(Formerly known as Coronado Resources Limited)

ACN 149 318 749

ANNUAL REPORT
30 JUNE 2016

RACE ONCOLOGY LIMITED
(Formerly known as Coronado Resources Limited)
ACN 149 318 749
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Corporate Directory

Directors
Peter Molloy – Managing Director
William Garner – Non Executive Chairman
Brendan De Kauwe – Non Executive Director
Chris Ntoumenopoulos – Non Executive Director

Company Secretary
Peter Webse

Registered office
Level 2, 50
Kings Park Road
West Perth 6005
Ph: +8 6377 8043
Website: www.raceoncology.com

Auditor
Bentleys Audit & Corporate (WA) Pty Ltd
216 St Georges Terrace
PERTH WA 6000

Share Registry
Automic Registry Services
Suite 310, 50 Holt Street
Surry Hills, NSW 2010
Ph: + 8 9324 2099

Securities Exchange Listing
Australian Securities Exchange Limited
Level 40, Central Park 152-158 St Georges Terrace
Perth, WA, 6000

ASX Code – RAC

DIRECTORS' REPORT

Your Directors present their report, together with the financial statements of Race Oncology Limited ("the Company" or "RAC") for the financial year ended 30 June 2016.

Information on Directors

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Peter Molloy	—	Managing Director (appointed 1 July 2016)
Qualifications	—	Bachelor of Science (Microbiology and Biochemistry), University of Melbourne Master of Business Administration, University of Adelaide
Experience	—	Mr. Molloy worked in pharmaceutical industry for 18 years. At the Australian pharmaceutical company, Faulding, he managed several Faulding subsidiaries, before joining Pharmacia (now Pfizer) as Managing Director of its Australia and NZ operations and later as Vice President of Strategic Marketing for Asia-Pacific and Latin America. Subsequently, he served as CEO of three biotechnology companies – Biota Holdings Ltd, SLIL Biomedical Corp and Florigene Ltd – where he managed numerous R&D programs, raised substantial equity funding and executed four pharmaceutical partnerships. During his tenure as CEO of the ASX-listed company, Biota Holdings Ltd, the company's market value grew from approximately $30m to nearly $300m in three and a half years. Previously, as CEO of the US company, SLIL Biomedical Corp, he managed R&D and licensing for the company's oncology drug development program. Between 2008 and 2014, he was a non-executive director of immune-oncology company, Viralytics (ASX:VLA). During his career, he has managed seven biotechnology or pharmaceutical businesses, launched 23 pharmaceutical products, and executed 40 international licensing or distribution deals.
Interest in Shares and Options	—	4,000,000 ordinary shares
	—	6,000,000 options expired on 1 July 2021 excisable at $0.25
Directorships held in listed entities	—	Viralytics (October 2008 to September 2014)
	—	Parnell Pharmaceuticals (March 2011 to September 2014)

William Garner	—	Non-Executive Chairman (appointed 1 July 2016)
Qualifications	—	Master of Public Health, Harvard University Doctor of Medicine, New York Medical College
Experience	—	Dr Garner MD is a US physician and entrepreneur. Dr Garner is one of the inventors on the Bisantrene patents, originally filed by Update Pharma, Inc. and now owned by Race Oncology. Previously, he founded EGB Advisors LLC, a life sciences advisory firm whose clients have included the M.D. Anderson Cancer Center, the Kauffman Foundation, ChemGenex (ASX:CXS) and CoTherix. He also founded Inverseon, Inc., which was merged with the ASX-listed company cBio to create Invion Ltd, serving as CEO until May 2013. He also founded Urigen Pharmaceuticals, Inc. and co-founded DelMar Pharmaceuticals, Inc. (NASDAQ:DMPI). Previously, he was at Hoffmann La Roche in oncology medical affairs and worked as a merchant banker in New York City. Dr Garner did residency training in Anatomic Pathology at Columbia-Presbyterian and is currently a licensed physician in the State of New York.
Interest in Shares and Options	—	15,000,000 ordinary shares 10,000,000 performance shares
Directorships held in listed entities	—	None

DIRECTORS' REPORT

Chris Ntoumenopoulos	—	Non-Executive Director (appointed 27 April 2016)
Qualifications	—	Bachelor of Commerce, majoring in Money and Banking, Investment Finance and Electronic Commerce
Experience	—	Mr Ntoumenopoulos has worked in financial markets for the past 12 years, focusing on Capital Raisings, Portfolio Management and Corporate Advisory. Mr Ntoumenopoulos has advised and funded numerous ASX companies from early stage venture capital, through to IPO. He is an executive director of various private companies which span across finance, technology and medical sectors.
Interest in Shares and Options	—	506,250 ordinary shares and 5,000,000 options expiring on 1 July 2018 exercisable at $0.25
Directorships held in listed entities	—	ResApp Health Limited
	—	Ookami Limited (resigned November 2015)
Brendan de Kauwe		Non-Executive Director (appointed 21 April 2016)
Qualifications	—	Bachelor of Science and Bachelor of Dental Surgery, University of Western Australia
		Post Graduate Diploma in Applied Finance, majoring in Corporate Finance, and is currently completing his Masters in Applied Finance
Experience	—	Dr de Kauwe's extensive science and bio-medical background with more than 10 years' experience in the health sector; coupled with his finance backing, gives him an integral understanding in the evaluation of projects over a diverse range of sectors. Dr de Kauwe's is a Director of Otsana Capital, a corporate advisory firm, with vast experience in corporate restructuring and recapitalisations, mergers and acquisitions, IPO/RTO and capital markets.
Interest in Shares and Options	—	590,000 ordinary shares
Directorships held in listed entities	—	Ookami Limited (current)
	—	XPED Limited (formerly Raya Group Limited) (ceased 24 March 2016)
	—	Actinogen Limited (ceased 18 December 2014)
	—	Prescient Therapeutics (ceased 28 November 2014)
Daniel Moore	—	Non-Executive Director (resigned 1 July 2016)
Qualifications	—	Bachelor of Economics and Law.
Experience	—	Mr Moore worked as a Financial Advisor for Wilson HTM for 10 years and previously for Morgan Stanley in London for 4 years.
Interest in Shares and Options	—	925,000 Ordinary Shares 5,000,000 options expiring on 1 July 2018 exercisable at $0.25
Directorships held in listed entities	—	Stratum Metals Limited

The following directors resigned during the financial year:

Ananda Kathiravelu (resigned 28 April 2016)
Solomon Majteles (resigned 22 April 2016)

DIRECTORS' REPORT

Company Secretaries

Peter Webse	—	Company Secretary appointed 5 May 2016
Qualifications	—	B.Bus, FGIA, FCIS, FCPA, MAICD.
Experience	—	Mr Webse has over 24 years' company secretarial experience and is the managing director of Platinum Corporate Secretariat Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services.
Damon Sweeny	—	Company Secretary appointed 21 January 2014 Resigned 15 August 2016
Qualifications	—	Mr Sweeny holds an MBA from Curtin University and a Graduate Diploma of Applied Corporate Governance from Chartered Secretaries Australia.
Experience	—	Mr Sweeny has 29 years' experience in the mining, accounting and governance fields.

Meeting of Directors

During the financial year 3 meetings of Directors were held. Attendances by each Director during the year are stated in the following table.

	DIRECTORS' MEETINGS	
	Number eligible to attend	**Number Attended**
Peter Molloy	-	-
William Garner	-	-
Chris Ntoumenopoulos	1	1
Brendan de Kauwe	1	1
Daniel Moore	3	2
Ananda Kathiravelu	2	2
Solomon Majteles	2	1

Principal Activities

Race Oncology is an Australian speciality pharmaceutical company whose business model is to pursue and bring to market later stage assets, principally in the cancer field.

The Company's first asset is a chemotherapy drug, called Bisantrene, which was the subject of more than 40 phase II clinical studies, before it was lost in a series of pharmaceutical mergers during the 1990s. Race Oncology is rediscovering Bisantrene. Race Oncology owns recent patent filings on Bisantrene and has secured Orphan Drug Designation in the US. The Company's goal is to complete final development of Bisantrene and bring this valuable cancer drug to market.

