Appendix 4E

Preliminary final report

1. Details of reporting period

Name of entity	Race Oncology Limited
ABN	61 149 318 749
Reporting Year	**Year ended 30 June 2018**
Previous Corresponding Year	Year ended 30 June 2017

2. Results for announcement to the market

Key information	12 months ended 30 June 2018 $	12 months ended 30 June 2017 $	Increase/ (decrease) %	Amount change $
Revenues from ordinary activities	21,656	25,212	(14%)	(3,556)
Loss from ordinary activities after tax attributable to members	(6,306,446)	(4,171,555)	51%	(2,134,891)
Net loss for the year attributable to members	(6,305,801)	(4,171,555)	51%	(2,134,246)
Net tangible asset per share	0.045	0.026		

3. Statement of profit or loss and other comprehensive income

Refer to attached financial statements.

4. Statement of financial position

Refer to attached financial statements.

5. Statement of cash flows

Refer to attached financial statements.

6. Statement of changes in equity

Refer to attached financial statements.

7. Dividends/Distributions

No dividends declared in current or prior year.

8. Details of dividend reinvestment plans

N/A

9. Details of entities over which control has been gained or lost during the year

N/A

10. Details of associate and joint venture entities

N/A

11. Any other significant information needed by an investor to make an informed assessment of the Company's financial performance and financial position

Refer to attached financial statements.

12. Foreign entities

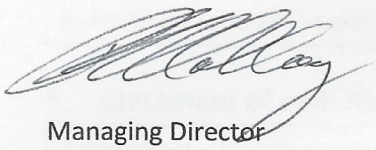
N/A

13. Commentary on results for period and explanatory information

Race Oncology Limited incurred a net loss from operations for the financial year ended 30 June 2018 of $6,306,446 (2017: $4,171,555 loss). The net cash outflow from operating activities for the financial year was $3,869,392 (2017: $2,466,143). At 30 June 2018, the Group had a cash balance of $3,709,998 (2017: $1,696,834) and net assets of $7,930,697 (2017: $5,637,289).

14. Audit

This report is based on accounts which have been audited and the audit report is included in the attached consolidated financial statements.



Managing Director
Peter Molloy

21 August 2018



ANNUAL REPORT
30 JUNE 2018

RACE ONCOLOGY LIMITED
ACN 149 318 749
ANNUAL REPORT 30 JUNE 2018

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Corporate Directory

Directors
Peter Molloy – Managing Director
William Garner – Non Executive Chairman
Chris Ntoumenopoulos – Non Executive Director
John Cullity – Non Executive Director

Company Secretary
Peter Webse

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Level 2, 710 Collins Street
Docklands VIC 3008
Ph: +3 9097 1656
Website: www.raceoncology.com

Auditor
Bentleys Audit & Corporate (WA) Pty Ltd
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PERTH WA 6000

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Level 2
267 St Georges Terrace
Perth WA 6000
Ph: + 8 9324 2099

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

ASX Code – RAC

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 2018.

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	—	4,120,000 ordinary shares
	—	6,000,000 options expiring on 1 July 2021 excisable at $0.25
Directorships held in listed entities	—	None
William Garner	—	Non-Executive Chairman (appointed 1 July 2016)
Qualifications	—	Master of Public Health, Harvard University Doctor of Medicine, New York Medical College
Experience	—	William Garner, MD is a US physician, investor, and entrepreneur. Dr Garner is one of the inventors on the Bisantrene patents, originally filed by Update Pharma, Inc. and now owned by Race Oncology. Previously, he founded EGB Advisors LLC, a life sciences advisory firm whose clients have included the M.D. Anderson Cancer Center, the Kauffman Foundation, ChemGenex (ASX:CXS) and CoTherix. He also founded Inverseon, Inc., which was merged with the ASX-listed company cBio to create Invion Ltd, serving as CEO until May of 2013. He 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 currently serves as Chairman of InMed Pharmaceuticals (TSX:IN) & Isla Pharmaceuticals and works with several of the other portfolio companies of EGB Ventures. Dr Garner has a Master of Public Health from Harvard and received his MD degree from New York Medical College. 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	—	15,200,000 ordinary shares 10,000,000 performance shares
Directorships held in listed entities	—	Chairman of listed company InMed Pharmaceuticals (TSX:IN)

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 is Managing Director at Twenty 1 Corporate, a boutique corporate advisory firm. He 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 also a director of various private and public companies which span across finance, technology and medical sectors.
Interest in Shares and Options	—	606,250 ordinary shares
	—	1,000,000 options expiring on 22 November 2019 exercisable at $0.49 and 1,000,000 expiring on 22 November 2019 exercisable at $0.65
Directorships held in listed entities	—	ResApp Health Limited
	—	Ookami Limited (resigned November 2015)
John Cullity	—	Non-Executive Director (appointed 6 April 2018)
Qualifications	—	MBBS, MRCP, MSc(Econs), MBA
Experience	—	John is Managing Director at BioSynergy Partners, a New York and Melbourne based advisory recently spun out of Torreya – the renowned life sciences investment bank. He additionally, services on the Boards of several life sciences companies including Ceramedix (seeded by Torreya) and Race Oncology listed on ASX. He resides in New York. At Torreya, John provided strategic advisory on Mergers & Acquisitions, Partnering and Financing to life-science companies worldwide. Prior to joining Torreya, he was a senior member of the Business Development team at Sanofi Pharmaceuticals, where he led buy side transactions in oncology and diabetes. Earlier in his career, John was Head of Strategic Pricing & Reimbursement at Sanofi, Director of Health Economics at Schering-Plough, and Consultant at A.T. Kearney. He has also worked at The World Bank and the World Health Organization. John graduated in Medicine and sub-specialised in haematology-oncology at QE II Medical Centre, Perth. He holds a Bachelor of Medicine, Bachelor of Surgery from The University of Western Australia; Membership of the Royal College of Physicians; Masters in Health Economics from London School of Economics & Political Science, and MBA from The Wharton School, University of Pennsylvania.
Interest in Shares and Options	—	None
Directorships held in listed entities	—	None
Brendan de Kauwe		Non-Executive Director (resigned 4 April 2018)
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

DIRECTORS' REPORT

Directorships held in listed entities	—	G Medical Innovations Holdings Limited (current) Ookami Limited (current) e-Sense Lab Limited (ceased 29 March 2018) Calidus Resources Limited (ceased 13 June 2017) XPED Limited (ceased 24 March 2016)

Company Secretary

Peter Webse	—	Company Secretary (appointed 5 May 2016)
Qualifications	—	B.Bus, FGIA, FCIS, FCPA, MAICD.
Experience	—	Mr Webse has over 26 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.

Meeting of Directors

During the financial year 9 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	9	9
William Garner	9	9
Chris Ntoumenopoulos	9	9
John Cullity (appointed 6 April 2018)	3	3
Brendan de Kauwe (resigned 4 April 2018)	6	6

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, initially for the treatment of Acute Myeloid Leukaemia (AML).

Operating Results

The operating loss after income tax amounted to $6,306,446 (2017: $4,171,555 loss); net cash used in operating activities was $3,869,392 (2017: (2,466,143)).

