

ANNUAL REPORT
30 JUNE 2017

RACE ONCOLOGY LIMITED
ACN 149 318 749
ANNUAL REPORT 30 JUNE 2017

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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

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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 2017.

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	—	4,020,000 ordinary shares
	—	6,000,000 options expiring 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 Centre, 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	—	15,100,000 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	—	606,250 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	—	e-Sense Lab Limited (current)
		G Medical Innovations Holdings Limited (current)
		Calidus Resources Limited (formerly Pharmanet Group Limited) (ceased 13 June 2017)
		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)

Company Secretary

Peter Webse	—	Company Secretary (appointed 5 May 2016)
Qualifications	—	B.Bus, FGIA, FCIS, FCPA, MAICD.
Experience	—	Mr Webse has over 25 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.

DIRECTORS' REPORT

Meeting of Directors

During the financial year 11 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	11	11
William Garner	11	11
Chris Ntoumenopoulos	11	11
Brendan de Kauwe	11	10

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 important 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 $4,171,555 (2016: $317,892 loss).

Dividends Paid or Recommended

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

Review of Operations

On 1 July 2016, the Company completed the acquisition of all the intellectual property relating to the oncology drug, Bisantrene, from Update Pharma, Inc. On 11 July 2016, Race Oncology Limited ("RAC", "Race" or the "Company") was admitted to the official list of the Australia Securities Exchange ("ASX"), with trading commencing on the 13 July 2017.

Race's plan as defined in the ASX listing prospectus was to bring Bisantrene to market by seeking FDA approval in the longer term while in the shorter term, making the drug available for sale under a Named Patient Program (NPP). This plan has not changed and Race made significant strides towards these two outcomes during the year.

The first step was to assemble the resources we needed to execute specific aspects of the plan. Our plan was (and remains) to secure FDA approval for Bisantrene using the expedited 505(b)(2), which would allow Race to utilise the existing database of published preclinical and clinical data on Bisantrene and not have to repeat these studies. So, on 26 July 2016, we hired Camargo Pharmaceutical Services Inc; Camargo are considered experts in 505(b)(2) development programs and since then they have not disappointed us. They helped Dr John Rothman (our Chief Scientific Officer) prepare a pre-IND dossier on Bisantrene for review by the FDA and on 14 February 2017, we progressed to a pre-IND meeting with the FDA. The outcome of that meeting was positive, affirming that we could use the 505(b)(2) pathway for Bisantrene in the US (ASX release 16 February 2017).

Importantly, the pre-IND meeting also indicated to us that we could expect to proceed directly to a pivotal (registration) study, rather than have to conduct a Phase II bridging study first. This was a valuable outcome for Race in that it really positioned Bisantrene as a Phase III drug asset ready for a pivotal study, rather than a Phase II drug. The next significant step is to file an IND in the US, which will include a full clinical protocol for the registration study. Prior to that, we are planning to hold a 'Type C' meeting with the FDA to discuss aspects of the IND, including the proposed protocol. Camargo will be assisting us in this process.

DIRECTORS' REPORT

Review of Operations (cont'd)

To guide us on the clinical protocol, we needed a first-class scientific advisory board ("SAB") of practising oncologists in the AML (Acute Myeloid Leukaemia) field. On 4 October 2016, we announced the appointment of Assoc. Prof Roland Walter, MD PhD MSc, a leading international oncologist and AML expert, based at the Fred Hutchinson Cancer Research Centre in Seattle. On 24 October 2016, we added Prof Douglas Smith MD, another leading international oncologist and AML expert, based at Johns Hopkins Hospital in Baltimore Maryland. Finally, on 12 December 2016, we appointed Prof Martin Tallman, who is a world-recognised expert in AML and an Executive Committee Member of ASH (American Society for Hematology). Through our Chief Scientific Officer, Dr John Rothman, we have had numerous individual discussions with the SAB members and during the year held our inaugural SAB meeting in the US. We look forward to working with our SAB in the year ahead as we finalise the clinical trial protocol and prepare for the start of the registration study.

In parallel to the FDA approval pathway, we have been very active in preparing for the start of sales of Bisantrene under the Named Patient Program. On 5 September 2016, we signed an agreement with CarthaGenetics (based in Switzerland), who are experts in NPP sales in Europe. During the year, CarthaGenetics conducted market research on our behalf, has assisted and advised on the regulatory approvals processes for the NPP in each country, and is currently assisting us in preparing for the launch of Bisantrene in the first NPP market, France. CarthaGenetics will also handle all promotion, invoicing and customer service once the NPP commences.

To help coordinate with CarthaGenetics in Europe and expand our NPP program to other markets, on 21 August 2016, we hired a highly-experienced, US-based, pharmaceutical executive, Gordon Beck, under a consulting agreement. On 27 March 2017, we expanded our NPP program to South Korea, with the signing of a License and Sales Agreement with BL&H Co. Ltd in Seoul. Like CarthaGenetics in Europe, BL&H will be responsible for generating NPP sales of Bisantrene in Korea and will be responsible for promotion and invoicing to Korean hospitals.

Naturally, it would be impossible to make sales of Bisantrene without manufacturing the drug. On 1 August 2016, the Company signed a consulting agreement with Dr Dan Levy (DEL Biopharm LLC) under which he would coordinate all aspects of the manufacturing of Bisantrene. Dan Levy engaged in a systematic selection process for the right GMP manufacturer of the Bisantrene API (*Active Pharmaceutical Ingredient*). He selected Sai Life Sciences in India and on 5 October 2016, we executed a manufacturing agreement with Sai to produce sufficient API to support at least the first year of sales of Bisantrene under the NPP and for a bridging Phase II clinical study that was anticipated at the time. Ultimately, Sai succeeded in manufacturing just over 2.0kg of high-purity Bisantrene API before the end of the year. Given that we now anticipate that a bridging study will not be needed, virtually all the available API will be directed to the NPP and we have estimated it will meet our needs for around 24 months of sales.