Operating Results

The operating loss after income tax amounted to $317,892 (2015: $87,269 loss).

Dividends Paid or Recommended

No dividends were paid or are payable for the financial year.

DIRECTORS' REPORT

Review of Operations

During the year ended 2016, the Company had no substantive operations, other than activities and expenditure associated with preparation of documents to acquire Bisantrene and preparation for listing on the Australian Securities Exchange ("ASX"). In April 2016, the Company and Update Pharma Inc. entered into a binding heads of agreement, under which the Company would acquire the intellectual property of Update Pharma Inc. pertaining to Bisantrene ("Acquisition"), including two patents related to Bisantrene.

Pursuant to its prospectus dated 11 May 2016, the Company raised $4,300,000 from investors and on 1 July 2016, completed the acquisition of all the Bisantrene intellectual property. On 11 July 2016 and under the new name Race Oncology Limited ("RAC" "Company") the Company was admitted to the official list on the ASX.

Financial Position

The net assets of the Company at 30 June 2016 were $ 4,077,896 (2015: $5,687). This increase was due to funds of $4,300,000 received under the public offer.

Significant Changes in State of Affairs

A binding heads of agreement dated 11 April 2016 between the Company and Update Pharma Inc. was entered into under which the Company would subsequently acquire the intellectual property of Update Pharma Inc. pertaining to Bisantrene, including two patent applications. The Acquisition was settled in July 2016 with the issue of securities contained in the Prospectus dated 11 May 2016.

$4,300,000 was received from the public offering and the shares were yet to be issued at the end of the financial year.

There were no other significant changes in the state of affairs of the Company during the financial year.

Significant Events after the Reporting date

The binding heads of agreement dated 11 April 2016 between the Company and Update Pharma Inc. was satisfied and settlement of the Acquisition occurred, including the issue of securities as follows:

a) 21,500,000 fully paid ordinary shares in the issued capital of the Company at a price of $0.20 per share under the Public Offer to raise $4,300,000;
b) 15,000,000 Consideration Shares and 10,000,000 Performance Shares to Update Pharma Inc. in consideration for the acquisition of the Intellectual Property;
c) 4,000,000 Shares and 6,000,000 Options (exercisable at $0.25 and expiring 5 years from the date of issue, being 1 July 2021) to Mr Peter Molloy (or his nominee), Managing Director and Chief Executive Officer;
d) 3,000,000 Options (exercisable at $0.25 and expiring 5 years from the date of issue, being 1 July 2021) to John Rothman (or his nominee), Chief Scientific Officer; and
e) 5,000,000 Options (exercisable at $0.25 and expiring 2 years from the date of issue, being 1 July 2018) each to Daniel Moore and Chris Ntoumenopoulos (or their nominees), directors.

At settlement of the Acquisition:

a) John Daniel Moore resigned from the board of the Company; and
b) Peter Molloy and William Garner were appointed to the board of the Company.

On 1 July 2016 completion of the Acquisition occurred and the Company acquired all the intellectual property relating to the oncology drug, Bisantrene.

On 11 July 2016 of Race Oncology Limited ("RAC" "Company") was admitted to the official list on the Australia Securities Exchange ("ASX"), with trading commencing on the 13 July.

On 25 July 2016, the Company signed a development agreement with Crystal Pharmatech, Inc., a New Jersey-based contract research organization. The agreement covers a development program over a period of up to 3 months.

On 26 July 2016, the Company signed an agreement with Camargo Pharmaceutical Services, Inc., a leader in 505(b)(2) drug development in the United States. This project is expected to take approximately 6 months.

On 1 August 2016, the Company signed a consulting agreement with DEL Biopharma LLC, under which Dr Dan Levy was contracted to coordinate all manufacturing activities for the Company and DEL Biopharma would be granted 200,000 share options in the Company after 13 October 2016.

DIRECTORS' REPORT

Significant Events after the Reporting date (con't)

On 21 August 2016, the Company signed a consulting agreement with Mr Gordon Beck to represent the Company as Vice President European Operations. Under the agreement, if two performance milestones are achieved during 2017, Mr Beck would be eligible to receive up to $100,000 in value of shares in the Company with the number of shares being calculated based on a VWAP of Race Oncology shares at the time of the milestone achievement.

Apart from the matters disclosed above, no matters or circumstances have arisen since the end of the financial year which significantly affect the operations of the Company, the results of those operations, or the state of the affairs of the Company in future financial years.

Future Developments, Prospects and Business Strategies

Other than those matters noted elsewhere in this financial report, likely developments, future prospects and business strategies of operations have not been included in this report as the Directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Company.

Environmental Regulations

In the normal course of business, there are no environmental regulations or requirements that the Company is subject to.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Share Options

Unissued shares under option

At the date of this report, the un-issued ordinary shares of Race Oncology Limited under option are as follows:

Grant Date	Expiry Date	Exercise Price	Number of shares under option
1 July 2016	1 July 2021	$0.25	9,000,000
1 July 2016	1 July 2018	$0.25	10,000,000
			19,000,000

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

DIRECTORS' REPORT

Performance Shares Issued

Details of the performance shares of Race Oncology Limited are as follows:

Grant Date	Vesting Dates	Expiration dates	Number of rights issued	Undiscounted Value per Right at Grant Date	Total Value $
1 July 2016	Satisfaction of milestones	36 months from grant date	10,000,000	20 cents	2,000,000

Performance share values at grant date were determined using the performance milestones summarised in the table below. Each Performance share will vest as one (1) Share subject to the satisfaction of certain performance criteria ("Performance Milestones").

Performance Milestones
(i) 5,000,000 Performance Shares shall convert upon the Company satisfying the following milestones within a period of 24 months from the date of issue of Shares under the Capital Raising: (a) The Company having received approval under section 505(b)(2) of the Federal Food, Drug, and Cosmetic Act 1938 which allows the use of information from historical clinical trials not conducted by the Company or Update Pharma Inc; and (b) The Company having received approval for, and commenced, a bridging study on a medical product to extrapolate foreign clinical trial data on safety, efficacy and dose response within a new region; and
(ii) 5,000,000 Performance Shares shall convert if, within a period of 24 months from the date of issue of the performance shares, the Company has received approval to distribute unauthorised medications to physicians and named patients with unmet medical needs under an early access program.

The Performance Shares will vest into ordinary shares in the Company upon the satisfaction of vesting conditions that are market based vesting conditions as disclosed above. If the Performance shares do not convert into ordinary shares within 3 years from the issue date, they will automatically be redeemed by the Company for a sum of $0.0000001 per Performance Share within 10 business days.

Indemnification and Insurance of Directors and Officers

The Company indemnifies each of its Directors, Officers and Company Secretary. The Company indemnifies each Director or Officer to the maximum extent permitted by the Corporations Act 2001 from liability to third parties, except where the liability arises out of conduct involving lack of good faith, and in defending legal and administrative proceedings and applications for such proceedings.

The Company must use its best endeavours to insure a Director or Officer against any liability, which does not arise out of conduct constituting a wilful breach of duty or a contravention of the Corporations Act 2001. The Company must also use its best endeavours to insure a Director or Officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

The Company has not entered into any agreement with its current auditors indemnifying them against any claims by third parties arising from their report on the financial report.

During the year the Company paid insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Group. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.

DIRECTORS' REPORT

Non-audit services

The Board of Directors is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. There were no non-audit service fees for the year ended 30 June 2016 (nil: 2015).