Dividends Paid or Recommended

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

Review of Operations

Race Oncology's (Race) plan is 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), with the primary indication being Acute

DIRECTORS' REPORT

Myeloid Leukaemia (AML). This plan has not changed since the Company listed in July 2016 and Race made further progress towards these two outcomes during the year, while adding an important new value stream shortly after year-end.

Named Patient Program

NPP activities

A key short-term value driver for the Company is the expected generation of revenues from Named Patient Programs (NPP) in various countries. The initial focus was on France, Italy, Turkey and Korea. The Company's NPP plans have now extended to the UK and other countries.

During the year, major activities and milestones in support of the NPP strategy included:

- Completion of an initial GMP manufactured batches of Bisantrene
- Professional market research with haematological oncologists and pharmacists
- Group and individual meetings with doctors to present the Bisantrene clinical value proposition
- Publication of case reports on the successful historical use of Bisantrene
- Agreement with Durbin PLC to provide NPP distribution and market access
- Appointment of Dr Samar Al-Behaisi in May 2018 as Chief Medical Officer to drive NPP adoption
- MHRA approval for supply of Bisantrene under NPP

Despite these initiatives, as at 30 June 2018, the Company had yet to report its first order or prescription from a doctor for supply of Bisantrene under an NPP. However, Race remains confident that the above initiatives will lead to NPP adoption and revenues during the 2018/19 year.

Manufacturing Success

On 12 September 2017, the Company announced the production of the first batch of Bisantrene under GMP (Good Manufacturing Practice) by its US manufacturing partner, IriSys LLC. Two batches have been released and are immediately available for supply to doctors under an NPP.

Market Research and Meetings

During the year, the Company funded market research studies in France, Italy and UK, to assess the opportunity and positioning for Bisantrene. This research consistently affirmed that there was positive interest in the opportunity to use Bisantrene in AML. In October 2017 and March 2018, the Company also arranged group meetings with AML specialists (haematological oncologists) in Paris to discuss Bisantrene use with French doctors. In June 2018, the Company held a similar meeting in London for UK and Italian AML specialists.

These meetings included several doctors who had participated in the original Bisantrene AML studies published 25-30 years ago and who spoke positively of their experience with Bisantrene. Like the market research, the meetings reinforced the unmet medical need in relapsed/refractory AML and the opportunity for a chemotherapy agent like Bisantrene, which has a track record of success in relapsed and refractory (r/r) AML and the benefit of little or no cardiotoxicity

Bisantrene's effectiveness in childhood AML

On 5 June 2018, Race announced a French case report describing the long-term use of Bisantrene to treat childhood AML. The report described two girls in France who were successfully treated with Bisantrene in 1984 and 1991, respectively. Both of them are alive today.

The report was also published as a poster (available on the Company's website) at the International Conference on Leukaemia and Haematologic Oncology in Paris on 21 June 2018. The authors were Prof. Guy Leverger, a leading French haematology-oncologist from Paris, and Prof. Yves Bertrand, also a leading AML specialist from Lyon. Both were involved in the original Bisantrene AML studies during the 1980s and 1990s.

Durbin Agreement

On 11 April 2018, Race announced that it had executed a global distribution agreement with UK-based, Durbin PLC. Durbin distributes pharmaceutical and healthcare products to 180 countries worldwide. They have global expertise in managed access programs, such as named patient programs (NPP).

Under the agreement, Durbin will handle all the warehousing, invoicing, customer service and distribution of Bisantrene for a number of countries around the world. The Race CEO described the agreement as an important strategic partnership for Race because of Durbin's expertise in NPP management and execution worldwide. The Durbin agreement is expected to significantly expand Race's NPP footprint for Bisantrene, potentially covering countries such as: UK, Ireland, Benelux, Nordics, Central & Eastern Europe, Australia, New Zealand, Israel, Middle East and South Africa.

DIRECTORS' REPORT

MHRA Approval

On 21 June 2018, Race announced that Durbin had obtained approval from the UK Medicines and Healthcare products Regulatory Agency (MHRA) for importation and distribution of Bisantrene as an unlicensed medicine in the UK.
The approval allows Durbin to import and supply Bisantrene in the UK under a NPP. The initial approval is for 75 courses of treatment (14 vials per course), but Durbin can apply for additional approvals as needed.
The MHRA approval also allows Durbin to supply Bisantrene for NPP outside the UK to all 28 other countries in the EEA (European Economic Area), subject to local approval and importation rules in each country. For example, in France, an ATU (French acronym for Temporary Authorisation for Use) is required in order to import and supply an unlicensed medicine.

Clinical and FDA Approval Pathway

Patents granted in US
The Company considers US market approval to be the most important value driver for Bisantrene in the long-term. The Company currently has a seven-year post FDA approval market exclusivity in the under its US Orphan Drug Designation. In addition, the Company has been prosecuting two Bisantrene patent applications that would extend the FDA-mandated market exclusivity under the Orphan Drug Designation.
On 29 January, Race advised the Notice of Allowance in US for one of the two Bisantrene patents. Subsequently, on 12 February, Race announced allowance of the second Bisantrene patent in the US. Subsequently, both patents have proceeded to grant in the US. The grant of these patents is considered an important event in that it extends the commercial protection in the US well beyond the Orphan Drug period and out to 2034.

NCI Collaboration

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 filings in support of the Bisantrene IND (Investigational New Drug Application) and obtaining regulatory approval for Bisantrene.

Bisantrene Qualifies for 505(b)(2)

During January 2018, the Company received formal advice from the FDA that Bisantrene qualifies for the expedited 505(b)(2) approval pathway, which allows Race to use all available historical preclinical and clinical data on Bisantrene in support of its New Drug Application (NDA). This includes the NCI data.

Appointment of Chief Medical Officer

On 15 May 2018, Race announced the appointment of Samar Al-Behaisi MD PhD, as Chief Medical Officer and Vice President of Medical Affairs for Race Oncology. Based in Switzerland - Dr Al-Behaisi will be responsible for oversight and direction of the Company's clinical trials, while also driving the Named Patient Program (NPP). Since her appointment, Dr Al-Behaisi has been a driving force in building the Company's presence with AML clinicians across Europe.

CRO Appointed

On 15 May 2018, Race announced that it had signed an agreement with Novotech, an Australian-based CRO (contract clinical research organisation) to manage the Bisantrene clinical trial program globally. The Company expects the trial will qualify for the R&D Tax Incentive scheme in Australia.

Next Steps on Clinical Program

The next steps in the clinical trial program are expected to include:

- Manufacturing of clinical trial stock for the trial
- Finalising the clinical protocol based on investigator feedback
- Filing the IND (Investigational New Drug) application
- FDA acceptance of the protocol, likely including a Special Protocol Assessment (SPA) to ensure the trial will support regulatory approval of Bisantrene
- Site initiation and other CRO activities to prepare to start the trial

Because these activities involve a substantial cost commitment to Race during 2018/19, the next steps and timing of specific activities during 2018/19 are currently under review by the Race Board.

