ASX Appendix 4D

Half-Year Financial Report to 31 December 2016

1. Details of reporting period

Name of Entity	Race Oncology Limited ("the Company")
ABN	61 149 318 749
Reporting Period	31 December 2016
Previous Corresponding Period	None – first Appendix 4D

2. Results for announcement to the market

				$
Revenues from ordinary activities	N/A	N/A	to	15,814
Loss for the half-year	N/A	N/A	to	2,081,351
Total comprehensive loss for the half-year attributable to members	N/A	N/A	to	2,081,351

	Amount Per Security	Franked Amount Per Security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Previous Corresponding Period	Nil	Nil
Record Date for Determining Entitlements	Not Applicable	

Brief explanation of any of the figures reported above necessary to enable figures to be understood:

For further information, refer to the review of operations contained in the directors' report, which forms part of the attached condensed consolidated financial statements.

3. Net tangible asset backing

	31 December 2016	31 December 2015
Net tangible backing per ordinary security	5.46 cents	N/A

4. Details of entities over which control has been gained or lost during the period

N/A

5. Details of Dividends

No dividend has been paid or recommended to be paid for the half-year ended 31 December 2016.

6. Details of dividend reinvestment plans

N/A

7 Details of associate and joint venture entities

N/A

8. Foreign entities

N/A

9. Audit

This report has been based on accounts that have been subject to an audit review. There are no items of dispute with the auditor and the audit review is not subject to qualification.

Peter Molloy

Managing Director

24 February 2017



The information contained in this condensed report is to be read in conjunction with Race Oncology's 2016 annual report and announcements to the market made by Race Oncology Limited

RACE ONCOLOGY LIMITED
ACN 149 318 749
INTERIM FINANCIAL REPORT 31 DECEMBER 2016

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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
Level 3
216 St Georges Terrace
PERTH WA 6000

Share Registry
Automic Registry Services
Level 2
267 St Georges Terrace
Perth WA 6000
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

RACE ONCOLOGY LIMITED
ACN 149 318 749
INTERIM FINANCIAL REPORT 31 DECEMBER 2016

DIRECTORS' REPORT

Your directors present the financial report of the Company for the half-year ended 31 December 2016.

DIRECTORS

The names and the particulars of the Directors of the Company during the half year and to the date of this report are:

Name	Status	Appointed
Peter Molloy	Managing Director	Appointed 1 July 2016
William Garner	Non-Executive Chairman	Appointed 1 July 2016
Brendon de Kauwe	Non-Executive director	Appointed 21 April 2016
Chris Ntoumenopoulos	Non-Executive director	Appointed 21 April 2016

The below named directors held office during the financial year up until the date of their removal:

Name	Status	Resigned
Daniel Moore	Non-Executive director	Resigned 1 July 2016

REVIEW OF OPERATIONS

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.

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

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 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.

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.

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, with the options exercisable at $0.256 each on or before 1 August 2021 and vesting on 1 August 2017 and with the number of options vesting at the vesting date calculated based on performance against key performance indicators related to the manufacturing program for Bisantrene. On 22 November 2016, the Company issued the options to DEL Biopharma.

REVIEW OF OPERATIONS (continued)

On 19 August 2016, the Company signed an agreement with European oncologist, Dr Rudolf Steiner, under which Dr Rudolf will assist the Company in developing clinical protocols for further studies in the UN on Bisantrene and provide technical oversight for the Company's Named Patient sales program in Europe.

On 22 August 2016, the Company signed a consulting agreement with Mr Gordon Beck, as Vice President for European Operations for the Company. Over the next 12 to 18 months, Mr Beck will be responsible for initiating and successfully implementing the Company's Name Patient sales and marketing program in target European countries. Under the terms of the agreement, the Company has agreed to issue Mr Beck two tranches of fully paid ordinary shares on achievement of each of two performance milestones. The first milestone is the receipt of RAC's first sales order for Bisantrene in a first Named Patient Program ("NPP") country by 30 September 2017 (First Milestone Date). The second milestone is the receipt of RAC's first sales order for Bisantrene in a second NPP country by 31 December 2017 (Second Milestone Date). In each case, Mr Beck is entitled to receive the number of shares equivalent to $50,000, with the number of shares in each case to be based on the volume-weighted average price for the 30 days prior to the each milestone date.