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 14.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2016 outlines the remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001(Cth), as amended (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Executive remuneration arrangements
4. Non-executive director fee arrangements
5. Company performance, shareholder wealth and Directors' and Executives' remuneration
6. Details of remuneration
7. Additional disclosures relating to options and shares
8. Loans to key management personnel (KMP) and their related parties
9. Service Agreements
10. Other transactions and balances with KMP and their related parties

The names of the directors in office at any time during or since the end of the financial year are:-

William Garner –Non Executive Chairman (appointed 1 July 2016)
Peter Molloy – Managing Director (appointed 1 July 2016)
John Rothman – Chief Scientific Officer (appointed 1 July 2016)
Chris Ntoumenopoulos – Non-Executive Director (appointed 27 April 2016)
Brendan de Kauwe – Non-Executive Director (appointed 21 April 2016)
John Daniel Moore – Non-Executive Director (resigned 1 July 2016)

The following directors resigned during the financial year:
Ananda Kathiravelu (resigned 28 April 2016)
Solomon Majteles (resigned 22 April 2016)

1. Introduction

Key Management Personnel ("KMP") have authority and responsibility for planning, directing and controlling the major activities of the Company. KMP comprise the directors of the Company.

Compensation levels for KMP are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Board may seek independent advice on the appropriateness of compensation packages, given trends in comparative companies both locally and internationally and the objectives of the Company's compensation strategy.

2. Remuneration governance

The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of a separate remuneration committees. Accordingly, all matters are considered by the full Board of Directors.

During the financial year, the Company did not engage any remuneration consultants.

3. Executive remuneration arrangements

The compensation structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Compensation packages may include a mix of fixed compensation, equity-based compensation, as well as employer contributions to superannuation funds. Shares and options may only be issued to directors subject to approval by shareholders in a general meeting.

DIRECTORS' REPORT

REMUNERATION REPORT

3. Executive remuneration arrangements (con't)

At this stage the Board does not consider the Company's earnings or earnings related measures to be an appropriate key performance indicator (KPI). In considering the relationship between the Company's remuneration policy and the consequences for the Company's shareholder wealth, changes in share price are analysed as well as measures such as successful completion of business development and corporate activities.

When required the Company will formalise remuneration arrangements with executives in employment agreements. During the year, the Company entered into agreement with Mr. Peter Molloy and Mr. John Rothman. (Refer Services Agreement for further details)

4. Non-executive director fee arrangements

The Board policy is to remunerate Non-Executive Directors at a level to comparable Companies for time, commitment, and responsibilities. Non-executive Directors do not receive performance related compensation. Directors' fees cover all main Board activities and membership of any committee. The Board has no established retirement or redundancy schemes in relation to Non-Executive Directors.

The Non-Executive Directors have or may be provided with options that are meant to incentivise the Non-Executive Directors. The board determines payments to the Non-Executive Directors and reviews their remuneration annually based on market practice, duties, and accountability. Independent external advice will be sought when required.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is presently limited to an aggregate of $300,000 per annum and any change is subject to approval by shareholders at the General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Company. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

Fees for the Non-Executive Directors for the financial year were $Nil (2015: $Nil) and cover main Board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Company.

5. Company performance, shareholder wealth and Directors' and Executives' remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and Directors' and Executives' performance. This will be facilitated through the issue of the Employee Incentive Option ("Plan") to Directors and Executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. The Plan will provide ongoing incentives to Eligible Participants, Eligible Participants include;

a) a Director (executive or non-executive) of the Company;
b) a full time or part time employee of the Company; and
c) a casual employee or contractor of the Company to the extent permitted by the class order.

The purpose of the plan is to:

a) assist in the reward, retention and motivation of Eligible Participants;
b) link the reward of Eligible Participants to the performance and creation of shareholder value;
c) align the interests of Eligible Participant's more closely with the interests of Shareholders by providing an opportunity for Eligible Participants to received Shares;
d) provide greater incentive for Eligible Participants to focus on the Company's longer term goals; and
e) provide Eligible Participants with the opportunity to share in any future growth in value of the Company.

The objective of the Plan is to provide the Company with a remuneration mechanism, through the issue of securities in the capital of the Company, to motivate and reward the performance of Eligible Participants.

6. Details of Remuneration

No remuneration was paid to Management or Directors in both 2016 and 2015 financial year.

DIRECTORS' REPORT

REMUNERATION REPORT

7. Additional disclosures relating to options and shares

Options awarded, vested and lapsed during the year

There were no share options granted, vested or lapsed during the year.

Share options do not carry any voting or dividend rights, and can only be exercised once the vesting conditions have been met, until their expiry date.

30 June 2016		**Shareholdings at 30 June 2016**		**Shareholdings at date of Financial Statement signing**	
		Number of Ordinary Shares	**Number of Options over Ordinary Shares**	**Number of Ordinary Shares**	**Number of Options over Ordinary Shares**
Peter Molloy	Managing Director	-	-	4,000,000	6,000,000
John Rothman	Chief Scientific Officer	-	-	-	3,000,000
William Garner	Non-Executive Chairman	-	-	15,000,000	-
Chris Ntoumenopoulos	Non-Executive Director	506,250	-	506,250	5,000,000
Brendan de Kauwe	Non-Executive Director	590,000	-	590,000	-
John Daniel Moore	Non-Executive Director	925,000	-	925,000	5,000,000
Ananda Kathiravelu	Non-Executive Director	350,000[1]	-	-	-
Solomon Majteles	Non-Executive Director	1,700,000[2]	-	-	-

30 June 2015		**Shareholdings at 30 June 2015**		**Shareholdings at date of Financial Statement signing**	
		Number of Ordinary Shares	**Number of Options over Ordinary Shares**	**Number of Ordinary Shares**	**Number of Options over Ordinary Shares**
John Daniel Moore	Non-Executive Director	-	-	-	
Ananda Kathiravelu	Non-Executive Director	1,000,001	-	1,000,001	-
Solomon Majteles	Non-Executive Director	1,450,001	-	1,450,001	-
Philip Alexander Rodionoff	Non-Executive Director	-[3]			

8. Loans to KMP and their related parties

$90,000 at an interest rate of 1% per month was loaned to Thred Limited (previously known as Promesa Limited, a Company where Ananda Kathiravelu and Hersh Solomon Majetles are directors.) Total outstanding included interest accrued of $106,181 (2015: $90,440) remain at the end of financial year.

[1] Balance at the date of resignation 28 April 2016

[2] Balance at the date of resignation 22 April 2016

[3] Balance at the date of resignation 1 May 2015

DIRECTORS' REPORT

REMUNERATION REPORT

9. Service Agreements

On 18 November 2015 (amended 11 May 2016), the Company entered into an Executive Services Agreement with Peter Molloy whereby Mr. Molloy will provide the services as Managing Director of the Company.

The key terms of the Consultancy Agreement are as follows:

(a) the agreement commencing on 1 July 2016 and has no term until his engagement is terminated, which is 6 months' written notice;
(b) the Company will pay Mr. Molloy $300,000 per annum (exclusive of superannuation); and
(c) Mr. Molloy will be entitled to performance based incentive bonuses up to 30% of salary upon meeting performance based objectives to be set by the Board from time to time.
(d) Mr Molloy will be issued 6,000,000 Molloy Options upon settlement of the Acquisition (Issued on the 1 July 2016).
(e) Mr Molloy will be issued with 4,000,000 Loan Shares upon settlement of the Acquisition (Issued on the 1 July 2016) and will be granted the Molloy Loan to pay for the Shares,

Consultancy Agreement

On 18 November 2015, the Company entered into a Consultancy Agreement with John Rothman whereby Mr. Rothman will provide the services as Chief Scientific Officer of the Company.

