

ASX Appendix 4D

Half-Year Financial Report to 31 December 2017

1. Details of reporting period

Name of Entity	Race Oncology Limited ("the Company")
ABN	61 149 318 749
Reporting Period	31 December 2017
Previous Corresponding Period	31 December 2016

2. Results for announcement to the market

Key information	31 December 2017	31 December 2016	Increase/ (decrease)	Amount change \$
Revenues from ordinary activities	-	-	-	-
Loss for the half-year	(3,488,470)	(2,081,351)	68%	(1,407,119)
Total comprehensive loss for the half-year attributable to members	(3,488,271)	(2,081,351)	68%	(1,406,920)
		Amount Per Security		Franked Amount Per Security
Final Dividend		Nil		Nil
Interim Dividend		Nil		Nil
Previous Corresponding Period		Nil		Nil
Record Date for Determining Entitlements		Not Applicable		

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

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

3. Net tangible asset backing

	31 December 2017	31 December 2016
Net tangible backing per ordinary security	2.58 cents	5.92 cents

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

On 6 October 2017, the Company incorporated a new subsidiary in Belgium, (**Race Oncology, Company Number 0682664917**). There have been no significant financial transactions through the subsidiary at 31 December 2017.

5. Details of Dividends

No dividend has been paid or recommended to be paid for the half-year ended 31 December 2017.

6. Details of dividend reinvestment plans

N/A

7 Details of associate and joint venture entities

On 10 July 2017, the Company announced that it had executed a Letter of Intent with TargImmune Therapeutics AG (Basel, Switzerland) to enter into a joint venture between the two companies. The joint venture, to be called Race Immunotherapeutics (RITX), will focus on developing new and improved cancer therapies based on combining Bisantrone with TargImmune's targeted cancer therapy technology. The RITX joint venture will be a 50:50 partnership between Race and TargImmune, and all new intellectual property created by RITX will be equally co-owned by the parties through their ownership of the joint venture. The joint venture agreement had not yet been finalised at 31 December 2017.

8. Foreign entities

N/A

9. Audit

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



Peter Molloy
Managing Director

20 February 2018



RACE ONCOLOGY LIMITED
ACN 149 318 749
INTERIM FINANCIAL REPORT 31 DECEMBER 2017

CONTENTS

	Page
Directors' Report	3
Auditor's Independence Declaration	5
Financial Report	6
Directors' Declaration	19
Independent Auditor's Review Report	20

Corporate Directory

Directors

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

Company Secretary

Peter Webse

Registered office

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

Auditor

Bentleys Audit & Corporate (WA) Pty Ltd
Level 3
216 St Georges Terrace
PERTH WA 6000

Share Registry

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

Securities Exchange Listing

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

ASX Code – RAC

RACE ONCOLOGY LIMITED
ACN 149 318 749
INTERIM FINANCIAL REPORT 31 DECEMBER 2017

DIRECTORS' REPORT

Your directors present the financial report of the Company for the half-year ended 31 December 2017.

DIRECTORS

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

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

REVIEW OF OPERATIONS

Race's 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). This plan has not changed since our listing in July 2016 and Race made further strides towards these two outcomes during the half year.

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 approval for Bisantrene.

On 12 September 2017, the Company announced the production of the first batch of Bisantrene under GMP (Good Manufacturing Practice). Two batches have been subsequently released for sale and will be available for supply to hospitals in various countries under a Named Patient Program (NPP) for treatment of Acute Myeloid Leukaemia.

In addition to driving forward the Bisantrene production, regulatory and NPP programs, on 10 July 2017, the Company executed a letter of intent with TargImmune Therapeutics AG (Basel, Switzerland) to enter into a 50:50 joint venture. The joint venture is intended to focus on developing new and improved cancer therapies based on combining Bisantrene with TargImmune's targeted immune-therapy technology.

The Company raised some additional 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. The placement shares were issued via two tranches:

- First tranche of 11.25 million shares was within the Company's existing 15% and 10% placement capacity and was issued on 20 July 2017.
- Second tranche of 1.25 million shares and the 6.25 million free attaching options were issued after approval of shareholders obtained at the General Meeting (GM) on 30 August 2017.