Race also needed a finished product GMP manufacturer and on 25 October 2016 announced that IriSys in San Diego California had been appointed as the contract manufacturer to undertake this important step in the supply chain. IriSys received the API from Sai in June 2016 and in July 2017, commenced GMP production of the Bisantrene finished product.

Overall during the year, the Race team has done a great job in driving the Bisantrene program forwarded on both the FDA and NPP value creation pathways. The year ahead holds exceptional promise for Race as we complete finished product manufacturing, roll out the NPP and file the IND for our registration study.

In addition, the year ahead holds further promise through our exciting joint venture with TargImmune, which was announced shortly after year-end (10 July 2017).

Financial Position

The net assets of the Company at 30 June 2017 were $5,637,289 (2016: $4,077,896).

Significant Changes in State of Affairs

On 22 November 2016, 200,000 unlisted options exercisable at $0.256 each on or before 1 August 2021 and vesting on 1 August 2017 were issued pursuant to terms and conditions of Del BioPharma LLC consulting agreement.

On 8 March 2017, 150,000 fully paid ordinary shares were issued at $0.20 pursuant to S3 Consortium Pty Ltd service agreement.

On 28 March 2017, 1,500,000 unlisted options exercisable at $0.25 each on or before 1 April 2022, with 750,000 vesting on 1 April 2018 and 750,000 vesting on 1 April 2019 were issued pursuant to Gordon Beck variation consultancy agreement dated 21 March 2017.

DIRECTORS' REPORT

Significant Changes in State of Affairs (cont'd)

On 8 May 2017, 100,000 unlisted options exercisable at $0.25 each on or before 8 May 2022 were issued pursuant to terms of Incentive Option Plan to Peter Webse.

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

Significant Events after the Reporting date

On 4 July 2017, the Company secured an agreement with National Cancer Institute (NCI) in the United States. Under the agreement, the Company was granted the right to use all the NCI data on Bisantrene and associated regulatory fillings 'for the purpose of developing, preparing, and otherwise supporting the Company's own Investigational New Drug Application for Bisantrene, as well as all other regulatory fillings necessary to obtain approval for Bisantrene.'

On 10 July 2017, the Company executed a letter of intent with TargImmune Therapeutics AG (Basel, Switzerland) to enter into a 50:50 joint venture between the two companies. The joint venture, to be called Race Immunotherapeutics, will focus on developing new and improved cancer therapies based on combining Bisantrene with TargImmune's targeted cancer therapy technology.

On 20 July 2017, the Company successful completed a placement of 12.5 million ordinary shares at an issue price of $0.20 to raise $2.5 million. The placements shares were or will be issued via two tranches:

- First tranche of 11.25 million shares was within the Company's existing 15% and 10% placement capacity and was issued on 20 July 2017
- Second tranche of 1.25 million shares and the 5,625,000 free attaching options are conditional upon approval of shareholders to be obtained at a General Meeting (GM).

Following the share placement announced to the market on 20 July 2017, the Company agreed to issue 2,000,000 unlisted options each to Merchant Capital Markets Pty Ltd and 708 Capital Pty Ltd, exercisable at $0.30 each on or before 30 September 2018.

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

Race plans to continue the development of Bisantrene towards FDA approval, while making the drug available to patients under a Named Patient Program in certain countries. Race also looks forward to value creation from its proposed joint venture with TargImmune. Other than those matters noted elsewhere in this financial report, specific projections, developments and future prospects have not been included in this report as the Directors believe on reasonable grounds and based on the nature of the business, 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.

DIRECTORS' REPORT

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
22 November 2016	1 August 2021	$0.256	135,000
28 March 2017	1 April 2022	$0.25	1,500,000
8 May 2017	8 May 2022	$0.25	100,000
			20,735,000

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.

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.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit service provided during the year by the auditor is outlined in note 6 to the financial statements.

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the option that the service as disclosed in note 6 to the financial statements do not compromise the external auditor's independence, based on resolution of the directors, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence set out in APES 110 "Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity of the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 15.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2017 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)
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 names of other KMP in office at any time since the end of the year are:
John Rothman – Chief Scientific Officer (appointed 1 July 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 (AUDITED)

3. Executive remuneration arrangements (cont'd)

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.

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 $206,000 (2016: $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.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

6. Details of Remuneration

The Key Management Personnel of Race Oncology Limited includes the Directors of the Company.

30 June 2017	Short Term Salary, Fees & Commissions	Post Employment Superannuation	Other/ Bonus	Share-based payments[1]	Total	Performance based remuneration
	$	$	$	$	$	%
Executive Management						
Peter Molloy	300,000	19,616	66,375	281,233	667,224	10
John Rothman	265,340	-	39,535	172,575	477,450	8
Non-Executive Directors						
William Garner	110,000	-	-	-	110,000	-
Brendan de Kauwe	48,000	-	-	-	48,000	-
Chris Ntoumenopoulos	48,000	-	-	211,631	259,631	-
John Daniel Moore[2]	-	-	-	-	-	-
Total	**771,340**	**19,616**	**105,910**	**665,439**	**1,562,305**	**-**

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

Bonuses and share-based payments granted as compensation for the current financial year

Cash bonuses

Peter Molloy was awarded a cash bonus of $66,375 for the financial year ended 30 June 2017. It was formally approved on 19 July 2017, and was given during the financial year on the basis that KPI's of the Company had been met.