On 5 September 2016, the Company signed an agreement with a Swiss Company, CarthaGenetics, to expedite the launch of the Company's NPP in Europe, and to distribute and sell Bisantrene under the program. CarthaGenetics will be responsible for market development and awareness of Bisantrene prior to launch and all necessary regulatory approvals to allow Bisantrene to be sold in each target NPP country. CarthaGenetics will also be responsible for all storage, distribution, invoicing, sales and customer service of Bisantrene in each country under NPP. Under the agreement, CarthaGenetics will charge a fixed monthly cost and a commission on sales.

On 4 October 2016, the Company signed a consulting agreement with Associate Professor Roland Walter MD to assist in developing clinical protocols for Bisantrene and advise the Company on the drug's clinical positioning in the treatment of Acute Myeloid Leukaemia ("AML").

On 5 October 2016, the Company executed a manufacturing and supply agreement with Sai Life Sciences, Ltd. Under the agreement, Sai will manufacture the Bisantrene Active Pharmaceutical Ingredient ("API") to support at least the first year of sales of Bisantrene under the Company's proposed NPP in Europe.

On 24 October 2016, the Company signed a consulting agreement with Prof Douglas Smith MD to assist in developing clinical protocols for Bisantrene and advise the Company on the drug's clinical positioning in the treatment of AML.

On 25 October 2016, the Company executed a development and manufacturing agreement with IriSys LLC in San Diego CA. Under the agreement, IriSys will complete the development of the final Bisantrene formulation and manufacture the finished product for NPP sales and use in further US clinical studies.

On 12 December 2016, the Company signed a consulting agreement with Professor Martin Tallman MD to assist in developing clinical protocols for Bisantrene and advise the Company on the drug's clinical positioning in the treatment of AML.

During the first half year, the Company achieved all its stated goals and moved closer to the first sales of Bisantrene in Europe. The Company is actively pursuing licensees for Bisantrene and during the first half year, the Managing Director attended partnering conferences to engage with potential licensing partners around the world, including the Biopharm America conference (Boston), the Ausbiotech conference (Melbourne) and the BIO-Europe conference (Koln Germany).

FINANCIAL PERFORMANCE

The loss for the six months ended 31 December 2016 was $2,081,351 this was inclusive of non-cash share based payments $795,500 (2015: loss $200,127).

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 16 February 2017, the Company held its pre-IND meeting with the US food and Drug Administration (FDA). The meeting confirmed that the proposed development of Bisantrene qualifies for the 505(b)(2) pathway in the US. This pathway allows a sponsor to utilise the available preclinical and clinical data on Bisantrene, which includes more than 40 clinical studies supporting tolerability and clinical utility of Bisantrene in the treatment of cancer, notably AML.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 6 of the financial report.

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

On behalf of the Directors



Peter Molloy
Managing Director
Dated: 24th February 2017

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

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

To the Board of Directors

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

As lead audit director for the review of the financial statements of Race Oncology for the half year ended 31 December 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 review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

BENTLEYS
Chartered Accountants

DOUG BELL CA
Director

Dated at Perth this 24th day of February 2017

KRESTON

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Accountants
Auditors
Advisors

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	31 December 2016 $	31 December 2015 $
Revenue			
Interest received		15,817	5,498
Salaries and employee benefits expense		(82,365)	-
Accounting and audit fees		(47,161)	(48,019)
Amortisation	3	(83,333)	-
Business development		(303,528)	-
Corporate advice fees		(43,100)	(81,829)
Director fees		(103,000)	-
Option facilitation fee		-	(37,450)
Research and development expense		(497,027)	-
Share based payment expense	7	(795,500)	-
Travel and accommodation		(86,728)	-
Other expenses		(55,426)	(38,327)
Results from operating activities		(2,081,351)	(200,127)
Loss before income tax			
Income tax expense		-	
Loss for the period		(2,081,351)	(200,127)
Basic and diluted loss per share (cents per share)		(3.95)	(1.8)