Following the share placement, the Company agreed to issue 2,000,000 unlisted options each to its corporate advisors, Merchant Capital Markets Pty Ltd (now Nascent Capital Partners) and 708 Capital Pty Ltd, exercisable at \$0.30 each on or before 30 September 2018.

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.

FINANCIAL PERFORMANCE

The loss for the six months ended 31 December 2017 was \$3,488,470 this was inclusive of non-cash share based payments of \$1,324,046 (2016: loss \$2,081,351).

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 24 January 2018, the Company announced the receipt of a \$170,262 R&D tax incentive refund for the 2016/2017 financial year. The R&D tax incentive is an important Australian Government program that refunds up to 45% of eligible expenditure on research and development.

On 29 January 2018, the Company announced that a key Bisantrene patent has received "Notice of Allowance" in the US. Once 'allowed' in a jurisdiction, a patent can proceed to a 'granted' patent. The patent titled, "Combination Methods to Improve the Therapeutic Benefit of Bisantrene and Analogs and Derivative Thereof," is one of two Bisantrene patents filed in the US, Europe and five other key countries.

RACE ONCOLOGY LIMITED
ACN 149 318 749
INTERIM FINANCIAL REPORT 31 DECEMBER 2017

On 9 February 2018, the Company issued 56,250 shares following the exercise of unlisted options exercisable at \$0.30 and expiring on the 30 September 2018.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 5 of the financial report.

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

On behalf of the Directors


Managing Director
Melbourne, Victoria
Dated: 20 February 2018

**Bentleys Audit & Corporate
(WA) Pty Ltd**

London House

Level 3,

216 St Georges Terrace

Perth WA 6000

PO Box 7775

Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au

To the Board of Directors

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

As lead audit director for the review of the financial statements of Race Oncology Limited for the period ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully



BENTLEYS
Chartered Accountants



DOUG BELL CA
Director

Dated at Perth this 20th day of February 2018

Race Oncology Limited
Financial Report for the half-year ended 31 December 2017

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

		31 December	31 December
		2017	2016
	Note	\$	\$
Revenue			
Interest received		9,783	15,817
R&D tax incentive		170,262	-
Salaries and employee benefits expense		(76,058)	(82,365)
Accounting and audit fees		(31,608)	(47,161)
Amortisation	3	(125,000)	(83,333)
Business development		(347,318)	(303,528)
Corporate advice fees		(110,559)	(43,100)
Director fees		(105,750)	(103,000)
Research and development expense		(1,146,051)	(497,027)
Share based payment expense	7	(1,324,046)	(795,500)
Travel and accommodation		(167,246)	(86,728)
Other expenses		(234,879)	(55,426)
Results from operating activities		(3,488,470)	(2,081,351)
Loss before income tax			
Income tax expense		-	-
Loss for the period		(3,488,470)	(2,081,351)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation (net of tax)		199	-
Total comprehensive loss for the period net of tax		(3,488,271)	(2,081,351)
Basic and diluted loss per share (cents per share)		(5.47)	(3.95)

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

Race Oncology Limited
Financial Report for the half-year ended 31 December 2017

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	31 December 2017 \$	30 June 2017 \$
CURRENT ASSETS			
Cash and cash equivalents		1,634,526	1,696,834
Trade and other receivables	2	172,068	1,815
Other assets		42,801	52,212
TOTAL CURRENT ASSETS		1,849,395	1,750,861
NON CURRENT ASSETS			
Intangible assets	3	4,125,000	4,250,000
TOTAL NON CURRENT ASSETS		4,125,000	4,250,000
TOTAL ASSETS		5,974,395	6,000,861
CURRENT LIABILITIES			
Trade and other payables	4	150,341	353,572
Provision		16,250	10,000
TOTAL CURRENT LIABILITIES		166,591	363,572
TOTAL LIABILITIES		166,591	363,572
NET ASSETS		5,807,804	5,637,289
SHAREHOLDERS' EQUITY			
Issued capital	5	10,828,040	8,493,301
Accumulated losses		(8,245,430)	(4,756,960)
Reserve shares	5b	(800,000)	(800,000)
Reserve	6	4,025,194	2,700,948
SHAREHOLDERS' EQUITY		5,807,804	5,637,289

