
RACE ONCOLOGY LIMITED

ACN 149 318 749

NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 10.30am (AEST)

DATE: 11 August 2020

PLACE: The Company is pleased to provide Shareholders with the opportunity to attend and participate in a virtual Meeting through an online meeting platform powered by Automic, where Shareholders will be able to watch, listen, and vote online.

Details on how to access the virtual Meeting are set out in this Notice.

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 10:30am (AEST) on 9 August 2020.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – SELECTIVE SHARE BUY-BACK FROM DR PETER MOLLOY

To consider, and if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

“That, for the purposes of Listing Rule 10.1, section 257D of the Corporations Act and for all other purposes, approval is given for the Company to selectively buy-back and cancel 2,222,222 Shares currently held by Dr Peter Molloy on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of this Resolution by Dr Peter Molloy and any other person who will obtain a material benefit as a result of the Buy-Back (except a benefit solely by reason of being a holder of ordinary securities in the entity) or any of their associates.

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

EXPERT’S REPORT

Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under ASX Listing Rule 10.5.10. The Independent Expert’s Report comments on the fairness and reasonableness of the transaction the subject of this Resolution to the non-associated Shareholders in the Company. The Independent Expert considers the transaction the subject of this Resolution to be Fair and Reasonable to the non-associated Shareholders in the Company.

2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF PLACEMENT SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 6,000,000 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of the Resolution by or on behalf of the Placement Participants or any of their associates.

However, this does not apply to a vote cast in favour of the Resolution by:

- (d) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or

- (e) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (f) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF ADVISOR OPTIONS TO NASCENT CAPITAL PARTNERS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 1,500,000 Options (each exercisable at \$0.45 on or before 12 March 2022) (**Advisor Options**) to Nascent Capital Partners (or its nominees) on the terms and conditions set out in the Explanatory Statement.”*

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of the Resolution by or on behalf of Nascent Capital Partners Pty Ltd (or its nominees) or any of their associates.

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Dated: 9 July 2020

By order of the Board



**Peter Webse
Company Secretary**

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two (2) proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Voting in person

The Company is pleased to provide Shareholders with the opportunity to attend and participate in a virtual Meeting through an online meeting platform powered by Automic, where Shareholders will be able to watch, listen, and vote online.

Virtual Meeting

Venue

If you wish to virtually attend the Meeting (which will be broadcast as a live webinar), please pre-register in advance for the virtual Meeting here:

https://us02web.zoom.us/webinar/register/WN_e7n5dITIRhejw-l8iVqljw

After registering, you will receive a confirmation containing information on how to attend the virtual Meeting.

Shareholders will be able to vote and ask questions at the virtual Meeting. Shareholders are also encouraged to submit questions in advance of the Meeting to the Company. Questions must be submitted in writing to Peter Webse, Company Secretary at pwebse@governancecorp.com.au at least 48 hours before the Meeting.

The Company will also provide Shareholders with the opportunity to ask questions during the Meeting in respect to the formal items of business as well as general questions in respect to the Company and its business.

Voting virtually

Shareholders who wish to vote virtually on the day of the Meeting will need to login to the Automic website (<https://investor.automic.com.au/#/home>) with their username and password.

Shareholders who do not have an account with Automic are strongly encouraged to register for an account **as soon as possible and well in advance** of the Meeting to avoid any delays on the day of the Meeting.

How do I create an account with Automic?

To create an account with Automic, please go to the Automic website (<https://investor.automic.com.au/#/home>), click on 'register' and follow the steps. Shareholders will require their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) to create an account with Automic.

I have an account with Automic, what are the next steps?

Shareholders who have an existing account with Automic (Note: with a username and password) are advised to take the following steps to attend and vote virtually on the day of the Meeting:

1. Login to the Automic website (<https://investor.automic.com.au/#/home>) using your username and password.
2. If registration for the virtual Meeting is open, click on 'Meeting open for registration' and follow the steps.
3. If live voting for the virtual Meeting is open, click on 'Meeting open for voting' and follow the steps.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 6377 8043.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. RESOLUTION 1 – SELECTIVE SHARE BUY-BACK FROM DR PETER MOLLOY

1.1 Background and summary of Buy-Back agreement

Dr Molloy was issued 4,000,000 fully paid ordinary shares in the Company (**Loan Shares**) in connection with the Company's Initial Public Offering and listing on the ASX. The Loan Shares were issued at a deemed issue price of \$0.20 each, funded through a limited recourse loan of \$800,000 from the Company (**Loan**) under a share and loan offer letter dated 8 May 2016 (**Offer Letter**).

Following Dr Molloy's resignation as Managing Director and CEO of the Company, which took effect on 20 May 2020, the Loan became repayable pursuant to the terms of the Offer Letter and the Voluntary Restriction and Share Buy-Back Deed dated 13 July 2016 between the Company and Dr Molloy (**Restriction Deed**).

As announced on 16 June 2020, as permitted under the terms of the Offer Letter and the Restriction Deed, the Company has agreed with Dr Molloy that, subject to shareholder approval, the Loan will be repaid through a selective buy-back and cancellation of \$800,000 worth of the Loan Shares under Part 2J.1, Division 2 of the Corporations Act (**Buy-Back**).

Subject to shareholder approval, the Company will buy-back 2,222,222 of the Loan Shares (**Buy-Back Shares**) at a price of \$0.36 per Buy-Back Share (being the volume weighted average price for shares in the Company for the five trading day period up to and including 18 May 2020, being the day on which Dr Molloy gave notice to the Company of his resignation) (**Buy-Back Price**).

On completion of the Buy-Back, the Loan will be deemed to have been fully and finally repaid, and the Company will lift the holding lock on the remaining 1,777,778 Loan Shares held by Dr Molloy.

If Shareholders do not approve the Buy-Back, the Company has agreed with Dr Molloy that the Company will lift the holding lock on all of the Loan Shares to facilitate Dr Molloy selling the Loan Shares to repay the Loan on the basis that any proceeds received from the sale of the Loan Shares must first be applied to repayment of the Loan (with no set off or deduction for any broker fees or other costs, all of which must be borne by Dr Molloy). Once the Loan has been repaid in full, Dr Molloy will be free to sell any remaining Loan Shares held by him.

1.2 Corporations Act Requirements

The Corporations Act provides that the rules relating to share buy-backs are designed to protect the interests of shareholders and creditors by:

- (a) addressing the risk of the transaction leading to the company's insolvency;
- (b) seeking to ensure fairness between the shareholders of the company; and

- (c) requiring the company to disclose all material information.

In particular, section 257A of the Corporations Act requires that a company may buy back its own shares if:

- (a) the buy-back does not materially prejudice the company's ability to pay its creditors; and
- (b) the company follows the procedures laid down in Division 2 of Part 2J.1 of the Corporations Act.

Pursuant to section 257D(1) of the Corporations Act, a share buy-back must be approved by either:

- (a) a special resolution passed at a general meeting of the company, with no votes being cast in favour of the resolution by any person whose shares are to be bought back or by their associates; or
- (b) a resolution agreed to, at a general meeting by all ordinary shareholders.

Pursuant to section 257D(2) of the Corporations Act, the Company must include with this Notice of Meeting a statement setting out all information known to the Company that is material to the decision on how to vote on this Resolution 1. However, the Company does not have to disclose information if it would be unreasonable to require the Company to do so because the Company has previously disclosed the information to Shareholders.

Section 257H of the Corporations Act states that immediately after the registration of the transfer to the company of the shares bought back, the shares will be cancelled.

1.3 Summary of and effect of proposed Share Buy-Back

The Buy-Back Price will be paid by set-off against the Loan, such that the Loan will be deemed to be repaid in full on completion of the Buy-Back.

The overall effect on the Company of the Buy-Back will be to reduce the total number of Shares on issue by 2,222,222 Shares, amounting to 1.92% of the total issued Shares. The Buy-Back will not have an effect on control of the Company.

Other than as set out in this Section, the Buy-Back will not have a financial effect on the Company.

1.4 Advantages and disadvantages of the Share Buy-Back

The Board believes that the Buy-Back will advantage Shareholders as there will be a lesser number of Shares on issue following the set off against the Loan, which will result in a small increase in the respective ownership interests in the Company of each Shareholder.

As noted above, if Shareholders do not approve the Buy-Back, the Company has agreed with Dr Molloy that the Company will lift the holding lock on all of the Loan Shares to facilitate Dr Molloy selling the Loan Shares to repay the Loan on the basis that any proceeds received from the sale of the Loan Shares must first be applied to repayment of the Loan (with no set off or deduction for any broker fees or other costs, all of which must be borne by Dr Molloy). Once the Loan has been repaid in full, Dr Molloy will be free to sell any remaining Loan Shares held

by him. This means that a larger number of the Loan Shares are likely to be sold than if the Buy-Back is implemented, which may have an impact on the price for Shares.

1.5 Listing Rule 10.1

Listing Rule 10 deals with transactions between an entity (or any of its subsidiaries) and persons in a position to influence the entity.

Persons of influence

Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not acquire, or agrees to acquire, a "substantial asset" from, or dispose, or agree to dispose, of a substantial asset to, any of the following persons without the approval of the entity's security holders:

- (a) a related party;
- (b) a subsidiary;
- (c) a person who is, or was at any time in the 6 months before the transaction or agreement, a substantial (10%+) holder in the entity.;
- (d) an associate of a person referred to in (a) to (c) above; or
- (e) a person whose relationship to the entity is such that, in ASX's opinion, the transaction should be approved by security holders.

Dr Molloy is a related party of the Company by virtue of having been a director in the last 6 months.

What is a substantial asset?

Under Listing Rule 10.2, an asset is "substantial" if its value or the value of the consideration being paid or received by the entity for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity, as set out in the latest accounts given to ASX under the listing rules.

The equity interests of the Company as defined by the ASX Listing Rules and as set out in the latest accounts given to ASX under the ASX Listing Rules (being for the financial year ended 31 December 2019) were \$5,460,306. Therefore, the consideration payable for the Buy-Back Shares, being the set-off of the \$800,000 Loan, will be greater than 5% of the equity interest in the Company.

Technical information required by Listing Rule 10.5

Pursuant to and in accordance with Listing Rule 10.5, the following information is provided in relation to Resolution 1:

- (a) the Company will, subject to Shareholder approval, undertake the Buy-Back with Dr Molloy;
- (b) as a former Director within the last 6 months, Dr Molloy is a related party in accordance with ASX Listing Rule 10.1.1;
- (c) as noted at Section 1.3, the Buy-Back Price will be paid by set-off against the Loan, such that the Loan will be deemed to be repaid in full on completion of the Buy-Back;

- (d) the Company will implement the Buy-Back and then cancel the Buy-Back Shares immediately following the Meeting;
- (e) a summary of the material terms of the Buy Back Agreement are detailed at Section 1.1;
- (f) a voting exclusion statement is included in Resolution 1 of the Notice; and
- (g) the Independent Expert's Report is attached at Schedule 1 of the Notice (refer to Section 1.6 below for a summary of the Independent Expert's opinion).