The above condensed statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	31 December 2016	30 June 2016
		$	$
CURRENT ASSETS			
Cash and cash equivalents		3,045,010	4,349,342
Trade and other receivables		4,628	3,624
Financial assets		-	106,181
Other assets		70,682	10,372
TOTAL CURRENT ASSETS		3,120,320	4,469,519
NON CURRENT ASSETS			
Intangible assets	3	4,416,667	-
TOTAL NON CURRENT ASSETS		4,416,667	-
TOTAL ASSETS		7,536,987	4,469,519
CURRENT LIABILITIES			
Trade and other payables	4	232,442	386,377
Provision		12,500	-
Financial liabilities		-	5,246
TOTAL CURRENT LIABILITIES		244,942	391,623
TOTAL LIABILITIES		244,942	391,623
NET ASSETS		7,292,045	4,077,896
SHAREHOLDERS' EQUITY			
Issued capital	5	8,463,301	4,663,301
Accumulated losses		(2,666,756)	(585,405)
Reserve shares	5d	(800,000)	-
Reserve	6	2,295,500	-
SHAREHOLDERS' EQUITY		7,292,045	4,077,896

The above condensed financial position should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	Issued Capital $	Accumulated Losses $	Reserves $	Total $
Balance at 1 July 2015		273,200	(267,513)	-	5,687
Loss attributable to members		-	(200,127)	-	(200,127)
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		-	(200,127)	-	(200,127)
Transactions with owners, in their capacity as owners and other transfers					
Called up capital on partly paid shares received	5	24,000	-	-	24,000
Shares issued during the year		74,600	-	-	74,600
Share issue costs	5	(1,339)	-	-	(1,339)
BALANCE AT 31 DECEMBER 2015		**370,461**	**(467,640)**	**-**	**(97,179)**

	Note	Issued Capital $	Accumulated Losses $	Reserves $	Total $
Balance at 1 July 2016		**4,663,301**	**(585,405)**	**-**	**4,077,896**
Loss attributable to members		-	(2,081,351)	-	(2,081,351)
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		-	(2,081,351)	-	(2,081,351)
Transactions with owners, in their capacity as owners and other transfers					
Shares issued pursuant to acquisition of Update Pharma	5	3,000,000	-	-	3,000,000
Share based payments	6	-	-	2,295,500	2,295,500
Shares issued pursuant to loan plan	5	800,000	-	(800,000)	-
BALANCE AT 31 DECEMBER 2016		**8,463,301**	**(2,666,756)**	**1,495,500**	**7,292,045**

The condensed statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	31 December 2016 $	31 December 2015 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	15,817	98
Payments to suppliers and employees	(425,986)	(117,820)
Payments for research and development	(383,576)	-
Payments for advertising and marketing	(369,795)	-
Net cash used in operating activities	(1,163,540)	(117,722)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans repaid from unrelated entity	100,673	-
Net cash provided by investing activities	100,673	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to lender	(5,246)	-
Proceeds from shares issued	-	98,600
Capital raising costs	(264,000)	(1,339)
Net cash (used in)/provided by financing activities	(269,246)	97,261
Net (decrease) in cash held	(1,332,113)	(20,461)
Foreign currency translation	27,781	-
Cash at beginning of the period	4,349,342	21,288
Cash at end of the period	3,045,010	827

The condensed statement of cash flows should be read in conjunction with the accompanying notes.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The half-year financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001*, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

The interim financial report was issued on 24 February 2017 by the directors of the Company.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Race Oncology during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

b) Basis of preparation

The condensed financial statements have been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted. The financial statements have been prepared on a going concern basis.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2016 annual financial report for the financial year ended 30 June 2016, except for the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standard and with International Financial Reporting Standards.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Patents

The Company made upfront payments to purchase patents. The patents have been granted for a period of 20 years by the relevant government agency.