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

Race Oncology Limited
Financial Report for the half-year ended 31 December 2017

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

		Issued Capital	Accumulated Losses	Reserves	Total
	Note	\$	\$	\$	\$
Balance at 1 July 2016		4,663,301	(585,405)	-	4,077,896
Loss attributable to members		-	(2,081,351)	-	(2,081,351)
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		-	(2,081,351)	-	(2,081,351)

**Transactions with owners, in their capacity as owners
and other transfers**

Shares issued pursuant to acquisition of Update Pharma	5	3,000,000	-	-	3,000,000
Share based payments	7	-	-	2,295,500	2,295,500
Shares issued pursuant to loan plan	5	800,000	-	(800,000)	-
BALANCE AT 31 DECEMBER 2016		8,463,301	(2,666,756)	1,495,500	7,292,045

		Issued Capital	Accumulated Losses	Reserves	Total
	Note	\$	\$	\$	\$
Balance at 1 July 2017		8,463,301	(4,756,960)	1,900,948	5,637,289
Loss attributable to members		-	(3,488,470)	-	(3,488,470)
Other comprehensive income for the period		-	-	199	199
Total comprehensive income for the period		-	(3,488,470)	199	(3,488,271)

**Transactions with owners, in their capacity as owners
and other transfers**

Issue of share capital net of costs	5	2,334,739	-	-	2,334,739
Share based payments	7	-	-	1,332,187	1,332,187
Extinguishment of options	5	-	-	(8,140)	(8,140)
BALANCE AT 31 DECEMBER 2017		10,828,040	(8,245,430)	3,225,194	5,807,804

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

Race Oncology Limited
Financial Report for the half-year ended 31 December 2017

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	31 December 2017	31 December 2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	9,783	15,817
Payments to suppliers and employees	(825,469)	(425,986)
Payments for research and development	(1,223,202)	(383,576)
Payments for advertising and marketing	(348,332)	(369,795)
Net cash used in operating activities	(2,387,220)	(1,163,540)
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		
Payments to lender	-	(5,246)
Proceeds from shares issued	2,500,000	-
Capital raising costs	(154,327)	(264,000)
Net cash (used in)/provided by financing activities	2,345,673	(269,246)
Net (decrease) in cash held	(41,547)	(1,332,113)
Foreign currency translation	(20,761)	27,781
Cash at beginning of the period	1,696,834	4,349,342
Cash at end of the period	1,634,526	3,045,010

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

Race Oncology Limited

Financial Report for the half-year ended 31 December 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

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

The interim financial report was issued on 20 February 2018 by the directors of the Company.

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

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2017 and any public announcements made by Race Oncology during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

b) Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2017 annual financial report for the financial year ended 30 June 2017, except for the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standard and with International Financial Reporting Standards.

Going Concern

The half year 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 half year ended 31 December 2017 of \$3,488,470 (2016: \$2,081,351) and net cash outflows from operating activities of \$2,387,220 (2016: \$1,163,540).

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 cashflows 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.

Based on the cash flow forecast 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 raising capital 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 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.

Intangible assets

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

Race Oncology Limited
Financial Report for the half-year ended 31 December 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Research and development costs

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

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

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

Patents

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

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

Amendments to AASBs and the new Interpretation

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

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

- AASB 2014-1: Amendments to Australian Accounting Standards (Part D);
- AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations;
- AASB 2014-4: Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation;
- AASB 2014-6: Amendments to Australian Accounting Standards – Agriculture: Bearer Plants;

Race Oncology Limited
Financial Report for the half-year ended 31 December 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- AASB 2014-9: Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements;
- AASB 2015-1: Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle;
- AASB 2015-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101;
- AASB 2015-5: Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception; and
- AASB 2015-9: Amendments to Australian Accounting Standards – Scope and Application Paragraphs.

