



ASX Announcement

June Quarterly Activity Report & Appendix 4C

29 July 2020

Key events in the quarter

- On 14 May, Race initiated a preclinical breast cancer study with The University of Newcastle under the supervision of eminent cancer researcher, Associate Professor Nikki Verrills. The aim of this study is to identify combinations of current breast cancer drugs that when used in combination with bisantrene show equivalent efficacy to existing options, but with significantly reduced serious side effects. Initial results from this research are expected late Q3, early Q4 2020.
- On 20 May, Peter Molloy resigned as Managing Director of Race Oncology. An agreement was entered into between the company and Mr Molloy to buy back 2.22 million of his loan shares at 36c, cancelling his debt with Race. This agreement will be voted on by shareholders at the 11 August General Meeting.
- On 1 June, Phillip Lynch was appointed to the Race board as an independent Non-Executive Director. Mr Lynch is a former Vice President of Commercial Growth & Innovation at Johnson & Johnson Asia Pacific (J&J) from 2016 to 2019 where he partnered the M&A team on Integration leadership for Asia. He has more than 30 years of experience in marketing and executive leadership. He retired from J&J AP in December 2019 following the acquisition and Integration of a significant Japanese business into J&J.
- On 16 June, Race announced the results of the Phase II clinical trial of bisantrene conducted at the Sheba Medical Center, Israel. This open label, single agent trial studied patients (n=10) with relapsed or refractory Acute Myeloid Leukaemia (R/R AML), who on average had failed three prior lines of treatment. Bisantrene was found to be well tolerated, and after only a single course of treatment, had an overall clinical response rate of 40%. Race intends to follow on these exceptionally positive results with a larger Phase II combination bisantrene drug trial at Sheba, expected to begin recruitment late 2020.
- On 29 June, Race informed the market that independent researchers at the City of Hope (Los Angeles, USA) had released an important scientific publication, identifying bisantrene as a highly potent targeted agent for Fat mass- and obesity-associated protein (FTO). This paper, published in the prestigious journal *Cancer Cell*, identified bisantrene as the most potent inhibitor of FTO out of a chemical library of 260,000 compounds. FTO has previously been found to be a key protein in development of a wide range of cancer types; to be involved in regulating cancer stem cell renewal and cancer immunology. This preclinical work suggests that bisantrene has mechanism of action beyond standard chemotherapy and offers the potential to use bisantrene as a low toxic, targeted agent for treating a diverse range of cancers including various leukaemias, breast, lung, ovarian, gastric, brain, melanoma, and pancreatic.

Impact of COVID-19

Race advises that the COVID-19 crisis has not hampered the overall progress of its 5-path strategy. Race's employees remain in good health and day-to-day operations are continuing. Race has implemented appropriate risk management policies, which include remote working practises and postponement of all travel, amongst other initiatives.

Summary of cash flows and quarterly activity

At 30 June 2020, Race held cash and cash equivalents of \$1.73 million, compared with \$2.56 million at 31 March 2020. Net cash used in operating activities was \$0.944 million, up from \$0.666 million for the previous quarter. This was represented by a reduction in research and development costs of \$103k, an increase in product manufacturing and operating costs of \$157k, an increase in staff costs of \$189k (related primarily to payments to the former Managing Director) and an increase in administration and corporate costs of \$72k (related primarily to an insurance renewal and legal costs). During the quarter, Race continued its progress towards implementation of its 5-Path strategy for its chemotherapeutic drug bisantrene.

Listing Rule 4.7C.3

There were payments during the June quarter to Related Parties amounting to \$348k, comprising payments for services to executive and non-executive directors. A one off cash outflow of \$232k (excluding normal salary payments) for the former Managing Director, refer to detail under 6.2. The upcoming quarter's cash outflows will be lower by approximately \$250k. If the one off cash outflow was excluded in the reported quarter, RAC would have sufficient funding for 2.4 quarters rather than 1.8 quarters.

Post quarter event: \$3million strategic investment

On 13 July, Race was pleased to announce that it had received binding commitments for A\$3.0 million (before costs) in new equity funding via a strategic placement of five million shares at an issue price of \$0.60 per share. The placement was made to three prominent biotechnology investors, Kidder Williams' David Williams; EFM Asset Management's Jeff Emmanuel and Merchant Opportunities Fund made a further investment into Race, following an initial \$1.8m investment in March 2020.