John Rothman was awarded a cash bonuses of $39,535 for the financial year ended 30 June 2017. It was formally approved on 19 July 2017 and was given during the financial year on the basis that KPIs of the Company had been met.

7. Additional disclosures relating to options and shares

Options awarded, vested and lapsed during the year

The table below discloses the number of 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.

[1] The value of the options granted to key management personnel as part of their remuneration is calculated as at the grant date using the Black Scholes method. The amounts disclosed as part of remuneration for the financial year were issued and vested within the period.

[2] Balance at the date of resignation 1 July 2016

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

7. Additional disclosures relating to options and shares (cont'd)

KMP Shareholdings

The number of ordinary shares[1] in Race Oncology Limited held by each KMP of the Group during the financial year is as follows:

30 June 2017	Balance at the start of the year	Granted as Remuneration during the year	Issued on exercise of options during the year	Other changes during the year[2]	Balance at end of Year
Peter Molloy	-	-	-	4,020,000	4,020,000
John Rothman	-	-	-	-	-
William Garner	-	-	-	15,100,000	15,100,000
Brendan de Kauwe	590,000	-	-	-	590,000
Chris Ntoumenopoulos	506,250	-	-	100,000	606,250
John Daniel Moore[2]	925,000	-	-	(925,000)	-
Total	2,021,250	-	-	18,295,000	20,316,250

No shares were issued during the year ended 30 June 2016.

KMP Options holdings

The number of options[3] over ordinary shares held by each KMP of the Group during the financial year is as follows:

30 June 2017	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year[4]	Balance at the end of the year	Vested and exercisable	Unvested
Peter Molloy	-	-	-	6,000,000	6,000,000	-	6,000,000
John Rothman	-	-	-	3,000,000	3,000,000	-	3,000,000
William Garner	-	-	-	-	-	-	-
Brendan de Kauwe	-	-	-	-	-	-	-
Chris Ntoumenopoulos	-	-	-	5,000,000	5,000,000	5,000,000	-
John Daniel Moore[5]	-	-	-	-	-	-	-
Total	-	-	-	14,000,000	14,000,000	5,000,000	9,000,000

No shares were issued during the year ended 30 June 2016 on exercise of options.

[1] Includes options or shares held directly, indirectly and beneficially by KMP

[2] Other changes include shares issued as consideration for the acquisition of Update Pharma and for broking and promoter services provided. Further details of these transactions is contained in section 8 below.

[3] Includes options or shares held directly, indirectly and beneficially by KMP

[4] Other changes include shares issued as consideration for the acquisition of Update Pharma and for broking and promoter services provided. Further details of these transactions is contained in section 8 below.

[5] Balance at the date of resignation 1 July 2016. Daniel Moore was issued 5,000,000 at resignation date.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

7. Additional disclosures relating to options and shares (cont'd)

KMP performance shares holdings

The number of performance shares held by each KMP of the Group during the financial year is as follows:

30 June 2017	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year
Peter Molloy	-	-	-	-	-
John Rothman	-	-	-	-	-
William Garner	-	-	-	10,000,000	10,000,000
Brendan de Kauwe	-	-	-	-	-
Chris Ntoumenopoulos	-	-	-	-	-
John Daniel Moore	-	-	-	-	-
Total	-	-	-	10,000,000	10,000,000

No performance shares were issued during the year ended 30 June 2016.

8. Loans to KMP and their related parties

Employee loan shares

During the year ended 30 June 2017, 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.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

8. Loans to KMP and their related parties (cont'd)

Vesting conditions
he 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 vest over 2 years.
(b) The Loan Shares are not transferable.

In the event that the Holder's employment is terminated by the Company without cause, the Vesting Date shall be accelerated to the date immediately prior to the date upon which the Company terminates the Holder's employment.

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)

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

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	
			2017	2016	2017	2016
			$	$	$	$
Ampere Pty Ltd	Corporate advisory	Ananda Kathiravelu	-	41,155	-	21,155[1]
Armada Capital Ltd	Company secretarial, administrative and Registry services	Ananda Kathiravelu	-	-	-	-[2]
DHJPM Pty Ltd	Office rent	Daniel Moore	-	8,000	-	-

Remuneration Report - End

Signed in accordance with a resolution of the directors.



Peter Molloy
Managing Director
Dated 29 August 2017

[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.

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 Limited for the financial year ended 30 June 2017, 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 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $	2016 $
Interest received		25,212	16,981
Other income	4	-	162,558
Administrative expenses		(63,434)	(19,940)
Accounting and audit fees		(90,363)	(93,249)
Amortisation	12	(250,000)	-
Business development		(533,313)	-
Corporate advice expenses		(94,465)	(201,106)
Non-Executive Director fees		(206,000)	-
Due Diligence		-	(53,952)
Employee benefits expense		(177,913)	-
Interest expenses		-	(1,230)
Research and development expense		(1,210,575)	-
Share based payment expense	18	(1,200,948)	-
Share registry expense		(12,800)	(65,608)
Travel and accommodation		(196,856)	(54,346)
Other expenses		(160,100)	(8,000)
Loss from ordinary activities before income tax expense		(4,171,555)	(317,892)
Income tax expense relating to ordinary activities	8	-	-
Loss from ordinary activities after income tax expense		(4,171,555)	(317,892)
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to members of the Company		(4,171,555)	(317,892)
Basic earnings/(loss) per share (cents per share)	7	(7.9)	(2.8)
Diluted earnings/(loss) per share (cents per share)	7	(7.9)	(2.8)