The key terms of the Consultancy Agreement are as follows:

(a) the agreement commencing on 1 July 2016 and has no term until his engagement is terminated, which is 3 months' written notice;
(b) the Company will pay Mr. Rothman USD 200,000; and
(c) Mr. Rothman will be entitled to a cash bonus of up to 20% of the salary payable to him upon meeting performance based objectives to be set by the Board from time to time.
(d) Mr Rothman will be issued 3,000,000 Rothman Options upon settlement of the Acquisition (issued 1 July 2016)

10. Other transactions and balances with KMP and their related parties

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. The Company acquired the following services from entities that are controlled by members of the Company's key management personnel:

Some Directors or former Directors of the Company hold or have held positions in other companies, where it is considered they control or significantly influence the financial or operating policies of those entities. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Entity	Nature of transactions	Key Management Personnel	Total Transactions		Payable Balance	
			2016	2015	2016	2015
			$	$	$	$
Ampere Pty Ltd	Corporate advisory	Ananda Kathiravelu	41,155	27,000	21,155[1]	17,000
Armada Capital Ltd	Company secretarial, administrative and Registry services	Ananda Kathiravelu	-	86,325	-[2]	69,325
DHJPM Pty Ltd	Office rent	Daniel Moore	8,000	7,500	-	7,500

Remuneration Report - End

[1] A total of $61,558 was forgiven on the outstanding services provided by Ampere Pty Ltd.

[2] A total of $101,000 was forgiven on the outstanding services provided by Armada Capital Pty Ltd.

DIRECTORS' REPORT

Signed in accordance with a resolution of the directors.

Peter Molloy

Peter Molloy
Managing Director
Dated 29 August 2016

Bentleys
THINKING AHEAD

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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the audit of the financial statements of Race Oncology Ltd for the financial year ended 30 June 2016, 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 audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

BENTLEYS
Chartered Accountants

DOUG BELL CA
Director

Dated at Perth this 29th day of August 2016

KRESTON

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Accountants
Auditors
Advisors

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $	2015 $
Interest received		16,981	494
Gain on disposal of financial assets		-	2,974
Other Income	3	162,558	-
Administrative expenses		(19,940)	(30,222)
Accounting and audit fees		(93,249)	(13,000)
Corporate advice expenses		(201,106)	(10,000)
Interest expenses		(1,230)	(15)
Share registry expense		(65,608)	-
Due Diligence		(53,952)	(25,000)
Other expenses	4	(62,346)	(12,500)
Loss from ordinary activities before income tax expense		(317,892)	(87,269)
Income tax expense relating to ordinary activities	5	-	-
Loss from ordinary activities after income tax expense		(317,892)	(87,269)
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to members of the Company		(317,892)	(87,269)
Basic earnings/(loss) per share (cents per share)		(0.028)	(0.08)
Diluted earnings/(loss) per share (cents per share)		(0.028)	(0.08)

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	2016 $	2015 $
CURRENT ASSETS			
Cash and cash equivalents	6	4,349,342	21,288
Trade and other receivables	7	3,624	12,739
Financial Assets	7	106,181	90,440
Other assets	8	10,372	-
TOTAL CURRENT ASSETS		4,469,519	124,467
TOTAL ASSETS		4,469,519	124,467
CURRENT LIABILITIES			
Trade and other payables	9	386,377	118,780
Financial liabilities	10	5,246	-
TOTAL CURRENT LIABILITIES		391,623	118,780
TOTAL LIABILITIES		391,623	118,780
NET ASSETS / (LIABILITIES)		4,077,896	5,687
EQUITY			
Issued and unissued capital	11	4,663,301	273,200
Accumulated losses		(585,405)	(267,513)
TOTAL EQUITY		4,077,896	5,687

The Statement of Financial Position should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Issued Capital	Accumulated Losses	Total
	$	$	$
Balance at 1 July 2014	**110,000**	**(180,244)**	**(70,244)**
Loss for the year	-	(87,269)	(87,269)
Other comprehensive income/(loss)	-	-	-
Total comprehensive loss for the year	-	(87,269)	(87,269)
Transactions with owners, recognised directly in equity			
Equity issued during the year	13,200	-	13,200
Shares applied for but unissued	150,000	-	150,000
Balance at 30 June 2015	**273,200**	**(267,513)**	**5,687**
Balance at 1 July 2015	**273,200**	**(267,513)**	**5,687**
Loss for the year	-	(317,892)	(317,892)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(317,892)	(317,892)
Transactions with owners, recognised directly in equity			
Equity issued during the year	356,800	-	356,800
Shares applied for but unissued	4,300,000	-	4,300,000
Capital raising costs	(266,699)	-	(266,699)
Balance at 30 June 2016	**4,663,301**	**(585,405)**	**4,077,896**

The Statement of Changes in Equity should be read in conjunction with the accompanying notes

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		720	54
Interest paid		(1,230)	(15)
Payments to suppliers		(305,555)	(103,729)
Net Cash Used in Operating Activities	12(b)	(306,065)	(103,690)
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans to related entities		-	(110,000)
Loans repaid from related entities		1,000	20,000
Payments to acquire financial assets		-	(41,300)
Receipts on sale of financial assets		-	44,800
Net Cash Provided by Investing Activities		1,000	(86,500)
CASH FLOWS FROM FINANCING ACITIVITIES			
Repayment to lender		(20,982)	-
Proceeds from called up capital		24,000	13,200
Proceeds from application for shares to be allotted		332,800	150,000
Proceeds from shares yet to be issued		4,300,000	-
Capital raising costs		(2,699)	-
Net Cash from Financing Activities		4,633,119	163,200
Net increase / (decrease) in cash held		4,328,054	(26,990)
Cash at beginning of the year		21,288	48,278
Cash at end of the year	12(a)	4,349,342	21,288

The Statement of Cash Flows should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Race Oncology Limited is a company limited by shares, incorporated and domiciled in Australia. The Company is a for-profit entity. The Company's financial statements are presented in Australian dollars.

The financial statements were issued in accordance with a resolution by the board of directors on 29 August 2016 by the directors of the Company.

The following is a summary of the material accounting policies adopted by the Company in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of preparation of the financial report

a) Statement of Compliance

The Financial Report is a General Purpose Financial Report, which has been prepared in accordance with Australian Accounting Standards Board (AASB) (including Australian Accounting interpretations and other authoritative pronouncements) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Financial Report of the Company comply with International Financial Reporting Standards (IFRS') and interpretations adopted by the International Accounting Standards Board (IASB). Race Oncology Limited is a for-profit entity for the purpose of preparing the financial statements. All amounts are presented in Australian dollars unless otherwise stated.

b) Basis of preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

c) Income Tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

c) Income Tax (cont.)

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

d) Financial Instruments

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and subsequent measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the assets or liability, assuming the market participants acts in their economic best interests.

The Company does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit and loss through the amortisation process and when the financial liability is derecognised.

Derivative instruments

The Company does not trade or hold derivatives.

Financial guarantees

The Company has no material financial guarantees.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

d) Financial Instruments (cont.)

Impairment

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial instrument has been impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a Company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks with original maturity of three months or less.

f) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is brought to account on an accruals basis using the effective interest rate method and, if not received at the end of the reporting period, is reflected in the statement of financial position as a receivable

g) Goods and Services Tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

Receivable and payables are stated inclusive of the amount of GST receivable or payable. The net amount of the GST recoverable from, or payable to, the ATO is included with other receivables and payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

h) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on corporate bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Equity-settled compensation

The Company 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.

i) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

j) Segment Information

Identification of reportable segments

The Company 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 Company was effectively dormant whilst focusing on the acquisition of the intellectual property of Update Pharma Inc. and completing its initial public offering on the ASX.

k) Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to member of the parent entity, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year (if any).

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

l) Comparative Information

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. When the Company applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

m) Critical Accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key Estimates

Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 2. KEY MANAGEMENT PERSONNEL COMPENSATION

No compensation was paid to Key Management Personnel ("KMP") during the year (2015: Nil).

Loans to KMP and their related parties

$90,000 at an interest rate of 1% per month was loaned to Thred Limited (previously known as Promesa Limited, a Company where Ananda Kathiravelu and Hersh Solomon Majetles are directors.) Total outstanding included interest accrued of $106,181 (2015: $90,440) remain at the end of financial year. Refer Note 7 for further details.

