

ASX Appendix 4D

Half-Year Financial Report to 31 December 2022

1. Details of reporting period

Name of Entity	Race Oncology Limited ("the Company")
ABN	61 149 318 749
Reporting Period	31 December 2022
Previous Corresponding Period	31 December 2021

2. Results for announcement to the market

Key information	31 December 2022	31 December 2021	Decrease	Amount change \$
Revenues from ordinary activities	-	-	-	-
Loss for the half-year	(4,411,726)	(4,821,847)	8.5%	(410,121)
Total net loss for the half-year attributable to members	(4,411,726)	(4,821,847)	8.5%	(410,121)
		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 2022	31 December 2021
Net tangible backing per ordinary security	17.07 cents	23.69 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 2022.

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 2022.

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 of Race Oncology Limited.

Damian Clarke-Bruce

Damian Clarke-Bruce
Managing Director

27 February 2023



ASX: RAC | ACN: 149 318 749

H1 FY22 report

**Financial Statements for the half year
ended 31 December 2022**

**Novel RNA-directed therapeutics to treat cancer
& protect the heart**

Race Oncology Limited

ACN: 149 318 749

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For the Half Year Ended 31 December 2022

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Race Oncology Limited

ACN: 149 318 749

Directors' Report

31 December 2022

Your Directors present the financial report of the Company for the half year ended 31 December 2022.

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
Board		
John Cullity	Non-Executive Chairman	6 April 2018
Mary Harney	Non-Executive Director (Independent)	8 February 2021
Philip Lynch	Executive Director	Appointed 1 June 2020 (Resigned as Managing Director and CEO, effective 1 February 2023)
Danny Sharp	Non-Executive Director (Independent)	5 December 2022
Board and Executive		
Damian Clarke-Bruce	Managing Director and Chief Executive Officer	1 February 2023
Daniel Tillett	Executive Director and Chief Scientific Officer	17 September 2019
Company Secretary		
Peter Webse		

Review of operations

Operations

On 27 September 2022, Race announced that it had contracted the Monash Fragment Platform (MFP) to complete a fragment -based screening program, aimed at discovering novel drugs that inhibit the m⁶A RNA demethylases FTO and ALKBH5. This program may lead to new IP, solely owned by Race for molecules targeting cancer and other metabolic diseases.

On 28 September 2022, Race announced its researchers, led by Dr Benjamin Buckley, in collaboration with the University of Wollongong, had developed a new formulation of Zantrene that enables peripheral (arm or leg vein) intravenous (IV) delivery to patients. This formula provides clinicians with an easier to use alternative to the current central line only formulation, adds new IP and is well suited to solid tumour application.

On 18 October 2022, Race presented at the Australian Microcap Conference in Melbourne. Building on this presentation, Race management met with current investors in Melbourne through a shareholder information session, and also held meetings with other professional investors.

On 11 November 2022, Race announced the appointment of an interim Chief Medical Officer, Dr Ajay Duggal of Adnovate Clinical, replacing Dr David Fuller, effective 11 November 2022. Dr Duggal is well qualified to support the team and his clinical and regulative experience in Europe is invaluable to the extramedullary Acute Myeloid Leukaemia program.

On 23 November 2022, Race announced it had received written feedback from the FDA via a pre-Investigational New Drug (Pre-IND) meeting. This formal correspondence provided important guidance around Race's clinical plans. The clinical hold issues from the 2019 IND application were satisfactorily addressed, providing a Race a viable path forward for the clinical development of Zantrene in the US and also commercial optionality.

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On 5 December 2022, Race announced the appointment of Mr Danny Sharp as an Independent Non-Executive Director. Danny brings extensive capital markets experience and adds further independence to the Race Board.

On 9 December 2022, Race announced submission of a Human Ethics application to commence a breast cancer observational study. The study will be led by Professor Aaron Svedlov, a highly credentialed cardiologist who co-chairs the National Cardio-Oncology working group. The study will identify the rate and level of heart damage caused by standard of care anthracycline chemotherapy.

