

ASX Appendix 4D

Half-Year Financial Report to 31 December 2023

1. Details of reporting period

Name of Entity	Race Oncology Limited ("the Company")
ABN	61 149 318 749
Reporting Period	31 December 2023
Previous Corresponding Period	31 December 2022

2. Results for announcement to the market

Key information	31 December 2023	31 December 2022	Increase/ (decrease)	Amount change \$
Revenues from ordinary activities	-	-	-	-
Loss for the half-year	(5,663,158)	(4,411,726)	28.37%	(1,251,432)
Total net loss for the half-year attributable to members	(5,663,158)	(4,411,726)	28.37%	(1,251,432)
		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 2023	31 December 2022
Net tangible backing per ordinary security	10.77 cents	17.07 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 2023.

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 2023.

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.

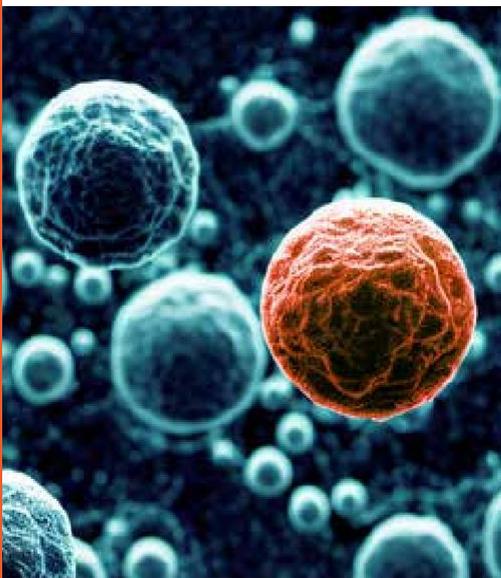
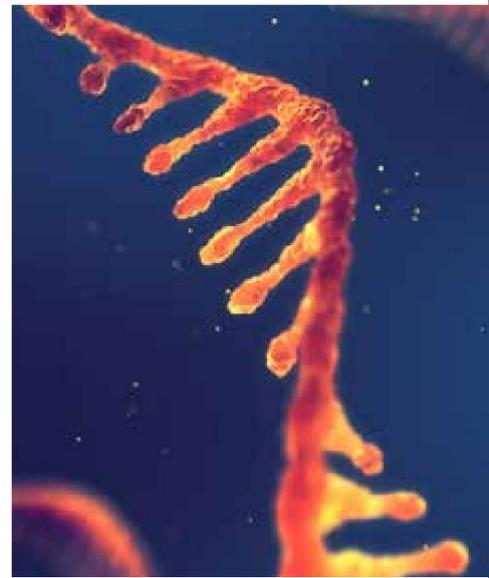


Peter Smith
Executive Director

28 February 2024



ASX: RAC



H1 FY24 Report

Financial statements for the half year ended
31 December 2023

At the *heart* of cancer care

Race Oncology Limited

ACN: 149 318 749

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For the Half Year Ended 31 December 2023

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Directors' Report

31 December 2023

Your Directors present the financial report of the the Company for the half year ended 31 December 2023.

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 and Executive		
Mary Harney	Non-Executive Chair (Independent)	8 February 2021
Philip Lynch	Non-Executive Director	1 June 2020
John Cullity	Non-Executive Director	6 April 2018 (Resigned 21 August 2023)
Daniel Tillett	Chief Executive Officer	22 November 2023
Peter Smith	Executive Director	28 June 2023
Damian Clarke-Bruce	Managing Director and Chief Executive Officer	1 February 2023 (Resigned 21 August 2023)
Company Secretary		
Peter Webse		

Review of operations

Summary

On 10 July 2023, Race executed an exclusive licence agreement with City of Hope to access intellectual property identifying bisantrene as a potent inhibitor of the human fat mass and obesity associated protein (FTO). The Agreement provides Race's exclusive access to intellectual property pertaining to bisantrene.

On 12 July 2023, Race announced that it had entered into an agreement with the leading global contract development and manufacturing organisation (CDMO), Ardena Holding NV, to provide additional current Good Manufacturing Practice (cGMP) manufacturing capability for Race's proprietary intravenous formulation of bisantrene, RC220.