DIRECTORS' REPORT

Other developments

TargImmune Collaboration

On 10 July 2017, the Company executed a letter of intent with TargImmune Therapeutics AG (Basel, Switzerland) to enter into a joint venture, focussed on developing cancer therapies based on combining Bisantrene with TargImmune's targeted immune-therapy technology, CTPIC. The parties met several times during the year to discuss the project. Because of the apparent costs and complexities associated with a JV company based in Switzerland, it was determined that a less complex research collaboration should take place between the parties, having the same research goals as the JV. Under the proposed collaboration, Race and TargImmune would jointly fund the research. Discussions between the parties are expected to continue during 2018/19.

New director

On 4 April 2018, Race announced the appointment of Dr John Cullity as a non-executive director, effective 6 April 2018. Dr Cullity replaced Dr Brendan De Kauwe. Race is grateful for Brendan's outstanding service as a director of Race Oncology Board since the founding of the Company.
Dr Cullity's appointment was an important one for Race, because he brings a wealth of medical oncology and business expertise to the Race board. Trained as a haematological oncologist, Dr Cullity previously held senior executive roles with Sanofi-Aventis and Schering-Plough in the US.
Between 2010 and 2017 in New York, Dr Cullity was a principal for Torreya Partners, the internationally-recognised transactions firm, and established Torreya Insights, focusing on transactions advisory. During this time, he managed numerous licensing / M&A transactions and participated in the establishment of several biotech companies.
With his deep understanding of the oncology business and his corporate transactional expertise, Dr Cullity is expected to be an important asset on the Race Board.

RPD designation/PRV

Immediately after the end of the year (16 July), Race announced that the FDA had granted Bisantrene a *Rare Paediatric Disease* (RPD) designation for treatment of childhood AML. This designation means Bisantrene has the opportunity to be awarded a *Priority Review Voucher* (PRV) at the time of marketing approval for childhood AML. If awarded, the PRV can be sold to other companies for a substantial value.
The value of the PRV is entirely additive to the value of the NPP and the current FDA approval program (aimed at adult AML). As such, it adds a third important value domain for the Company, in addition to NPP revenues and the US FDA approval pathway. Over the coming year, Race expects to announce its plans to move forward the clinical program to support the designation and move towards a PRV.

Funding

The Company raised $6.1m in new funding during the year to support its operations: On 20 July 2017, the Company successfully completed a placement of 12.5 million ordinary shares at an issue price of $0.20, raising $2.5 million (in two tranches).
This was followed on 12 March 2018 with an over-subscribed placement of 9.872 million shares at an issue price of $0.32, raising $3.169 million; oversubscriptions of 1.50 million shares were also accepted, bringing the total fundraising to $3.639 million. Following the March share placement, the Company agreed to issue 5,000,000 unlisted options at $0.45 and with a 24-month expiry, to parties that assisted with the fundraising.
The funds raised in March 2018 were intended to help expand the NPP program to new markets and manufacture new Bisantrene finished product to support a pivotal registration study towards FDA approval of Bisantrene. At 30 June 2018, the Company had cash reserves of approx. $3.7m.

Significant Changes in State of Affairs

During the year end the following significant changes in affairs occurred in addition to events mentioned above in the review of operations:
On 22 November 2017, 4,000,000 unlisted options were issued to two Non-Executive Directors of the Company, expiring 22 November 2019. On 4 June 2018 2,000,000 options expired following the resignation of one of the Non-Executive Directors.
The below exercise of unlisted options occurred during the year end:

- On 11 January 2018, 282,500 shares were issued following the exercise of $0.30 unlisted expiring 30 September 2018;
- On 9 February 2018, 56,250 shares were issued following the exercise of $0.30 unlisted expiring 30 September 2018;
- On 27 February 2018, 137,500 shares were issued following the exercise of $0.30 unlisted expiring 30 September 2018;
- On 13 April 2018, 50,000 shares were issued following the exercise of $0.30 unlisted expiring 30 September 2018;

DIRECTORS' REPORT

On 16 May 2018, the Company granted 1,500,000 share options to the Company's Chief Medical Officer, Dr Samar Al-Behaisi, exercisable at $0.32 and expiring 90 days after Termination of the Agreement or otherwise on the fifth anniversary of date of grant.

The Company assessed that the milestones of the performance shares at balance date had been met within the vesting period. The satisfaction of the milestones resulted in the full value of $2,000,000 attributed to the performance shares being realised, which has been capitalised as an intangible asset, with the additional $500,000 capitalised during the year ended 30 June 2018, increasing the existing $1,500,000 value capitalised from the performance shares

Financial Position

The net assets of the Company at 30 June 2018 were $7,930,697 (2017: $5,637,289).

Significant Events after the Reporting date

On 2 July 2018 the Company announced the following transactions:

- the milestones for the two tranches of performance shares, each representing 5 million shares, have been met and are to be converted into fully paid ordinary shares at the election of holder, Update Pharma Inc.
- 10,000,00 unlisted $0.25 options were not exercised and expired on 1 July 2018.
- the Company issued 1,500,00 fully paid shares at an issue price of $0.32 pursuant to the terms of a placement announced to the market on the 12 March 2018 (Tranche 2 placement).
- the Company issued 5,000,000 unlisted $0.45 options exercised on or before 19 March 2020 issued pursuant to an advisory mandate.

On 13 July 2018 the Company advised the following transactions:

- the Company issued 6,000,000 unlisted $0.30 options exercised on or before 13 January 2020 issued for the provision of corporate advisory services.
- the Company issued 1,500,000 unlisted $0.32 options exercised on or before 16 May 2023, issued pursuant to employee share option plan.

On 18 July 2018, the Company announced that FDA had granted a Rare Paediatric Disease designation to Bisantrene in childhood AML, with the designation meaning that Bisantrene has the opportunity to be awarded a Priority Review Voucher from the FDA at time of approval. A Priority Review Voucher grants the holder an accelerated 6-month review of a drug application by the FDA.

No matters or circumstances have arisen since the end of the financial year that 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's strategy continues to see the development of Bisantrene towards FDA approval, while making the drug available to patients under a Named Patient Program in certain countries. In addition, the RPD designation provides a new and additional value domain. Given the progress over the last 12 months, the management and board remain optimistic about the Company's prospects in the 2018/19 year.

Other than those matters noted elsewhere in this financial report, specific projections, developments and, future prospects and business strategies of operations have not been included, 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

The Company aims to comply with the identified regulatory requirements in each jurisdiction in which it operates. There have been no known material breaches of the environmental regulations.

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
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
31 August 2017	30 September 2018	$0.30	9,723,750
22 November 2017	22 November 2019	$0.49	1,000,000
22 November 2017	22 November 2019	$0.65	1,000,000
20 June 2018	19 March 2020	$0.45	5,000,000
13 July 2018	16 May 2023	$0.32	1,500,000
13 July 2018	13 January 2020	$0.30	6,000,000
			34,958,750

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 opinion 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 2018 has been received and can be found on page 19.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2018 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)
John Cullity – Non-Executive Director (appointed 6 April 2018)
Brendan de Kauwe – Non-Executive Director (resigned 4 April 2018)

The names of other KMP in office at any time during or since the end of the year are:
John Rothman – Chief Scientific Officer (appointed 1 July 2016)
Gordon Beck – Senior Vice President Business Development (21 August 2016)
Samar Al-Behaisi – Chief Medical Officer and Vice President of Medical Affairs (appointed 16 May 2018)

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, short term incentives and 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 $217,450 (2017: $206,000) and cover main Board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Company.