As a result, those patents are amortised on a straight-line basis over the period of the patent.

Amendments to AASBs and the new Interpretation

The Company has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that is relevant to the Company include:

- AASB 2014-1: Amendments to Australian Accounting Standards (Part D);
- AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations;
- AASB 2014-4: Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation;
- AASB 2014-6: Amendments to Australian Accounting Standards – Agriculture: Bearer Plants;
- AASB 2014-9: Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements;
- AASB 2015-1: Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle;
- AASB 2015-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101;
- AASB 2015-5: Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception; and
- AASB 2015-9: Amendments to Australian Accounting Standards – Scope and Application Paragraphs.

The adoptions of the above standards have not had a material impact on this half year financial report.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Share-based payments
The value attributed to share options and remuneration shares issued is an estimate calculated using an appropriate mathematical formula based on Black-Scholes option pricing model. The choice of models and the resultant option value require assumptions to be made in relation to the likelihood and timing of the conversion of the options to shares and the value and volatility of the price of the underlying shares. Details of share-based payments assumptions are detailed in Note 7.

Amortisation of patents
Costs incurred in acquiring patents and licenses are capitalised and amortised on a straight line basis over the life of the patent. Costs include only those costs directly attributable to the acquisition of the patents and licences. The recoverability of the carrying amount of the capitalised patent costs is dependent on the ability of the Company to generate positive cash inflows from the future development and sale of its pharmaceutical products.

c) Segment Information
AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

For the current reporting period, the Company is operated in one segment, being research into oncology drug, Bisantrene. Accordingly the financial information reported elsewhere in this financial report is representative of the nature and financial effects of the business activities in which it engages and the economic environment in which it operates.

d) Employee benefits – Employee Loan Shares
During the half-year ended 31 December 2016, remuneration in the form of Employee Loan Shares were issued to the Managing Director, Peter Molloy, upon settlement of the Company's acquisition of intellectual property from Update Pharma Inc. The acquisition of intellectual property was completed on 1 July 2016.

The Loan Shares represent an option arrangement. Due to vesting conditions attached to the loan shares, these shares will be expensed over the vesting period. The key terms of the Employee Share Plan and of each limited resource loan provided under the Pan are as follows:

i. The total loan will be $800,000 which shall be deemed to have been draw down at Settlement upon issued of the Loan Shares.
ii. The Loan is repayable on the earlier of:
    (a) The date that is 5 business days following Mr Molloy ceasing to be employed by the Company; and
    (b) The date that is 5 years from the date of issue of the Loan Shares.
iii. The Loan shall be interest free.
iv. All or part of the loan may be repaid prior to the Loan repayment Date.

Repayment date
v. Notwithstanding paragraph iv. above, Mr. Molloy ("the holder") may repay all or part of the loan at any time before the repayment date; and
vi. The loan will be limited recourse such that on the repayment date, the repayment obligation under the limited recourse loan will be limited in that
    a) The amount of the loan repayable to the Company shall not be greater than the amount receivable from the sale of the loan shares; and
    b) The loan may be fully satisfied by the Holder's return of the loan shares to the Company.

Sale of Loan Shares
vii. In accordance with the terms of the Voluntary Restriction Agreement, the Loan Shares cannot be sold, transferred, assigned, charged or otherwise encumbered until expiration of the Restriction Period.

d) Employee benefits – Employee Loan Shares (continued)

Vesting conditions

The loan shares are subject to the following conditions, which conditions shall cease to apply upon the holder remaining continually employed by the Company throughout the vesting period:

(a) The Loan Shares are not transferable.

e) Equity-settled compensation

The Company operates a supplier share and option plan. Share-based payments to suppliers are measured at the fair value of the instruments issued and amortised over the vesting periods. The fair value of performance right options is determined using the satisfaction of certain performance criteria (Performance Milestones). The number of shares option and performance rights expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest. The fair value is determined using either a black-scholes or monte-carlo simulation model depending on the type of share-based payment.