On 13 July 2023, Race received a \$1.66 million Research & Development Tax Incentive Refund from the Australian Taxation Office in relation to a successful overseas finding in respect of qualifying R&D activities for the financial year ended 30 June 2022. This refund is in addition to a \$1.48 million Research & Development Tax Incentive Refund received for FY2022 Australian activities in March 2023 (ASX announcement: 27 March 2023).

On 8 August 2023, Race released a strategic update, seeking to maximise the potential of bisantrene, leveraging its unique mechanisms of anticancer and cardioprotection to drive commercial partnering and collaboration potential.

On 22 August 2023, Race announced management changes with Mr Damian Clarke-Bruce resigning as CEO & Managing Director and Dr John Cullity retiring from the Race Board. Dr Pete Smith was appointed an Executive Director, and Dr Daniel Tillett was engaged as a consultant. The Race Board also announced a strategic review to ensure delivery of research and clinical milestones within current financial resources.

On 14 September 2023, Race and Biosynergy Partners LLC mutually agreed to terminate the 2018 service agreement (ASX announcement: 1 November 2018). The service agreement termination clauses conclude on 14 September 2024.

Directors' Report

31 December 2023

Operations

On 21 September 2023, Race announced preclinical results which showed bisantrene was highly active as a single agent against 113 of 143 human tumour cell lines, representing a broad cross-section of the most common haematological and solid organ cancers. In combination with clinically relevant concentrations of doxorubicin, bisantrene was also found to significantly enhance the killing of most cancer cell lines screened.

On 27 September 2023, Race announced the successful production of its first batch of cGMP quality active pharmaceutical ingredient sufficient for RC220 cGMP drug product manufacturing and near-to mid-term clinical trials.

On 5 October 2023, Race announced that it had contracted Attentive Science and Agilix Biolabs to complete GLP toxicology and safety pharmacology studies required to support human clinical trials with RC220. Final reporting is expected end of Q2 CY2024, representing a significant milestone for the commercial development of RC220, and enabling RC220 to be used in clinical trials.

On 17 October 2023, Race announced that it had successfully completed a series of preclinical animal and laboratory studies showing that Race's novel bisantrene formulation, RC220 (ASX Announcement: 28 September 2022), prevents drug precipitation (crystallisation) and phlebitis (vein inflammation or damage) when infused into peripheral veins. These studies, performed at Pharmaron (CA, USA) and by Race scientists based at the University of Wollongong (Australia), used *in vivo* (animal) and *in vitro* (laboratory) models routinely accepted by regulators while assessing intravenous infusion (IV) safety.

On 6 November 2023, Race shared details of interim clinical results from an ongoing investigator-initiated Phase 2 trial of bisantrene in combination with fludarabine and clofarabine in relapsed or refractory Acute Myeloid Leukaemia (R/R AML) patients at the prestigious American Society of Hematology (ASH) 65th Annual Conference held from 9-12 December 2023. In this trial, six of the 15 evaluable patients (40%) responded to Bis/Clo/Flo treatment (five complete responses, one partial response), with three of the clinical responders having active extramedullary disease (EMD). Five of the six treatment-responsive patients were able to be bridged to a stem cell transplant (SCT) within one to three months of treatment.

On 9 November 2023, Race announced that a Certificate of Testing (CoT) had been issued by Societal CDMO (San Diego, USA) for the first engineering batch of RC220, confirming that the drug product meets manufacturing quality specifications. The CoT clears RC220 for use in Good Laboratory Practice (GLP) toxicology and safety pharmacology studies (ASX Announcement: 5 October 2023) and significantly de-risks the RC220 current Good Manufacturing Practice (cGMP) campaign underway at Ardena (ASX Announcement: 12 July 2023).

On 22 November 2023, Race announced Dr Daniel Tillett had been appointed full-time Chief Executive Officer, with immediate effect. Dr Tillett requested that 50% of his salary package be provided as options with an exercise price of \$4.25, above the Race all-time high share price.