1.6 Independent Expert's Report

The Independent Expert has been asked to prepare a report, for the purpose of ASX Listing Rule 10.5.10, on whether the Buy-Back is fair and reasonable.

The Independent Expert has concluded that the Buy-Back is fair and reasonable to non-associated Shareholders.

The Independent Expert considers the advantages and disadvantages of the Buy Back to be as follows:

Advantages to Buy-Back

- The Buy Back is fair to the non-associated Shareholders.
- If the Buy-Back is approved, it will restrict the number of Loan Shares that could be potentially sold on the market by Dr Peter Molloy if the holding lock were to be lifted. Significant volumes of shares being sold on an open market can cause a negative effect on the traded share price.
- If the Buy-Back is approved, the total number of Shares on issue will be reduced by 2,222,222 Shares and there would be a slight increase in ownership percentage interests of the non-associated Shareholders in the Company.
- The Buy-Back is being completed at a significant discount to the current traded Share price of the Company.

Disadvantages to Buy-Back

- If the Buy-Back is approved, the Company will not receive the outstanding Loan in cash but will instead reduce the number of Shares on issue by the amount owed by Dr Peter Molloy. The cash could have been used to support ongoing operations of the Company and research and development activities.

1.7 Shareholders are urged to consider the Independent Expert's Report in detail and if in doubt seek advice from their professional advisers prior to voting. Directors' recommendation

Each of the Directors is independent from, and not an associate of, Dr Molloy and believe that the Buy-Back will not prejudice the Company's ability to pay its creditors.

Each of the Directors recommends that Shareholders vote in favour of Resolution 1 and confirm that they intend to vote in favour of the Resolution.

1.8 Other material information

There is no information material to the making of a decision by a Shareholder whether or not to approve Resolution 1 being information that is known to any of the Directors and which has not been previously disclosed to Shareholders, other than as disclosed in this Notice.

As noted above, pursuant to section 257H(3) of the Corporations Act, immediately after the registration of the transfer to the Company of the Buy-Back Shares bought back from Dr Molloy, the Shares will be cancelled.

2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF PLACEMENT SHARES

2.1 General

On 12 March 2020, the Company issued 6,000,000 Shares (**Placement Shares**) at an issue price of \$0.30 per Share to raise \$1,800,000 (**Placement**).

The Company engaged the services of Nascent Capital Partners Pty Ltd (ACN 154 848 469) (authorised representative (Rep. No. 415728) of Nascent Financial Services Pty Ltd (ACN 149 612 779) (AFSL 402234)) (**Nascent**), to manage the Placement. The Company paid the following fees to Nascent for these services:

- (a) a placement fee of \$108,000 (being, 6% of the amount raised under the issue of the Placement Shares, exclusive of GST); and
- (b) the issue of 1,500,000 Adviser Options to Nascent (refer to Section 3 for further details).

Under the Nascent mandate, the Company also appointed Nascent to provide corporate advisory services to the Company for a period of 12 months, with a monthly fee of \$5,000 (plus GST) payable to Nascent for the provision of those services.

Broadly speaking, and subject to a number of exceptions set out in Listing Rule 7.2, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that 12 month period.

Under Listing Rule 7.1A, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25%.

The Company obtained approval to increase its limit to 25% at the annual general meeting held on 22 November 2019.

The issue of the Placement Shares does not fit within any of the exceptions to Listing Rule 7.1 and, as it has not yet been approved by Shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the date of issue of the Placement Shares.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1. Accordingly, the Company is seeking Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Placement Shares.

Resolution 2 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Placement Shares.

2.2 Technical information required by Listing Rule 14.1A

If Resolution 2 is passed, the Placement Shares will be excluded in calculating the Company's combined 25% limit in Listing Rules 7.1 and 7.1A, effectively increasing the number of equity securities the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Placement Shares.

If Resolution 2 is not passed, the Placement Shares will be included in calculating the Company's combined 25% limit in Listing Rules 7.1 and 7.1A, effectively decreasing the number of equity securities that the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Placement Shares.

2.3 Technical information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to Resolution 2:

- (a) the Placement Shares were issued to sophisticated and professional investors, including Merchant Opportunities Fund a cornerstone investor of the Company, identified through a bookbuild process, which involved Nascent seeking expressions of interest to participate in the capital raising from non-related parties of the Company (**Placement Participants**). None of the Placement Participants is a related party of the Company.

It is noted that Mr Phillip Lynch, who is now a Director, participated in the Placement through an entity related to him, which was issued 333,333 of the Placement Shares. At the time of the Placement, Mr Lynch was not a related party of the Company and participated in the Placement on the same terms as all other parties.

Under the Placement, Capricorn Investment Partners (Nominees) Pty Ltd as trustee for the Merchant Opportunities Fund received 1,328,914 of the Placement Shares (more than 1% of Shares on issue at that time). Merchant Opportunities Fund (and related companies) lodged a substantial holder notice with the Company on 11 March 2020 which indicated that its total voting power in the Company (including those Placement Shares) through various entities was 7.40%. While Nascent was separately owned at the time of the Placement, for completeness it

is noted that Nascent is now owned by entities related to Merchant Opportunities Fund.

Otherwise, none of the Placement Participants was:

- (i) a related party of the Company;
- (ii) a member of key management personnel;
- (iii) a substantial holder in the Company;
- (iv) an adviser to the Company; or
- (v) an associate to any of the above,

and issued more than 1% of the Company's current issued capital;

- (b) 6,000,000 Placement Shares were issued as fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (c) the Placement Shares were issued on 12 March 2020;
- (d) the issue price was \$0.30 per Placement Share. The Company has not and will not receive any other consideration for the issue of the Placement Shares;
- (e) the purpose of the issue of the Placement Shares was to raise \$1,800,000 (before costs), which will be applied towards actively advancing the 5-path clinical development strategy;
- (f) the Placement Shares were not issued under an agreement; and
- (g) a voting exclusion statement is included in Resolution 2 of the Notice.

3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF ADVISOR OPTIONS TO NASCENT CAPITAL PARTNERS

3.1 General

On 12 March 2020, the Company issued 1,500,000 Options (each exercisable at \$0.45 on or before 12 March 2022, and otherwise on the terms set out in Schedule 2) in part consideration for lead manager and advisory services provided by Nascent, in accordance with the Company's March placement (**Advisor Options**).

Listing Rules 7.1, 7.1A and 7.4 are summarised in Section 2.1 above.

The issue of the Advisor Options does not fit within any of the exceptions to Listing Rule 7.1 and, as it has not yet been approved by Shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the date of issue of the Advisor Options.

The Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1. Accordingly, the Company is seeking

Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Advisor Options.

Resolution 3 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Advisor Options.

3.2 Technical information required by Listing Rule 14.1A

If Resolution 3 is passed, the Advisor Options will be excluded in calculating the Company's combined 25% limit in Listing Rules 7.1 and 7.1A, effectively increasing the number of equity securities the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Advisor Options.

If Resolution 3 is not passed, the Advisor Options will be included in calculating the Company's combined 25% limit in Listing Rules 7.1 and 7.1A, effectively decreasing the number of equity securities that the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Advisor Options.

3.3 Technical information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to Resolution 3:

- (a) the Advisor Options were issued to nominees of Nascent, who are not related parties of the Company;
- (b) 1,500,000 Advisor Options were issued on the terms and conditions set out in Schedule 2;
- (c) the Advisor Options were issued on 12 March 2020;
- (d) the Advisor Options were issued at a nil issue price, in part consideration for lead manager and advisory services provided by Nascent, in accordance with the Company's March placement. The Company has not and will not receive any other consideration for the issue of the Advisor Options (other than in respect of funds received on exercise of the Advisor Options);
- (e) the purpose of the issue of the Advisor Options was to satisfy the Company's obligations under the lead manager mandate;
- (f) the Advisor Options were issued to Nascent under the lead manager mandate. A summary of the material terms of the lead manager mandate is set out in Section 2.1; and
- (g) a voting exclusion statement is included in Resolution 3 of the Notice.

GLOSSARY

\$ means Australian dollars.

Advisor Option has the meaning given in Resolution 3.

AEST means Australian Eastern Standard Time.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Each of **Buy-Back**, **Buy-Back Price** and **Buy-Back Shares** has the meaning given in Section 1.1.

Chair means the chair of the Meeting.

Company means Race Oncology Limited (ACN 149 318 749).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Independent Expert means RSM Australia Pty Ltd.

Independent Expert's Report means the report included at Schedule 1.

Listing Rules means the Listing Rules of ASX.

Each of **Loan** and **Loan Shares** has the meaning given in Section 1.1.

Nascent has the meaning given in Section 2.1.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Offer Letter has the meaning given in Section 1.1.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Placement has the meaning given in Section 2.1.

Placement Participants has the meaning given in Section 2.3(a).

Placement Shares has the meaning given in Section 2.1.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Restriction Deed has the meaning given in Section 1.1.

Section means a section of the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – INDEPENDENT EXPERT’S REPORT



RACE ONCOLOGY LIMITED

Financial Services Guide and Independent Expert's Report

July 2020

We have concluded that the Proposed Transaction is Fair and Reasonable

FINANCIAL SERVICES GUIDE

6 July 2020

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 ("RSM Corporate Australia Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing you under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we will provide

For the purposes of our report and this FSG, the financial service we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge various fees for providing different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Most of our directors are also partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM Australia related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination. If a complaint is received in advance of a shareholder meeting or other key date where shareholders or investors may be making decisions which are influenced by our report, we will make all reasonable efforts to respond to complaints prior to that date.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ("AFCA"). AFCA is an independent dispute resolution scheme that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au. You may contact AFCA directly by email, telephone or in writing at the address set out below.

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
Toll Free: 1800 931 678
Email: info@afca.org.au

Time limits may apply to make a complaint to AFCA, so you should act promptly or consult the AFCA website to determine if or when the time limit relevant to your circumstances expires.

Contact details

You may contact us using the details set out at the top of our letterhead on page 5 of this report.

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6 July 2020

The Directors
Race Oncology Limited
140 William Street
Melbourne VIC 3000

Dear Directors

INDEPENDENT EXPERT'S REPORT ("REPORT")

1. Introduction

- 1.1 This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of General Meeting and Explanatory Statement ("Notice") to be provided to shareholders for a General Meeting of Race Oncology Limited ("Race" or "the Company") to be held on or around 11 August 2020, at which shareholder approval will be sought for the selective buy-back and cancellation of 2,222,222 Race Shares ("Buy-Back Shares") from the previous Managing Director and CEO, Dr Peter Molloy, at a price of \$0.36 per share ("the Proposed Transaction").
- 1.2 The request for approval of the Proposed Transaction is included as Resolution 1 in the Notice, as set out below:

Resolution 1 – Selective Buy-Back from Dr Peter Molloy

"That, for the purposes of Listing Rule 10.1, section 257D of the Corporations Act and for all other purposes, approval is given for the Company to selectively buy-back and cancel 2,222,222 Shares currently held by Dr Peter Molloy on the terms and conditions set out in the Explanatory Statement."
- 1.3 Dr Molloy was issued 4,000,000 ordinary shares ("Loan Shares") in Race in connection with the Company's Initial Public Offering and listing on the ASX. The shares were funded through a limited recourse loan of \$800,000 from the Company. Following Dr Molloy's resignation on 20 May 2020, this loan became repayable. The Company and Dr Molloy agreed that the loan will be repaid through a selective buy-back and cancellation of 2,222,222 Race shares held by Dr Molloy, subject to shareholder approval.
- 1.4 On completion of the Proposed Transaction, the loan will be deemed to have been fully repaid, and the Company will lift the holding lock on the remaining 1,777,778 shares owned by Dr Molloy.

