

27 January 2021

ASX Announcement

December 2020 Quarterly Activity Report and Appendix 4C

- New “Three Pillar” strategic plan announced
 - Positions Race Oncology in the precision oncology space
 - Continues to protect legacy credentials in AML and breast cancers
-

Race pivots to capitalise on the FTO via the new “Three Pillar” strategy

The December 2020 quarter (Q2 FY21) was highlighted by release of Race’s “Three Pillar” strategic plan. Three Pillars informs Race’s tactical implementation of clinical programs to demonstrate expanded efficacy and utility of Bisantrene across targeted indications, so maximizing the potential of a downstream license or corporate sale to a scaled pharmaceutical company.

The revised strategy was guided by a combination of impressive clinical data and Race’s interest in further investigating the independent City of Hope pre-clinical observations that Bisantrene is a potent inhibitor of FTO (Fat mass and Obesity-associated protein).

These unexpected findings encourage further preclinical and clinical evaluation across multiple cancer types under Pillar 1. Pillar 2 of the plan identified opportunity in Breast Cancer following positive pre-clinical data, while Pillar 3 extends the Acute Myeloid Leukemia (AML) program.

The Three Pillar strategy significantly expands the opportunity set for Bisantrene, while protecting its legacy applications and so positions Race well as it pursues outsized returns for our shareholders.

Key events in the quarter

- On 2nd October 2020, Race announced that Prof. Borje Andersson was appointed Chief Medical Officer (CMO). Prof. Andersson’s appointment, in addition to his role as Chair of Race’s Clinical Advisory Board, genuinely bolsters Race clinical capabilities. Prof. Andersson brings exceptional clinical experience coupled with an extensive network that will materially assist Race to execute against Three Pillars.
- On 28th October 2020, Race announced that Dr Bill Garner and Chris Ntoumenopoulos had resigned from their Non-Executive Director roles. Bill and Chris were founding directors of Race and the Board thanks them both for their longstanding commitment to the Company.
- On 5th November 2020, Race announced that clinical data from the Israel Phase II investigator led trial in relapsed and refractory AML would be presented at the American Society for Haematology’s 2020 annual conference.

- On 10th November 2020, Race advised that results from the AML Phase II Israel trial were published in the *European Journal of Haematology*.
- On 24th November 2020, Race shared impressive results from a pre-clinical study in breast cancer, conducted in collaboration with the University of Newcastle. The study confirmed the historical clinical data that Bisantrene showed similar efficacy to doxorubicin and epirubicin in a range of breast cancer types. In addition, this study showed that Bisantrene was effective and compatible in combination with other oncology drugs currently used in breast cancer settings. The study has provided evidence to support the progression of Bisantrene into breast cancer clinical trials.
- On 26th November 2020, Race appointed George Clinical, a Clinical Research Organisation, to assist with planning / mapping for its Phase I/II breast cancer program. George Clinical is tasked with providing a fully scoped and costed trial program which will enable the Race Board to determine how best to pursue this opportunity.
- On 30th November 2020, Race shared its Three Pillar Strategy, communicating our desire to evolve the business towards a precision oncology focus via FTO, while retaining legacy opportunities in breast cancer and AML. The updated strategy allows the Company to pursue outsized rewards for shareholders, while minimising clinical and commercial risk. Three Pillars addresses the following areas:
 - o **Pillar 1** – FTO inhibition focused on Melanoma and Clear Cell Renal Cell Carcinoma as proof-of-concept indications.
 - o **Pillar 2** – Breast cancer treatment as a safer chemotherapeutic agent with expanded therapeutic index
 - o **Pillar 3** – AML addressing legacy plans in adult and paediatric populations. Evaluation of extramedullary AML building on the Israel trial observation and clear unmet clinical need.
- On 10th December 2020, Race announced that Prof. Borje Andersson would leave his Board role to focus on his Chief Medical Officer and Clinical Advisory Board Chair roles. This change allows Prof Andersson to focus his time on progressing Race's clinical programmes.
- On 17th December 2020, Race announced receipt of a \$387k cash rebate for the financial year 30 June 2020, under the Research and Development Tax Incentive program.

Summary of cash flows and quarterly activity

As at 31 December 2020, Race held cash and equivalents of \$5.58 million, compared with \$5.66 million at 30 September 2020. The minimal net outflows were supported by a \$0.262 million cash injection, received from conversion of options and receipt of the \$0.387 million R&D tax rebate. Operating activities totalled \$0.728 million, a decrease of \$0.115 million from the prior quarter. Management continues to maintain a strong focus on minimising expenditure, protecting shareholders from unneeded capital dilution.