On 25 November 2023, Race announced an updated strategic plan, designed to move its lead asset, the reformulated bisantrene, RC220, through clinical studies that aim to build significant shareholder value within the constraints of current capital market conditions. This updated strategy focused on clinical development within Australia and is designed to establish anthracycline cardioprotection and the clinical effects on the m6A RNA pathway of RC220 in a range of solid tumours.

On 22 November 2023, Race announced a pro-rata non-renounceable entitlement offer of one (1) loyalty bonus option (Bonus Option) for every twenty (20) Shares held by those Shareholders registered at the Record Date (Bonus Options Offer); and (b) a further offer to Eligible Option holders of three (3) Options (Piggyback Options) for every one (1) Bonus Option exercised prior to the Bonus Option Expiry Date (Piggyback Options Offer). These options aim to reward loyal shareholders and raise up to \$36.6 million to fund future clinical activities in cardioprotection, m6A RNA & AML.

Directors' Report

31 December 2023

Operations (continued)

On 13 December 2023, Race shared the poster of the Phase 2 R/R AML clinical data on bisantrene in combination with clofarabine and fludarabine presented at the American Society of Hematology 65th Annual Meeting by Arnon Nagler of the Sheba Medical Centre, Israel.

On 29 December 2023, Race provided an end of year update of clinical and preclinical activities and outlined expected news for 2024.

Corporate

On 21 August 2023, 755,671 options issued to Damian Clark-Bruce lapsed due to end of employment.

On 1 November 2023, the Company issued 1,116,083 unlisted employee options, with an exercise price of \$1.95 and expiry date of 1 November 2028.

On 1 November 2023, the Company issued 489,408 unlisted employee options, with an exercise price of \$2.23 and expiry date of 1 November 2028.

On 21 November 2023, the Company issued 166,450 unlisted employee options, with an exercise price of \$2.92 and expiry date of 31 January 2028.

On 21 November 2023, the Company issued 308,247 unlisted employee options, with an exercise price of \$1.32 and expiry date of 24 October 2028.

On 29 November 2023, the Company issued 1,534,712 unlisted employee options, with an exercise price of \$1.45 and expiry date of 29 November 2028.

On 29 November 2023, the Company issued 3,061,101 unlisted employee options, with an exercise price of \$4.25 and expiry date of 29 November 2028.

On 1 December 2023, the Company issued 139,516 unlisted employee options, with an exercise price of \$1.39 and expiry date of 1 December 2028.

On 1 December 2023, the Company issued 440,019 unlisted employee options, with an exercise price of \$1.39 and expiry date of 1 December 2028.

Financial Performance

The loss for the six months ended 31 December 2023 was \$5,663,158 or \$5,378,844 excluding share-based payments (a non-cash expense). At 31 December 2023, the Company had \$13,715,447 in cash reserves (compared with \$21,520,368 at 30 June 2023).

Outlook

Preclinical Activities

Progress of the cGMP RC220 manufacture at Ardena remains on track with release expected in Q1 2024, enabling clinical trials to begin once the non-clinical GLP toxicology program is finalised.

Directors' Report

31 December 2023

Outlook (continued)

Non-clinical Toxicology Program

Race announced that it had signed contracts with Attentive Science (USA) and Agilex Biolabs (Australia) to complete a package of Good Laboratory Practice (GLP) toxicology and safety pharmacology studies (ASX Announcement: 5 October 2023). These studies are required to support human clinical trials of Race's flagship bisantrene formulation for peripheral infusion, RC220.

Extensive historical and modern clinical data has been collected around the safety and efficacy of bisantrene in humans. While RC220 contains the same active pharmaceutical ingredient as previous formulations, it is considered a new 'drug product' by regulators. All new drug products must pass a panel of toxicology and safety pharmacology preclinical studies to: (i) show that they are safe for use in humans and (ii) establish a safe starting dose for Phase I dose-escalation studies.

The data for RC220 will be used in all regulatory submissions requesting approval for its use in clinical trials, including any US FDA Investigational New Drug (IND) applications.

The non-clinical data program is progressing well and remains on track to be finalised by late Q2 2024.