NOTE 2. ACQUISITION OF UPDATE PHARMA

On 1 July 2016, the Company acquired 100% of the intellectual property relating to the oncology drug, Bisantrene in Update Pharma Inc., an unlisted company based in New Jersey, in exchange for 15,000,000 ordinary shares at a price of $0.20 per share and 10,000,000 performance shares in the Company.

Update Pharma has filed two international patents. The applications claim methods of improving the usefulness of Bisantrene in treating cancer and other diseases, and variations on its chemical presentation and salt forms and their manufacturing, combinations with other anti-cancer drugs, biologics and immunotherapies, and through patient selection strategies by, for example, biochemical and genetic screening, and disease stage.

The acquisition was settled on 1 July 2016, following the Company meeting the conditions precedent of the share sale and purchase agreement entered between Race Oncology and the shareholders of Update Pharma Inc. This acquisition has not been accounted for as a business combination under AASB 3: "Business Combination" as the assets of Update Pharma were considered not to constitute a business. Accordingly the Update Pharma acquisition has been accounted for as an acquisition of assets, at cost based on the fair value of shares issued on the transaction date. The Directors have re-assessed at balance date the likelihood of these milestones being met within the vesting period. The Directors have estimated that there is a 75% probability that these milestones will be met within the vesting period resulting in a value of $1,500,000 attributable to the performance shares which has been capitalised as an intangible asset. A grant date fair value of $0.20 per performance share has been attributable to the instruments being the Initial Public Offer price of the Company's shares. (Refer to note 7 for details of the vesting conditions). The purchase price has been allocated as follows:

Purchase consideration	**$**
Issue of shares	4,500,000
	4,500,000

Net asset acquired	**Fair Value recognised on acquisition**
Intangible asset	4,500,000
Net assets	**4,500,000**

The consideration paid of $3,000,000 of issued capital, being 15,000,000 ordinary shares issued at $0.20 per share and $1,500,000 being 10,000,000 performance shares. Refer to Note 7 or details.

NOTE 3. INTANGIBLE ASSETS	31 December 16	30 June 16
At cost	4,500,000	-
Accumulated amortisation	(83,333)	-
Total intangible assets	4,416,667	-

Movement during the half-year	Intellectual Property
Balance at 1 July 2016	
Acquisitions	4,500,000
Amortisation expense	(83,333)
Balance at 31 December 2016	**4,416,667**

Intellectual property totalling $4,500,000 comprises patents and licenses initially acquired through Update Pharma pertaining to the oncology drug, called Bisantrene. The intellectual property is supported by 2 patents and will be expire in year 2034. The patent useful life has been aligned to the patent term and as a result, those patents are amortised on a straight-line basis over the period of the patent.

NOTE 4. TRADE AND OTHER PAYABLES	31 December 16	30 June 16
Trade and other payables	192,442	107,223
Accruals	40,000	279,154
	232,442	386,377

NOTE 5. ISSUED AND UNISSUED CAPITAL	31 December 16	30 June 16
Opening balance	4,663,301	273,200
Shares issued during the year	-	332,800
Issued capital – Pursuant to prospectus	4,300,000	-
Issued capital – Consideration for acquisition of Update Pharma	3,000,000	-
Issued capital – Loan shares to related party	800,000	-
Called up capital on partly paid shares received	-	24,000
Shares applied for but unissued	(4,300,000)	4,300,000
Less: transaction costs arising from issued of shares	-	(266,699)
	8,463,301	4,663,301

The Company has issued share capital amounting to 52,687,501 ordinary shares (30 June 2016: 12,187,501 ordinary shares) of no par value and the Company does not have a limited amount of authorised capital.