Other transactions and balances with KMP and their related parties

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. The Company acquired the following services from entities that are controlled by members of the Company's key management personnel:

Some Directors or former Directors of the Company hold or have held positions in other companies, where it is considered they control or significantly influence the financial or operating policies of those entities. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Entity	Nature of transactions	Key Management Personnel	Total Transactions		Payable Balance	
			2016	2015	2016	2015
			$	$	$	$
Ampere Pty Ltd	Corporate advisory	Ananda Kathiravelu	41,155	27,000	21,155[1]	17,000
Armada Capital Ltd	Company secretarial, administrative and Registry services	Ananda Kathiravelu	-	86,325	-[2]	69,325
DHJPM Pty Ltd	Office rent	Daniel Moore	8,000	7,500	-	7,500

NOTE 3. OTHER INCOME

	2016	2015
	$	$
Other Income	162,558	-

Payables forgiven on the services provided by Armada Capital Pty Ltd and Ampere Pty Ltd. Companies where previous director Ananda Kathiravelu is a director.

NOTE 4. PROFIT/(LOSS) FOR THE YEAR

	2016	2015
	$	$
Profit/(Loss) before income tax from continuing operations includes the following specific expenses:		
- Travel & Accommodation	(54,346)	-
- Rental of office	(8,000)	(7,500)
- Other expenses	-	(5,000)
	(62,346)	(12,500)

[1] A total of $61,558 was forgiven on the outstanding services provided by Ampere Pty Ltd.

[2] A total of $101,000 was forgiven on the outstanding services provided by Armada Capital Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 5. INCOME TAX	2016	2015
(a) Income tax expense	$	$
Current tax	-	-
Deferred tax	-	-
	-	-

(b) The prima facie tax payable on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating loss		
- Income tax calculated at 30%	(95,367)	(26,180)
Non-deductible items		
- Debt forgiven	48,767	-
Other reconciling items	83,908	-
Tax effect of:		
Temporary differences	-	300
Deferred tax (liabilities)/asset not brought to account	(37,308)	25,880
Income tax attributable to operating loss	-	-
The applicable weighted average effective tax rates are as follows:	Nil%	Nil%
Deferred tax (liabilities)/assets		
Tax Losses	(37,308)	79,503
Other	83,098	450
Unrecognised deferred tax asset	45,790	79,953
Set-off deferred tax liabilities	-	-
Net deferred tax assets	45,790	79,953
Less deferred tax assets not recognised	(45,790)	(79,953)
Net Assets	-	-
Deferred tax liabilities		
Other	-	-
Set-off deferred tax assets	-	-
Net deferred tax liabilities	-	-
Tax losses	-	-
Unused tax losses for which no deferred tax asset has been recognised	45,790	79,953

NOTE 6. CASH AND CASH EQUIVALENTS	2016	2015
	$	$
Cash on hand	4,349,342	21,288

The effective interest rate on cash and cash equivalents was 0.3%, funds for the unissued shares were held in trust in a non-interest bearing account (30 June 2015: 1.42%).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 7. TRADE AND OTHER RECEIVABLES	**2016**	**2015**
	$	**$**
Other receivables	3,624	12,739
Amount receivable from related party[(i)]	106,181	90,440
	109,805	103,179

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

i. During the year ended 30 June 2015 the company lent Thred Limited (previously known as Promesa Limited, a company of which Messrs Kathiravelu and Majteles are Directors) $90,000. The loan was secured over Promesa Limited's assets, attracts an interest rate of 1% per month and is payable at the earlier of 7 days following a liquidity event of greater than $1 million or 31 December 2015.

Subsequent to the financial year ended 30 June 2016, the Company received $100,673 from Thred Limited.

NOTE 8. OTHER ASSETS	**2016**	**2015**
	$	**$**
Prepayment	10,372	-
	10,372	-

NOTE 9. TRADE AND OTHER PAYABLES	**2016**	**2015**
	$	**$**
Trade and other creditors	107,223	118,780
Accruals	279,154	-
	386,377	118,780

All amounts are short-term. The carrying values of trade payables and other payables are considered to approximate fair value.

NOTE 10. BORROWINGS	**2016**	**2015**
	$	**$**
Insurance Premium Funding	5,246	-
	5,246	-

The borrowing is short-term and bearing interest of 8.4% per annum.

NOTE 11. ISSUED AND UNISSUED CAPITAL	**2016**	**2015**
	$	**$**
Opening balance	273,200	110,000
Shares issued during the year	332,800	-
Called up capital on partly paid shares received	24,000	13,200
Shares applied for but unissued	4,300,000	150,000
Less: transaction costs arising from issued of shares	(266,699)	-
	4,663,301	273,200

The Company has issued share capital amounting to 12,187,501 (2015: 11,000,001) ordinary shares of no par value and the Company does not have a limited amount of authorised capital.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 11. ISSUED AND UNISSUED CAPITAL (cont'd)	**2016**	**2015**
	No.	**No.**
a. Ordinary shares (No. of shares)		
At beginning of year	11,000,001	11,000,001
Shares issued during the year	1,187,500	-
At end of the year	12,187,501	11,000,001

At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. Shares applied for but unissued - 10 cent Partly Paid shares (No. of shares)	**No.**	**No.**
At beginning of year	750,000	-
Partly paid shares at 10 cents applied for during the year, paid to 2 cents	1,500,000	750,000
Partly paid shares at 10 cents paid up during the year	(2,250,000)	-
At end of the year	-	750,000

c. Shares applied for but unissued - 16 cent Party Paid shares (No. of shares)	**No.**	**No.**
At beginning of year	468,750	-
Partly paid shares at 16 cents applied for during the year, paid to 4 cents	781,250	468,750
Partly paid shares at 16 cents paid up during the year	(1,250,000)	-
At end of the year	-	468,750

d. Capital management

The Company has remained largely inactive since its incorporation on 15 February 2011 to the end of this financial year. Activity has been restricted to administration and preparing for ASX listing.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 12. CASH FLOW INFORMATION

	2016 $	2015 $
(a) Reconciliation of Cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:	4,349,342	21,288
	4,349,342	21,288
(b) Reconciliation of Cash Flow from Operations with Operating Loss after Income Tax		
Operating loss after income tax	(317,892)	(87,269)
Add: Non-operating items		
Gain on disposal of financial assets	-	(2,974)
Debt forgiveness	(162,558)	-
Changes in assets and liabilities		
Decrease / (increase) in receivables	(7,625)	785
Increase/ (decrease) in payables	188,404	(14,232)
Increase in prepayments	(6,394)	-
Net Cash Flow used in Operating Activities	(306,065)	(103,690)

NOTE 13. FINANCIAL INSTRUMENTS

Financial Risk Management Policies

The Company's financial instruments consist mainly of deposits with banks, other debtors, accounts payables and borrowings.

The main purpose of non-derivative financial instruments is to raise finance for Group's operations. The Group does not speculate in the trading of derivative instruments.

Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments are market risk (including fair value and interest rate risk) and cash flow interest rate risk, credit risk and liquidity risk.

(a) Interest rate risk

From time to time the Group has significant interest bearing assets, but they are as a result of the timing of equity raising and capital expenditure rather than a reliance on interest income. The interest rate risk arises on the rise and fall of interest rates. The Group's income and operating cash flows are not expected to be materially exposed to changes in market interest rates in the future and the exposure to interest rates is limited to the cash and cash equivalents balances.