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AUDIT | TAX | CONSULTING

RSM Corporate Australia Pty Ltd is beneficially owned by the Directors of RSM Australia Pty Ltd. RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

- 1.5 The Directors of the Company have requested that RSM Corporate Australia Pty Ltd (“RSM”), being independent and qualified for the purpose, express an opinion as to whether the Proposed Transaction is fair and reasonable to shareholders not associated with the Proposed Transaction (“Non-Associated Shareholders”).
- 1.6 The request for approval of the Proposed Transaction in Resolution 1 is not subject to the approval of any other Resolution.
- 1.7 Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this Report.
- 1.8 The ultimate decision whether to approve the Proposed Transaction should be based on each Shareholder’s assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt as to the action they should take with regard to the Proposed Transaction, or the matters dealt with in this Report, Shareholders should seek independent professional advice.

2. Summary and conclusion

Opinion

2.1 In our opinion, and for the reasons set out in Sections 8 and 9 of this Report, the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders of Race.

Approach

2.2 ASX Listing Rule 10.1 states that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to a related party or relevant substantial shareholder or any of its associates without the approval of holders of the entity's ordinary securities.

2.3 An asset is considered substantial "if its value, or the value of the consideration for it is, or in the ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to the ASX".

2.4 ASX Listing Rule 10.5.10 sets out the requirement for the inclusion of an independent expert's report opining on whether the transaction is fair and reasonable.

2.5 We have considered whether or not the Proposed Transaction is "fair" to the Non-Associated Shareholders by assessing and comparing:

- The value of the Buy-Back Shares; with
- The value of the Consideration,

and, considered whether the Proposed Transaction is "reasonable" to the Non-Associated Shareholders by undertaking an analysis of the other factors relating to the Proposed Transaction which are likely to be relevant to the Non-Associated Shareholders in their decision as to whether or not to approve the Proposed Transaction.

2.6 Further information on the approach we have employed in assessing whether the Proposed Transaction is "fair" and "reasonable" is set out at Section 4 of this Report.

Fairness

2.7 Our assessed values of a Race share and the consideration payable are summarised in the table and figure below.

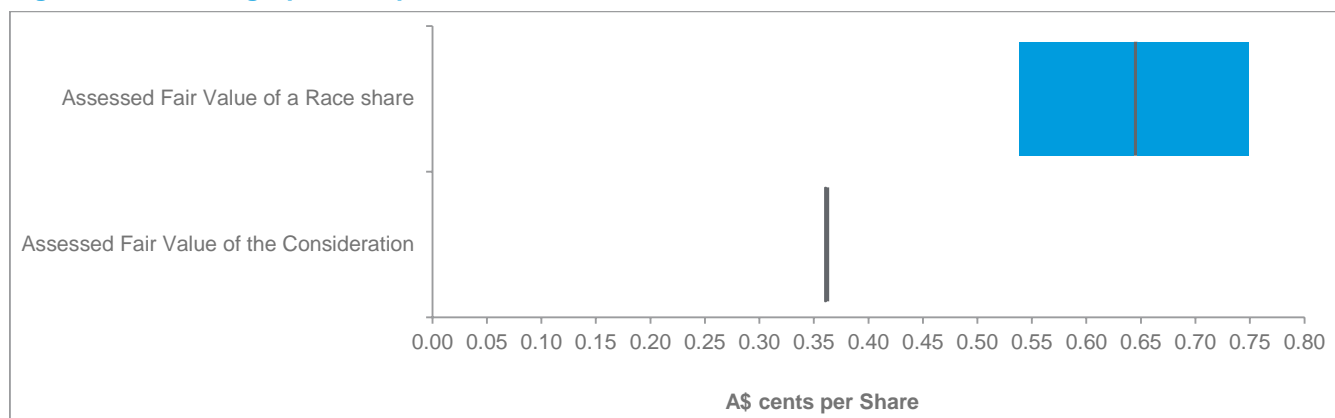
Table 1 Assessment of fairness

Assessment of fairness	Ref	Value		
		Low	High	Preferred
\$				
Assessed Fair Value of a Race share	7.26	0.538	0.749	0.644
Assessed Fair Value of the Consideration	6.17	0.360	0.360	0.360

Source: RSM analysis

2.8 We have summarised the values included in the table above in the chart below.

Figure 1 Fairness graphical representation



Source: RSM analysis

2.9 The chart above indicates that the value of the Consideration is less than the assessed value of the Buyback Shares being acquired.

2.10 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of ASX Listing Rule 10.1, we consider the Proposed Transaction to be **fair** to the Non-Associated Shareholders of Race.

Reasonableness

2.11 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient other reasons for security holders to approve the Proposed Transaction. As such, we have also considered the following factors in relation to the reasonableness aspects of the Proposed Transaction:

- The future prospects of the Company if the Proposed Transaction does not proceed; and
- Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

2.12 If the Proposed Transaction does not proceed the Company has agreed with Dr Molloy that the Company will lift the holding lock on all of the Loan Shares to facilitate Dr Molloy selling the Loan Shares to repay the loan, on the basis that any proceeds received from the sale of the Loan Shares must first be applied to repayment of the loan. Once the Loan has been repaid in full, Dr Molloy will be free to sell any remaining Loan Shares held by him.

2.13 The key advantages of the Proposed Transaction are:

Advantages	Details
The Proposed Transaction is fair	The Proposed Transaction is fair to the Non-Associated Shareholders
Limitation of number of shares that can be traded	If the Proposed Transaction is approved, it will restrict the number of shares that could be potentially sold on the market by Dr Peter Molloy. Significant volumes of shares being sold on an open market can cause a negative effect on the traded share price.
Reduction in total number of shares on issue	If the Proposed Transaction is approved, the total number of shares on issue will be reduced by 2,222,222 shares and there would be a slight increase in ownership percentage interests of the Non-Associated Shareholders in the Company.
Discount to current traded share price	The Buy-Back is being completed at a significant discount to the current traded share price of Race.

2.14 The key disadvantages of the Proposed Transaction are:

Disadvantages	Details
The Company will not receive the \$800,000 in cash	If the Proposed Transaction is approved, the Company will not receive the outstanding loan in cash and instead reduce the number of shares on issue by the amount owed by Dr Peter Molloy. The cash could have been used to support ongoing operations and R&D activities.

2.15 In our opinion, the position of the Non-Associated Shareholders of Race if the Proposed Transaction is approved is more advantageous than if the Proposed Transaction is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of Race.

3. Summary of Proposed Transaction

Overview

- 3.1 Pursuant to a share and loan offer letter dated 8 May 2016 (“Offer Letter”), Dr Peter Molloy, as Managing Director and CEO of the Company, was issued 4,000,000 fully paid ordinary Race shares (“Loan Shares”) in connection with the Company’s Initial Public Offering and listing on the ASX. The Loan Shares were issued at a deemed issue price of \$0.20 each, funded through a limited resource loan of \$800,000 (“Loan”) from the Company. The Loan Shares are currently under escrow of the Company.
- 3.2 On 20 May 2020, the Company announced that Dr Molloy had resigned as Managing Director and CEO of the Company, resulting in the Loan becoming repayable pursuant to terms of the Offer Letter and the Voluntary Restriction and Share Buy-Back Deed dated 13 July 2016 between the Company and Dr Molloy.
- 3.3 On 16 June 2020, Race announced that the Company and Dr Molloy had agreed that the loan will be repaid through a selective buy-back and cancellation of 2,222,222 shares at a price of \$0.36 per share (“Buy-Back Shares”) to total the \$800,000 Loan, subject to shareholder approval. The buy-back price was based on the 5-day volume-weighted average price (“VWAP”) to 18 May 2020, being the resignation date of Dr Molloy.
- 3.4 Upon completion of the Proposed Transaction, the \$800,000 Loan will be deemed to have been repaid in full and the Company will lift the holding lock on the remaining 1,777,778 Loan Shares held by Dr Molloy.

Rationale for the Proposed Transaction

- 3.5 If the Proposed Transaction is approved by the Shareholders, the sale of the Loan shares will be offset against the \$800,000 Loan and the Loan will be deemed to have been repaid in full. Furthermore, the Company will reduce the total number of shares on issue by 2,222,222 Shares, amounting to 1.92% of the total number of issued shares.
- 3.6 Successful completion of the Proposed Transaction will result in a reduction in the Company’s net assets by \$800,000, a lesser number of Race shares on issue and an increase in the respective ownership interests of the non-associated shareholders in the Company, however there will be no impact on control of the Company and no cash will be exchanged.
- 3.7 If the Proposed Transaction is not approved, Race has agreed with Dr Molloy that the holding lock will be lifted on his shares thereby facilitating the sale of these shares in order to repay the \$800,000 loan. In this case, the Company would receive cash of \$800,000 in settlement of the Loan, however there would be no change in the Company’s net assets or in the number of shares on issue.

Impact of Proposed Transaction on Race’s capital structure

- 3.8 The table below sets out a summary of the capital structure of Race prior to and post the Proposed Transaction. The impact is a reduction in the issued share capital of 2,222,222 shares.

Table 2 Share structure of Race prior to and post the Proposed Transaction

	Prior to Proposed Transaction		Post Proposed Transaction	
Ordinary Shares				
Dr Peter Molloy	4,000,000	3.4%	1,777,778	1.6%
Non-Associated Shareholders	113,062,537	96.6%	113,062,537	98.4%
Total undiluted shares on Issue	117,062,537	100%	114,729,204	100.0%

Source: Company

4. Scope of the Report

ASX Listing Rules

- 4.1 ASX Listing Rule 10.1 states that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, a substantial shareholder, a related party or any of its associates without the approval of holders of the entity's ordinary securities.
- 4.2 An asset is considered substantial "if its value, or the value of the consideration for it is, or in the ASX's opinion is 5% or more of the equity interest of the entity as set out in the latest financial statements given to the ASX".
- 4.3 For the purposes of ASX Listing Rule 10.1, the limited recourse loan of \$800,000 represents more than 5% of the Company's equity interests as at 31 December 2019, and Dr Peter Molloy is considered to be a related party by virtue of being a Director of the Company in the last six months.
- 4.4 ASX Listing Rule 10.10 states that the notice for the shareholders' meeting required under ASX Listing Rule 10.5 must include a report on the transaction from an independent expert. The report must state whether, in the expert's opinion, the transaction is fair and reasonable to the Non-Associated Shareholders.
- 4.5 Accordingly, Race is to hold a meeting of its Shareholders where it will seek approval for the Proposed Transaction and the Company has engaged RSM to prepare a report which sets out our opinion as to whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders.