Clinical Activities

Interim results were released from an ongoing investigator-initiated Phase 2 trial of bisantrene in combination with fludarabine and clofarabine in relapsed or refractory acute myeloid leukaemia (R/R AML) patients. The trial is running at the Sheba Medical Centre, Israel, under the supervision of key opinion leader, Professor Arnon Nagler.

The trial is continuing to recruit the final two patients and shareholders can expect to be updated when the final patient finishes treatment (expected during H1 2024). It is expected the study will be published in a high impact peer-reviewed journal in 2024.

Significant progress has been made towards initiating the Australian Phase 1a/b trial in H2 2024 exploring the use of bisantrene as a cardioprotective anticancer agent for use in patients where an anthracycline treatment is indicated. Strong clinical interest has been fielded from a range of Australian oncologists interested in participating in the trial. Shareholders can expect regular updates on contract research organisation selection, investigator and site selection, human ethics and governance approvals, along with first patient treatment in 2024.

Race has received a proposal from an experienced haematologist to undertake an investigator-initiated Phase 1/2 trial of RC220 in combination with oral decitabine in Australia, building on the preclinical mouse work undertaken by Race's collaborators at the University of Newcastle and the recent Sheba Phase 2 AML results presented at the 2023 American Society of Hematology (ASH) meeting. This trial offers Race a low-cost clinical proof-of-concept of bisantrene in AML compatible with modern clinical practice. Initiation of this trial is contingent on funding being available, which may occur via the previously announced bonus option issue.

Directors' Report

31 December 2023

Outlook (continued)

Significant events after the balance sheet date

Between 1 January 2024 and the date of this report, 212,106 bonus options had been exercised, contributing an \$159,080 to program advancement and the issue of 636,318 piggyback options.

On 12 January 2024, Borje Andersson received 420,000 ordinary shares following the exercise of his 420,000 options at an exercise price of \$0.12 per option.

On 27 February 2024, the Company announced the receipt of a \$4,003,470.33 R&D Tax Incentive Refund from the Australian Taxation Office.

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 5 of the financial report.

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

On behalf of the Directors



Executive Director
Sydney, Australia

Dated: 28 February 2024

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 2023, 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 28th day of February 2024
Perth, Western Australia

Race Oncology Limited

ACN: 149 318749

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2023

		31 December 2023	31 December 2022
	Note	\$	\$
Revenue			
Interest received		461,428	167,684
Other income	2	4,003,470	1,321,999
Administrative expenses		(17,027)	(32,815)
Accounting and audit fees		(67,313)	(50,549)
Amortisation	3	(140,598)	(140,598)
Business development and marketing		(305,501)	(112,309)
R & D manufacturing and distribution		(1,844,129)	(1,005,195)
Corporate advice fees		(173,605)	(395,682)
Director fees		(195,158)	(96,667)
Employee benefits expense		(428,015)	(207,970)
Research and development expense		(6,104,810)	(3,167,091)
Share based payment expenses	7	(284,314)	(340,134)
Share registry expense		(52,912)	(20,355)
Other expenses		(514,674)	(332,044)
Loss before income tax		(5,663,158)	(4,411,726)
Income tax expense		-	-
Loss for the period		(5,663,158)	(4,411,726)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation (net of tax)		3,797	(1,327)
Total comprehensive loss for the period net of tax		(5,659,361)	(4,413,053)
		-	-
Basic and diluted loss per share (cents per share)		(3.46)	(2.74)

The accompanying notes form part of these condensed consolidated financial statements.

Race Oncology Limited

ACN: 149 318749

Condensed Consolidated Statement of Financial Position

As of 31 December 2023

	Note	31 December 2023 \$	30 June 2023 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		13,715,447	21,520,368
Trade and other receivables		4,081,989	1,704,099
Other assets		317,188	320,314
TOTAL CURRENT ASSETS		18,114,624	23,544,781
NON-CURRENT ASSETS			
Property, plant and equipment		3,268	-
Intangible assets	3	2,952,557	3,093,155
TOTAL NON-CURRENT ASSETS		2,955,825	3,093,155
TOTAL ASSETS		21,070,449	26,637,936
LIABILITIES CURRENT			
LIABILITIES			
Trade and other payables	4	526,755	1,071,866
Employee benefits		111,997	79,929
TOTAL CURRENT LIABILITIES		638,752	1,151,795
TOTAL LIABILITIES		638,752	1,151,795
NET ASSETS		20,431,697	25,486,141
SHAREHOLDERS' EQUITY			
Issued and Unissued Capital	5	62,029,758	61,709,155
Reserves	6	7,663,919	7,375,808
Accumulated losses		(49,261,980)	(43,598,822)
TOTAL EQUITY		20,431,697	25,486,141

The accompanying notes form part of these condensed consolidated financial statements.