The Company exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is below:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 13. FINANCIAL INSTRUMENTS (cont'd)

2016	Fixed interest rate maturing in:				
	Floating interest rate	1 year or less	Non-interest Bearing	Total	Weighted average effective interest rate
	$	$	$	$	
Financial Assets					
Cash and cash equivalents	4,349,342	-	-	4,349,342	1.21%
Other receivables	-	-	3,624	3,624	-
Amount receivable from related party	-	106,181	-	106,181	1.00%
Total financial assets	4,349,342	106,181	3,624	4,459,147	
Financial Liabilities					
Trade and other Payables	-	-	386,377	386,377	-
Borrowings	-	5,246	-	5,246	8.40%
Total financial liabilities	-	5,246	386,377	391,623	
Net financial assets	4,349,342	100,935	(382,753)	4,067,524	

2015	Fixed interest rate maturing in:				
	Floating interest rate	1 year or less	Non-interest Bearing	Total	Weighted average effective interest rate
	$	$	$	$	
Financial Assets					
Cash and cash equivalents	21,288	-	-	21,288	-
Other receivables	-	-	12,739	12,739	-
Amount receivable from related party	-	90,440	-	90,440	1.00%
Total financial assets	21,288	90,440	12,739	124,467	
Financial Liabilities					
Trade and other Payables	-	-	118,780	118,780	-
Total financial liabilities	-	-	118,780	118,780	
Net financial assets	21,288	90,440	(106,041)	5,687	

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at reporting date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 13. FINANCIAL INSTRUMENTS (cont'd)

	Movement in Loss	Movement in Equity
Year ended 30 June 2016	**$**	**$**
+/-1% in interest rates	21,853	21,853
Year ended 30 June 2015		
+/-1% in interest rates	348	348

(b) Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Company. The Company does not have any material credit risk exposure to any single receivable or company of receivables under financial instruments entered into by the Company.

Credit risk exposures

The maximum exposure to credit risk is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

Credit risk related to balances with banks and other financial institutions is managed by the Company in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings.

	Note	2016	2015
		$	$
Cash and cash equivalents	6	4,349,342	21,288

The following table details the Company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, with the terms and conditions agreed between the Company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Company. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 13. FINANCIAL INSTRUMENTS (cont'd)

	Gross Amount	Past Due and Impaired	Past Due but Not Impaired (Days Overdue) < 30	31–60	61–90	> 90	Within Initial Trade Terms
	$	$	$	$	$	$	$
2016							
Trade and term receivables	3,624	-	3,624	-	-	-	-
Financial assets	106,181	-	-	-	-	106,181	-
Total	109,805	-	3,624	-	-	106,181	-
2015							
Trade and term receivables	90,440	-	-	-	-	-	90,440
Other receivables	12,739	-	-	-	-	-	12,739
Total	103,179	-	-	-	-	-	103,179

Financial Assets Classified as Loans and Receivables

	2016	2015
	$	$
Trade and other receivables:		
– total current	109,805	90,440
Financial assets as trade and other receivables	109,805	90,440

(c) Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks.

NOTE 14. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets and liabilities.

NOTE 15. SEGMENT REPORTING

Identification of reportable segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The information presented in the financial report is the same information that is reviewed by the directors'.

During the year, the Company was effectively dormant whilst focusing on the acquisition of the intellectual property of Update Pharma Inc. and completing its initial public offering on the ASX.

NOTE 16. COMMITMENTS

At the date of this report there are no leasing or capital commitments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 17. SUBSEQUENT EVENTS

The binding heads of agreement dated 11 April 2016 between the Company and Update Pharma Inc. was satisfied and settlement of the Acquisition occurred on 1 July 2016, including the issue of securities as follows:

a) 21,500,000 fully paid ordinary shares in the issued capital of the Company at a price of $0.20 per share under the Public Offer to raise $4,300,000;
b) 15,000,000 Consideration Shares and 10,000,000 Performance Shares to Update Pharma Inc. in consideration for the acquisition of the Intellectual Property;
c) 4,000,000 Shares and 6,000,000 Options (exercisable at $0.25 and expiring 5 years from the date of issue, being 1 July 2021) to Peter Molloy (or his nominee), Managing Director and Chief Executive Officer;
d) 3,000,000 Options (exercisable at $0.25 and expiring 5 years from the date of issue, being 1 July 2021) to John Rothman (or his nominee), Chief Scientific Officer; and
e) 5,000,000 Options (exercisable at $0.25 and expiring 2 years from the date of issue, being 1 July 2018) each to Daniel Moore and Chris Ntoumenopoulos (or their nominees), directors.

At settlement of the Acquisition:

a) John Daniel Moore resigned from the board of the Company; and
b) Peter Molloy and William Garner were appointed to the board of the Company.

On 1 July 2016 completion of the Acquisition occurred by the Company of all the intellectual property relating to the oncology drug, Bisantrene.

On 11 July 2016 of Race Oncology Limited (“RAC” “Company”) was admitted to the official list on the Australia Securities Exchange (“ASX”), with trading commencing on the 13 July.

On 25 July 2016, the Company signed a development agreement with Crystal Pharmatech, Inc., a New Jersey-based contract research organization. The agreement covers a development program over a period of up to 3 months.

On 26 July 2016, the Company signed an agreement with Camargo Pharmaceutical Services, Inc., a leader in 505(b)(2) drug development in the United States. This project is expected to take approximately 6 months.

On 1 August 2016, the Company signed a consulting agreement with DEL Biopharma LLC, under which Dr Dan Levy was contracted to coordinate all manufacturing activities for the Company and DEL Biopharma would be granted 200,000 share options in the Company after 13 October 2016.

On 21 August 2016, the Company signed a consulting agreement with Mr Gordon Beck to represent the Company as Vice President European Operations. Under the agreement, if two performance milestones are achieved during 2017, Mr Beck would be eligible to receive up to $100,000 in value of shares in the Company with the number of shares being calculated based on a VWAP of Race Oncology shares at the time of the milestone achievement.

Apart from the matters disclosed above, no matters or circumstances have arisen since the end of the financial year which significantly affect the operations of the Company, the results of those operations, or the state of the affairs of the Company in future financial years.

NOTE 18. COMPANY DETAILS

The registered office of the Company is:
Level 2, 50
Kings Park Road
West Perth 6005

The principal place of business of the Company is:
Level 2, 50
Kings Park Road
West Perth 6005

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 19. NEW ACCOUNTING STANDARDS

Australian accounting standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Company for the year ended 30 June 2016. Relevant Standards and Interpretations are outlined in the table below.

New/revised pronouncement	Explanation of amendments	Application Date of Standard	Application Date of Group
AASB 9 Financial Instruments	AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially- reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. **Classification and measurement** AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The main changes are described below. **Financial assets** a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. **Financial liabilities** Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:	1 January 2018	1 July 2018

	• The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount. **Impairment** The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.		
AASB 2015-1	AASB 7 Financial Instruments: Disclosures: • Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134. AASB 134 Interim Financial Reporting: • Disclosure of information 'elsewhere in the interim financial report' - amends AASB 134 to clarify the meaning of disclosure of information elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.	1 January 2016	1 July 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016	1 July 2016

The Company has decided not to early adopt any of the new and amended pronouncements. The impact of the above standards is yet to be determined.

Directors' Declaration

The directors of the Company declare that:

1. the financial statements, notes and additional disclosures included in the directors' report designated as audited, of the Company are in accordance with the *Corporations Act 2001*, including:

(a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date.

2 The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial report.

3. 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.

4. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended to 30 June 2016.

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

Peter Molloy

Peter Molloy
Managing Director
Dated 29 August 2016

Independent Auditor's Report

To the Members of Race Oncology Ltd

Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd
London House
Level 3,
216 St Georges Terrace
Perth WA 6000

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Cloisters Square WA 6850

ABN 33 121 222 802

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We have audited the accompanying financial report of Race Oncology Ltd ("the Company"), which comprises the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of accounting policies, other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

a. The financial report of Race Oncology Ltd is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. The financial statements also comply with *International Financial Reporting Standards* as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Race Oncology Ltd for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

BENTLEYS
Chartered Accountants

DOUG BELL CA
Director

Dated at Perth this 29th day of August 2016

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement is current as at 23 August 2016 and has been approved by the Board of the Company.

This Corporate Governance Statement discloses the extent to which the Company will follow the recommendations set by the ASX Corporate Governance Council in its publication *Corporate Governance Principles and Recommendations 3rd Edition* (Recommendations). The Recommendations are not mandatory, however the Recommendations that will not be followed have been identified and reasons for not following them, along with what (if any) alternative governance practices have been adopted in lieu of the Recommendation.

The Company has adopted Corporate Governance Policies which provide written terms of reference for the Company's corporate governance practices and has been following these practices since its listing on 13 July 2016. The Board of the Company has not yet formed an audit committee, nomination committee, risk management committee or remuneration committee.