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

Critical accounting estimates and judgements

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

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

Share-based payments

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

Amortisation of patents

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

c) Segment Information

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

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

e) Equity-settled compensation

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

Race Oncology Limited
Financial Report for the half-year ended 31 December 2017

NOTE 2. TRADE AND OTHER RECEIVABLES

	31 December 17	30 June 17
R&D tax incentive refund	170,262	-
GST	1,806	1,815
Total trade and other receivables	172,068	1,815

NOTE 3. INTANGIBLE ASSETS

	31 December 17	30 June 17
At cost	4,500,000	4,500,000
Accumulated amortisation	(375,000)	(250,000)
Total intangible assets	4,125,000	4,250,000

Movement during the half-year

Intellectual Property

Balance at 1 July 2017	4,250,000
Amortisation expense	(125,000)
Balance at 31 December 2017	4,125,000

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

NOTE 4. TRADE AND OTHER PAYABLES

	31 December 17	30 June 17
Trade and other payables	77,314	192,643
Accruals	73,027	160,929
Total trade and other payables	150,341	353,572

NOTE 5. ISSUED AND UNISSUED CAPITAL

	31 December 17	30 June 17
Opening balance	8,493,301	4,663,301
Shares issued during the half year	2,500,000	-
Called up capital on partly paid shares received	-	-
Shares applied for but unissued	-	(4,300,000)
Issued capital – Pursuant to prospectus	-	4,300,000
Issued capital – Consideration for acquisition of Update Pharma	-	3,000,000
Issued capital – Loan shares to related party	-	800,000
Issued capital - Pursuant to 3rd party service agreement	-	30,000
Less: transaction costs arising from issued of shares	(165,261)	-
	10,828,040	8,493,301

The Company has issued share capital amounting to 65,337,501 ordinary shares (30 June 2017: 52,687,501 ordinary shares) of no par value and the Company does not have a limited amount of authorised capital.

Race Oncology Limited
Financial Report for the half-year ended 31 December 2017

NOTE 5. ISSUED AND UNISSUED CAPITAL (continued)

a. Ordinary shares – Fully Paid

	No. of shares	
	31 December 17	30 June 17
At beginning of year	52,837,501	12,187,501
Shares issued during the half year	12,500,000	-
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 3 rd party service agreement	-	150,000
At end of the period/year	65,337,501	52,837,501

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

b. Reserve Shares

	Date	Quantity	Unit Price \$	Total \$
Reserve shares (loan shares)	1 July 2016	4,000,000	\$0.20	800,000
Balance at 31 December 2017		4,000,000		800,000

Employee Loan Shares

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

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

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

Repayment date

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

Sale of Loan Shares

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

Race Oncology Limited
Financial Report for the half-year ended 31 December 2017

NOTE 5. ISSUED AND UNISSUED CAPITAL (continued)

Vesting conditions

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

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

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

NOTE 6. RESERVE		31 December 17	30 June 17
Opening balance		2,700,948	-
Share based payment – consideration for acquisition of Update Pharma	7	-	1,500,000
Share based payment expense	7	1,332,187	1,200,948
Options lapsed		(8,140)	-
Foreign currency reserve		199	-
Closing balance		<u>4,025,194</u>	<u>2,700,948</u>

a. Performance Shares Issued

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

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

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

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

Refer to Note 7 for additional information on Performance Shares.

NOTE 7. SHARE-BASED PAYMENTS

The following share based payment arrangement existed at 31 December 2017:

On 1 July 2016, the following securities were issued:

- a) 15,000,000 ordinary shares and 10,000,000 performance shares were issued to Update Pharma in consideration for the acquisition of intellectual property from Update Pharma. Additional detail on Performance Shares noted below.
- b) 4,000,000 shares and 6,000,000 Options (exercisable at \$0.25 and expiring 5 years from the date of issue, being 1 July 2021) to Mr Peter Molloy (or his nominee), Managing Director and Chief Executive Officer;
- (c) 3,000,000 Options (exercisable at \$0.25 and expiring 5 years from the date of issue, being 1 July 2021) to John Rothman (or his nominee), Chief Scientific Officer; and
- (d) 5,000,000 Options (exercisable at \$0.25 and expiring 2 years from the date of issue, being 1 July 2018) each to Daniel Moore and Chris Ntoumenopoulos (or their nominees), directors.