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 2017

	Note	2017 $	2016 $
CURRENT ASSETS			
Cash and cash equivalents	9	1,696,834	4,349,342
Trade and other receivables	10	1,815	3,624
Financial assets	10	-	106,181
Other assets	11	52,212	10,372
TOTAL CURRENT ASSETS		1,750,861	4,469,519
NON-CURRENT ASSETS			
Intangible assets	12	4,250,000	-
TOTAL CURRENT ASSETS		4,250,000	-
TOTAL ASSETS		6,000,861	4,469,519
CURRENT LIABILITIES			
Trade and other payables	13	353,572	386,377
Provisions	14	10,000	-
Financial liabilities	15	-	5,246
TOTAL CURRENT LIABILITIES		363,572	391,623
TOTAL LIABILITIES		363,572	391,623
NET ASSETS / (LIABILITIES)		5,637,289	4,077,896
EQUITY			
Issued and unissued capital	16	8,493,301	4,663,301
Accumulated losses		(4,756,960)	(585,405)
Reserve shares	16d	(800,000)	-
Reserve	17	2,700,948	-
TOTAL EQUITY		5,637,289	4,077,896

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 2017

	Issued Capital	Reserves	Accumulated Losses	Total
	$	$	$	$
Balance at 1 July 2015	**273,200**	**-**	**(267,513)**	**5,687**
Loss for the year	-	-	(317,892)	(317,892)
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive loss 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**
Balance at 1 July 2016	**4,663,301**	**-**	**(585,405)**	**4,077,896**
Loss for the year	-	-	(4,171,555)	(4,171,555)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(4,171,555)	(4,171,555)
Transactions with owners, recognised directly in equity				
Shares issued pursuant to acquisition of Update Pharma	3,000,000	1,500,000	-	4,500,000
Share based payments	30,000	1,200,948	-	1,230,948
Shares issued pursuant to loan plan	800,000	(800,000)	-	-
Balance at 30 June 2017	**8,493,301**	**1,900,948**	**(4,756,960)**	**5,637,289**

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 2017

	Note	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		25,212	720
Interest paid		-	(1,230)
Payments for research and development		(1,022,489)	-
Payment for advertising and marketing		(499,086)	-
Payments to suppliers and employees		(969,780)	(305,555)
Net Cash Used in Operating Activities	19b	(2,466,143)	(306,065)
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans repaid from unrelated entity		100,673	-
Loans repaid from related entities		-	1,000
Net Cash Provided by Investing Activities		100,673	1,000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment to lender		(5,246)	(20,982)
Proceeds from called up capital		-	24,000
Proceeds from application for shares to be allotted		-	332,800
Proceeds from shares yet to be issued		-	4,300,000
Capital raising costs		(264,000)	(2,699)
Net Cash from Financing Activities		(269,246)	4,633,119
Net increase / (decrease) in cash held		(2,634,716)	4,328,054
Foreign currency translation		(17,792)	-
Cash at beginning of the year		4,349,342	21,288
Cash at end of the year	19a	1,696,834	4,349,342

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 2017

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 29 August 2017 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 complies 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.

Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Company incurred a loss for the year ended 30 June 2017 of $4,171,555 (2016: $317,892) and net cash outflows from operating activities of $2,466,143 (2016: $306,065).

The Directors have prepared a cash flow forecast which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12 months period from the date of signing this financial report.

Subsequent to year end, the Company completed a placement of 12.5 million ordinary shares at an issue price of $0.20 raising a total of $2,500,000 before costs.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

c) Income Tax (cont'd)

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.

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.)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

d) Financial Instruments (cont'd)

(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.

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) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

f) Intangible assets other than Goodwill

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

f) Intangible assets other than Goodwill (cont'd)

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, if granted, will have a life 20 years in each jurisdiction where they are granted.

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

g) 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.

h) 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

i) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

i) Goods and Services Tax (GST) (cont'd)

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.

j) 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.

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. The fair value is determined using either a black-scholes or monte-carlo simulation model depending on the type of share-based payment

Employee loan shares

Refer to Note 16 (d) for detailed terms and conditions of the Employee loan shares.

k) 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.

l) 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 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.

m) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

n) 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.

o) 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.

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 18.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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 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. An undiscounted 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 17a for details of the vesting conditions). The purchase price has been allocated as follows:

Purchase consideration	**2017**
	$
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 the fair value of 10,000,000 performance shares. Refer to Note 17a for details.

NOTE 3. KEY MANAGEMENT PERSONNEL COMPENSATION

The totals of remuneration paid to Key Management Personnel during the year are as follows:

	2017	**2016**
	$	**$**
Short-term employee benefits	877,250	-
Post-employment benefits	19,616	
Equity Settled	665,439	-
Total KMP Compensation	1,562,305	-

Refer to the remuneration report contained in the director's report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2017.

NOTE 4. OTHER INCOME	**2017**	**2016**
	$	**$**
Other Income	-	162,558

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 5. LOSS FOR THE YEAR

	2017	2016
	$	$
Profit/(Loss) before income tax from continuing operations includes the following specific expenses:		
- Rental of office	8,698	8,000
- Loan receivable written off	5,508	-
- Unrealised foreign exchange	20,713	-
	34,919	8,000

NOTE 6. AUDITOR'S REMUNERATION

	2017	2016
	$	$
Remuneration of the auditor of the Company (Bentleys) for:		
- auditing or reviewing the financial reports	27,042	10,000
- tax services	4,000	-
	31,042	-

NOTE 7. LOSS PER SHARE

	2017	2016
	$	$
Loss per share (EPS)		
(a) Loss used in calculation of basic EPS and diluted EPS	4,171,555	317,892
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	52,734,350	11,506,692
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	52,734,350	11,506,692