Race Oncology Limited

ACN: 149 318749

Condensed Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2023

_Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
Balance at 1 July 2023			
		61,709,155	7,375,808
			(43,598,822)
			25,486,141
Loss attributable to members		-	-
Other comprehensive income for the period		-	3,797
		-	3,797
Total comprehensive income for the period			
		-	3,797
		-	(5,663,158)
		-	(5,659,361)
Transactions with owners in their capacity as owners and other transfers			
Shares issued on exercise of options		320,603	-
Share based payments		-	589,928
Lapse of options		-	(305,614)
		-	-
		-	320,603
		-	589,928
		-	(305,614)
Balance at 31 December 2023			
		62,029,758	7,663,919
		-	(49,261,980)
		-	20,431,697
Balance at 1 July 2022			
		62,016,810	7,765,996
		-	(33,675,397)
		-	36,107,409
Loss attributable to members		-	(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
Shares issued on exercise of options		196,003	(196,003)
Shares bought back during the period		(1,282,552)	-
		-	-
		-	340,134
		-	-
		-	(1,282,552)
Balance at 31 December 2022			
		60,930,261	7,908,800
		-	(38,087,123)
		-	30,751,938

The accompanying notes form part of these condensed consolidated financial statements.

Race Oncology Limited

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Condensed Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2023

	31 December 2023	31 December 2022
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received	461,428	167,684
Government grants	1,657,956	-
Payments for research and development	(6,465,193)	(3,422,866)
Payments for business development and marketing	(289,830)	(134,951)
Payments for manufacturing and distribution	(1,856,942)	(1,045,816)
Payments to suppliers and employees	(1,662,024)	(1,431,297)
Net cash used in operating activities	<u>(8,154,605)</u>	<u>(5,867,246)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net cash provided by/(used in) investing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issue of shares on exercise of options	320,603	-
Share buy-back payment	-	(1,282,552)
Net cash provided by/(used in) financing activities	<u>320,603</u>	<u>(1,282,552)</u>
Net decrease in cash and cash equivalents held	(7,834,002)	(7,149,798)
Foreign currency translation	29,081	(17,388)
Cash at beginning of the period	21,520,368	33,540,789
Cash at end of the period	<u>13,715,447</u>	<u>26,373,603</u>

The accompanying notes form part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the Half Year Ended 31 December 2023

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 28 February 2024 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 2023 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 2023 annual financial report for the financial year ended 30 June 2023 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 Condensed Consolidated Financial Statements

For the Half Year Ended 31 December 2023

1 Statement of Significant Accounting Policies

(c) Intangible assets (continued)

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 2023. 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 Condensed Consolidated Financial Statements

For the Half Year Ended 31 December 2023

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.

Identification of reportable segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

During the year, the consolidated entity is operated in two segments, being research into oncology drug, bisantrene and the manufacturing and distribution of the drug for 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 8.

Race Oncology Limited

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(g) Critical accounting estimates and judgements (continued)

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.

2 Other Income

	31 December 2023	31 December 2022
	\$	\$
Research and development tax incentives	<u>4,003,470</u>	1,321,999

The Company's R&D return was lodged during the period and is recorded as a receivable at balance date.

3 Intangible Assets

	31 December 2023	30 June 2023
	\$	\$
At cost	5,000,000	5,000,000
Accumulated amortisation	<u>(2,047,443)</u>	<u>(1,906,845)</u>
	<u>2,952,557</u>	<u>3,093,155</u>

(a) Movements in carrying amounts of intangible assets

	Intellectual Property	Total
	\$	\$
Movement during the half-year		
Balance at the beginning of the period	3,093,155	3,093,155
Amortisation	<u>(140,598)</u>	<u>(140,598)</u>
Balance at 31 December 2023	<u>2,952,557</u>	<u>2,952,557</u>

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 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 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.