On 14 December 2022, Race announced the appointment of Mr Damian Clarke-Bruce as CEO and Managing Director, effective as from 1 February 2023. Damian has over 25 years of international BioPharma industry experience and has worked previously at Pharming NV, Novartis US & AG, Celgene, Zimmer, Biogen IDEC, BJC Health, Pharmacia & Searle Pharmaceuticals. Damian's appointment further builds Race's commercial capability and supports plans for international pharmaceutical industry engagement in 2023.

On 22 December 2022, Race announced it had provided funding support for an MD Anderson Cancer Center Study into extramedullary Acute Myeloid Leukaemia (EMD AML). The study, led by Dr Maro Ohanian, will seek to establish the levels at which extramedullary disease is present in AML and how these patient needs may differ.

On 23 December 2022, Race provided an update on its clinical and preclinical programs and a summary of expected news for 2023.

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Directors' Report

31 December 2022

Corporate

On 25 July 2022, the Company bought back 40,283 shares, with the total market value of \$88,766.

On 26 July 2022, the Company bought back 3,050 shares, with the total market value of \$6,527.

On 27 July 2022, the Company bought back 11,782 shares, with the total market value of \$24,742.

On 1 August 2022, the Company bought back 25,000 shares, with the total market value of \$53,674.

On 5 August 2022, the Company bought back 30,000 shares, with the total market value of \$63,736.

On 11 August 2022, the Company bought back 7,356 shares, with the total market value of \$14,712.

On 15 August 2022, the Company issued 132,000 unlisted employee options, with an exercise price of \$2.46 and expiry date of 22 June 2027.

On 15 August 2022, the Company issued 111,000 unlisted employee options with an exercise price of \$3.17 and expiry date of 15 August 2027.

On 30 August 2022, the Company bought back 18,024 shares, with the total market value of \$36,716.

On 31 August 2022, the Company bought back 3,164 shares, with the total market value of \$6,641.

On 1 September 2022, the Company bought back 11,497 shares, with the total market value of \$23,580.

On 2 September 2022, the Company bought back 200,000 shares, with the total market value of \$398,000.

On 5 September 2022, the Company bought back 205,040 shares, with the total market value of \$408,188.

On 6 September 2022, the Company bought back 8,479 shares, with the total market value of \$16,619.

On 8 September 2022, the Company bought back 29,049 shares, with the total market value of \$58,154.

On 9 September 2022, the Company bought back 3,957 shares, with the total market value of \$8,168.

On 12 September 2022, the Company bought back 11,420 shares, with the total market value of \$23,683.

On 14 September 2022, the Company bought back 2,144 shares, with the total market value of \$4,288.

On 23 September 2022, the Company bought back 1,442 shares, with the total market value of \$2,740.

On 5 October 2022, the Company bought back 23,194 shares, with the total market value of \$43,619.

On 14 November 2022, 277,781 options issued to David Fuller lapsed due to end of employment.

On 14 November 2022, 2,500,000 unlisted options were exercised with exercise by Danial Tillett at a price of \$0.19 and expiry date of 25 November 2022 using the cashless exercise facility. The 2,307,925 shares issued are subject to voluntary escrow until 14 November 2023.

Financial Performance

The loss for the six months ended 31 December 2022 was \$4,411,726 or \$4,071,592 excluding share-based payments (a non-cash expense). At 31 December 2022, the Company had \$26,373,603 in cash reserves (compared with \$33,540,790 at 30 June 2022).

Race Oncology Limited

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Directors' Report

31 December 2022

Outlook

Race has most recently announced progress confirming that human ethics approval had been received for the observational stage of its planned clinical program to address heart-related damage caused by anthracyclines (ASX announcement: 1 February 2023).

Pre-clinical cell and animal studies are ongoing, supporting the cardioprotection program and exploring the optimal combination of Zantrene with the standard of care drugs doxorubicin and cyclophosphamide. This has the potential of opening up other opportunities outside of breast cancer where anthracyclines are utilised.

The cardioprotection work builds a larger-scale opportunity for Race beyond our legacy AML related programs which continue in Israel and in Australia. Updates are expected on those trials in the coming months. Race is also exploring the optimal combination of decitabine and Zantrene as a low toxicity treatment for AML.

Race is also seeking additional animal data in other cancer indications, supporting optimal clinical planning. This work will explore the potential utility of Zantrene as an anti-cancer agent across more than 100 cancer types.