Listing Rule 4.7C.3

Payments during the December quarter to Related Parties amounted to \$191k, comprising payments for services to executive and non-executive directors.

Shareholders by range

Given continued interest from shareholders, Race is pleased to provide an update on the current share register which continues to grow with the release of the Three Pillar strategy and associated investor outreach. A snapshot of the current share register (ordinary shares) as 30th December 2020 is below:

Holding Ranges	Holders	Total Units	% Issued Share Capital
Above 0 up to and including 1,000	739	430,322	0.33%
Above 1,000 up to and including 5,000	1,162	3,160,627	2.44%
Above 5,000 up to and including 10,000	489	3,846,077	2.97%
Above 10,000 up to and including 100,000	850	31,010,125	23.95%
Above 100,000	185	91,011,724	70.30%
	3,425	129,458,875	100.00%

Expected news

In the current quarter, investors can expect Race to provide an update on the following:

- FTO preclinical activity (Pillar 1).
- the George Clinical breast cancer trial review (Pillar 2).
- the AML programs (Pillar 3).

Management commentary

Race CEO Phillip Lynch said: "The team was excited to share the new Three Pillar strategy at the recent Annual General Meeting. It is the result of a comprehensive review of our core asset, assessing the competitive and commercial environment, and aligning on a goal to actively pursue Bisantrone's potential as a potent inhibitor of FTO and precision oncology agent. This decision has the potential to unlock significant value for shareholders and the team is progressing the required assessments to ensure we maximise the probability of success".

Race CSO Daniel Tillett said: "I was pleased to share with our shareholders the updated Three Pillar strategy. This new strategy builds on from our previous 5-Path strategy while unlocking the exceptional potential of the FTO opportunity. An opportunity like FTO is rare and one we

all believe offers huge upside for our shareholders. I am looking forward to sharing our plans and activities as they mature over 2021."

Race Chairman John Cullity said: "Our team is committed to delivering against Three Pillars. The unrivalled activity of Bisantrene as a selective inhibitor of the FTO pathway has the potential to recalibrate the therapeutic value of our core asset. We will be pursuing that program with particular intensity and commitment. I too look forward to providing shareholders with updates, and to introducing our activities to candidate pharma partners."

-ENDS-

About Race Oncology (ASX: RAC)

Race Oncology is an ASX listed precision oncology company with a Phase II/III cancer drug called Bisantrene.

Bisantrene is a potent inhibitor of the Fat mass and obesity associated (FTO) protein. Over-expression of FTO has been shown to be the genetic driver of a diverse range of cancers. Race is exploring the use of Bisantrene as a new therapy for melanoma and clear cell renal cell carcinoma, which are both frequent FTO over-expressing cancers. The Company also has compelling clinical data for the use of Bisantrene as a chemotherapeutic agent with reduced cardiotoxicity in Acute Myeloid Leukaemia (AML), breast and ovarian cancers and is investigating its use in these areas.

Race is pursuing outsized commercial returns for shareholders via its 'Three Pillar' strategy for the clinical development of Bisantrene.

See more at www.raceoncology.com.

Release authorised by:

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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")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(327)	(543)
(b) product manufacturing and operating costs	(100)	(380)
(c) advertising and marketing	(32)	(108)
(d) leased assets	-	-
(e) staff costs	(87)	(171)
(f) administration and corporate costs	(215)	(431)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	12
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	412	437
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(341)	(1,184)
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 (6 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)	-	3,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	262	2,207
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(185)
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)	-	-
3.10	Net cash from / (used in) financing activities	262	5,022

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,659	1,731
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(341)	(1,184)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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)	262	5,022
4.5	Effect of movement in exchange rates on cash held	(2)	9
4.6	Cash and cash equivalents at end of period	5,578	5,578

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	328	309
5.2	Call deposits	5,250	5,350
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)	5,578	5,659

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	191
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i> Payment to related parties as disclosed in item 6.1 as follows: - \$38,000 payments for non-executive director fees for the period; - \$153,300 payments to executive directors for the period (payment include amounts to Professor Borje Andersson, Prof. Andersson resigned as an executive director on 10 December 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)	(341)
8.2 Cash and cash equivalents at quarter end (item 4.6)	5,578
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	5,578
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	16.36
<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:	
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:	
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:	
<i>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.</i>	

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: 27 January 2021

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.