Basis of evaluation

- 4.6 In determining whether the Proposed Transaction is "fair" and "reasonable" we have given regard to the views expressed by the ASIC in RG 111.
- 4.7 RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically, it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.
- 4.8 RG 111 states that the expert's report should focus on:
- the issues facing the security holders for whom the report is being prepared: and
 - the substance of the transaction rather than the legal mechanism used to achieve it.
- 4.9 RG 111 states that in relation to a related party transaction the expert's assessment of "fair and reasonable" should not be applied as a composite test – that is, there should be a separate assessment of whether the transaction is "fair" and "reasonable" as in a control transaction.
- 4.10 Consistent with the guidelines in RG 111, in assessing whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, the analysis undertaken is as follows:
- whether the value of the consideration is less than the value of Buyback shares being acquired – fairness; and
 - a review of other significant factors which Non-Associated Shareholders might consider prior to approving the Proposed Transaction – reasonableness.
- 4.11 The other significant factors to be considered include:
- the future prospects of the Company if the Proposed Transaction does not proceed; and
 - any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

5. Profile of Race Oncology Limited

Background

- 5.1 Race is a specialty pharmaceutical company whose business model is to pursue later stage drug assets, principally in the cancer field.
- 5.2 Race was formed as the result of a reverse takeover in July 2016, when the Company completed the acquisition of all the intellectual property relating to the oncology drug, Bisantrene, from Update Pharma Inc. (“Update Pharma”). Since this acquisition, Race has been focused on rediscovering and bringing to market Bisantrene.
- 5.3 Bisantrene has been tested in more than 40 phase II clinical studies and has been approved for marketing in France for treating acute myeloid leukaemia (“AML”). The Company believes it may be able to generate revenues through a Named Patient Program (“NPP”) in France and certain other countries in Europe. Prior to doing so, the Company plans to conduct pre-investigational new drug (“IND”) formulation and manufacturing development on Bisantrene, file an IND application for Bisantrene with the US Food and Drug Administration (“FDA”) and gain FDA acceptance of the IND.

Bisantrene history

- 5.4 Bisantrene was developed in the 1980s by Lederle as a “second generation” anthracycline at a time when cytotoxic (cell killing) drugs were the mainstay of cancer therapy. The inventors aimed to maintain the DNA-binding characteristics and hence the anti-tumour effect of the class of compounds, while reducing the known adverse effects, particularly cardiotoxicity.
- 5.5 Lederle conducted or sponsored numerous clinical studies on Bisantrene during the 1980s and early 1990s and did show the desired reduction in toxicity.
- 5.6 The Lederle studies were adequate to gain approval from the relevant regulatory authorities, including the FDA, that the compound was adequately safe and of sufficient clinical benefit to justify human trials and the data is available to the Company and has been used to support its own submissions to the FDA to conduct further trials and obtain marketing approvals.
- 5.7 The original patents on Bisantrene, covering particularly the chemical structure and a process for its synthesis and use in treating cancer, have since lapsed and thus Bisantrene may be considered public domain or available to any party wishing to exploit it.
- 5.8 In 2013, Dr William Garner rediscovered Bisantrene after reviewing published data on the drug and realised that it offered a chemotherapy drug that had proven clinical efficacy and addressed the long-standing problem of cardiotoxicity with anthracyclines.
- 5.9 Dr Garner and Dr John Rothman formed the company Update Pharma with the mission to resurrect Bisantrene and see the drug brought to market.
- 5.10 In 2013, Update Pharma lodged two patent applications aimed at providing market exclusivity for Bisantrene through variations on chemical form and their production.
- 5.11 In January and February 2018, the Company received a Notice of Allowance from the FDA on the two patents, providing commercial protection for Bisantrene in the US until 2034.

Commercialisation plans

- 5.12 The Company’s commercialisation plan is to market Bisantrene, which requires the Company to obtain relevant marketing approvals.

- 5.13 Prior to obtaining marketing approval, the opportunity exists to market Bisantrene for AML in Europe via an NPP and Race plans to provide product into France, Italy, Turkey and Korea, and possibly other countries on an NPP basis. NPP patients have no other treatment recourse and are nominated by their doctor. The Company cannot engage in promotion of the product under NPP guidelines. NPP is a proven way to generate early cash flows to offset development costs until a drug is approved.
- 5.14 The Company's goal is to complete clinical development and gain approval by the US FDA.

Clinical development

- 5.15 In 2019 Race initiated an Investigator-Supported Trial (IST) of single agent Bisantrene as salvage therapy for relapsed/refractory AML at the Chaim Sheba Medical Center in Tel Aviv, Israel, under the leadership of Professor Arnon Nagler. This was a pilot study in ten patients, and it was conducted to confirm that the newly formulated Bisantrene would still be safe and active for use in today's patient population, which is treated much differently than the historical groups who received Bisantrene therapy in the 1980s and in the 1990s.
- 5.16 The pilot study was recently completed, and it confirmed that:
- Bisantrene is safe for use in today's patient population(s);
 - Bisantrene is efficacious in today's patients, the achieved overall response rate (complete and partial remissions) of 4/10, or 40%, compares favourably with the historically reported response rates of 20-50% in patients with relapsed refractory AML; and
 - Bisantrene did not appear to exert any discernible cardiac toxicity in these heavily pre-treated patients, supporting the historical observation that it has negligible cardiac toxicity. This is in opposition to its main competing drug, Adriamycin, which is limited in its use by its propensity for inducing congestive heart failure in patients who receive repeated doses of the drug.
- 5.17 A second study is currently in late planning stage for combining Bisantrene with two other anticancer agents to achieve a better response rate without increasing the risk of adverse events, since the different agents will be metabolised through different pathways and exert their most important toxic side effects on different organs.
- 5.18 The second study will also be performed in high-risk AML patients with relapsed/refractory disease. The combination concept has been derived from an ongoing sponsored research agreement between Race Oncology and the University of Texas MD Anderson Cancer Center in Houston, Texas. The second trial is projected to start in the late third or early fourth quarter of 2020.
- 5.19 Finally, based on the same combination approach, Race is in the planning phases for a paediatric multicentre study of Bisantrene-based therapy for paediatric relapsed/refractory AML as a basis for accelerated approval for a paediatric indication, as discussed further in paragraph 5.21. It is projected that this study will commence in the second or early third quarter of 2021.

Regulatory

- 5.20 During 2018, Race secured an agreement with the US National Cancer Institute ("NCI"), under which Race has obtained access to, and can use for registration purposes, NCI data on Bisantrene.
- 5.21 In addition, and on the basis that Race's Bisantrene is considered pharmaceutically equivalent to the Lederle product (lyophilized Active Pharmaceutical Ingredient ("API") with no excipients), Race has obtained confirmation from FDA that its Bisantrene qualifies for 505(b)(2) regulatory treatment and can use the available historical data on Bisantrene in support of its New Drug Application ("NDA") filing, without having to repeat those studies.
- 5.22 The Company is now working with US regulatory advisors to assist with the filing of IND applications in candidate AML based indications. In 2018, the FDA awarded Bisantrene a 'Rare Paediatric Disease' (RPD)

designation for the treatment of paediatric AML. The RPD designation allows for accelerated approval in the designated disease and qualifies Bisantrone for a Priority Review Voucher (PRV), which is transferable and entitles the holder to a priority review for a product which could shorten the timeframe for FDA review by up to one year.

Manufacturing

5.23 Race has successfully made a GMP batch of Bisantrone API and has manufactured several batches of GMP drug product with approximately 1,000 vials on hand (each 250mg lyophilized Bisantrone for reconstitution with WFI) at its contract manufacturer in San Diego, CA.

Patents and trademarks

5.24 Race has filed two US and international patent families on Bisantrone, covering novel analogues and uses. These patents have been granted in the US and expire in 2034. Additional patent applications have been filed by Race in 2018 and 2019, covering combination uses of Bisantrone, which are particularly relevant to AML treatment, and novel formulations that could lead to second generation Bisantrone products.

Directors

5.25 The directors and key management of Race are summarised in the table below.

Name	Title	Experience
Dr John Cullity	Executive Chairman	Dr Cullity is a medical professional who has previously held senior executive roles with Sanofi-Aventis and Schering-Plough in the US, and has consulted to the World Health Organisation and the World Bank. Dr Cullity holds a medical degree (MBBS) from the University of Western Australia and undertook advanced training in haematology-oncology at QEII Medical Centre. He has also completed a Master of Science at the London School of Economics and an MBA at The Wharton School, University of Pennsylvania
Dr William Garner	Non-Executive Director	Dr Garner MD is a US physician and entrepreneur. Dr Garner is one of the inventors on the Bisantrone patents, originally filed by Update Pharma, Inc. and now owned by Race Oncology. Previously, he founded EGB Advisors LLC, Inverseon, Inc., and Urigen Pharmaceuticals, Inc. and co-founded DelMar Pharmaceuticals, Inc. Previously, he was at Hoffmann La Roche in oncology medical affairs and worked as a merchant banker in New York City. Dr Garner did residency training in Anatomic Pathology at Columbia-Presbyterian and is currently a licensed physician in the State of New York.
Mr Chris Ntoumenopoulos	Non-Executive Director	Mr Ntoumenopoulos has worked in financial markets for the past 12 years, focusing on Capital Raisings, Portfolio Management and Corporate Advisory. Mr Ntoumenopoulos has advised and funded numerous ASX companies from early stage venture capital, through to IPO. He is an executive director of various private companies which span across finance, technology and medical sectors.
Prof. Borje Andersson	Non-Executive Director	Professor Andersson is a Professor at the Department of Stem Cell Transplant in the Division of Cancer Medicine at University of Texas MD Anderson Cancer Center in Houston, Texas and Director of the Department's program for Molecular Pharmacology and Translational Drug Development. He has been an active researcher in the leukaemia field and his recent research has focused on the development of less toxic and more efficacious pre-transplant conditioning therapies, and improving the understanding of leukemic cell resistance to bifunctional DNA-alkylating agents.
Dr Daniel Tillett	COO and Non-Executive Director	Dr Daniel Tillett is the founder and CEO of Nucleics, a private Australian biotechnology company producing and selling DNA sequencing software to the Genomics industry. Dr Tillett has extensive commercial experience over the last 20 years in the biotech industry in project management, sales and marketing, IP management, fundraising and start-up investing. He has more than 40 scientific publications and granted patents in molecular biology, microbiology, genetics and biochemistry.

Name	Title	Experience
Mr Phillip Lynch	Non-Executive Director	Mr Lynch has over 30 years' experience working in Asia Pacific markets with Johnson & Johnson. He is an experienced Board Director with a diverse background across corporate development, strategy, financial performance, marketing and governance. In his last role he was the Vice President, Commercial Growth where he partnered with the M&A team on integration and growth of acquired businesses in the Asia-Pacific region. Mr Lynch is a Business graduate from Monash University, has completed post graduate studies at the University of Virginia Darden Business school and is a Graduate of the Australian Institute of Company Directors.