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Notes to the Condensed Consolidated Financial Statements

For the Half Year Ended 31 December 2023

4 Trade and Other Payables

	31 December 2023	30 June 2023
	\$	\$
CURRENT		
Trade and other payables	340,848	638,514
Accruals	185,907	433,352
	<u>526,755</u>	<u>1,071,866</u>

5 Issued and Unissued Capital

	31 December 2023	30 June 2023
	\$	\$
Opening balance	61,709,155	62,016,810
Shares redeemed during the year	-	(1,282,551)
Shares issued on exercise of options	320,603	719,956
Less: capital raising costs	-	254,940
	<u>62,029,758</u>	<u>61,709,155</u>

The Company has issued share capital amounting to 163,496,251 ordinary shares (30 June 2023: 163,068,780 ordinary shares) of no-par value and the Company does not have a limited amount of authorised capital.

(a) Ordinary shares

	31 December 2023	30 June 2023
	No.	No.
At the beginning of the year	163,068,780	159,519,782
Shares issued during the year	427,471	4,183,879
Shares bought back during the year	-	(634,881)
At the end of the reporting period	<u>163,496,251</u>	<u>163,068,780</u>

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Notes to the Condensed Consolidated Financial Statements For the Half Year Ended 31 December 2023

6 Reserves

	31 December 2023	30 June 2023
	\$	\$
Opening balance	7,375,808	7,765,996
Foreign currency translation (net of tax)	3,797	(5,796)
Share based payment expense	589,928	590,504
Conversion of performance rights	-	(254,940)
Lapse of options	(305,614)	-
Exercise of options	-	(719,956)
Closing balance	7,663,919	7,375,808

Refer to Note 7 for additional information on Performance Rights.

7 Share Based Payments

The following share-based payment arrangements existed at 31 December 2023:

On 1 November 2023, the Company issued the following incentive options to employees:

- a) 1,116,083 Options exercisable at \$1.95 and expiring on 1 November 2028; and
- b) 489,408 Options exercisable at \$2.23 and expiring on 1 November 2028.

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.

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Notes to the Condensed Consolidated Financial Statements For the Half Year Ended 31 December 2023

7 Share Based Payments (continued)

On 21 November 2023, the Company issued the following incentive options to employees:

- a) 166,450 Options exercisable at \$2.92 and expiring on 21 November 2028; and
- b) 308,247 Options exercisable at \$1.32 and expiring on 21 November 2028.

The vesting conditions for the incentives 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 29 November 2023, the Company issued the following incentives options:

- a) 1,534,712 Options exercisable at \$1.45 and expiring on 29 November 2028 to Daniel Tillett (Tranche 1),
- b) 3,061,101 Options exercisable at \$4.25 and expiring on 29 November 2028 to Daniel Tillett (Tranche 2).

The vesting conditions for the incentives options for Tranche 1 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.

The vesting conditions for the incentives options for Tranche 2 are as follows:

- (i) Milestone A, B and C options will vest and become exercisable monthly on a pro-rata basis, commencing on the date that is 1 month after the commencement date and thereafter on a monthly basis for 3 years;

On 1 December 2023, the Company issued the following incentives options:

- a) 139,516 Options exercisable at \$1.39 and expiring on 1 December 2028 to Mary Harney,
- b) 440,019 Options exercisable at \$1.39 and expiring on 1 December 2028 to Peter Smith.

The vesting conditions for the incentives 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);

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Notes to the Condensed Consolidated Financial Statements

For the Half Year Ended 31 December 2023

7 Share Based Payments (continued)

- (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.