NOTE 8. INCOME TAX

	2017	2016
(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 27.5% (2016: 30%)	(1,147,178)	(95,367)
Non-deductible items		
Debt forgiven	-	48,767
Share based payment expense	330,261	-
Other reconciling items	58,924	83,908
Tax effect of:		
Temporary differences	-	-
Deferred tax (liabilities)/asset not brought to account	(757,993)	(37,308)
Income tax attributable to operating loss	-	-
The applicable weighted average effective tax rates are as follows:	Nil%	Nil%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 8. INCOME TAX

	2017	2016
(a) Income tax expense	**$**	**$**
Deferred tax (liabilities)/assets		
Tax Losses	(757,993)	(37,308)
Other	47,714	83,098
Unrecognised deferred tax asset	803,707	45,790
Set-off deferred tax liabilities	-	-
Net deferred tax assets	803,707	45,790
Less deferred tax assets not recognised	(803,707)	(45,790)
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	336,336	45,790

NOTE 9. CASH AND CASH EQUIVALENTS

	2017	2016
	$	**$**
Cash on hand	1,696,834	4,349,342

The effective interest rate on cash and cash equivalents was 0.83% (30 June 2016: 0.3%).

NOTE 10. TRADE AND OTHER RECEIVABLES

	2017	2016
	$	**$**
Other receivables	1,815	3,624
Amount receivable from related party[(i)]	-	106,181
	1,815	109,805

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.

During the year ended 30 June 2017, the Company received $100,673 from Thred Limited and $5,508 was written off.

NOTE 11. OTHER ASSETS

	2017	2016
	$	**$**
Prepayment	52,212	10,372
	52,212	10,372

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 12. INTANGIBLE ASSETS

	2017	2016
	$	$
At cost – intellectual property	4,500,000	-
Accumulated amortisation	(250,000)	-
Total intangible assets	4,250,000	-

Movement during the half-year	Intellectual Property
Balance at 1 July 2016	-
Acquisitions	4,500,000
Amortisation expense	(250,000)
Balance at 30 June 2017	**4,250,000**

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 patent applications that if granted will 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. The amortisation expense has been included in the line item 'amortisation' in profit or loss.

The Directors do not consider there have been any indicators of impairment of the acquired intangible asset during the year up until the date of this report.

NOTE 13. TRADE AND OTHER PAYABLES

	2017	2016
	$	$
Trade and other creditors	192,643	107,223
Accruals	160,929	279,154
	353,572	386,377

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

NOTE 14. PROVISIONS

	2017	2016
	$	$
CURRENT		
Provision for annual leaves	10,000	-
	10,000	-

NOTE 15. FINANCIAL LIABILITIES

	2017	2016
	$	$
Insurance Premium Funding	-	5,246
	-	5,246

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 16. ISSUED AND UNISSUED CAPITAL	**2017**	**2016**
	$	**$**
Opening balance	4,663,301	273,200
Shares issued during the year	-	332,800
Called up capital on partly paid shares received	-	24,000
Shares applied for but unissued	(4,300,000)	4,300,000
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	-
Issued capital - Pursuant to 3rd party service agreement	30,000	-
Less: transaction costs arising from issued of shares	-	(266,699)
	8,493,301	4,663,301

The Company has issued share capital amounting to 52,837,501 (2016: 12,187,501) ordinary shares of no par value and the Company does not have a limited amount of authorised capital.

	2017	**2016**
	No.	**No.**
a. Ordinary shares		
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	-
Issued capital – Pursuant to 3rd party service agreement	150,000	-
At end of the year	52,837,501	12,187,501

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.**	**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
Partly paid shares at 10 cents paid up during the year	-	(2,250,000)
At end of the year	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 16. ISSUED AND UNISSUED CAPITAL (cont'd)	**2017**	**2016**
	No.	**No.**
c. Shares applied for but unissued - 16 cent Party Paid shares		
At beginning of year	-	468,750
Partly paid shares at 16 cents applied for during the year, paid to 4 cents	-	781,250
Partly paid shares at 16 cents paid up during the year	-	(1,250,000)
At end of the 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 30 June 2017		4,000,000		800,000

Employee loan shares

During the year ended 30 June 2017, 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 Plan 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.

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 vest over 2 years.
(b) The Loan Shares are not transferable.

In the event that the Holder's employment is terminated by the Company without cause, the Vesting Date shall be accelerated to the date immediately prior to the date upon which the Company terminates the Holder's employment.

NOTE 16. ISSUED AND UNISSUED CAPITAL (cont'd)

e. Capital management

Due to the nature of the Group's activities, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet due diligence programs and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are invested with major financial institutions.

NOTE 17. RESERVE	**Note**	**2017**	**2016**
		$	**$**
Opening balance			-
Share based payment – consideration for acquisition of Update Pharma	**17 a**	1,500,000	-
Share based payment expense	**18**	1,200,948	-
Closing balance		2,700,948	-

a. 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
1 July 2016	Satisfaction of milestones	36 months from grant date	10,000,000	20 cents

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").

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. An undiscounted 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 18 for additional information on Performance Shares.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 18. SHARE BASED PAYMENTS

The following share based payment arrangement existed at 30 June 2017:

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. Additional detail on Performance Shares noted below.
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 was calculated based on the performance against key performance indicators pursuant to the terms and conditions of a consulting agreement and as a result, 135,000 of the options vested on 1 August 2017.

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 each milestone date.

On 28 March 2017, 1,500,000 unlisted options exercisable at $0.25 each on or before 1 April 2022, with 750,000 vesting on 1 April 2018 and 750,000 vesting on 1 April 2019 were issued pursuant to Gordon Beck variation consultancy agreement dated 21 March 2017.

On 8 May 2017, 100,000 unlisted options exercisable at $0.25 each on or before 8 May 2022 were issued pursuant to terms of Incentive Option Plan to Peter Webse.