The placement provides Race with sufficient resources to fund the bisantrene Phase II combination AML trial, planned to begin in late 2020. Several other important initiatives associated with the 5-path clinical development plan are currently underway and the Company looks forward to updating shareholders in the near term.

Management commentary

Race CSO Daniel Tillett said: "This quarter has been pivotal for Race. The release of the Sheba Phase II clinical trial results exceeded our expectations and showed bisantrene to be safe and efficacious. The discovery by the City of Hope Hospital that bisantrene is a potent inhibitor of FTO is potentially game changing for the clinical development of this drug. The next 6 months will be exciting as we prepare to start a new Phase II combination drug trial in R/R AML patients in Israel and finalise the IND for a Phase II clinical trial in the USA for MRD in AML."

Race Executive Chairman John Cullity said: “We are pleased to provide this quarterly update to the market and so highlight several transformative developments for Race Oncology. We look forward to the new financial year with some anticipation as the Company executes upon the 5-Path Strategy and explore bisantrene’s potential as a targeted FTO inhibitor.”

- ENDS -

About Race Oncology (RAC: ASX)

Race Oncology (RAC) is a drug development biotech with a Phase II/III cancer drug called bisantrene. RAC has compelling clinical data for Bisantrene in acute myeloid leukaemia (AML) as well as breast and ovarian cancer. RAC is pursuing an exciting ‘5-Path’ clinical development strategy that involves parallel US and Australian clinical trials in AML, breast and ovarian with clinical trials to begin in 2020.

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RACE ONCOLOGY LIMITED (RAC)

Appendix 4C**Quarterly cash flow report for entities
subject to Listing Rule 4.7B****Name of entity**

RACE ONCOLOGY LIMITED (RAC)

ABN

61 149 318 749

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	15
1.2 Payments for		
(a) research and development	(343)	(1,288)
(b) product manufacturing and operating costs	(219)	(404)
(c) advertising and marketing	(11)	(77)
(d) leased assets	-	-
(e) staff costs	(261)	(467)
(f) administration and corporate costs	(161)	(460)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	9
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	50	209
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(944)	(2,463)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	3,246
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	85	95
3.4	Transaction costs related to issues of equity securities or convertible debt securities	8	(142)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (shares yet to be issued)	11	11
3.10	Net cash from / (used in) financing activities	104	3,210

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,559	989
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(944)	(2,463)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	104	3,210
4.5	Effect of movement in exchange rates on cash held	12	(5)
4.6	Cash and cash equivalents at end of period	1,731	1,731

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,731	1,549
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,731	1,549

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	348
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Payment to related parties as disclosed in item 6.1 as follows:

- \$56,657 payments in non-executive director fees for the period;
- Payments during the quarter of \$291,685 for the former Managing Director broken down as follows:
\$59,512 gross salary for April, May and March PAYG Withholding,
\$10,502 superannuation,
\$40,744 net bonus with PAYG withholding to be settled in following quarter,
\$180,927 gross termination payments following resignation on the 20 May 2020.

7. Financing facilities <i>Note: the term “facility” includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A’000	Amount drawn at quarter end \$A’000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end	-	
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
N/A		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(944)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,731
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	1,731
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.8
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: The current quarter included a one off cash outflow of \$232k (excluding normal salary payments) for the former Managing Director, refer to detail under 6.2. The upcoming quarter's cash outflows will be lower by approximately \$250k. If the one off cash outflow was excluded in the reported quarter, RAC would have sufficient funding for 2.4 quarters rather than 1.8 quarters.	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: Subsequent to the quarter the entity completed a Strategic Placement of A\$3.0m, and received proceeds from the exercise of options totalling A\$291k, which added to its cash reserves as at 30 June 2020 of \$1.7m. Accordingly, the Company believes that it is well funded to meet its short and medium term objectives.	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Based on the capital raised subsequent to the end of the Financial Year, the Company expects to be able to continue its operations and to meet its business objectives.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 July 2020

Authorised by: The Board of Race Oncology Limited
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.