NOTE 5. ISSUED AND UNISSUED CAPITAL (continued)

a. Ordinary shares – Fully Paid	**No. of shares**	
	31 December 16	**30 June 16**
At beginning of year	12,187,501	11,000,001
Shares issued during the year	-	1,187,500
Issued capital – Pursuant to prospectus	21,500,000	-
Issued capital – Consideration for acquisition of Update Pharma	15,000,000	-
Issued capital – Loan shares to related party	4,000,000	-
At end of the period/year	52,687,501	12,187,501

At the shareholders 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.

	31 December 16	**30 June 16**
b. Shares applied for but unissued - 10 cent Partly Paid shares		
At beginning of year	-	750,000
Partly paid shares applied for during the period	-	1,500,000
Partly paid shares at 10 cents paid up during the period	-	(2,250,000)
At end of the period/year	-	-
c. Shares applied for but unissued - 16 cent Partly Paid shares		
At beginning of period	-	468,750
Partly paid shares applied for during the period	-	781,250
Partly paid shares at 10 cents paid up during the period	-	(1,250,000)
At end of the period/year	-	-

d. Reserve Shares	**Date**	**Quantity**	**Unit Price $**	**Total $**
Reserve shares (loan shares)	1 July 2016	4,000,000	$0.20	800,000
Balance at 31 December 2016		4,000,000		800,000

Details of the loan shares refer to Note 1(d).

NOTE 6. RESERVE		**31 December 16**	**30 June 16**
Opening balance		-	-
Share based payment – consideration for acquisition of Update Pharma	**2**	1,500,000	-
Share based payment expense		795,500	-
Closing balance		2,295,500	-

NOTE 7. SHARE-BASED PAYMENTS

The following share based payment arrangement existed at 31 December 2016:

On 1 July 2016, the following securities were issued:

a) 15,000,000 ordinary shares and 10,000,000 performance shares were issued to Update Pharma in consideration for the acquisition of intellectual property from Update Pharma. The performance shares have not been recognised as there is no certainty as to when the milestones will be reached.
b) 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;
c) 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
d) 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.

On 22 November 2016, the Company issued 200,000 unlisted options to DEL Biopharma LLC exercisable at $0.256 each on or before 1 August 2021 and vesting on 1 August 2017. The number of unlisted options vesting at the vesting date will be calculated based on the performance against key performance indicators pursuant to the terms and conditions of a consulting agreement.

Under the terms of a consulting agreement, the Company has agreed to issue Mr Beck two tranches of fully paid ordinary shares on achievement of two performance milestones. The first milestone is the receipt of RAC's first sales order for Bisantrene in a first Named Patient Program ("NPP") country by 30 September 2017 (First Milestone Date). The second milestone is the receipt of RAC's first sales order for Bisantrene in a second NPP country by 31 December 2017 (Second Milestone Date). In each case, Mr Beck is entitled to receive the number of shares equivalent to $50,000, with the number of shares in each case to be based on the volume-weighted average price for the 30 days prior to the each milestone date.

Recipient	Class of SBP	Quantity	Grant date Fair Value	Value recognised during the half year	Value to be recognised in future years
Daniel Moore	Unlisted share options	5,000,000	$0.20	211,631	-
Chris Ntoumenopoulos	Unlisted share options	5,000,000	$0.20	211,631	-
Peter Molloy	Unlisted share options	6,000,000	$0.20	140,616	319,583
John Rothman	Unlisted share options	3,000,000	$0.20	86,524	143,577
Peter Molloy	Loan shares	4,000,000	$0.20	89,749	268,267
Del Biopharma	Unlisted share options	200,000	$0.24	25,047	-
Gordon Beck	Unissued shares			30,302	-
				795,500	731,427

NOTE 7. SHARE-BASED PAYMENTS (continued)

Fair value of options

The fair value of share options granted have been valued using a Black Scholes Methodology, taking into account the terms and conditions upon which the unlisted share options were granted.