Recipient	Class of SBP	Quantity	Grant date Fair Value	Value recognised during the 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	281,233	178,966
John Rothman	Unlisted share options	3,000,000	$0.20	172,574	57,525
Peter Molloy	Loan shares	4,000,000	$0.20	179,008	179,008
Del Biopharma	Unlisted share options	200,000	$0.24	25,047	-
Gordon Beck	Unissued shares			70,518	-
Gordon Beck	Unlisted share options	1,500,000	$0.205	36,352	151,851
Peter Webse	Unlisted share options	100,000	$0.21	12,954	-
		24,800,000		1,200,948	567,350

No options expired or were exercised during the year and there were no options outstanding at the beginning of the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 18. SHARE BASED PAYMENTS (cont'd)

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**	**Gordon Beck**	**Peter Webse**
Exercise price	$0.25	$0.25	$0.256	$0.25	$0.25
Share price at date of issue	$0.20	$0.20	$0.24	$0.205	$0.21
Grant date	1 July 2016	1 July 2016	22 Nov 2016	28 Mar 2017	8 May 2017
Expected volatility	50.229 %	50.06 %	63.878%	80%	80%
Expiry date	1 July 2018	1 July 2021	1 Aug 2021	1 Apr 2022	8 May 2022
Risk free interest rate	1.54%	1.61%	1.61%	2.17%	2.18%
Value per option	$0.0423	$0.0767	$0.1252	$0.1255	$0.1295
Number of options	10,000,000	9,000,000	200,000	1,500,000	100,000
Total value of options	**$423,262**	**$690,300**	**$25,047**	**$188,203**	**$12,954**

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	30 June 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**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 18. SHARE-BASED PAYMENTS (cont'd)

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 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.

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. An undiscounted 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 19. CASH FLOW INFORMATION	**2017**	**2016**
	$	**$**
(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:	1,696,834	4,349,342
	1,696,834	4,349,342
(b) Reconciliation of Cash Flow from Operations with Operating Loss after Income Tax		
Operating loss after income tax	(4,171,555)	(317,892)
Add: adjustments for		
Share based payments	1,230,948	-
Debt forgiveness	-	(162,558)
Written off loan receivable	5,508	-
Amortisation	250,000	-
Unrealised foreign exchange translation	17,792	-
Changes in assets and liabilities		
Decrease / (increase) in receivables	1,808	(7,625)
Increase/ (decrease) in payables	241,195	188,404
Increase in prepayments	(41,839)	(6,394)
Net Cash Flow used in Operating Activities	(2,466,143)	(306,065)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 19. CASH FLOW INFORMATION (cont'd)

Credit Standby Facilities

The Group has no credit standby facilities.

Non-Cash Investing and Financing Activities

Refer to note 18 for non- cash investing and financing activities during the year.

NOTE 20. 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:

2017	**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	1,696,834	-	-	1,696,834	1%
Other receivables	-	-	1,815	1,815	-
Total financial assets	1,696,834	-	1,815	1,698,649	
Financial Liabilities					
Trade and other Payables	-	-	353,572	353,572	-
Total financial liabilities	-	-	353,572	353,572	
Net financial assets	1,696,834	-	(351,757)	1,345,077	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 20. 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	-	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	

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.

	Movement in Loss	**Movement in Equity**
Year ended 30 June 2017	**$**	**$**
+/-1% in interest rates	30,231	30,231
Year ended 30 June 2016		
+/-1% in interest rates	21,853	21,853

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 20. FINANCIAL INSTRUMENTS (cont'd)

	Note	2017	2016
		$	$
Cash and cash equivalents	9	1,696,834	4,349,342

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.

			Past Due but Not Impaired (Days Overdue)				
	Gross Amount	Past Due and Impaired	< 30	31–60	61–90	> 90	Within Initial Trade Terms
	$	$	$	$	$	$	$
2017							
Trade and term receivables	1,815	-	1,815	-	-	-	-
Total	1,815	-	1,815	-	-	-	-
2016							
Trade and term receivables	3,624	-	3,624	-	-	-	-
Financial assets	106,181	-	-	-	-	106,181	-
Total	109,805	-	3,624	-	-	106,181	-

Financial Assets Classified as Loans and Receivables

	2017	2016
	$	$
Trade and other receivables:		
– total current	1,815	109,805
Financial assets as trade and other receivables	1,815	109,805

(c) Liquidity risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

The Company has no access to credit standby facilities or arrangements for further funding or borrowings in place. The financial liabilities of the Company is confined to trade and other payables as disclosed in the Statement of Financial Position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 20. FINANCIAL INSTRUMENTS (cont'd)

2017	Interest rate	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount assets/ (liabilities)
		$	$	$	$	$	$	$
Financial liabilities at amortised cost								
Trade and other payables		(353,572)	-	-	-	-	(353,572)	(353,572)

2016	Interest rate	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount assets/ (liabilities)
		$	$	$	$	$	$	$
Financial liabilities at amortised cost								
Trade and other payables		(386,377)	-	-	-	-	(386,377)	(386,377)
Borrowings	8.4%	(5,246)	-	-	-	-	(5,246)	(5,246)

(d) Financial Risk Management

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

(e) Net fair Value of financial assets and liabilities

Fair value estimation

Due to the short term nature of the receivables and payables the carrying value approximates fair value.

(f) Financial arrangements

The Company has no other financial arrangements in place.

NOTE 21. RELATED PARTY TRANSACTIONS

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	
			2017	2016	2017	2016
			$	$	$	$
Ampere Pty Ltd	Corporate advisory	Ananda Kathiravelu	-	41,155	-	21,155[1]
Armada Capital Ltd	Company secretarial, administrative and Registry services	Ananda Kathiravelu	-	-	-	-[2]
DHJPM Pty Ltd	Office rent	Daniel Moore	-	8,000	-	-

[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 2017

NOTE 21. RELATED PARTY TRANSACTIONS (cont'd)

Details of KMP compensation are included in note 3 and share based payment arrangements are at Note 18.