Race Oncology Limited
Financial Report for the half-year ended 31 December 2017

NOTE 7. SHARE-BASED PAYMENTS (continued)

On 22 November 2016, the Company issued 200,000 unlisted options to DEL Biopharma LLC exercisable at \$0.256 each on or before 1 August 2021 and vesting on 1 August 2017. The number of unlisted options vesting at the vesting date was calculated based on the performance against key performance indicators pursuant to the terms and conditions of a consulting agreement and as a result, 135,000 of the options vested on 1 August 2017.

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

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

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

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 30 August 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.

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 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.

Recipient	Class of SBP	Quantity	Grant date Fair Value	Value recognised during the year	Value to be recognised in future years
Brendan De Kauwe	Unlisted share options	2,000,000	\$0.32	252,904	-
Chris Ntoumenopoulos	Unlisted share options	2,000,000	\$0.32	252,904	-
		<u>4,000,000</u>		<u>505,808</u>	<u>-</u>

No options were exercised during the half year.

Race Oncology Limited
Financial Report for the half-year ended 31 December 2017

NOTE 7. SHARE-BASED PAYMENTS (continued)

Fair value of options

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

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

Unlisted Share Options	Advisor Options	Brendan De Kauwe and Chris Ntoumenopoulos	Brendan De Kauwe and Chris Ntoumenopoulos
Exercise price	\$0.30	\$0.49	\$0.65
Share price at date of issue	\$0.36	\$0.32	\$0.32
Grant date	30 Aug 2017	21 Nov 2017	21 Nov 2017
Expected volatility	100%	100%	100%
Expiry date	30 Aug 2018	22 Nov 2019	22 Nov 2019
Risk free interest rate	1.79%	1.76%	1.76%
Value per option	\$0.1665	\$0.1371	\$0.1158
Number of options	4,000,000	2,000,000	2,000,000
Total value of options	\$665,963	\$274,273	\$231,536

Performance Shares

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

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

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

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

NOTE 8. CONTINGENT LIABILITIES

The joint venture agreement between the Company and TargImmune Therapeutics AG stipulates during the term of the joint venture the Company will pay TargImmune a 4% royalty on the worldwide Named Patient Program (NPP) net sales of Bisantrone. Sales of Bisantrone made outside of any NPP program are not subject to royalty payment to TargImmune.

NOTE 9. FINANCIAL INSTRUMENTS

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

NOTE 10. SUBSEQUENT EVENTS

On 24 January 2018, the Company announced the receipt of a \$170,262 R&D tax incentive refund for the 2016/2017 financial year. The R&D tax incentive is an important Australian Government program that refunds up to 45% of eligible expenditure on research and development.

On 29 January 2018, the Company announced that a key Bisantrone patent has received "Notice of Allowance" in the US. Once 'allowed' in a jurisdiction, a patent can proceed to a 'granted' patent. The patent titled, "Combination Methods to Improve the Therapeutic Benefit of Bisantrone and Analogs and Derivative Thereof," is one of two Bisantrone patents filed in the US, Europe and five other key countries.

On 9 February 2018, the Company issued 56,250 shares following the exercise of unlisted options exercisable at \$0.30 and expiring on the 30 September 2018.

NOTE 11. RELATED PARTY TRANSACTIONS

The related party transactions of the half-year financial report are consistent with those adopted and disclosed in the Company's 2017 annual financial report for the financial year ended 30 June 2017 except for the share based payments as disclosed in note 7.

Race Oncology Limited
Financial Report for the half-year ended 31 December 2017

DIRECTORS' DECLARATION

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with the accounting standards and giving true and fair view of the financial position as at 31 December 2017 and its performance for the half-year then ended.

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

On behalf of the Directors



Managing Director
Melbourne, Victoria
Dated: 20 February 2018

Independent Auditor's Review Report

To the Members of Race Oncology Limited

We have reviewed the accompanying financial report of Race Oncology Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the period.

Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independent Auditor's Review Report

To the Members of Race Oncology Limited (Continued)



Independence

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

Conclusion

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

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its performance for the period ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

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 \$3,488,470 during the half year ended 31 December 2017. 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 conclusion is not modified in respect of this matter.

BENTLEYS
Chartered Accountants

DOUG BELL CA
Director

Dated at Perth this 20th day of February 2018