At the AGM held on 21 November 2017, 100% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2018

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.

The remuneration policy includes an Employee incentive option plan. The board of the Company may grant options under the option plan (ESOP options) to any full or part time employees or director of the Company, and in accordance with, any necessary ASIC relief being obtained, a casual employee to contractor of the Company. Each ESOP option will be issued for nil cash consideration and is exercisable into on share ranking equally in all respects with the existing issued shares.

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 2018	**Short Term Salary, Fees & Commissions**	**Post Employment Superannuation**	**Other/ Bonus**	**Share-based payments[1]**	**Total**	**Performance based remuneration**
	$	**$**	**$**	**$**	**$**	**%**
Executive Management						
Peter Molloy	300,000	20,049	-	127,833	447,882	-
John Rothman	257,566	-	-	57,525	315,091	-
Gordon Beck	257,673	-	-	116,918	374,591	-
Samar Al-Behaisi	31,262	-	-	28,614	59,876	-
Non-Executive Directors						
William Garner	118,250	-	-	-	118,250	-
Chris Ntoumenopoulos	48,000	-	-	252,904	300,904	-
John Cullity	11,200	-	-	-	11,200	-
Brendan de Kauwe[2]	40,000	-	-	-	40,000	-
Total	**1,063,951**	**20,049**	**-**	**583,794**	**1,667,794**	**-**

30 June 2017	**Short Term Salary, Fees & Commissions**	**Post Employment Superannuation**	**Other/ Bonus**	**Share-based payments[31]**	**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[3]	-	-	-	-	-	-
Total	**771,340**	**19,616**	**105,910**	**665,439**	**1,562,305**	**-**

For the year ended 30 June 2018, no bonuses granted to KMP as compensation for the current financial year.

For the year ended 30 June 2017, bonuses were granted to Peter Molloy and John Rothman as compensation.

[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] Mr Brendan de Kauwe resigned as a Director on 4 April 2018.

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

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

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.

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 2018	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	Balance at end of Year
Executive Management					
Peter Molloy	4,020,000	-	-	100,000	4,120,000
John Rothman	-	-	-	-	-
Gordon Beck	-	-	-	-	-
Samar Al-Behaisi	-	-	-	-	-
Non-Executive Directors					
William Garner	15,100,000	-	-	100,000	15,200,000
Chris Ntoumenopoulos	606,250	-	-	-	606,250
John Cullity	-	-	-	-	-
Brendan de Kauwe[2]	590,000	-	-	-	590,000
Total	**20,316,250**	**-**	**-**	**200,000**	**20,516,250**

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[3]	Balance at end of Year
Executive Management					
Peter Molloy	-	-	-	4,020,000	4,020,000
John Rothman	-	-	-	-	-
Non-Executive Directors					
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	925,000	-	-	(925,000)	-
Total	**2,021,250**	**-**	**-**	**18,295,000**	**20,316,250**

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

[2] Mr Brendan de Kauwe resigned as a Director on 4 April 2018 and his shareholding is shown as at date of resignation.

[3] 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.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

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

KMP Options holdings

The number of options[1] over ordinary shares held by each KMP of the Group during the financial year is as follows:

30 June 2018	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year[2]	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
Gordon Beck	1,500,000	-	-	-	1,500,000	750,000	750,000
Samar Al-Behaisi	-	1,500,000	-	-	1,500,000	-	1,500,000
Non-Executive Directors							
William Garner	-	-	-	-	-	-	-
Chris Ntoumenopoulos	5,000,000	2,000,000	-	-	7,000,000	7,000,000	-
John Cullity	-	-	-	-	-	-	-
Brendan de Kauwe[3]	-	2,000,000	-	(2,000,000)	-	-	-
Total	**15,500,000**	**5,500,000**	**-**	**(2,000,000)**	**19,000,000**	**7,750,000**	**11,250,000**

30 June 2017	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year[2]	Balance at the end of the year	Vested and exercisable	Unvested
Executive Management							
Peter Molloy	-	-	-	6,000,000	6,000,000	-	6,000,000
John Rothman	-	-	-	3,000,000	3,000,000	-	3,000,000
Non-Executive Directors							
William Garner	-	-	-	-	-	-	-
Brendan de Kauwe	-	-	-	-	-	-	-
Chris Ntoumenopoulos	-	-	-	5,000,000	5,000,000	5,000,000	-
John Daniel Moore[4]	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**14,000,000**	**14,000,000**	**5,000,000**	**9,000,000**

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

[2] Other changes include options issued that have expired during the year.

[3] Mr Brendan de Kauwe resigned as a Director on 4 April 2018

[4] 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 2018	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
Executive Management					
Peter Molloy	-	-	-	-	-
John Rothman	-	-	-	-	-
Gordon Beck	-	-	-	-	-
Samar Al-Behaisi	-	-	-	-	-
Non-Executive Directors					
William Garner	10,000,000	-	-	-	10,000,000
Chris Ntoumenopoulos	-	-	-	-	-
John Cullity	-	-	-	-	-
Brendan de Kauwe	-	-	-	-	-
Total	**10,000,000**	**-**	**-**	**-**	**10,000,000**

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
Executive Management					
Peter Molloy	-	-	-	-	-
John Rothman	-	-	-	-	-
Non-Executive Directors					
William Garner	-	-	-	10,000,000	10,000,000
Brendan de Kauwe	-	-	-	-	-
Chris Ntoumenopoulos	-	-	-	-	-
John Daniel Moore	-	-	-	-	-
Total	**-**	**-**	**-**	**10,000,000**	**10,000,000**

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

8. Loans to KMP and their related parties

Employee loan shares
During the comparative 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 (equivalent to $0.20 per share), 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.

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,

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

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)

On 16 May 2018, the Company entered into a Consultancy Agreement with Dr Samar Al-Behaisi whereby Dr. Al-Behaisi will provide the services as Chief Medical Officer and Vice President of Medical Affairs of the Company.

The key terms of the Consultancy Agreement are as follows:
(e) the agreement commencing on 16 May 2018 and has no term until her engagement is terminated, which is 3 months' written notice;
(f) the Company will pay Dr. Al-Behaisi Euro 162,000; and
(g) Dr. Al-Behaisi will be entitled to a cash bonus of up to 20% of the salary payable to her upon meeting performance based objectives to be set by the Board from time to time.
(h) Dr. Al-Behaisi will be granted 1,500,000 consultant share options vesting annually over two years starting at the commencement date.

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 no services from entities that are controlled by members of the Company's key management personnel.

Remuneration Report - End

Signed in accordance with a resolution of the directors.