NOTE 22. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets and liabilities.

NOTE 23. 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 financial information presented to the chief operating decision maker is consistent with that presented in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows.

NOTE 24. COMMITMENTS

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

NOTE 25. SUBSEQUENT EVENTS

On 4 July 2017, the Company has secured an agreement with National Cancer Institute (NCI) in the United States. Under the agreement, the Company has been granted the right to use all the NCI data on Bisantrene and associated regulatory fillings 'for developing, preparing, and otherwise supporting the Company's own Investigational New Drug Application for Bisantrene, as well as all other regulatory fillings necessary to obtain approval for Bisantrene.

On 10 July 2017, the Company executed a letter of intent with Targlmmune Therapeutics AG (Basel, Switzerland) to enter into a 50:50 joint venture between the two companies. The joint venture, to be called Race Immunotherapeutics, will focus on developing new and improved cancer therapies based on combining Bisantrene with Targlmmune's targeted cancer therapy technology.

On 20 July 2017, the Company successful completed a placement of 12.5 million ordinary shares at an issue price of $0.20 to raise $2.5 million. The placements shares will be issued via two tranches:

- First tranche of 11.25 million shares was within the Company's existing 15% and 10% placement capacity and was issued on 20 July 2017
- Second tranche of 1.25 million shares and the 5,625,000 free attaching options are conditional upon approval of shareholders to be obtained at a General Meeting (GM).

Following the share placement announced to the market on 20 July 2017, the Company agreed to issue 2,000,000 unlisted options each to Merchant Capital Markets Pty Ltd and 708 Capital Pty Ltd, exercisable at $0.30 each on or before 30 September 2018.

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 26. 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 2017

NOTE 27. NEW ACCOUNTING STANDARDS

The following Australian Accounting Standards have been issued or amended and are applicable to the annual financial statements of the consolidated group (or the company) but are not yet effective. This assumes the following have not been adopted in preparation of the financial statements at the reporting date.

Australian Accounting Standards

AASB No.	Title	Application date of standard *	Issue date
AASB 9	Financial Instruments	1 January 2018	December 2014
AASB 2010-7	Amendments arising from Accounting Standards arising from AASB 9 (December 2010)	1 January 2018	September 2012
AASB 2014-1	Amendments to Australian Accounting Standards Part E - Financial Instruments	Part E - 1 January 2018	June 2014
AASB 2014-5	Amendments to Australian Accounting Standard Arising From AASB 15	1 January 2018	December 2014
AASB 2014-7	Amendments to Australian Accounting Standard Arising From AASB 9 (December 2014)	1 January 2018	December 2014
AASB 2014-10	Amendments to Australian Accounting Standard - Sale of Contribution of Assets Between Investors and its Associates or Joint Venture	1 January 2018	December 2014
AASB 2015-8	Amendments to Australian Accounting Standards – Effective Date of AASB 15	1 January 2018	October 2015
AASB 2015-10	Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128.	1 January 2018	December 2015
AASB 2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	1 January 2017	February 2016
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	March 2016
AASB 2016-3	Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018	May 2016
AASB 2016-5	Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions [AASB 2]	1 January 2018	July 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

AASB No.	Title	Application date of standard *	Issue date
AASB 2017-1	Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments	1 January 2018	February 2017
AASB 2017-2	Amendments to Australian Accounting Standards –Further Annual Improvements2014-2016 Cycle	1 January 2017	February 2017
AASB 2017-3	Amendments to Australian Accounting Standards – Clarifications to AASB 4	1 January 2018	July 2017
AASB 15	Revenues from Contracts with Customers	1 January 2018	October 2015
AASB 16	Leases	1 January 2019	February 2016
AASB Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018	February 2017
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019	June 2017

* Annual reporting periods beginning after

Please note that the above is a full list of Australian Accounting Standards issued but not yet effective. However, if a particular standard or interpretation is clearly not relevant because it is out of scope for that type of entity. For example, a for-profit entity is not required to disclose those standards or interpretations relating to not-for-profit or government entities. Where a standard or interpretation is industry-specific and the entity clearly does not operate in that industry, the entity is not required to disclose the standard or interpretation. For example, a standard or interpretation that affects only entities in the superannuation industry would not need to be included in the disclosure by an entity that does not have operations in that industry.

The table is complete as at 30 June 2017, therefore any further standards/interpretations issued after this date will also need to be disclosed up until the date of authorisation of the financial report.

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 2017 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 2017.

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



Peter Molloy
Managing Director
Dated 29 August 2017

Bentleys
THINKING AHEAD

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Independent Auditor's Report

