



**ANNUAL REPORT
30 JUNE 2019**

RACE ONCOLOGY LIMITED
ACN 149 318 749
ANNUAL REPORT 30 JUNE 2019

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Corporate Directory

Directors

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

Company Secretary

Peter Webse

Registered office

Level 40, 140 William Street
Melbourne VIC 3000
Ph: +3 9097 1656
Website: www.raceoncology.com

Auditor

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

Share Registry

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

Securities Exchange Listing

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

ASX Code – RAC

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DIRECTORS' REPORT

Your Directors present their report, together with the financial statements of Race Oncology Limited ("the Company" or "RAC") for the financial year ended 30 June 2019.

Information on Directors

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Peter Molloy	—	Managing Director (appointed 1 July 2016)
Qualifications	—	Bachelor of Science (Microbiology and Biochemistry), University of Melbourne Master of Business Administration, University of Adelaide
Experience	—	Mr. Molloy worked in the pharmaceutical industry for 18 years. At the Australian pharmaceutical company, Faulding, he managed several Faulding subsidiaries, before joining Pharmacia (now Pfizer) as Managing Director of its Australia and NZ operations and later as Vice President of Strategic Marketing for Asia-Pacific and Latin America. Subsequently, he served as CEO of three biotechnology companies – Biota Holdings Ltd, SLIL Biomedical Corp and Florigene Ltd – where he managed numerous R&D programs, raised substantial equity funding and executed four pharmaceutical partnerships. During his tenure as CEO of the ASX-listed company, Biota Holdings Ltd, the company's market value grew from approximately \$30m to nearly \$300m in three and a half years. Previously, as CEO of the US company, SLIL Biomedical Corp, he managed R&D and licensing for the company's oncology drug development program. Between 2008 and 2014, he was a non-executive director of immune-oncology company, Viralytics (ASX:VLA). During his career, he has managed seven biotechnology or pharmaceutical businesses, launched 23 pharmaceutical products, and executed 40 international licensing or distribution deals.
Interest in Shares and Options	—	4,305,004 ordinary shares, including 4,000,000 loan shares — 6,000,000 options expiring on 1 July 2021 exercisable at \$0.25
Directorships held in listed entities	—	None
 William Garner	 —	 Non-Executive Chairman (appointed 1 July 2016)
Qualifications	—	Master of Public Health, Harvard University Doctor of Medicine, New York Medical College
Experience	—	William Garner, MD is a US physician, investor, and entrepreneur. Dr Garner is one of the inventors on the Bisantrone patents, originally filed by Update Pharma, Inc. and now owned by Race Oncology. Previously, he founded EGB Advisors LLC, a life sciences advisory firm whose clients have included the M.D. Anderson Cancer Center, the Kauffman Foundation, ChemGenex (ASX:CXS) and CoTherix. He also founded Inverseon, Inc., which was merged with the ASX-listed company cBio to create Invion Ltd, serving as CEO until May of 2013. He founded Urogen Pharmaceuticals, Inc. and co-founded DelMar Pharmaceuticals, Inc. (NASDAQ:DMPH). Previously, he was at Hoffmann La Roche in oncology medical affairs and worked as a merchant banker in New York City. Dr Garner currently serves as Chairman of InMed Pharmaceuticals (TSX:IN) & Isla Pharmaceuticals and works with several of the other portfolio companies of EGB Ventures. Dr Garner has a Master of Public Health from Harvard and received his MD degree from New York Medical College. Dr. Garner did residency training in Anatomic Pathology at Columbia-Presbyterian and is currently a licensed physician in the State of New York.
Interest in Shares and Options	—	16,414,927 ordinary shares
Directorships held in listed entities	—	Chairman of listed company InMed Pharmaceuticals (TSX:IN)

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Chris Ntoumenopoulos	—	Non-Executive Director (appointed 27 April 2016)
Qualifications	—	Bachelor of Commerce, majoring in Money and Banking, Investment Finance and Electronic Commerce
Experience	—	Mr Ntoumenopoulos is Managing Director at Twenty 1 Corporate, a boutique corporate advisory firm. He has worked in financial markets for the past 12 years, focusing on Capital Raisings, Portfolio Management and Corporate Advisory. Mr Ntoumenopoulos has advised and funded numerous ASX companies from early stage venture capital, through to IPO. He is also a director of various private and public companies which span across finance, technology and medical sectors.
Interest in Shares and Options	—	660,097 ordinary shares
	—	1,000,000 options expiring on 22 November 2019 exercisable at \$0.49 and 1,000,000 options expiring on 22 November 2019 exercisable at \$0.65
Directorships held in listed entities	—	ResApp Health Limited
	—	Ookami Limited (resigned November 2015)