A summary of the inputs used in the valuation of the options is as follows:

Unlisted Share Options	Messrs Moore and Messrs Ntoumenopoulos	Messrs Molloy and Messrs Rothman	Del Bio Pharma
Exercise price	$0.25	$0.25	$0.256
Share price at date of issue	$0.20	$0.20	$0.248
Grant date	1 July 2016	1 July 2016	22 Nov 2016
Expected volatility	50.229 %	50.06 %	63.878%
Expiry date	1 July 2018	1 July 2021	1 Aug 2021
Risk free interest rate	1.54%	1.61%	1.61%
Value per option	$0.0423	$0.0767	$0.1252
Number of options	10,000,000	9,000,000	200,000
Total value of options	**$423,262**	**$690,300**	**$25,047**

Fair value of Loan Shares

The fair value of share options granted have been valued using a Black Scholes Methodology, taking into account the terms and conditions upon which the loan shares were granted. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant.

A summary of the inputs used in the valuation of the loan shares is as follows:

Loan shares	Peter Molloy
Exercise price	$0.20
Share price at date of issue	$0.20
Grant date	1 July 2016
Expected volatility	50.06 %
Expiry date	1 July 2021
Expected dividends	-
Risk free interest rate	1.61%
Value per loan share	$0.0895
Number of loan shares	4,000,000
Total value	**$358,016**

NOTE 7. SHARE-BASED PAYMENTS (continued)

Performance Shares

On 1 July 2016, as part of the consideration for the acquisition of intellectual property of Update Pharma, the Company has to issue 10,000,000 performance shares to the vendor. The performance shares will convert into shares (on one for one basis) upon satisfaction of the following 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 the performance share

(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; 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 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.

Any performance shares not converted into a share within 3 years from the issue date will be automatically redeemed by the Company for a sum of $0.0000001 per performance share within 10 business days.

The Directors have re-assessed at balance date the likelihood of these milestones being met within the vesting period. The Directors have estimated that there is a 75% probability that these milestones will be met within the vesting period resulting in a value of $1,500,000 attributable to the performance shares which has been capitalised as an intangible asset. A grant date fair value of $0.20 per performance share has been attributable to the instruments being the Initial Public Offer price of the Company's shares.

NOTE 8. CONTINGENT LIABILITIES

There are no contingent liabilities.

NOTE 9. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of trade and other receivables, deposits paid, trade and other payables, and financial liabilities. These financial instruments are measured at amortised cost, less any provision for non-recovery. The carrying amounts of the financial assets and liabilities approximate their fair value.

NOTE 10. SUBSEQUENT EVENTS

On 16 February 2017, the Company had held its pre-IND meeting with the US food and Drug Administration (FDA). The meeting confirmed that the proposed development of Bisantrene qualifies for the 505(b)(2) pathway in the US. This pathway allows a sponsor to utilise the available preclinical and clinical data on Bisantrene, which includes more than 40 clinical studies supporting tolerability and clinical utility of Bisantrene in the treatment of cancer, notably AML.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

NOTE 11. RELATED PARTY TRANSACTIONS

The related party transactions of the half-year financial report are consistent with those adopted and disclosed in the Company's 2016 annual financial report for the financial year ended 30 June 2016 except for the share based payments as disclosed in note 7.

DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with the accounting standards and giving true and fair view of the financial position as at 31 December 2016 and its performance for the half-year then ended.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

Peter Molloy
Managing Director
Dated: 24th February 2017

Bentleys
THINKING AHEAD

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

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

Independent Auditor's Review Report

To the Members of Race Oncology Limited

We have reviewed the accompanying half-year financial report of Race Oncology Limited ("the Company") which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Company's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Company ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KRESTON

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Accountants
Auditors
Advisors

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Race Oncology Limited is not in accordance with the Corporations Act 2001 including:

a. Giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

BENTLEYS
Chartered Accountants

DOUG BELL CA
Director

Dated at Perth this 24th day of February 2017