The Company's Corporate Governance Policies are contained within the Corporate Governance Plan and available on the Company's website at www.raceoncology.com

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Roles of the Board & Management
The role of the Board is to provide overall strategic guidance and effective oversight of management. The Board derives its authority to act from the Company's Constitution.

The Board is responsible for, and has the authority to determine all matters relating to the strategic direction, policies, practices, establishing goals for management and the operation of the Company. The Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Chief Executive Officer.

The role of management is to support the Chief Executive Officer and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

In addition to matters it is expressly required by law to approve, the Board has reserved the following matters to itself:

- Driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- Appointment, and where necessary, the replacement, of the Chief Executive Officer and other senior executives and the determination of their terms and conditions including remuneration and termination;
- Approving the Company's remuneration framework;
- Monitoring the timeliness and effectiveness of reporting to Shareholders;
- Reviewing and ratifying systems of audit, risk management and internal compliance and control, codes of conduct and legal compliance to minimise the possibility of the Company operating beyond acceptable risk parameters;
- Approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- Approving and monitoring the budget and the adequacy and integrity of financial and other reporting such that the financial performance of the company has sufficient clarity to be actively monitored;
- Approving the annual, half yearly and quarterly accounts;
- Approving significant changes to the organisational structure;
- Approving decisions affecting the Company's capital, including determining the Company's dividend policy and declaring dividends;
- Ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- Procuring appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively;
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted, and that its practice is consistent with, a number of guidelines including:
  - Corporate Code of Conduct;
  - Continuous Disclosure Policy;
  - Diversity Policy;
  - Performance Evaluation;
  - Procedures for Selection and Appointment of Directors;
  - Risk Management Review Procedure and Internal Compliance and Control Policy;
  - Trading Policy; and
  - Shareholder Communication Strategy.

CORPORATE GOVERNANCE STATEMENT

Subject to the specific authorities reserved to the Board under the Board Charter, the Board delegates to the Chief Executive Officer responsibility for the management and operation of Race Oncology. The Chief Executive Officer is responsible for the day-to-day operations, financial performance and administration of Race Oncology within the powers authorised to him from time-to-time by the Board. The Chief Executive Officer may make further delegation within the delegations specified by the Board and will be accountable to the Board for the exercise of those delegated powers.

Further details of Board responsibilities, objectives and structure are set out in the Board Charter which is contained within the Corporate Governance Place available on the Race Oncology website.

Board Committees
The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate committees at this time including audit and risk, remuneration or nomination committees, preferring at this stage of the Company's development, to manage the Company through the full Board of Directors. The Board assumes the responsibilities normally delegated to the audit and risk, remuneration and nomination Committees.

If the Company's activities increase, in size, scope and nature, the appointment of separate committees will be reviewed by the Board and implemented if appropriate.

Board Appointments

The Company undertakes comprehensive reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

The Company Secretary
The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees (as applicable) on governance matters, monitoring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

Diversity
The Board has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect to gender, age, ethnicity and cultural diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives (if considered appropriate) and to assess annually both the objectives (if any have been set) and the Company's progress towards achieving them.

The Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for the Diversity Policy at this time is not appropriate. The Board will consider setting measurable objectives as the Company increases in size and complexity.

The participation of women in the Company at the date of this report is as follows:

- Women employees in the Company 0%
- Women in senior management positions 0%
- Women on the Board 0%

The Company's Diversity Policy is contained within the Corporate Governance Plan and is available on its website.

Board & Management Performance Review

On an annual basis, the Board conducts a review of its structure, composition and performance.

The annual review includes consideration of the following measures:
- comparing the performance of the Board against the requirements of its Charter;
- assessing the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and the annual budget;

CORPORATE GOVERNANCE STATEMENT

- reviewing the Board's interaction with management;
- reviewing the type and timing of information provided to the Board by management;
- reviewing management's performance in assisting the Board to meet its objectives; and
- identifying any necessary or desirable improvements to the Board Charter.

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Chairman has primary responsibility for conducting performance appraisals of Non-Executive Directors, in conjunction with them, having particular regard to:

- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

Given, the size of the Board, the change to the composition of the Board and the fact the Company was only listed on 13 July 2016, no formal appraisal of the Board has been conducted.

The Board conducts an annual performance assessment of the Chief Executive Officer against agreed key performance indicators.

Independent Advice
Directors have a right of access to all Company information and executives. Directors are entitled, in fulfilling their duties and responsibilities, may seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairman. A copy of any such advice received is made available to all members of the Board.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Board Composition

The Company only listed on 13 July 2016 and as at the date of this report the Board was comprised of the following members:

Dr William James Garner	Non-Executive Chairman (appointed 1 July 2016);
Mr Peter Molloy	Chief Executive Officer (appointed 1 July 2016);
Dr Brendan De Kauwe	Non-Executive Director (appointed 21 April 2016);
Mr Chris Ntoumenopoulos	Non-Executive Director (appointed 27 April 2016);

The Board consists of a majority of Non-Executive Directors.

Race Oncology has adopted a definition of 'independence' for Directors that is consistent with the Recommendations.

Messrs Garner and Molloy are not considered to be independent as they are both substantial holders in the Company. Messrs De Kauwe and Ntoumenopoulos are not considered to be independent as they both were in a material business relationship with the Company, having been involved in the capital raising prior to listing.

Board Selection Process

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern Race Oncology. The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review.

The Board is responsible for the nomination and selection of directors. The Board reviews the size and composition of the Board regularly and at least once a year as part of the Board evaluation process.

The Board will establish a Board Skills Matrix. The Board Skills Matrix will include the following areas of knowledge and expertise:

- Strategic expertise;
- Specific industry knowledge;
- Accounting and finance;
- Risk management;

CORPORATE GOVERNANCE STATEMENT

- Experience with financial markets; and
- Investor relations.

Induction of New Directors and Ongoing Development
New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work.

An induction program is in place and new Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

The Company has implemented a Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders.

All employees and Directors are expected to:
- respect the law and act in accordance with it;
- maintain high levels of professional conduct;
- respect confidentiality and not misuse Company information, assets or facilities;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Conduct may face disciplinary action including, in the cases of serious breaches, dismissal. If an employee suspects that a breach of the Code of Conduct has occurred or will occur, he or she must report that breach to the Company Secretary. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

The Board as a whole fulfils to the functions normally delegated to the Audit Committee as detailed in the Audit and Risk Committee Charter.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board receives regular reports from management and from external auditors. It also meets with the external auditors as and when required.

The external auditors attend Race Oncology's AGM and are available to answer questions from security holders relevant to the audit.

Prior approval of the Board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the lead engagement partner responsible for the audit not perform in that role for more than five years.

CEO and CFO Certifications
The Board, before it approves the entity's financial statements for a financial period, receives from its CEO and CFO (or, if none, the persons fulfilling those functions) a declaration provided in accordance with Section 295A of the Corporations Act that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Company has a Continuous Disclosure Policy which outlines the disclosure obligations of the Company as required under the ASX Listing Rules and Corporations Act. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which Company securities are traded.

The Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of any information in the course of their duties as a Director of the Company.

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company.

The Board has designated the Company Secretary as the person responsible for communicating with the ASX. All key announcements at the discretion of the Chief Executive Officer are to be circulated to and reviewed by all members of the Board.

The Chairman, the Board, Chief Executive Officer and the Company Secretary are responsible for ensuring that:

a) Company announcements are made in a timely manner, that announcements are factual and do not omit any material information required to be disclosed under the ASX Listing Rules and Corporations Act; and
b) Company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

The Company recognizes the value of providing current and relevant information to its shareholders. The Board of the Company aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the company website, information posted or emailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to clear and understandable information about the Company; and
- making it easy for shareholders to participate in general meetings of the Company.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. These contact details are available on the "Contact" page of the Company's website.

Shareholders may elect to, and are encouraged to, receive communications from Race Oncology and Race Oncology's securities registry electronically. The contact details for the registry are available on the "Contact Us" page of the Company's website.