Financial information of Race

5.26 The information in the following section provides a summary of the financial performance of Race for the six months ended 31 December 2019 and the years ended 30 June 2019 and 30 June 2018 as extracted from the reviewed and audited financial statements of the Company.

5.27 The auditor of Race, Bentleys Audit and Corporate (WA) Pty Ltd, issued an unqualified review conclusion on the financial statements for the six months ended 31 December 2019. However, the review report included an emphasis of matter relating to the Company's ability to continue as a going concern, stating:

"We draw attention to Note 1(b) in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$1,502,092 during the half year ended 31 December 2019. 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."

5.28 Since the issue of its financial statements for the half-year ended 31 December 2019, we note that the Company completed a \$1.8 million capital raising in March 2020.

Financial performance

5.29 The following table sets out a summary of the financial performance of Race for the six months ended 31 December 2019 and for the two years ended 30 June 2019 and 30 June 2018.

Table 3 Race historical financial performance

\$	Ref	6 months ended 31-Dec-19 Reviewed	Year ended 30-Jun-19 Audited	Year ended 30-Jun-18 Audited
Revenue				
Interest received		2,828	17,355	21,656
R&D tax incentive	5.31	159,371	228,501	170,262
Administrative expenses		(11,806)	(20,787)	(30,987)
Accounting and audit fees		(41,113)	(81,268)	(68,870)
Amortisation	5.32	(140,598)	(281,196)	(250,866)
Business development and marketing		(36,927)	(561,298)	(1,211,166)
R&D manufacturing and distribution		(114,151)	(532,487)	(593,137)
Corporate advice fees		(50,925)	(88,236)	(201,013)
Non-Executive Director fees		(108,499)	(217,088)	(217,450)
Employee benefits expense		(24,542)	(157,918)	(152,549)
Research and development expense		(540,858)	(956,337)	(1,283,363)
Share based payments	5.33	(497,781)	(812,042)	(2,183,081)
Share registry expense		(4,979)	(6,229)	(6,250)
Travel and accommodation		(11,213)	(47,160)	(130,362)
Other expenses		(80,899)	(143,212)	(169,270)
Loss from continuing operations before income tax	5.30	(1,502,092)	(3,659,402)	(6,306,446)
Income tax benefit		-	-	-
Loss from continuing operations after income tax		(1,502,092)	(3,659,402)	(6,306,446)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation		(193)	411	645
Total comprehensive loss for the year		(1,502,285)	(3,658,991)	(6,305,801)

Source: Company Financials

- 5.30 The Company incurred a loss before income tax of \$1.50 million in the half-year ended 31 December 2019, following losses before tax of \$3.66 million and \$6.31 million in the years ended 30 June 2019 and 30 June 2018, respectively.
- 5.31 In the half-year period ended 31 December 2019 the Company received a research and development tax incentive payment for \$0.16 million.
- 5.32 Amortisation costs of \$0.14 million for the half-year ended 31 December 2019 relate to the amortisation expense of the Company's Intellectual Property ("IP") assets acquired from Update Pharma pertaining to the oncology drug, Bisantrene. The IP is amortised on a straight-line basis to the year 2034.
- 5.33 In the half-year period ended 31 December 2019, the Company recognised share-based payments to directors and management totalling \$0.50 million. In the years ended 30 June 2019 and 30 June 2018, the share-based payments were \$0.81 million and \$2.18 million respectively. Share-based payments have been made in the form of shares and options to key management personnel and consultants.

Financial position

- 5.34 The table below sets out a summary of the financial position of Race as at 31 December 2019 and 30 June 2019.

Figure 2 Race historical financial position

\$	Ref	31-Dec-19 Reviewed	30-Jun-19 Audited
Current assets			
Cash and cash equivalents	5.35	1,548,564	988,714
Trade and other receivables		(365)	611
Other assets		56,103	34,762
Total current assets		1,604,302	1,024,087
Non-current assets			
Intangible assets	5.36	4,077,340	4,217,938
Total non-current assets		4,077,340	4,217,938
Total assets		5,681,642	5,242,025
Current Liabilities			
Trade and other payables		188,836	158,369
Provisions		32,500	33,750
Total current liabilities		221,336	192,119
Total Liabilities		221,336	192,119
Net assets		5,460,306	5,049,906
Equity			
Issued capital	5.37	17,837,525	15,422,621
Reserve		3,082,833	3,854,997
Reserve shares		(800,000)	(800,000)
Accumulated losses		(14,660,052)	(13,427,712)
Total equity		5,460,306	5,049,906

Source: Company Financials

- 5.35 At 31 December 2019, the Company had net assets of \$5.46 million, comprising cash of \$1.55 million, intangible assets of \$4.08 million, and a net working capital deficit (current assets less cash less current liabilities) of \$0.17 million.

- 5.36 Intangible assets relate to IP totalling \$4,500,000 at cost and comprises patents and licences initially acquired through the acquisition of Update Pharma pertaining to the oncology drug, Bisantrone. The IP is supported by two granted patents that will expire in year 2034. The IP is amortised on a straight-line basis over this period.
- 5.37 Issued capital increased in the six month period ended 31 December 2019 as the Company successfully completed a number of share placements as follows:
- On 12 July 2019, the Company issued 5,000,000 fully paid ordinary shares following the conversion of the second and final tranche of Performance Shares for Update Pharma, Inc. All of the Company's Performance Shares have now been converted into ordinary shares;
 - On 20 August 2019, the Company successfully completed a placement of \$1.45 million, led by prominent biotechnology investor, Dr Daniel Tillett. In relation to that placement, the Company issued 8,500,000 fully paid ordinary shares at \$0.066 each;
 - On 27 August 2019, and in accordance with the terms of the 20 August 2019 share placement, the Company issued a further 5,000,000 fully paid ordinary shares; and
 - On 14 October 2019, subsequent to shareholder approval at a General Meeting, the Company issued a further 8,409,088 fully paid ordinary shares at \$0.06 each.
- 5.38 Subsequent to 31 December 2019, Race announced a successful placement at \$0.30 per share of 6 million shares, raising proceeds of \$1.8 million before costs, on 6 March 2020. This placement was corner-stoned by the biotechnology focused Merchant Opportunities Fund.

Capital structure

5.39 Race has 117,062,537 ordinary shares on issue at the date of this Report.

5.40 The top 20 shareholders of Race as at 30 June 2020 are set out below.

Table 4 Race Top 20 shareholders

Rank	Name	Total Units	% Issued Share Capital
1	DR WILLIAM JAMES GARNER	13,680,078	11.69%
2	DR DANIEL TILLET	9,200,000	7.86%
3	THE TRUST COMPANY (AUSTRALIA) LIMITED <MOF A/C>	7,166,667	6.12%
4	PETER MOLLOY	4,000,000	3.42%
5	BIOSYNERGY PARTNERS PTY LTD	3,787,878	3.24%
6	P R PERRY NOMINEES PTY LTD <DONESK FAMILY A/C>	2,588,008	2.21%
7	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,529,230	1.31%
8	MR PHILLIP RICHARD PERRY & MRS TETYANA PERRY <DONESKA SUPER FUND A/C>	1,400,000	1.20%
9	MR PHILLIP RICHARD PERRY	1,346,516	1.15%
10	MR ANTHONY JAMES ROBINSON <THE PEEKO FAMILY NO 86 A/C>	1,250,000	1.07%
11	MR MARK PHILLIP JUAN	1,141,738	0.98%
12	MR KIMBERLEY ROSS GARTRELL & MRS JENNIFER MARGARET GARTRELL<K&J GARTRELL SUPER FUND A/C>	1,085,000	0.93%
13	MS NICOLE GALLIN & MR KYLE HAYNES <GH SUPER FUND A/C>	1,000,000	0.85%
14	COMSEC NOMINEES PTY LTD	938,761	0.80%
15	LANEWAY INVESTMENTS PTY LTD <JOLA FAMILY A/C>	878,000	0.75%
16	MR ANDREWS JACOBS	822,174	0.70%
17	MR GRAEME STEWART POCKNALL & MRS VIVIENNE GLYNIS POCKNALL	801,775	0.68%
18	MR SANDOR HELBY	200,000	0.17%
19	FREEMAN ROAD PTY LTD <THE AVENUE A/C>	757,575	0.65%
20	MR PHILLIP RICHARD PERRY	700,000	0.60%
Total Top 20 shareholding		54,273,400	46.36%
Others		62,789,137	53.64%
Total issued capital		117,062,537	100.0%

Source: Company

5.41 As at the date of this Report, the free float of Race shares, excluding Directors/employees and strategic corporate investors, is 59.1%.

5.42 Dr Peter Molloy is currently the third largest shareholder in the Company and owns 3.42% of Race's shares outstanding. If the Proposed Transaction is approved by shareholders, 2,222,222 Buy-Back shares will be purchased by the Company and subsequently cancelled, and Peter Molloy will own 1,777,778 Race shares.

5.43 Race also has 36,539,467 options on issue with various exercise prices and expiry dates.

Share price performance

5.44 The market capitalisation at the date of this report is \$96.7 million based on a closing share price of \$0.83 on 3 July 2020.

5.45 The figure below sets out a summary of Race closing share prices and traded volumes for the last 12 months.

Figure 3 Race daily closing share price and traded volumes



Source: S&P Capital IQ/ ASX

5.46 In the twelve-month period prior to the Company's trading halt on 18 May 2020, when the resignation of Dr Peter Molloy was announced, Race Shares were traded between \$0.045 and \$0.48 per share. The most significant trading day during that period was on 6 March 2020 when approximately 4.33% of Race's total volume of shares were traded.

5.47 Over the 180 trading days prior to the announcement, 52.63% of Race's Shares were traded, indicating that it is a liquid stock.

5.48 After the announcement of Dr Molloy's resignation, on 16 June 2020 the Company announced positive clinical data, which has led to a significant increase in the Company's share price between 16 June and 3 July 2020, closing at \$0.83 on 3 July 2020.