Peter Molloy
Managing Director
Dated 21 August 2018

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 partner for the audit of the financial statements of Race Oncology Limited for the financial year ended 30 June 2018, 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
Partner

Dated at Perth this 21st day of August 2018

KRESTON

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Accountants
Auditors
Advisors

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $	2017 $
Interest received		21,656	25,212
Other income	4	170,262	-
Administrative expenses		(30,987)	(63,434)
Accounting and audit fees		(68,870)	(90,363)
Amortisation	12	(250,866)	(250,000)
Business development and marketing		(1,080,804)	(550,893)
Corporate advice expenses		(201,013)	(94,465)
Non-Executive Director fees		(217,450)	(206,000)
Employee benefits expense		(152,549)	(177,913)
Research and development expense		(1,746,137)	(1,210,575)
Share based payment expense	17	(2,183,081)	(1,200,948)
Share registry expense		(6,250)	(12,800)
Travel and accommodation		(391,087)	(196,856)
Other expenses		(169,270)	(142,520)
Loss from ordinary activities before income tax expense		(6,306,446)	(4,171,555)
Income tax expense relating to ordinary activities	8	-	-
Loss from ordinary activities after income tax expense		(6,306,446)	(4,171,555)
Foreign currency translation (net of tax)		645	-
Total comprehensive loss for the year attributable to members of the Company		(6,305,801)	(4,171,555)
Basic earnings/(loss) per share (cents per share)	7	(9.4)	(7.9)
Diluted earnings/(loss) per share (cents per share)	7	(9.4)	(7.9)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018 $	2017 $
CURRENT ASSETS			
Cash and cash equivalents	9	3,709,998	1,696,834
Trade and other receivables	10	431	1,815
Other assets	11	30,842	52,212
TOTAL CURRENT ASSETS		3,741,271	1,750,861
NON-CURRENT ASSETS			
Intangible assets	12	4,499,134	4,250,000
TOTAL NON-CURRENT ASSETS		4,499,134	4,250,000
TOTAL ASSETS		8,240,405	6,000,861
CURRENT LIABILITIES			
Trade and other payables	13	287,208	353,572
Provisions	14	22,500	10,000
TOTAL CURRENT LIABILITIES		309,708	363,572
TOTAL LIABILITIES		309,708	363,572
NET ASSETS / (LIABILITIES)		7,930,697	5,637,289
EQUITY			
Issued and unissued capital	15	14,456,463	8,493,301
Reserve	16	5,084,736	2,700,948
Reserve shares	15b	(800,000)	(800,000)
Accumulated losses		(10,810,502)	(4,756,960)
TOTAL EQUITY		7,930,697	5,637,289

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Issued Capital	Reserves	Accumulated Losses	Total
	$	$	$	$
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**
Balance at 1 July 2017	**8,493,301**	**1,900,948**	**(4,756,960)**	**5,637,289**
Loss for the year	-	-	(6,306,446)	(6,306,446)
Other comprehensive income	-	645	-	645
Total comprehensive income for the year	-	645	(6,306,446)	(6,305,801)
Transactions with owners, recognised directly in equity				
Revaluation of performance shares	-	500,000	-	500,000
Shares issued during the year	5,659,060	-	-	5,659,060
Share based payments	-	1,930,177	252,904	2,183,081
Shares applied but unissued	480,000	-	-	480,000
Exercise of options	204,909	(47,034)	-	157,875
Capital raising costs	(380,807)	-	-	(380,807)
Balance at 30 June 2018	**14,456,463**	**4,284,736**	**(10,810,502)**	**7,930,697**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		21,656	25,212
Research and development refund received		170,262	-
Payments for research and development		(1,871,467)	(1,022,489)
Payment for business development and marketing		(1,369,575)	(499,086)
Payments to suppliers and employees		(820,268)	(969,780)
Net Cash Used in Operating Activities	18b	(3,869,392)	(2,466,143)
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans repaid from unrelated entity		-	100,673
Net Cash Provided by Investing Activities		-	100,673
CASH FLOWS FROM FINANCING ACITIVITIES			
Repayment to lender		-	(5,246)
Proceeds from shares issued		5,659,060	-
Proceeds from shares yet to be issued		480,000	-
Proceeds issue of shares on exercise of options		157,875	-
Capital raising costs		(380,807)	(264,000)
Net Cash from Financing Activities		5,916,128	(269,246)
Net increase / (decrease) in cash held		2,046,736	(2,634,716)
Foreign currency translation		(33,572)	(17,792)
Cash at beginning of the year		1,696,834	4,349,342
Cash at end of the year	18a	3,709,998	1,696,834

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 2018

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 21 August 2018 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 2018 of $6,306,446 (2017: $4,171,555) and net cash outflows from operating activities of $3,869,392 (2017: $2,466,143).

These conditions indicate a material uncertainty that may cast significant doubt about the ability of the company to continue as a going concern.

The ability of the Company to continue as a going concern is principally dependent upon the ability of the Company successfully raising additional capital and managing cash flows in line with available funds.

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 1.5 million ordinary shares at an issue price of $0.32 raising a total of $480,000 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. In particular, given the Company's history of capital raising to date, the directors are confident of the company's ability to raise additional funds as and when they are required.

Should the Company be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

b) Basis of preparation – continued

classification of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

c) Income Tax

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

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

d) Financial Instruments (continued)

Classification and subsequent measurement

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

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

(i) Loans and receivables

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

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

(ii) Financial liabilities

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

Derivative instruments

The Company does not trade or hold derivatives.

Financial guarantees

The Company has no material financial guarantees.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 of 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 15(b) 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 the development towards FDA approval for 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:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

m) Earnings per share (continued)

- 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.

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 17.

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 2018

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 at acquisition. During the financial year ended 30 June 2018, the performance shares have been reassessed, refer to Note 17 for details.

NOTE 3. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2018	**2017**
	$	**$**
Short-term employee benefits	1,063,951	877,250
Post-employment benefits	20,049	19,616
Equity Settled	583,794	665,439
Total KMP Compensation	1,667,794	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 2018.

NOTE 4. OTHER INCOME	**2018**	**2017**
	$	**$**
Research and development tax incentive	170,262	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 5. LOSS FOR THE YEAR

	2018	2017
	$	$
Profit/(Loss) before income tax from continuing operations includes the following specific expenses:		
- Rental of office	14,642	8,698
- Loan receivable written off	-	5,508
- Unrealised foreign exchange	(2,225)	20,713
	12,417	34,919

NOTE 6. AUDITOR'S REMUNERATION

	2018	2017
	$	$
Remuneration of the auditor of the Company (Bentleys) for:		
- auditing or reviewing the financial reports	25,520	27,042
- tax services	2,750	4,000
	28,270	31,042

NOTE 7. LOSS PER SHARE

	2018	2017
	$	$
Loss per share (EPS)		
(a) Loss used in calculation of basic EPS and diluted EPS	6,306,446	4,171,555
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	67,401,723	52,734,350
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	67,401,723	52,734,350

NOTE 8. INCOME TAX

	2018	2017
(a) Income tax expense / (benefit)	$	$
Current tax	-	-
Deferred tax	-	-
	-	-