Race looks forward to providing more updates on dose ranging studies of Zantrene and a kinase inhibitor in a rat model of clear cell renal cell carcinoma (kidney cancer) and cardioprotection studies in mouse models of multiple myeloma and cardioprotection over the coming quarters.

Considerable progress has also been made in advancing the new Zantrene formulation and manufacturing, which will support future clinical programs. This is an exciting development and Race looks forward to keeping shareholders across material progress.

Significant events after the balance sheet date

On 2 February 2023, the Company has issued 118,577 fully paid ordinary shares (Issued Shares) following the conversion of 118,577 unlisted performance rights.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Auditor's independence declaration

The auditor's independence declaration is included on page 4 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

Damian Clarke-Bruce

Managing Director
Sydney, Australia
Dated 27 February 2023

To the Board of Directors

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead audit director for the review of the financial statements of Race Oncology Limited for the half year ended 31 December 2022, 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 WA AUDIT PTY LTD



D M BELL CA
Director

Dated this 27th day of February 2023
Perth, Western Australia

Race Oncology Limited

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2022

		Consolidated	
		31 December 2022	31 December 2021
	Note	\$	\$
Revenue			
Interest received		167,684	8,336
Other income	2	1,321,999	707,807
Administrative expenses		(32,815)	(53,958)
Accounting and audit fees		(50,549)	(63,260)
Amortisation	3	(140,598)	(140,598)
Business development and marketing		(112,309)	(87,063)
R & D manufacturing and distribution		(1,005,195)	(312,178)
Corporate advice fees		(395,682)	(111,705)
Director fees		(96,667)	(84,000)
Employee benefits expense		(207,970)	(210,646)
Research and development expense		(3,167,091)	(2,286,349)
Share based payment expenses	7	(340,134)	(1,893,185)
Share registry expense		(20,355)	(31,907)
Other expenses		(332,044)	(263,141)
Loss before income tax		(4,411,726)	(4,821,847)
Income tax expense		-	-
Loss for the period		(4,411,726)	(4,821,847)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation (net of tax)		(1,327)	(203)
Total comprehensive loss for the period net of tax		(4,413,053)	(4,822,050)
		-	-
Basic and diluted loss per share (cents per share)		(2.74)	(3.28)

The accompanying notes form part of these financial statements.

Race Oncology Limited

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Consolidated Statement of Financial Position

As of 31 December 2022

		Consolidated	
		31 December 2022	30 June 2022
	Note	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		26,373,603	33,540,790
Trade and other receivables		1,350,748	62,465
Other assets		630,207	547,144
TOTAL CURRENT ASSETS		28,354,558	34,150,399
NON-CURRENT ASSETS			
Intangible assets	3	3,233,753	3,374,350
TOTAL NON-CURRENT ASSETS		3,233,753	3,374,350
TOTAL ASSETS		31,588,311	37,524,749
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	4	752,257	1,323,878
Employee benefits		84,116	93,462
TOTAL CURRENT LIABILITIES		836,373	1,417,340
TOTAL LIABILITIES		836,373	1,417,340
NET ASSETS		30,751,938	36,107,409
SHAREHOLDERS' EQUITY			
Issued and Unissued Capital	5	60,930,261	62,016,810
Reserves	6	7,908,800	7,765,996
Accumulated losses		(38,087,123)	(33,675,397)
TOTAL EQUITY		30,751,938	36,107,409

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity**For the Half Year Ended 31 December 2022**

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
Balance at 1 July 2022	62,016,810	7,765,996	(33,675,397)	36,107,409
Loss attributable to members	-	-	(4,411,726)	(4,411,726)
Other comprehensive income for the period	-	(1,327)	-	(1,327)
Total comprehensive income for the period	-	(1,327)	(4,411,726)	(4,413,053)
Transactions with owners in their capacity as owners and other transfers				
Share based payments	-	340,134	-	340,134
Shares issued on exercise of options	196,003	(196,003)	-	-
Shares bought back during the period	(1,282,552)	-	-	(1,282,552)
Balance at 31 December 2022	60,930,261	7,908,800	(38,087,123)	30,751,938
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

The accompanying notes form part of these financial statements.