5.49 The most significant trading days that have been summarised in the chart above are described as follows:

No.	Date	Comment
1	25-Jul-19	<p>First patient treated in Bisantrene trial in Israel</p> <p>Race announced that the first patient has been treated with the Company's cancer drug, Bisantrene, in the trial at Sheba Medical Center in Israel. The primary objective of the Phase II trial will be to generate clinical remissions in patients with Acute Myeloid Leukaemia, who are resistant to other therapy (refractory), have relapsed after previous therapy, or cannot receive further anthracycline treatment.</p>
2	13-Aug-19	<p>Race announces additional US Patent for Bisantrene</p> <p>Race announced that it secured a new patent on its cancer drug, Bisantrene, from the United States Patent and Trademarks Office. This was Race's third patent granted on Bisantrene in the United States.</p>
3	20-Aug-19	<p>Prominent biotech investor leads investment in Race</p> <p>Race announced the successful completion of a \$1.45 million placement, led by prominent biotechnology investor Dr Daniel Tillett. Three Race directors invested a total of \$375,000 and other Race shareholders invested \$510,000 in the Placement. The Placement funds objective was to provide Race with the resources needed to drive forward value-creating research and development programs on Bisantrene.</p>
4	17-Sep-19	<p>Dr Daniel Tillett Joins Race Board</p> <p>Race announced that prominent biotechnology investor and substantial Race shareholder, Dr Daniel Tillett, joined the Board of Directors of Race. Dr Daniel Tillett is the founder and CEO of successful Sydney-based biotechnology company, Nucleics, which specialises in DNA sequencing and Genomics.</p>
5	1-Oct-19	<p>Race appoints Dr Daniel Tillett Chief Scientific Officer</p> <p>Dr Daniel Tillett was appointed as the Chief Scientific Officer (CSO) of Race. Dr Tillett recently anchored a share placement in Race and was recently appointed as a Non-Executive Director of Race. Because of his new executive responsibilities, Dr Tillett's Board role changed to Executive Director.</p>
6	14-Nov-19	<p>Race reveals new strategy for cancer drug Bisantrene</p> <p>Race revealed its new '5 path' clinical strategy for its cancer drug, Bisantrene. The strategy defines five paths for the clinical development of Bisantrene that greatly expands the addressable market for Bisantrene while reducing clinical development risk and targeting cancers beyond Acute Myeloid Leukaemia (AML). The new strategy builds on the value embedded in Bisantrene from its use in more than 40 prior human trials across a range of cancers. Race announced that it would continue to prioritise the use of Bisantrene in treating AML, but would seek to introduce the drug earlier in the treatment pathway with the aim of improving patient survival and increasing Bisantrene's commercial potential.</p>
7	5-Dec-19	<p>Prof Borje Andersson to Chair Clinical Advisory Board</p> <p>Professor Borje Andersson agreed to chair Race Oncology's Clinical Advisory Board (CAB). Prof Andersson is a world-recognised research leader in the field of leukaemia and stem cell transplantation at the MD Anderson Cancer Centre in Houston, Texas. Prof Andersson will lead Race's CAB and help drive forward Race's '5 Path' strategy to commercialise Bisantrene. As head of the CAB, Prof Andersson will advise on the clinical strategy and protocols, recommend and make introductions to US and international clinical investigators, as well as oversee Race's clinical trials.</p>
8	28-Jan-20	<p>Prof Borje Andersson appointed as Non-Executive Director</p> <p>Professor Borje Andersson was appointed to the Board as a Non-Executive Director. Prof Andersson had been recently appointed Chair of Race's Clinical Advisory Board.</p>
9	17-Feb-20	<p>Race appoints Australian Clinical Program Director</p> <p>Race welcomed highly experienced oncology clinical trials specialist, Dr Marinella Messina, as its Australian Clinical Program Director. Dr Messina commenced on 16 March 2020 and is responsible for progressing the Australian trials, part of the Company's new '5 path' strategy.</p>

10	6-Mar-20	<p>Race secures \$1.8m strategic placement</p> <p>Race announced that it had received firm commitments for \$1.8 million in new equity funding via a strategic placement of six million ordinary shares, at an issue price of \$0.30 per share. The placement was cornerstoned by the biotechnology focused Merchant Opportunities Fund. The placement aim was to provide Race with sufficient resources to advance the Company's '5-path' clinical development strategy for Bisantrene through 2020.</p>
11	6-Mar-20	<p>Dr John Cullity appointed Non-Executive Chairman</p> <p>Dr John Cullity was appointed as the Non-Executive Chairman of Race, with founding Chairman, Dr Bill Garner, transitioning to a Non-Executive Director role. Dr Cullity is an Australian haematology-oncologist with considerable pharmaceutical industry experience, including as Director of Health Economics (Oncology) and Strategic Pricing at Schering-Plough, and seven years at Sanofi-Aventis as Head of Strategic Pricing, combined with leadership roles in Oncology Business Development and Licensing.</p>
12	18-Mar-20	<p>Phase II Bisantrene Trial Recruitment Completed</p> <p>Race announced that the Bisantrene Phase II trial at the Sheba Medical Center in Israel had completed patient recruitment. The first patient in the trial was treated in July 2019 and the trial finished recruitment within eight months. While early recruitment completion is not indicative of the success or failure of the trial, it should be noted that this investigator initiated trial was an open label study where both the clinicians and patients were aware of the earlier patient outcomes.</p>
13	14-May-20	<p>Race starts preclinical breast cancer study for Bisantrene</p> <p>Race announced that it had entered into a collaborative preclinical research program with The University of Newcastle. Eminent cancer researcher, Associate Professor Nikki Verrills of the Hunter Medical Research Institute, will lead the project. The aim of the research program is to identify combinations of current breast cancer drugs that when paired with Bisantrene show equivalent efficacy to existing treatment options, but with significantly reduced serious side effects.</p>
14	20-May-20	<p>Managing Director Resignation</p> <p>Race announced that Dr. Peter Molloy had resigned as Managing Director and Chief Executive Officer. Chairman, Dr. John Cullity, and Chief Scientific Officer, Dr. Daniel Tillett, stepped into the interim roles of Executive Chairman and Chief Operating Officer, respectively. Plans remained firmly on track to report the outcome of the Bisantrene Phase II clinical trial at the Sheba Medical Center. Race does not expect management changes to impact the progress of its '5 path' strategy for the ongoing development of Bisantrene.</p>
15	28-May-20	<p>Extension of time to repay loan</p> <p>Race announced that it had agreed that Dr Molloy, former Managing Director, has until 18 June 2020 to repay the limited recourse loan rather than 27 May 2020 as previously advised.</p>
16	1-Jun-20	<p>Phillip Lynch appointed Director of Race</p> <p>Race announced that Mr Phillip R Lynch had been appointed to the Board as an independent Non-Executive Director. Mr Lynch joins Race following a career spanning more than 30 years in the Asia Pacific region with Johnson & Johnson</p>
17	16-Jun-20	<p>Impressive 40% response in Phase II Bisantrene AML Trial</p> <p>Race reported positive clinical data from the investigator initiated Phase II clinical trial of Bisantrene, conducted at Israel's Sheba Medical Centre. Bisantrene was found to be well tolerated, and after only a single course of treatment, had an overall clinical response rate of 40%. Of the 10 patients treated, one patient achieved a complete remission and three patients achieved partial remission, a response rate comparable to historical Bisantrene trials.</p>
18	16-Jun-20	<p>Extension of time to repay loan through share buy-back</p> <p>Race provided the following update to its announcements of 20 and 28 May 2020 in relation to the limited recourse loan which the Company had previously granted to former Managing Director and CEO, Dr Peter Molloy. As permitted under the terms of the Offer Letter and the Restriction Deed, the Company has agreed with Dr Molloy that, subject to shareholder approval, the Loan will be repaid through a selective buy-back and cancellation of \$800,000 worth of the Loan Shares under Part 2J.1, Division 2 of the Corporations Act.</p>

6. Valuation approach

Basis of Valuation

- 6.1 The valuation of the Buy-back Shares and the consideration receivable (being the cancellation of the Loan) have been prepared on the basis of Fair Market Value being the value that should be agreed in a hypothetical transaction between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm's length.

Valuation methodologies

- 6.2 In assessing the Fair Market Value of the Buy-Back Shares and the consideration payable, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:
- the discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets;
 - the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
 - the amount which would be available for distribution on an orderly realisation of assets;
 - the quoted price for listed securities; and
 - any recent genuine offers received.
- 6.3 We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

Market based methods

- 6.4 Market based methods estimate the Fair Market Value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include;
- the quoted price for listed securities; and
 - industry specific methods.
- 6.5 The recent quoted price for listed securities method provides evidence of the fair market value of a company's securities where they are publicly traded in an informed and liquid market.
- 6.6 Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally, rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income based methods

- 6.7 Income based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income based methods include:
- discounted cash flow; and
 - capitalisation of future maintainable earnings.
- 6.8 The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast

period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

- 6.9 The capitalisation of future maintainable earnings is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings (“FME”) of the business, rather than a stream of cash flows, is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

Asset based methods

- 6.10 Asset based methodologies estimate the Fair Market Value of a company’s securities based on the realisable value of its identifiable net assets. Asset based methods include:
- orderly realisation of assets method;
 - liquidation of assets method; and
 - net assets on a going concern basis.
- 6.11 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.
- 6.12 The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method, and is appropriate for companies in financial distress or where a company is not valued on a going concern basis.
- 6.13 The net assets on a going concern method estimates the market values of the net assets of a company but, unlike the orderly realisation of assets method, it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company’s assets are liquid, or for asset holding companies.

Selection of valuation methodologies

Valuation of the Buy-Back Shares

- 6.14 In assessing the value of the Buy-Back Shares, we have utilised the quoted market price methodology as our primary valuation methodology.
- 6.15 We have also utilised the Net Assets on a going concern methodology as a secondary valuation methodology.
- 6.16 Our valuation methodologies were selected on the following basis:
- In our opinion, the DCF methodology cannot be used as the Race business is currently in a pre-revenue phase and therefore no cashflow projections are available which we regard as sufficiently robust to enable a DCF valuation to be undertaken.
 - The FME approach is not considered as appropriate as Race has been operating at a loss for the last three financial years, therefore we do not have reasonable grounds on which to base a future maintainable earnings figure.
 - As Race shares are listed and traded on the ASX we have adopted the quoted market price methodology as our primary valuation methodology. We note that for the quoted market price

methodology to be considered a suitable approach, the market should be informed of Race's activities and its shares should be liquid.

- We have considered the Net Assets on a going concern methodology as a secondary valuation methodology given the high level of cash holdings and nature of business operations, being primarily a pharmaceutical R&D development company.

Valuation of the Consideration

6.17 The consideration is the settlement of the \$800,000 limited recourse loan owed by Dr Molloy at a deemed per share value of \$0.036 for 2,222,222 ordinary shares in Race. No further adjustments are required to this assessment.

7. Valuation of the Buy-Back Shares

7.1 As stated in section 6, we have assessed the value of the Buy-Back Shares using the quoted price of listed securities method and have also considered the net assets on a going concern methodology as our secondary method.