The Company maintains information in relation to its Constitution, governance documents, Directors and senior executives, Board and committee charters, annual reports and ASX announcements on the Company's website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Board is committed to the identification, assessment and management of risk throughout Race Oncology's business activities.

The Board is responsible for the oversight of the Company's risk management and internal compliance and control framework. The Company does not have an internal audit function. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Chief Executive Officer having ultimate responsibility to the Board for the risk management and internal compliance and control framework. Race Oncology has established policies for the oversight and management of material business risks.

Race Oncology's Risk Management and Internal Compliance and Control Policy recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.

Race Oncology believes that explicit and effective risk management is a source of insight and competitive advantage. To this end, Race Oncology is committed to the ongoing development of a strategic and consistent enterprise wide risk management program, underpinned by a risk conscious culture.

CORPORATE GOVERNANCE STATEMENT

Race Oncology accepts that risk is a part of doing business. Therefore, the Company's Risk Management and Internal Compliance and Control Policy is not designed to promote risk avoidance. Rather Race Oncology's approach is to create a risk conscious culture that encourages the systematic identification, management and control of risks whilst ensuring we do not enter into unnecessary risks or enter into risks unknowingly.

Race Oncology assesses its risks on a residual basis; that is, it evaluates the level of risk remaining and considering all the mitigation practices and controls. Depending on the materiality of the risks, Race Oncology applies varying levels of management plans.

The Board has required management to design and implement a risk management and internal compliance and control system to manage Race Oncology's material business risks. It receives regular reports on specific business areas where there may exist significant business risk or exposure. The Company faces risks inherent to its business, including economic risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term. The Company has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management and Internal Compliance and Control Policy), which is developed and updated to help manage these risks. The Board does not consider that the Company currently has any material exposure to environmental or social sustainability risks.

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect those risks;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

The Board review's the Company's risk management framework at least annually to ensure that it continues to effectively manage risk.

Management reports to the Board as to the effectiveness of Race Oncology's management of its material business risks on at each Board meeting.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The Board as a whole fulfils to the functions normally delegated to the Remuneration Committee as detailed in the Remuneration Committee Charter.

Race Oncology has implemented a Remuneration Policy which was designed to recognise the competitive environment within which Race Oncology operates and also emphasise the requirement to attract and retain high calibre talent in order to achieve sustained improvement in Race Oncology's performance. The overriding objective of the Remuneration Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of Race Oncology.

The key principles are to:

- review and approve the executive remuneration policy to enable the Company to attract and retain executives and Directors who will create value for shareholders;
- ensure that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration;
- fairly and responsibly reward executives having regard to the performance of the Group, the performance of the executive and the prevailing remuneration expectations in the market;
- remunerate fairly and competitively in order to attract and retain top talent;
- recognise capabilities and promote opportunities for career and professional development; and
- review and approve equity based plans and other incentive schemes to foster a partnership between employees and other security holders.

The Board determines the Company's remuneration policies and practices and assesses the necessary and desirable competencies of Board members. The Board is responsible for evaluating Board performance, reviewing Board and management succession plans and determines remuneration packages for the Chief Executive Officer, Non-Executive Directors and senior management based on an annual review.

Race Oncology's executive remuneration policies and structures and details of remuneration paid to directors and key management personnel (where applicable) are set out in the Remuneration Report.

Non-Executive Directors receive fees (including statutory superannuation where applicable) for their services, the reimbursement of reasonable expenses and, in certain circumstances options.

CORPORATE GOVERNANCE STATEMENT

The maximum aggregate remuneration approved by shareholders for Non-Executive Directors is $300,000 per annum. The Directors set the individual Non-Executive Directors fees within the limit approved by shareholders.
Executive directors and other senior executives (where appointed) are remunerated using combinations of fixed and performance based remuneration. Fees and salaries are set at levels reflecting market rates and performance based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives.

The Company prohibits Directors and employees from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 5 October 2016.

As at 5 October 2016 there were 486 holders of Ordinary Fully Paid Shares

Voting Rights

The voting rights of the ordinary shares are as follows:

Subject to any rights or restrictions for the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representation more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held.

There are no voting rights attached to any of the options and performance shares that the Company currently has on issue. Upon exercise of these options, the shares issued will have the same voting rights as existing ordinary shares.

Twenty Largest Shareolders

The names of the twenty largest holders of each class of listed securities are listed below:

Ordinary Full Paid Shares

Holder Name	**Holding**	**% IC**
Update Pharma Inc	15,000,000	28.47%
Peter Molloy	4,000,000	7.59%
Freeman Road Pty Ltd <The Avenue A/C>	1,675,000	3.18%
Coolah Holdings Pty Ltd <The Lambert Family Trust A/C>	1,153,846	2.19%
Larrakeyah Pty Limited <The Moore Family A/C>	925,000	1.76%
Simon Nominees Pty Ltd <H S Majteles Super Fund A/C>	900,000	1.71%
J P Morgan Nominees Australia Limited	900,000	1.71%
Ms Nicole Gallin & Mr Kyle Haynes <GH Super Fund A/C>	750,000	1.42%
Atollo Investments Pty Ltd <Atollo Investment A/C>	590,000	1.12%
Venus Anetac Pty Ltd <RGC Family A/C>	581,250	1.10%
Buzz Capital Pty Ltd <ZI Vestment A/C>	580,000	1.10%
Sobol Capital Pty Ltd <BOC Investment A/C>	506,250	0.96%
Otsana Pty Ltd	500,000	0.95%
Mr Paul Henri Veron & Mrs Julie Anne Veron <Dead Knick S/F A/C>	500,000	0.95%
Dead Knick Pty Ltd	500,000	0.95%
Cps Capital Group Pty Ltd	487,500	0.93%
Grayhawk Capital Pty Ltd	425,000	0.81%
Romfal Sifat Pty Ltd <The Fizmail Family A/C>	400,000	0.76%
Medek Investments Pty Ltd <Medek Super Fund A/C>	400,000	0.76%
Dreampt Pty Ltd <Dreampt A/C>	375,000	0.71%
	31,148,846	**59.12%**

Substantial Holders

The names of the substantial shareholders disclosed to the Company as substantial shareholders as at 5 October 2016 are:

Name	No of Shares Held	% of Issued Capital
Mr William James Garner	15,000,000	28.46%
Mr Peter Laurence Molloy	4,000,000	7.59%

ASX ADDITIONAL INFORMATION

Distribution of equity securities
Ordinary Fully Paid Shares

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	2	1,462	0.00%
1,001 - 5,000	92	339,142	0.64%
5,001 - 10,000	113	1,049,265	1.99%
10,001 - 100,000	246	11,452,712	21.74%
100,001 - 9,999,999,999	66	39,844,920	75.63%
Totals	**519**	**52,687,501**	**100.00%**

Unmarketable Parcels – 19 Holders

Restricted Securities
As at 5 October 2016 the following shares are subject to escrow:

27,341,434 Ordinary Fully Paid Shares escrowed until 13 July 2018

Unquoted Securities
As at 5 October 2016, the following unquoted securities are on issue:

10,000,000 Performance Shares[1] escrowed until 13 July 2018 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
Update Pharma Inc	10,000,000	100.00%

10,000,000 Options Expiring 01/07/2018 @ $0.25 escrowed until 13 July 2018 – 2 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Mr Chris Ntoumenopoulos	5,000,000	50.00%
Larrakeyah Pty Limited <The Moore Family A/C>	5,000,000	50.00%

9,000,000 Options Expiring 01/07/2021 @ $0.25 escrowed until 13 July 2018 – 2 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Peter Molloy	6,000,000	66.67%
John Rothman	3,000,000	33.33%

On-Market Buyback
There is currently no on-market buyback program.

ASX Listing Rule 4.10.19
The Company has used its cash and assets in a form readily convertible to cash that it had at the time of listing of the Company's securities to quotation in a way consistent with its business objectives.

[1] Details on the performance conditions surrounding the Performance Shares are contained with the Directors' Report.