(b) Reconciliation of income tax expense to prima facie tax payable

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

Operating loss	(6,306,447)	(4,171,555)
- Income tax calculated at 27.5% (2017: 27.5%)	(1,734,273)	(1,147,178)
Non-deductible items		
Share based payment expense	600,347	330,261
Other non-deductible expenses	478,504	-
Other reconciling items	-	58,924
Non-assessable income	(46,822)	-
Deferred tax (liabilities)/asset not brought to account	702,244	757,993
Income tax attributable to operating loss	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 8. INCOME TAX

	2018	2017
(c) Deferred tax (liabilities)/assets		
Tax Losses	1,335,314	757,993
Other	28,774	47,714
Total deferred tax asset	1,364,088	805,707
Set-off deferred tax liabilities	-	-
Less deferred tax assets not recognised	(1,364,088)	(805,707)
Net deferred tax assets	-	-
(d) Deferred tax liabilities		
Other	-	-
Total deferred tax liabilities	-	-
Set-off deferred tax assets	-	-
Net deferred tax liabilities	-	-
(e) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	4,855,686	336,336
Potential tax benefit @ 27.5% (2017: 27.5%)	1,335,314	92,492

The benefit for tax losses will only be obtained if:

(a) The company and consolidated entity derive future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realised;

(b) The company and the consolidated entity continue to comply with the conditions for deductibility imposed by law; and

(c) No changes in tax legislation adversely affect the ability of the Company and consolidated entity to realise these benefits.

NOTE 9. CASH AND CASH EQUIVALENTS

	2018	2017
	$	$
Cash on hand	3,709,998	1,696,834

The effective interest rate on cash and cash equivalents was 0.80% (30 June 2017: 0.83%).

NOTE 10. TRADE AND OTHER RECEIVABLES

	2018	2017
	$	$
Other receivables	431	1,815
	431	1,815

NOTE 11. OTHER ASSETS

	2018	2017
	$	$
Prepayment	30,842	52,212
	30,842	52,212

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 12. INTANGIBLE ASSETS

	2018	2017
	$	$
At cost – intellectual property	5,000,000	4,500,000
Accumulated amortisation	(500,866)	(250,000)
Total intangible assets	4,499,134	4,250,000

Movement during the half-year	Intellectual Property
Balance at 1 July 2017	**4,250,000**
Revaluation of performance shares – achievement of vesting conditions	500,000
Amortisation expense	(250,866)
Balance at 30 June 2018	**4,499,134**

Intellectual property totalling $5,000,000 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.

In June 2018 the Company determined that the milestones pursuant to the performance shares had been achieved. As a result a further $500,000 was capitalised as an intangible asset following the assessment of a 100% likelihood of the vesting conditions being met (2017: 75%).

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

	2018	2017
	$	$
Trade and other creditors	205,076	192,643
Accruals	82,132	160,929
	287,208	353,572

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

NOTE 14. PROVISIONS

	2018	2017
	$	$
CURRENT		
Provision for annual leaves	22,500	10,000
	22,500	10,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 15. ISSUED AND UNISSUED CAPITAL

	2018 $	2017 $
Opening balance	8,493,301	4,663,301
Shares issued during the year	5,659,060	-
Shares applied for but unissued	480,000	(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
Exercise of options	204,909	-
Less: capital raising costs	(380,807)	-
	14,456,463	8,493,301

The Company has issued share capital amounting to 75,735,813 (2017: 52,837,501) ordinary shares of no par value and the Company does not have a limited amount of authorised capital.

	2018 No.	2017 No.
a. Ordinary shares		
At beginning of year	52,837,501	12,187,501
Shares issued during the year	22,898,312	-
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	75,735,813	52,837,501

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. 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 2018		4,000,000		800,000

Employee loan shares

During the comparative 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 15: ISSUED AND UNISSUED CAPITAL (continued)

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.

c. 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 16. RESERVE	**Note**	**2018**	**2017**
		$	**$**
Opening balance		2,700,948	-
Foreign currency translation (net of tax)		645	-
Share based payment – reassessment of performance shares	**17 a**	500,000	1,500,000
Share based payment expense	**17**	1,930,177	1,200,948
Exercise of options		(47,034)	-
Closing balance		5,084,736	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").

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 16. RESERVE (continued)

The Company have assessed all the performance milestones had been achieved as at 30 June 2018 and attributed an undiscounted grant date fair value of $0.20 per performance share to the instruments, being the initial Public Offer price of the Company's shares.

Refer to Note 17 for additional information on Performance Shares.

NOTE 17: SHARE BASED PAYMENTS

The following share based payment arrangement existed at 30 June 2018:

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 loan 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 agreed to issue Mr Gordon Beck two tranches of fully paid ordinary shares on achievement of two performance milestones related to the Named Patient Program ("NPP") during 2017. The milestones were not met by the due dates and the shares were not issued during the 2018 year.

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.

On 1 August 2017, the vesting conditions of 135,000 of the total 200,000 options issued to DEL Biopharma LLC exercisable at $0.256 each on or before 1 August 2021, had been met. The balance of the 65,000 options have lapsed.

On 1 September 2017, the Company issued 6,250,000 unlisted options exercisable at $0.30 and expiring before the 30 September 2018. The options were issued on a 1 for 2 basis to participate in Tranche 1 and Tranche 2 placements. A portion of these options were exercised as follows:

a) 56,250 options were exercised on 9 February 2018.
b) 137,500 options were exercised on 27 February 2018.
c) 50,000 options were exercised on 13 April 2018.

On 30 August 2017, the Company issued 4,000,000 unlisted options exercisable at $0.30 and expiring before the 30 September 2018 pursuant to the advisory mandate. On 11 January 2018, an Advisor exercised 282,500 options converting them into ordinary shares.

On 22 November 2017, the Company issued the following options:

a) 2,000,000 unlisted options exercisable at $0.49 and expiring 22 November 2019. 1,000,000 options were issued to each of the two Directors, Mr Chris Ntoumenopoulos and Dr Brendan De Kauwe.

b) 2,000,000 unlisted options exercisable at $0.65 and expiring 22 November 2019. 1,000,000 options were issued to each of the two Directors, Mr Chris Ntoumenopoulos and Dr Brendan De Kauwe.

The 1,000,000 options exercisable at $0.49 and 1,000,000 options exercisable at $0.65 for Brendan De Kauwe expired on 4 April 2018 as the Director resigned.

On 2 July 2018, the Company issued 5,000,000 unlisted options exercisable at $0.45 and expiring before the 19 March 2020 as approved at the General Meeting held on 20 June 2018 for Advisor services provided in FY 2018.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 17. SHARE BASED PAYMENTS (continued)

On 16 May 2018, the Company granted 1,500,000 consultant share options to Samar Al-Behaisi exercisable at $0.32 and expiring 90 days after Termination of the Agreement or otherwise on the fifth anniversary of date of grant.