Recipient	Class of SBP	Quantity	Share price at Grant date \$	Value recognised during the year \$	Value to be recognised in future years \$
Employee	Unlisted Options	1,116,083	0.765	68,817	409,887
Employee	Unlisted Options	489,408	0.860	32,790	201,465
Employee	Unlisted Options	166,450	0.965	6,165	56,612
Employee	Unlisted Options	308,247	1.015	20,292	178,261
Daniel Tillett - Tranche 1	Unlisted Options	1,534,712	0.910	61,528	772,074
Daniel Tillett - Tranche 2	Unlisted Options	3,061,101	0.910	151,283	923,774
Mary Harney	Unlisted Options	139,516	0.940	5,104	74,223
Peter Smith	Unlisted Options	440,019	0.940	16,099	234,093
		7,255,536		362,078	2,850,389

	Milestone A	Milestone B	Milestone C
Unlisted Share Options			
Exercise price	\$1.95	\$1.95	\$1.95
Spot price	\$0.77	\$0.77	\$0.77
Grant date	16 October 2023	16 October 2023	16 October 2023
Expected volatility	90%	90%	90%
Expiry date	1 November 2028	1 November 2028	1 November 2028
Risk free interest rate	3.98%	3.98%	3.98%
Vesting period	12 months	12-36 months	36 months
Number of options	372,027	713,053	31,002
Total value of options	\$159,568	\$305,839	\$13,297
Value recognised during the period	\$33,225	\$34,669	\$923

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Notes to the Condensed Consolidated Financial Statements For the Half Year Ended 31 December 2023

7 Share Based Payments (continued)

	Milestone A	Milestone B	Milestone C
Unlisted Share Options			
Exercise price	\$2.23	\$2.23	\$2.23
Spot price	\$0.86	\$0.86	\$0.86
Grant date	18 October 2023	18 October 2023	18 October 2023
Expected volatility	89.5%	89.5%	89.5%
Expiry date	1 November 2028	1 November 2028	1 November 2028
Risk free interest rate	4.19%	4.19%	4.19%
Vesting period	12 months	12-36 months	36 months
Number of options	163,136	312,677	13,595
Total value of options	\$78,085	\$149,663	\$6,507
Value recognised during the period	\$15,831	\$16,519	\$440

	Milestone A	Milestone B	Milestone C
Unlisted Share Options			
Exercise price	\$2.92	\$2.92	\$2.92
Spot price	\$0.97	\$0.97	\$0.97
Grant date	9 November 2023	9 November 2023	9 November 2023
Expected volatility	80%	80%	80%
Expiry date	21 November 2028	21 November 2028	21 November 2028
Risk free interest rate	4.13%	4.13%	4.13%
Vesting period	12 months	12-36 months	36 months
Number of options	55,483	106,343	4,624
Total value of options	\$20,926	\$40,108	\$1744
Value recognised during the period	\$2,973	\$3,109	\$83

	Milestone A	Milestone B	Milestone C
Unlisted Share Options			
Exercise price	\$1.32	\$1.32	\$1.32
Spot rate	\$1.02	\$1.02	\$1.02
Grant date	7 November 2023	7 November 2023	7 November 2023
Expected volatility	82.5%	82.5%	82.5%
Expiry date	21 November 2028	21 November 2028	21 November 2028
Risk free interest rate	4.24%	4.24%	4.24%
Vesting period	12 months	12-36 months	36 months
Number of options	102,749	196,936	8,562
Total value of options	\$66,184	\$126,853	\$5,515
Value recognised during the period	\$9,792	\$10,228	\$272

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Notes to the Condensed Consolidated Financial Statements For the Half Year Ended 31 December 2023

7 Share Based Payments (continued)

Daniel Tillett - Tranche 1 Unlisted Share Options	Milestone A	Milestone B	Milestone C
Exercise price	\$1.45	\$1.45	\$1.45
Spot rate	\$0.91	\$0.91	\$0.91
Grant date	22 November 2023	22 November 2023	22 November 2023
Expected volatility	82.2%	82.2%	82.2%
Expiry date	29 November 2028	29 November 2028	29 November 2028
Risk free interest rate	4.05%	4.05%	4.05%
Vesting period	12 months	12-36 months	36 months
Number of options	511,571	980,510	42,631
Total value of options	\$277,867	\$532,579	\$23,156
Value recognised during the period	\$29,690	\$31,013	\$825

