To the Members of Race Oncology Limited (Continued)



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.

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 2020 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.

BENTLEYS
Chartered Accountants

MARK DELAURENTIS CA
Partner

Dated at Perth this 25th day of February 2021