To the Members of Race Oncology Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Race Oncology Limited ("the Company"), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a. the accompanying financial report of the Company 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 2017 and of its financial performance for the year then ended; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Accounting for share based payments	
As disclosed in note 18 to the financial statements, during the year ended 30 June 2017 the Company incurred share based payments totaling $1,200,948 in addition to the $4,500,000 issued in consideration for the acquisition of intangible assets (refer key audit matter below). Share based payments are considered to be a key audit matter due to: - the value of the transactions; - the complexities involved in the recognition and measurement of these instruments; and - the judgement involved in determining the inputs used in the valuations. Management used the Black-Scholes option valuation model to determine the fair value of the options granted. This process involved significant estimation and judgement required to determine the fair value of the equity instruments granted.	Our procedures amongst others included: • Analysing agreements to identify the key terms and conditions of share based payments issued and relevant vesting conditions in accordance with *AASB 2 Share Based Payments*; • Evaluating management's Black-Scholes Valuation Models and assessing the assumptions and inputs used; • Assessing the amount recognised during the year in accordance with the vesting conditions of the agreements; and • Assessing the adequacy of the disclosures included in Note 18 to the financial statements.
Accounting for the acquisition of intangible assets	
During the year the Company acquired intellectual property comprising of patents and licenses pertaining to the oncology drug Bisantrene. As disclosed in Notes 2 and 12 of the financial statements the carrying amount of the intangible asset as at 30 June 2017 was $4,250,000. This was a key audit matter due to: - The size of the transaction having a pervasive impact on the financial statements; and	Our procedures amongst others included: • Reading the acquisition agreement to understand the key terms and conditions of the transaction; • Evaluating management's assessment that the transaction constituted an acquisition of intangible assets in accordance with *AASB 138 Intangible Assets;*

Key Audit Matter	How our audit addressed the key audit matter
- The complexity in identifying the elements of consideration and the judgement applied by the Company in determining its fair value.	• Evaluating the key assumptions used to value the consideration paid, which included 15,000,000 ordinary shares and 10,000,000 performance shares including the probability of the performance milestones being met as disclosed in note 2 of the financial statements. • Evaluating management's assessment as to whether indicators of impairment had occurred; and • Assessing the adequacy of the disclosures in Notes 2 and 12 of the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

Auditor's Opinion

In our opinion, the Remuneration Report of Race Oncology Limited, for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

BENTLEYS
Chartered Accountants

DOUG BELL CA
Director

Dated at Perth this 29th day of August 2017

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement is current as at 29 August 2017 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. 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.

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;
- 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.

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

Board and management performance reviews were conducted during the year in accordance with the above processes.

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.

The Board does not have any independent directors. Messrs Garner and Molloy are not considered to be independent as they are both substantial holders in the Company and Mr Molloy is also an executive of 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;
- 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.

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 recognises 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.

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.

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.

The total fees paid to Non-Executive Directors during the reporting period were $206,000.

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.

In accordance with the Company's Securities Trading policy, participants in an equity based incentive scheme are prohibited 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 2 October 2017.

As at 2 October 2017 there were 552 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 Shareholders
The names of the twenty largest holders of each class of listed securities at 2 October 2017 are listed below:

Ordinary Full Paid Shares

Holder Name	Holding	% IC
Update Pharma Inc	15,000,000	22.96%
Peter Molloy	4,000,000	6.12%
J P Morgan Nominees Australia Limited	3,040,000	4.65%
Freeman Road Pty Ltd <The Avenue A/C>	2,475,000	3.79%
Ms Nicole Gallin & Mr Kyle Haynes <GH Super Fund A/C>	1,925,000	2.95%
Bond Street Custodians Limited <Wimpl - V21664 A/C>	1,153,846	1.77%
Larrakeyah Pty Limited <The Moore Family A/C>	925,000	1.42%
Simon Nominees Pty Ltd <H S Majteles Super Fund A/C>	900,000	1.38%
Atollo Investments Pty Ltd <Atollo Investment A/C>	590,000	0.90%
Venus Anetac Pty Ltd <RGC Family A/C>	581,250	0.89%
Buzz Capital Pty Ltd <ZI Vestment A/C>	580,000	0.89%
Wimalex Pty Ltd <Trio S/F A/C>	545,000	0.83%
Sobol Capital Pty Ltd <BOC Investment A/C>	506,250	0.77%
Otsana Pty Ltd	500,000	0.77%
Cps Capital Group Pty Ltd	487,500	0.75%
Grayhawk Capital Pty Ltd	425,000	0.65%
Romfal Sifat Pty Ltd <The Fizmail Family A/C>	400,000	0.61%
LTL Capital Pty Ltd	400,000	0.61%
Mr Michael Noel Jeffery	390,000	0.60%
Alta Holdings Pty Ltd <Stillwater A/C>	380,000	0.58%
Totals	**35,203,846**	**53.88%**

Substantial Holders
The names of the substantial shareholders disclosed to the Company as substantial shareholders as at 2 October 2017 are:

Name	No of Shares Held	% of Issued Capital
Mr William James Garner	15,100,000	23.56%
Mr Peter Laurence Molloy	4,020,000	6.27%

Distribution of equity securities
Ordinary Fully Paid Shares

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	10	2,291	0.00%
1,001 - 5,000	68	217,939	0.34%
5,001 - 10,000	84	765,921	1.17%
10,001 - 100,000	290	13,524,592	20.70%
100,001 - 9,999,999,999	100	50,826,758	77.79%
Totals	**552**	**65,337,501**	**100.00%**

Unmarketable Parcels – 13 Holders

Restricted Securities
As at 2 October 2017 the following shares are subject to escrow:

27,341,434 Ordinary Fully Paid Shares escrowed until 13 July 2018
10,000,000 Performance Shares escrowed until 13 July 2018
10,000,000 Options expiring 1 July 2018 @ $0.25 escrowed until 13 July 2018
9,000,000 Options expiring 1 July 2021 @ $0.25 escrowed until 13 July 2018

Unquoted Securities
As at 2 October 2017, 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%

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

135,000 Options Expiring 01/08/2021 @ $0.256 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
Del Biopharma LLC	135,000	100.00%

1,500,000 Options Expiring 01/04/2022 @ $0.25 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
Princeton Biomedical Communications LLC	1,500,000	100.00%

100,000 Options Expiring 08/05/2022 @ $0.25 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
Kay Joan Webse	100,000	100.00%

10,250,000 Options Expiring 30/09/2018 @ $0.30 – 102 Holders

There are no Holders with more than 20%

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.