Race Oncology Limited

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Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2022

Note	Consolidated	
	31 December 2022	31 December 2021
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received	167,684	8,336
Payments for research and development	(3,422,866)	(1,440,607)
Payments for business development and marketing	(134,951)	(134,755)
Payments for manufacturing and distribution	(1,045,816)	(270,622)
Payments to suppliers and employees	(1,431,297)	(886,917)
Net cash used in operating activities	(5,867,246)	(2,724,565)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net cash provided by/(used in) investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares	-	29,700,000
Proceeds from the issue of shares on exercise of options	-	1,259,286
Capital raising costs	-	(439,228)
Share buy-back payment	(1,282,552)	-
Net cash (used in)/provided by financing activities	(1,282,552)	30,520,058
Net increase in cash and cash equivalents held	(7,149,798)	27,795,493
Foreign currency translation	(17,388)	(15,805)
Cash at beginning of the period	33,540,789	9,322,436
Cash at end of the period	26,373,603	37,102,124

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

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 27 February 2023 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 2022 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 2022 annual financial report for the financial year ended 30 June 2022, except for the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards 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.

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

1 Statement of Significant Accounting Policies

(c) Intangible assets

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 2022. 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.

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

1 Statement of Significant Accounting Policies

(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 one segment, 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.

(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.

Race Oncology Limited

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Notes to the Financial Statements For the Half Year Ended 31 December 2022

2 Other Income

	31 December 2022	31 December 2021
	\$	\$
Research and development tax incentives	1,321,999	707,807

3 Intangible Assets

	31 December 2022	30 June 2022
	\$	\$
At cost	5,000,000	5,000,000
Accumulated amortisation	(1,766,247)	(1,625,650)
	<u>3,233,753</u>	<u>3,374,350</u>

(a) Movements in carrying amounts of intangible assets

	Intellectual Property	Total
	\$	\$
Movement during the half-year		
Balance at the beginning of the period	3,374,351	3,374,351
Amortisation	(140,598)	(140,598)
Balance at 31 December 2022	<u>3,233,753</u>	<u>3,233,753</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.

4 Trade and Other Payables

	31 December 2022	30 June 2022
	\$	\$
CURRENT		
Trade and other payables	544,394	833,822
Accruals	207,863	490,056
	<u>752,257</u>	<u>1,323,878</u>

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

5 Issued and Unissued Capital

	31 December 2022	30 June 2022
	\$	\$
Opening balance	62,016,810	31,495,411
Shares issued during the period	-	29,699,536
Shares issued on exercise of options	196,003	1,293,500
Shares bought back during the year	(1,282,552)	-
Less: transaction costs arising from issue of shares	-	(471,637)
	60,930,261	62,016,810

The Company has issued share capital amounting to 161,192,826 ordinary shares (30 June 2022: 159,519,782 ordinary shares) of no par value and the Company does not have a limited amount of authorised capital.

(a) Ordinary shares

	31 December 2022	30 June 2022
	No.	No.
At the beginning of the year	159,519,782	143,650,843
Shares issued during the year	2,307,925	15,868,939
Shares bought back during the year	(634,881)	-
At the end of the reporting period	161,192,826	159,519,782

6 Reserves

	31 December 2022	30 June 2022
	\$	\$
Opening balance	7,765,996	4,693,488
Foreign currency translation (net of tax)	(1,327)	653
Options exercised during the year	(196,003)	-
Share based payment expense	340,134	3,071,855
Closing balance	7,908,800	7,765,996

a. 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:

- 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.
- 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.
- 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.

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

6 Reserves

Refer to Note 7 for additional information on Performance Rights.

7 Share Based Payments

The following share-based payment arrangement existed at 31 December 2022:

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 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.

The vesting conditions for the incentives options are as follows:

- (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 1 July 2021, the Company issued 500,000 unlisted options exercisable at \$4.90 each on or before 1 July 2026, issued to Daniel Tillett under the employee incentive option plan.

The vesting conditions for the incentive options are as follows:

- (i) Milestone 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) Milestone 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) Milestone C: 2.7784% Options will vest and become exercisable on the date which is 24 months from the First Vesting Date.