Recipient	Class of SBP	Quantity	Share price at Grant date	Value recognised during the year	Value to be recognised in future years
Peter Molloy	Unlisted share options	6,000,000	$0.20	127,833	51,133
John Rothman	Unlisted share options	3,000,000	$0.20	57,525	-
Peter Molloy	Loan shares	4,000,000	$ $0.20	179,008	-
Gordon Beck	Unissued shares			(70,518)	-
Gordon Beck	Unlisted share options	1,500,000	$0.21	116,918	34,934
Chris Ntoumenopoulos	Unlisted share options	2,000,000	$0.32	252,904	-
Brendan De Kauwe	Unlisted share options	2,000,000	$0.32	252,904	-
Samar Al-Behaisi	Unissued shares	1,500,000	$0.28	28,614	280,978
Advisor Options	Unlisted share options	4,000,000	$0.36	665,962	-
Advisor Options	Unlisted share options	5,000,000	$0.24	580,071	-
Lapse of Options	Unlisted share options	(65,000)	-	(8,140)	-
		28,935,000		2,183,081	367,045

Options exercised during the year were issued in prior periods and did not result in a share based payment expense movement during the year ended 30 June 2018.

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	Advisor Options	Chris Ntoumenopoulos	Chris Ntoumenopoulos	Samar Al-Behaisi	Advisor Options
Exercise price	$0.30	$0.49	$0.65	$0.32	$0.45
Share price at date of issue	$0.36	$0.32	$0.32	$0.28	$0.24
Grant date	30 Aug 2017	21 Nov 2017	21 Nov 2017	16 May 2018	20 June 2018
Expected volatility	100%	100%	100%	100%	130.45%
Expiry date	30 Aug 2018	22 Nov 2019	22 Nov 2019	16 May 2023	19 Mar 2020
Risk free interest rate	1.79%	1.76%	1.76%	2.47%	2.04%
Value per option	$0.1665	$0.1371	$0.1158	$0.21	$0.116
Number of options	4,000,000	1,000,000	1,000,000	1,500,000	5,000,000
Total value of options	**$665,963**	**$137,136**	**$115,768**	**$309,592**	**$580,071**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 17. SHARE BASED PAYMENTS (continued)

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**

Performance Shares

On 1 July 2016, as part of the consideration for the acquisition of intellectual property of Update Pharma, the Company agreed to issue 10,000,000 performance shares to the vendor upon satisfaction of the following milestones:

(i) 5,000,000 performance shares to 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 to 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 would be automatically redeemed by the Company for a sum of $0.0000001 per performance share within 10 business days.

The Directors assessed at balance date the likelihood of these milestones being met within the vesting period. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 17. SHARE BASED PAYMENTS (continued)

Performance Shares (continued)

On 20 June 2018 the Performance shares were varied as approved by shareholders in a general meeting to give commercial effect to what was agreed when the terms were initially agreed to. The revised milestones in respect of the Performance Shares were as follows:

(i) 5,000,000 Performance Shares shall convert upon the Company, within a period of 24 months from the date of issue of the Performance Shares, having received advice from the FDA that the Company may use information from historical clinical trials conducted by third parties in connection with the development and approval of Bisantrene under section 505(b)(2) of the FFDC Act; and

(ii) 5,000,000 Performance Shares shall convert if, with a period of 24 months from the date of issue of the Performance Shares, the company has received approval to distribute unauthorised medication to physicians and named patients with unmet medical needs under an early access program.

The Company's Board has received legal advice that the tranche (i) and (ii) milestones were satisfied before 30 June 2018.

The satisfaction of the milestones met within the vesting period resulted in the full value of $2,000,000 attributed to the performance shares which has been capitalised as an intangible asset, with the additional $500,000 capitalised during the year ended 30 June 2018, increasing the existing $1,500,000 value capitalised from the performance shares.

NOTE 18. CASH FLOW INFORMATION	**2018**	**2017**
	$	**$**
(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:	3,709,998	1,696,834
	3,709,998	1,696,834
(b) Reconciliation of Cash Flow from Operations with Operating Loss after Income Tax		
Operating loss after income tax	(6,306,446)	(4,171,555)
Add: adjustments for		
Share based payments	2,183,681	1,230,948
Written off loan receivable	-	5,508
Amortisation	250,867	250,000
Unrealised foreign exchange translation	33,572	17,792
Changes in assets and liabilities		
Decrease in receivables	1,785	1,808
Decrease in payables	(53,866)	241,195
Decrease in prepayments	21,370	(41,839)
Increase in other foreign exchange reserve	645	-
Net Cash Flow used in Operating Activities	(3,869,392)	(2,466,143)

Credit Standby Facilities

The Group has no credit standby facilities.

Non-Cash Investing and Financing Activities

Refer to note 17 for non-cash investing and financing activities during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 19. 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:

2018	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	3,709,998	-	-	3,709,998	1%
Other receivables	-	-	431	431	-
Total financial assets	3,709,998	-	431	3,710,429	
Financial Liabilities					
Trade and other Payables	-	-	(287,208)	(287,208)	-
Total financial liabilities	-	-	(287,208)	(287,208)	
Net financial assets / (liability)	3,709,998	-	(286,777)	3,423,221	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 19. FINANCIAL INSTRUMENTS (continued)

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	

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 2018	**$**	**$**
+/-1% in interest rates	27,034	27,034
Year ended 30 June 2017		
+/-1% in interest rates	30,231	30,231

(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 below table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings.

In addition, receivables balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is insignificant. The balances of receivables in the table below are considered to be of high credit quality.

NOTE 19. FINANCIAL INSTRUMENTS (continued)

	Note	2018	2017
		$	$
Cash and cash equivalents	9	3,709,998	1,696,834
Trade and other receivables		431	1,815

(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.

2018	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		(287,208)	-	-	-	-	(287,208)	(287,208)

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)

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 20. RELATED PARTY TRANSACTIONS

(a) Controlled Entities

		% Interest	
	Country of Incorporation	**2018**	**2017**
Race Oncology SPRL	Belgium	100	-

(b) Key Management Personnel ("KMP")

Details of KMP compensation are included in note 3 and share based payment arrangements are at Note 17.

(c) Transactions with Other Related Parties

Other than the above notes, there were no transactions with other related parties during the financial year.

NOTE 21. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets and liabilities.

NOTE 22. 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 23. COMMITMENTS

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

NOTE 24. SUBSEQUENT EVENTS

On 2 July 2018 the Company announced the following transactions:

- the milestones for the two tranches of performance shares, each representing 5 million shares, have been met and are to be converted into fully paid ordinary shares at the election of holder, Update Pharma Inc.
- 10,000,00 unlisted $0.25 options were not exercised and expired on 1 July 2018.
- the Company issued 1,500,00 fully paid shares at an issue price of $0.32 pursuant to the terms of a placement announced to the market on the 12 March 2018 (Tranche 2 placement).
- the Company issued 5,000,000 unlisted $0.45 options exercised on or before 19 March 2020 issued pursuant to the advisory mandate.

On 13 July 2018 the Company advised the following transactions:

- the Company issued 6,000,000 unlisted $0.30 options exercised on or before 13 January 2020 issued for the provision of corporate advisory services.
- the Company issued 1,500,000 unlisted $0.32 options exercised on or before 16 May 2023, issued pursuant to employee share option plan.