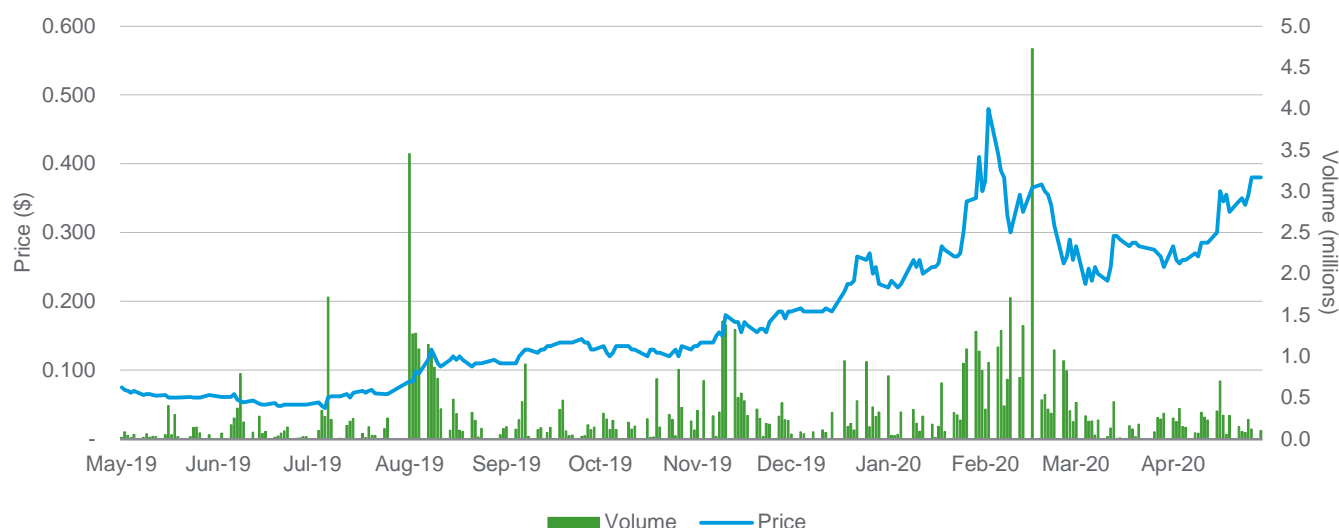
Quoted price of listed securities (primary method)

7.2 We have considered the recent quoted market price for Race shares on the ASX prior to the announcement of the Proposed Transaction.

Analysis of recent trading in Race Shares to 18 May 2020

7.3 The figure below sets out a summary of the closing share price and volume of Race Shares traded in the 12 months to the Company's trading halt on the ASX on 18 May 2020.

Figure 4 Race's daily closing share price and traded volumes



Source: S&P Capital IQ/ ASX

7.4 To provide further analysis of the quoted market prices for Race's Shares, we have considered the VWAP over a number of trading day periods ending 18 May 2020. An analysis of the volume of trading in Race's Shares for the 1, 5, 10, 30, 60, 90, and 180 day trading periods is set out in the table below:

Table 5 Traded volumes of Race Shares to 18 May 2020

# of Days	1 Day	5 Day	10 Day	30 Day	60 Day	90 Day	120 Day	180 Day
VWAP	0.380	0.366	0.348	0.300	0.318	0.311	0.280	0.251
Total volume (000's)	101.3	628.8	2,110.1	5,925.7	26,073.7	38,369.1	49,191.2	60,840.7
Total volume as a % of total shares	0.09%	0.54%	1.83%	5.13%	22.56%	33.19%	42.56%	52.63%
Low price	0.370	0.330	0.295	0.250	0.225	0.205	0.140	0.100
High price	0.390	0.390	0.390	0.390	0.490	0.490	0.490	0.490

Source: S&P Capital IQ/ ASX

7.5 The analysis shows that Race shares are relatively liquid, with 53.63% of the issued capital being traded over the 180-day trading period to 18 May 2020. The VWAP ranged from \$0.25 over a 180-day period to \$0.366 over a 5-day period, with the closing share price on the day prior to announcement being \$0.38 per Share which is higher than the Consideration for the Buy-Back Shares.

Analysis of recent trading in Race Shares since 20 May 2020

7.6 Although Race announced the resignation of Dr Peter Molloy as CEO and Managing Director of the Company and repayment of the Loan on 20 May 2020, we have also considered the quoted market prices for Race's shares over the subsequent period to 2 July 2020, due to the following events:

- the Company announced that the repayment of the Loan would occur via a share buy-back on 16 June 2020 following an extension of time to repay loan; and
- since the date of the initial announcement on 20 May 2020 there have been significant developments in the business, notably including the achievement of a significant milestone in relation to the Bisantrone AML trial;

therefore, we consider current trading to be a more accurate representation of the Company's share value at the date of this Report.

7.7 It is our view that consideration of the fairness of the Proposed Transaction should be based on the current assessed value of a Race share (rather than the value as at the date of announcement of Dr Molloy's resignation), since this represents the most current estimate of the value of the Race shares which will be bought back from Dr Molloy in consideration for the settlement of the Loan.

7.8 An analysis of the volume in trading in Race's Shares for the 1, 5, 10, 30, 60, 90, and 180 day trading periods to the date of this report is set out in the table below:

Figure 5 Traded volumes of Race Shares to 2 July 2020

# of Days	1 Day	5 Day	10 Day	30 Day	60 Day	90 Day	120 Day	180 Day
VWAP	0.749	0.687	0.624	0.538	0.485	0.417	0.395	0.342
Total volume (000's)	857.8	7,088.8	10,440.7	22,040.4	28,688.1	46,967.9	60,731.4	78,365.4
Total volume as a % of total shares	0.74%	6.08%	8.96%	18.91%	24.61%	40.29%	52.10%	67.23%
Low price	0.720	0.555	0.440	0.300	0.250	0.225	0.205	0.120
High price	0.785	0.870	0.870	0.870	0.870	0.870	0.870	0.870

7.9 The analysis shows that Race shares are liquid, with 67.23% of the issued capital being traded over the most recent 180-day trading period.

Value of a Race Share on a non-control minority basis

7.10 In our opinion, the weighted average share price of Race over the last 30 days is most reflective of the underlying value of a Race Share. As such, we consider a range of values of between \$0.538 and \$0.749 reflects the quoted market price valuation of a Race Share on a minority basis prior to the Proposed Transaction.

Table 6 Assessed value of an RAC Share – quoted price of listed securities

\$	Low	High
Quoted market price	0.538	0.749

Source: RSM Analysis

Net Assets on a going concern (secondary method)

7.11 In order to provide a comparison and cross check to our quoted listed of securities assessment, we have considered the net assets on a going concern methodology. We have assessed the value of a Race Share on a minority basis to be between \$0.09 and \$0.10 per share, based on the net assets on a going concern valuation methodology, as summarised in the table below.

Table 7 Assessed Fair Value of an RAC Share

	Ref	31-Dec-19	Low Value \$	High Value \$
Cash and cash equivalents	7.14	1,548,564	2,100,889	2,100,889
Net working capital	7.14	(165,598)	(212,056)	(212,056)
Intangible Assets	7.15	4,077,340	9,721,657	9,721,657
Value of Race	7.12	5,460,306	11,610,490	11,610,490
Number of shares on issue	5.39		116,562,537	116,562,537
Discount for minority interest	7.20		(1,161,049)	-
Minority value per share			0.090	0.100

Source: RSM Analysis

7.12 Our assessment has been based on the reviewed net assets of the Company as at 31 December 2019 of approximately \$5.46 million as set out in the Company's half-year financial statements.

7.13 In order to calculate the current market value of Race's Shares, we have made a number of adjustments to the carrying values of assets included in the statement of financial position. These adjustments are set out below.

Cash and Net working capital

7.14 We have adjusted the cash balance and net working capital to \$2.10 million and (\$0.21) million respectively as disclosed in the Company's management accounts to 31 May 2020. The change in cash position for the quarter is primarily due to the \$1.8 million capital raising completed in March 2020 as well as ongoing R&D expenditure and administration costs.

Value of Intangible Assets

7.15 Race has expensed all research and development ("R&D") costs as incurred and therefore no value is recorded on its balance sheet other than its acquisition of Update Pharma pertaining to the oncology drug, Bisantrene. As detailed previously, Race is currently in a pre-revenue phase and therefore there is no supportable basis for undertaking a DCF valuation of Race or its intangible assets. We have therefore adopted a cost recovery basis to assess the value of Race's intangible assets, i.e. the amount required to fully reimburse the costs incurred to date with respect to R&D activities undertaken by Race.

7.16 The underlying rationale for the cost recovery basis is the assumption that a third party acting at arm's length could receive similar results and outcomes by making a similar financial investment in R&D activities, and therefore would not pay more than this amount to acquire the intellectual property developed by that entity.

7.17 We note that this method does not incorporate any potential value derived from the successful trials undertaken by Race.

7.18 We have written up the recorded value of Race's intangible assets at 31 December 2019 to \$5.0 million, which comprises the original acquisition cost of Bisantrene patents and licenses which had been amortised on a

straight line basis over their life. In addition, we have incorporated all R&D costs expended to date, which total \$4.72 million, to result in a total assessed value of \$9.72 million.

7.19 The table below summarises the additional R&D costs incurred by Race to May 2020:

Table 8 R&D Expenditure

Financial Year incurred	R&D Costs (\$)
2017	1,210,575
2018	1,746,137
2019	956,337
YTD2020	808,608
Total – R&D Expenditure	4,721,657

Source: Race Analysis

7.20 As the net assets methodology provides a control value, we have adjusted the value per Share to reflect a minority interest value by applying a minority discount of between 0% and 10%, which we consider to be appropriate for a company with assets similar to Race.

7.21 In adopting the cost recovery basis to value the IP of Race, we have not taken into account the increase in value as a result of successful studies and trials, as noted above. As a result, we consider that the cost recovery basis effectively represents a low end value as it does not take into consideration future benefits that will arise from the development and sale of Bisantrene.

Valuation summary and conclusion

7.22 A summary of our assessed values of an ordinary Race Share on a non-controlling basis, derived under the two methodologies, is set out in the table below.

Table 9 RAC Share valuation summary

A\$	Ref	Low	High
Quoted market price	7.10	0.538	0.749
Net assets on a going concern	7.11	0.090	0.100
Preferred valuation		0.538	0.749

Source: RSM Analysis

7.23 We consider that the characteristics of a liquid market for shares includes the following indicators:

- Regular trading in securities;
- Average of 1% of total shares traded on a weekly basis; and
- Spread of ownership, i.e. Top 10 shareholders do not control more than 50%.

7.24 Trading in Race shares displays all of the above characteristics and therefore we consider that the market is deep enough to rely on for valuation purposes.

7.25 In our opinion, we consider that the quoted market price valuation methodology provides a better indicator of the Fair Market Value of a Race Share as we consider that the net assets on a going concern methodology does not reflect the value of the existing operations of Race in the development of Bisantrene and potential value of new opportunities which may be available to shareholders.

7.26 Therefore, in our opinion, the Fair Value of a Race Share is between \$0.538 and \$0.749 per share with a preferred value of \$0.644 per share.