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

7 Share Based Payments

On 12 July 2021, the Company issued 270,000 unlisted options exercisable at \$4.76 each on or before 12 July 2026, issued to Michael Kelso under the employee incentive option plan.

The vesting conditions for the incentive options are as follows:

- (i) Milestone 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) Milestone B: Commencing on the date that is 1 month after the First Vesting Date, 2.77778% 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) Milestone C: 2.77778% Options will vest and become exercisable on the date which is 24 months from the First Vesting Date.

On 3 December 2021, the Company issued 150,000 unlisted options exercisable at \$4.77 each on or before 3. December 2026, issued to Benjamin Buckley under the employee incentive option plan.

The vesting conditions for the incentive options are as follows:

- (i) Milestone 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) Milestone B: Commencing on the date that is 1 month after the First Vesting Date, 2.77778% 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) Milestone C: 2.77778% Options will vest and become exercisable on the date which is 24 months from the First Vesting Date.

On 15 August 2022, the Company issued the following incentives options:

- a) 132,000 Options exercisable at \$2.46 and expiring on 22 June 2027 to Daniel Levy;
- b) 111,000 Options exercisable at \$3.17 and expiring on 15 August 2027 to Michelle Huh.

The vesting conditions for the incentive options are as follows:

- (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, 1/24 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: the balance of the remaining Options will vest and become exercisable on the date which is 24 months from the First Vesting Date.

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

7 Share Based Payments

			Share price at Grant date	Value recognised during the year	Value to be recognised in future years
	Class of SBP	Quantity	\$	\$	\$
Recipient					
Marinella Messina	Unlisted Options	2,400,000	0.35	29,321	7,649
Phillip Lynch	Unlisted Options	2,000,000	2.15	137,437	85,147
Daniel Tillett	Unlisted Options	2,000,000	2.15	137,437	85,147
Michael Kelso	Unlisted Options	270,000	3.23	98,868	100,423
Benjamin Buckley	Unlisted Options	150,000	3.28	108,884	95,072
Daniel Levy	Unlisted Options	132,000	1.99	57,187	100,361
Michelle Huh	Unlisted Options	111,000	1.99	45,520	109,891
		7,063,000		614,654	583,690

Daniel Levy	Milestone A	Milestone B	Milestone C
Unlisted Share Options			
Exercise price	\$2.46	\$2.46	\$2.46
Spot price	\$1.99	\$1.99	\$1.99
Grant date	15 August 2022	15 August 2022	15 August 2022
Expected volatility	100%	100%	100%
Expiry date	22 June 2027	22 June 2027	22 June 2027
Risk free interest rate	3.70%	3.70%	3.70%
Vesting period	12 months	12-36 months	36 months
Number of options	44,000	84,333	3,667
Total value of options	\$52,516	\$100,656	\$4,376
Value recognised during the period	\$28,776	\$29,995	\$799

Michelle Huh	Milestone A	Milestone B	Milestone C
Unlisted Share Options			
Exercise price	\$3.17	\$3.17	\$3.17
Spot price	\$1.99	\$1.99	\$1.99
Grant date	15 August 2022	15 August 2022	15 August 2022
Expected volatility	100%	100%	100%
Expiry date	12 months	12-36 months	36 months
Risk free interest rate	2.80%	2.80%	2.80%
Vesting period	12 months	12 months	12 months
Number of options	37,000	70,917	3,083
Total value of options	\$51,804	\$99,290	\$4,317
Value recognised during the period	\$21,999	\$22,911	\$611

Race Oncology Limited

ACN: 149 318 749

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

8 Commitments and Contingent Liabilities

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

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.

10 Subsequent Events

On 2 February 2023, the Company has issued 118,577 fully paid ordinary shares (Issued Shares) following the conversion of 118,577 unlisted performance rights.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

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 2022 annual financial report for the financial year ended 30 June 2022.

12 Registered Office

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

Race Oncology Limited

ACN: 149 318 749

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 18 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors

Damian Clarke-Bruce

Managing Director
Sydney, Australia
Dated 27 February 2023

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 2022, 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 Consolidated Entity's financial position as at 31 December 2022 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 Company 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 2022 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 WA AUDIT PTY LTD****D M BELL CA**
Director

Dated this 27th day of February 2023
Perth, Western Australia