On 18 July 2018, the Company announced that FDA had granted a Rare Paediatric Disease designation to Bisantrene in childhood AML, with the designation meaning that Bisantrene has the opportunity to be awarded a Priority Review Voucher from the FDA at time of approval. A Priority Review Voucher grants the holder an accelerated 6-month review of a drug application by the FDA.
No matters or circumstances have arisen since the end of the financial year that 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 25. 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 2016-3	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
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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

AASB No.	Title	Application date of standard *	Issue date
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

The above table is complete as at 30 June 2018, 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.

New, revised or amending Accounting Standards and Interpretations adopted

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period there has been no significant impact on the application of those standards.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. New disclosures AASB 9, AASB 15 and AASB 16 for the next reporting period have been assessed and the Company believes there will be no material impact on the financial statements as a result of the new disclosures.

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 Consolidated Entity 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 and Consolidated Entity's financial position as at 30 June 2018 and of their 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 2018.

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



Peter Molloy
Managing Director
Dated 21 August 2018

Independent Auditor's Report

To the Members of Race Oncology Limited

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Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Race Oncology Limited ("the Company") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 Consolidated Entity is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 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(a).

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 Consolidated Entity 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.

KRESTON

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Accountants
Auditors
Advisors

Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) in the financial report which indicates that the Consolidated Entity incurred a net loss of $6,306,446 during the year ended 30 June 2018. As stated in Note 1(b), these events or conditions, along with other matters as set forth in Note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our opinion is not modified in this respect of this matter.

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 17 to the financial statements, during the year ended 30 June 2018 the Consolidated Entity incurred share based payments expense of $2,183,081. 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; • Assessing the achievement of relevant milestones with reference to documentation from relevant bodies; and • Assessing the adequacy of the disclosures included in Note 17 to the financial statements.

Key audit matter	How our audit addressed the key audit matter
Carrying value of intangible assets	
As disclosed in note 12 to the financial statements the Consolidated Entity has intangible assets with a carrying value of $4,499,134. Intangible assets are considered to be a key audit matter due to the size of the balance having a pervasive impact on the financial statements and the judgement requirement in assessing the balance.	Our procedures included, amongst others: - Assessing whether there are any indicators of impairment of the asset, including understanding management's planned future commercialisation activities; - Assessing the achievement of relevant milestones with reference to documentation from relevant bodies; and - Assessing the appropriateness of the disclosures included in Note 12 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2018, 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(a), 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 Consolidated Entity'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 Consolidated Entity 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 Consolidated Entity'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 Consolidated Entity'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 Consolidated Entity 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 Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity 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 2018. 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 the Company, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 21st day of August 2018

ASX ADDITIONAL INFORMATION

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement is current as at 21 August 2018 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 25%
- Women in senior management positions 25%
- 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, resigned 6 April 2018);
Dr John Cullity	Non-Executive Director (appointed 6 April 2018);
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.

Dr John Cullity is the only director to be considered as independent. Dr Cullity is considered to be independent as he is not a member of management and is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of his judgement.
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. Mr Chris Ntoumenopoulos is not considered to be independent as he was 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 fulfills 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 fulfills 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 $217,450.

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 6 August 2018.

As at 6 August 2018 there were 662 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 are listed below:

Ordinary Full Paid Shares

Holder Name	**Holding**	**% IC**
Update Pharma Inc	15,000,000	19.42%
Peter Molloy	4,000,000	5.18%
J P Morgan Nominees Australia Limited	3,074,521	3.98%
Freeman Road Pty Ltd <The Avenue A/C>	2,475,000	3.20%
Ms Nicole Gallin & Mr Kyle Haynes <GH Super Fund A/C>	2,000,000	2.59%
Bond Street Custodians Limited <WILLIM - V21664 A/C>	1,935,096	2.51%
Larrakeyah Pty Limited <The Moore Family A/C>	925,000	1.20%
Simon Nominees Pty Ltd <H S Majteles Super Fund A/C>	900,000	1.17%
Mr Michael Noel Jeffrey	784,706	1.02%
Alta Holdings Pty Ltd <Stillwater A/C>	692,501	0.90%
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd DRP	658,833	0.85%
P R Perry Nominees Pty Ltd <Donesk Family A/C>	646,000	0.84%
Atollo Investments Pty Ltd <Atollo Investment A/C>	590,000	0.76%
Beppe Super Pty Limited <Pake Superannuation Fund A/C>	586,625	0.76%
Ponderosa Investments (WA) Pty Ltd <The Ponderosa Investment A/C>	585,500	0.76%
Venus Anetac Pty Ltd <RGC Family A/C>	581,250	0.75%
Buzz Capital Pty Ltd <ZI Vestment A/C>	580,000	0.75%
HSBC Custody Nominees (Australia) Limited	524,516	0.68%
Sacco Developments Australia Pty Limited <The Sacco Family A/C>	520,331	0.67%
Romfal Sifat Pty Ltd <The Fizmail Family A/C>	510,000	0.66%
Totals	**37,568,879**	**48.65%**

SUBSTANTIAL HOLDERS

The names of the substantial shareholders disclosed to the Company as substantial shareholders as at 6 August 2018 are:

Name	No of Shares Held	% of Issued Capital
Mr William James Garner	15,100,000	19.95%
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	15	1,199	0.00%
1,001 - 5,000	87	247,365	0.32%
5,001 - 10,000	84	755,096	0.98%
10,001 - 100,000	350	16,637,858	21.54%
100,001 - 9,999,999,999	126	59,594,295	77.16%
Totals	**662**	**77,235,813**	**100.00%**

Unmarketable Parcels – 62 Holders

RESTRICTED SECURITIES

As at 6 August 2018 there were no restricted securities.

UNQUOTED SECURITIES

As at 6 August 2018, the following unquoted securities are on issue:

10,000,000 Performance Shares[1] - 1 holder
Holders with more than 20%

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

9,000,000 Options Expiring 01/07/2021 @ $0.25 – 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%

9,723,750 Options Expiring 30/09/2018 @ $0.30 – 84 holders

Holders with more than 20%

Holder Name	Holding	% IC
Nascent Capital Partners Pty Ltd	2,000,000	20.57%
FFKM Pty Ltd	1,993,750	20.50%

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

1,000,000 Options Expiring 22/11/2019 @ $0.49 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
SOBOL Capital Pty Ltd <BOC Investment A/C>	1,000,000	100.00%

1,000,000 Options Expiring 22/11/2019 @ $0.65 – 3 Holders

Holders with more than 20%

Holder Name	Holding	% IC
SOBOL Capital Pty Ltd <BOC Investment A/C>	1,000,000	100.00%

6,000,000 Options Expiring 13/01/2020 @ $0.65 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
ACN 161 604 315 Pty Ltd	2,000,000	33.33%
Nascent Capital Partners Pty Ltd	2,000,000	33.33%
Thinkdo Pty Ltd	2,000,000	33.33%

5,000,000 Options Expiring 19/03/2020 @ $0.45 – 4 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Thinkdo Pty Ltd	2,700,000	54.00%
ACN 161 604 315 Pty Ltd	1,485,000	29.70%

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%

1,500,000 Options Expiring 16/05/2023 @ $0.32 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
Samar Al-Behaisi	1,500,000	100.00%

ON-MARKET BUY BACK

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.