Daniel Tillett - Tranche 2 Unlisted Share Options	Milestone A	Milestone B	Milestone C
Exercise price	\$4.25	\$4.25	\$4.25
Spot rate	\$0.91	\$0.91	\$0.91
Grant date	22 November 2023	22 November 2023	22 November 2023
Expected volatility	82.2%	82.2%	82.2%
Expiry date	29 November 2028	29 November 2028	29 November 2028
Risk free interest rate	4.05%	4.05%	4.05%
Vesting period	12 months	12 months	12 months
Number of options	1,020,367	1,020,367	1,020,367
Total value of options	\$358,352	\$358,352	\$358,352
Value recognised during the period	\$110,289	\$25,738	\$15,256

Mary Harney Unlisted Share Options	Milestone A	Milestone B	Milestone C
Exercise price	\$1.39	\$1.39	\$1.39
Spot rate	\$0.94	\$0.94	\$0.94
Grant date	27 November 2023	27 November 2023	27 November 2023
Expected volatility	82.2%	82.2%	82.2%
Expiry date	1 December 2028	1 December 2028	1 December 2028
Risk free interest rate	4.18%	4.18%	4.18%
Vesting period	12 months	12-36 months	36 months
Number of options	46,505	89,135	3,875
Total value of options	\$26,443	\$50,682	\$2,203
Value recognised during the period	\$2,463	\$2,573	\$68

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Notes to the Condensed Consolidated Financial Statements

For the Half Year Ended 31 December 2023

7 Share Based Payments (continued)

Peter Smith	Milestone A	Milestone B	Milestone C
Unlisted Share Options			
Exercise price	\$1.39	\$1.39	\$1.39
Spot rate	\$0.94	\$0.94	\$0.94
Grant date	27 November 2023	27 November 2023	27 November 2023
Expected volatility	82.2%	82.2%	82.2%
Expiry date	1 December 2028	1 December 2028	1 December 2028
Risk free interest rate	4.18%	4.18%	4.18%
Vesting period	12 months	12-36 months	36 months
Number of options	146,673	281,123	12,223
Total value of options	\$83,397	\$159,845	\$6,950
Value recognised during the period	\$7,768	\$8,115	\$216

Race Oncology Limited

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Notes to the Condensed Consolidated Financial Statements

For the Half Year Ended 31 December 2023

8 Commitments and Contingent Liabilities

Following milestones to be met with the agreement entered with City of Hope, CA USA.

Development and Commercialization:

Licensee shall have the sole right and responsibility for, and control over, all of its development, manufacturing and commercialization activities (including all regulatory activities) with respect to Licensed Products in the Field.

Licensee shall further have the right, by giving notice to COH accompanied by payment of the sum of fifty thousand dollars (\$50,000) prior to a Deadline Date, to extend such Deadline Date by a period of three (3) months provided that each Deadline Date may only be extended by up to two (2) such periods.

Deadline Date

Four years from the Effective Date

Diligence Milestone

Dose the first patient in an FTO-Related Phase 3 Clinical Trial of a Licensed Product.

Six years from the Effective Date

Receive the first Marketing Approval for an FTO Related Indication in the United States, Europe, China or Australia with respect to a Licensed Product

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

Between 1 January 2024 and the date of this report, 212,106 bonus options were exercised, contributing \$159,080 to program advancement and the issue of 636,318 piggyback options.

On 12 January 2024, Borje Andersson received 420,000 ordinary shares following the exercise of his 420,000 options with an exercise price of \$0.12 per option.

On 27 February 2024, the Company announced the receipt of a \$4,003,470.33 R&D Tax Incentive Refund from the Australian Taxation Office.

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 2023 annual financial report for the financial year ended 30 June 2023.

Race Oncology Limited

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Notes to the Condensed Consolidated Financial Statements

For the Half Year Ended 31 December 2023

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

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Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 23 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 2023 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.



Executive Director

Dated: 28 February 2024

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 condensed consolidated statement of financial position as at 31 December 2023, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed 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 2023 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 2023 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 28th day of February 2024
Perth, Western Australia



raceoncology.com