8. Is the Proposed Transaction Fair to Non-Associated Shareholders?

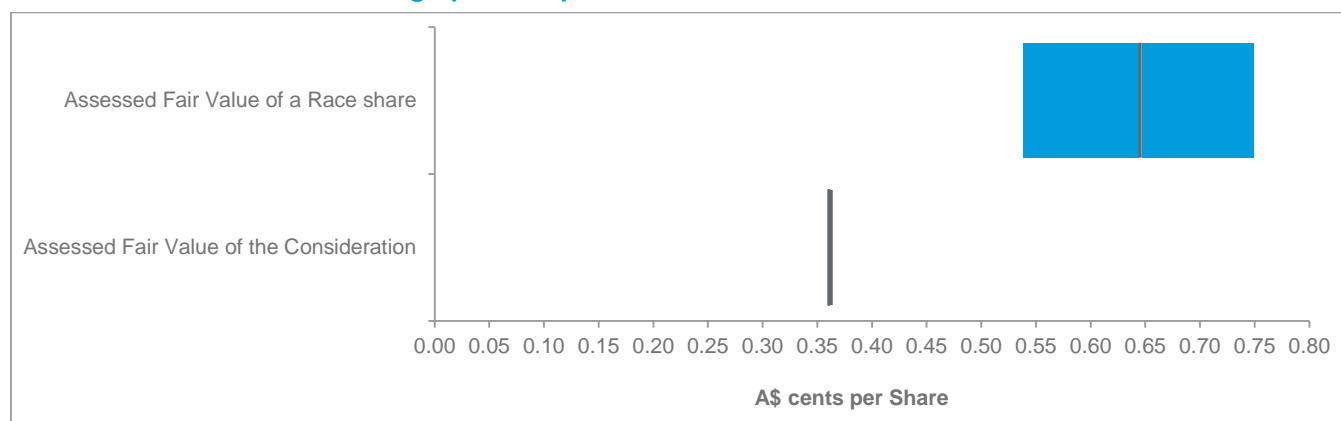
8.1 Our assessed values of the Buy-back Shares and the consideration payable for the Proposed Transaction are set out below:

Table 10 Assessment of Fairness

Assessment of fairness	Ref	Value per Share		
		Low \$	High \$	Preferred \$
Assessed fair market value of a Race Share	7.26	0.538	0.749	0.644
Assessed fair market value of the consideration	6.17	0.360	0.360	0.360

Source: RSM Analysis

Table 11 Race Share valuation graphical representation



Source: RSM Analysis

8.2 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of complying with ASX Listing Rule 10.1, we consider the Proposed Transaction to be fair to the Non-Associated Shareholders of Race as the value of the Consideration is less than the assessed value of the Buy-back Shares being acquired.

9. Is the Proposed Transaction Reasonable to Non-Associated Shareholders?

9.1 RG111 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Proposed Transaction, we have given consideration to:

- a) The future prospects of Race if the Proposed Transaction does not proceed; and
- b) Other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

Future prospects of Race if the Proposed Transaction does not proceed

9.2 If the Proposed Transaction is not approved, Race has agreed with Dr Molloy that the holding lock will be lifted on his shares thereby facilitating the sale of these shares in order to repay the \$800,000 loan. If the holding lock is lifted on Dr Molloy's shares it will enable him to sell those shares at the Company's current trading price.

9.3 The impact on the Company is that it would receive cash of \$800,000 in repayment of the Loan, however there would be not be any change in the Company's net assets or the number of Race shares on issue.

Advantages and disadvantages

9.4 In assessing whether the Non-Associated Shareholders are likely to be better off if the Proposed Transaction proceeds, than if it does not, we have also considered various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

Advantages of approving the Proposed Transaction

Advantages	Details
The Proposed Transaction is fair	The Proposed Transaction is fair to the Non-Associated Shareholders
Limitation of number of shares that can be traded	If the Proposed Transaction is approved, it will restrict the number of shares that could be potentially sold on the market by Dr Peter Molloy if the holding lock were to be lifted. Significant volumes of shares being sold on an open market can cause a negative effect on the traded share price.
Reduction in total number of shares on issue	If the Proposed Transaction is approved, the total number of shares on issue will be reduced by 2,222,222 shares and there would be a slight increase in ownership percentage interests of the Non-Associated Shareholders in the Company.
Discount to current traded share price	The Buy-Back is being completed at a significant discount to the current traded share price of Race.

Disadvantages of approving the Proposed Transaction

Disadvantages	Details
The Company will not receive the \$800,000 in cash	If the Proposed Transaction is approved, the Company will not receive the outstanding loan in cash but will instead reduce the number of shares on issue by the amount owed by Dr Peter Molloy. The cash could have been used to support ongoing operations of the Company and R&D activities.

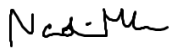
Conclusion on Reasonableness

- 9.5 In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of Race.
- 9.6 An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

Yours faithfully

RSM CORPORATE AUSTRALIA PTY LTD

Nadine Marke



Director

Justin Audcent



Director



APPENDICES

A. DECLARATIONS AND DISCLAIMERS

Declarations and Disclosures

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM) a large national firm of chartered accountants and business advisors.

Nadine Marke and Justin Audcent are directors of RSM Corporate Australia Pty Ltd. Both Nadine Marke and Justin Audcent are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting Shareholders of the Company in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of Race Oncology Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this report, none of RSM Corporate Australia Pty Ltd, RSM, Nadine Marke, Justin Audcent nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM has any interest in the outcome of the Proposed Transaction, except that RSM Corporate Australia Pty Ltd are expected to receive a fee of approximately \$17,500 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether Race Oncology Limited receives Shareholder approval for the Proposed Transaction, or otherwise.

Consents

RSM Corporate Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Notice of Extraordinary General Meeting and Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd or RSM Australia Pty Ltd or has been involved in the preparation of the Notice of Extraordinary General Meeting and Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement.

B. SOURCES OF INFORMATION

In preparing this Report we have relied upon the following principal sources of information:

- Drafts and final copies of the Notice of Meeting;
- Audited financial statements for Race for the years ended 30 June 2018, 30 June 2019 and half-year ended 31 December 2019;
- Race management accounts to 31 May 2020;
- Top 20 shareholders listing of Race;
- Share and Loan Offer Letter;
- Voluntary Restriction Agreement;
- Deed of Settlement and Release;
- ASX announcements of Race;
- S&P Capital IQ database; and
- Discussions with Directors and Management of Race

C. GLOSSARY OF TERMS

Term or Abbreviation	Definition
\$	Australian dollar
Act	Corporations Act 2001 (Cth)
APES	Accounting Professional & Ethical Standards Board
API	Active Pharmaceutical Ingredient
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	The listing rules of ASX as amended from time to time
Company	Race Oncology Limited
Control basis	As assessment of the Fair Value on an equity interest, which assumes the holder or holders have control of the entity in which the equity is held
Directors	Directors of the Company
Explanatory Statement	The explanatory statement accompanying the Notice
Fair Market Value	The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
FDA	US Food and Drug Administration
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
IER	This Independent Expert Report
IND	Investigation of New Drug (US FDA)
NDA	New Drug Application (US FDA)
Non-Associated Shareholders	Shareholders who are not a party, or associated to a party, to the Proposed Transaction
Notice	The notice of meeting to vote on, inter alia, the Proposed Transaction
Option or Options	Unlisted options to acquire Shares with varying vesting conditions
Proposed Transaction	Selective buy-back of 2,222,222 ordinary shares from Dr Molloy at a price of \$0.36 per share
Race	Race Oncology Limited
Report	This Independent Expert's Report prepared by RSM dated 6 July 2020
Resolution	The resolutions set out in the Notice
RG 111	ASIC Regulatory Guide 111 Content of Expert Reports
RSM	RSM Corporate Australia Pty Ltd
S&P Capital IQ	An entity of Standard and Poors which is a third party provider of company and other financial information
Share	Ordinary fully paid share in the capital of the Company

Shareholder A holder of a Share

VWAP Volume weighted average share price

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network.

Each member of the RSM network is an independent accounting and consulting firm each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 11 Old Jewry, London EC2R 8DU.

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SCHEDULE 2 – TERMS AND CONDITIONS OF ADVISOR OPTIONS

(a) Entitlement

Each Advisor Option (**Option**) entitles the holder to subscribe for one Share upon exercise of the Option.

(b) Exercise Price

Subject to paragraph (i), the amount payable upon exercise of each Option will be \$0.45 (Exercise Price).

(c) Expiry Date

Each Option will expire at 5:00 pm (WST) on 12 March 2022 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) Exercise Period

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) Notice of Exercise

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) Exercise Date

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) Timing of issue of Shares on exercise

Within 5 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company

must, no later than 30 days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) Reconstruction of capital

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) Change in exercise price

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) Transferability

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

If you are attending the virtual Meeting
please retain this Proxy Card
for online Securityholder registration.

[EntityRegistrationDetailsLine1Envelope]
[EntityRegistrationDetailsLine2Envelope]
[EntityRegistrationDetailsLine3Envelope]
[EntityRegistrationDetailsLine4Envelope]
[EntityRegistrationDetailsLine5Envelope]
[EntityRegistrationDetailsLine6Envelope]

[HolderNumber]

Holder Number:
[HolderNumber]

Vote by Proxy: RAC

Your proxy voting instruction must be received by **10.30am (AEST) on Sunday, 9 August 2020**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY VOTE ONLINE

Vote online at <https://investor.automic.com.au/#/loginsah>

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting form.

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.



SUBMIT YOUR PROXY VOTE BY PAPER

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chairman of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all of the Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the virtual Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the virtual Meeting online, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the virtual Meeting.

POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.



Contact	Return your completed form	All enquiries to Automic
	<div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <p> BY MAIL Automic GPO Box 5193 Sydney NSW 2001</p> </div> <div style="width: 30%;"> <p> IN PERSON Automic Level 5, 126 Phillip Street Sydney NSW 2000</p> </div> <div style="width: 30%;"> <p> BY EMAIL meetings@automicgroup.com.au</p> </div> </div>	<p> WEBCHAT https://automicgroup.com.au/</p> <p> PHONE 1300 288 664 (Within Australia) +61 2 9698 5414 (Overseas)</p>

Virtual Participation

Virtual participation at the AGM

The company is pleased to provide shareholders with the opportunity to attend and participate in a virtual Meeting through an online meeting platform powered by Automic, where shareholders will be able to watch, listen, and vote online.

To access the virtual meeting:

- Open your internet browser and go to investor.automic.com.au
- Login with your username and password or click “register” if you haven’t already created an account. **Shareholders are encouraged to create an account prior to the start of the meeting to ensure there is no delay in attending the virtual meeting**

Further information on how to do this is set out in the Notice of Meeting. The Explanatory Notes that accompany and form part of the Notice of Meeting describe the various matters to be considered.

STEP 1: Appoint Your Proxy

I/We being a Shareholder entitled to attend and vote at the General Meeting of Race Oncology Limited, to be held virtually at **10.30am (AEST) on Tuesday, 11 August 2020** hereby:

Appoint the Chairman of the Meeting (Chair) OR if you are not appointing the Chairman of the Meeting as your proxy, please write in the box provided below the name of the person or body corporate you are appointing as your proxy or failing the person so named or, if no person is named, the Chair, or the Chair’s nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Unless indicated otherwise by ticking the “for,” against” or “abstain” box you will be authorising the Chair to vote in accordance with the Chair’s voting intention.

STEP 2: Your Voting Direction

Resolutions	For	Against	Abstain
1. Selective Share Buy-Back from Dr Peter Molloy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Ratification of Prior Issue of Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Ratification of Prior Issue of Advisor Options to Nascent Capital Partners	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3: Sign Here + Contact

SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name:

Email Address:

Contact Daytime Telephone: Date (DD/MM/YY)

By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).

[HolderNumber] RAC

L [HolderNumber]