John Cullity	—	Non-Executive Director (appointed 6 April 2018)
Qualifications	—	MBBS, MRCP, MSc(Econs), MBA
Experience	—	John is Managing Director at BioSynergy Partners, a New York and Melbourne based advisory recently spun out of Torreyya – the renowned life sciences investment bank. He additionally, services on the Boards of several life sciences companies including Ceramedix (seeded by Torreyya) and Race Oncology listed on ASX. He resides in New York. At Torreyya, John provided strategic advisory on Mergers & Acquisitions, Partnering and Financing to life-science companies worldwide. Prior to joining Torreyya, he was a senior member of the Business Development team at Sanofi Pharmaceuticals, where he led buy side transactions in oncology and diabetes. Earlier in his career, John was Head of Strategic Pricing & Reimbursement at Sanofi, Director of Health Economics at Schering-Plough, and Consultant at A.T. Kearney. He has also worked at The World Bank and the World Health Organization. John graduated in Medicine and sub-specialised in haematology-oncology at QE II Medical Centre, Perth. He holds a Bachelor of Medicine, Bachelor of Surgery from The University of Western Australia; Membership of the Royal College of Physicians; Masters in Health Economics from London School of Economics & Political Science, and MBA from The Wharton School, University of Pennsylvania.
Interest in Shares and Options	—	2,000,000 options expiring on 27 November 2021 excisable at \$0.23
Directorships held in listed entities	—	None

Company Secretary

Peter Webse	—	Company Secretary (appointed 5 May 2016)
Qualifications	—	B.Bus, FGIA, FCIS, FCPA, MAICD.
Experience	—	Mr Webse has over 27 years' company secretarial experience and is the managing director of Platinum Corporate Secretariat Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services.

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Meeting of Directors

During the financial year 10 meetings of Directors were held. Attendances by each Director during the year are stated in the following table.

	DIRECTORS' MEETINGS	
	Number eligible to attend	Number Attended
Peter Molloy	10	10
William Garner	10	10
Chris Ntoumenopoulos	10	10
John Cullity	10	9

Principal Activities

Race Oncology is an Australian speciality pharmaceutical company whose business model is to pursue and bring to market later stage assets, principally in the cancer field.

The Company's first important asset is a chemotherapy drug, called Bisantrene, which was the subject of more than 40 phase II clinical studies, before it was lost in a series of pharmaceutical mergers during the 1990s. Race Oncology is rediscovering Bisantrene. Race Oncology owns recent patent filings on Bisantrene and has secured Orphan Drug Designation in the US. The Company's goal is to complete final development of Bisantrene and bring this valuable cancer drug to market, initially for the treatment of Acute Myeloid Leukaemia (AML).

Operating Results

The operating loss after income tax amounted to \$3,659,402 (2018: \$6,306,446 loss); net cash used in operating activities was \$2,674,002 (2018: \$3,869,392).

Dividends Paid or Recommended

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

Review of Operations

On 16 July 2018, Race announced that the FDA had granted Bisantrene a Rare Paediatric Disease (RPD) designation for treatment of childhood AML (Acute Myeloid Leukaemia). This designation means Bisantrene has the opportunity to be awarded a Priority Review Voucher (PRV) at the time of marketing approval for childhood AML. The voucher, if awarded, provides rights to a fast-track FDA review which can be sold to other pharmaceutical companies. The value of the RPD and the potential for the PRV was additive to the value of the current FDA approval program, which is aimed at adult AML.

On 23 August 2018, Race announced the termination of its representation agreement with CarthaGenetics and the consulting agreement with Gordon Beck, formerly head of business development for Race. The Company also advised that Dr John Rothman would step down from his role as full-time Chief Scientific Officer for Race and continue on a part-time basis until the end of December 2018; subsequently, Dr Rothman agreed to continue providing some informal consulting services to the Company beyond December to assist with the IND (Investigational New Drug application).

On 17 September 2018, Race announced it had executed an agreement with NSF Health Sciences (NSF) in Washington DC to facilitate its IND filing in the US for Bisantrene. During the year, NSF acted as the US Agent for Race Oncology with the FDA, serving as Race's interface with the FDA regarding agency correspondence, IND amendments, protocol amendments, pharmacovigilance and other reporting.

On 27-29 September 2018, Race attended and sponsored the first annual meeting of the International Academy for Clinical Haematology (IACH) in Paris. It was an important opportunity to increase Race's recognition and reputation with international haematological oncologists and to discuss clinical plans and NPP opportunities for Bisantrene. One of speakers and session chairs was Professor Borje Andersson, with whom the Company subsequently signed a consulting agreement (announced 22 January

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2019). Race also met Professor Arnon Nagler from Israel, who subsequently agreed to undertake a trial of Bisantrene in adult AML (announced 14 May 2019).

On 1 October 2018, Race announced an agreement with Mr Tom Lee of Houston, Texas. The agreement provided for Mr Lee to assist the Company with partnering, funding and clinical trial partnering opportunities in the US, particularly in Houston. One important focus for Mr Lee was to make introductions to opinion leaders and clinical trial groups at MD Anderson Cancer Center (MDACC), with a focus on funding and conducting a paediatric trial of Bisantrene in support of the RPD designation.

On 1 November 2018, Race announced an agreement with Biosynergy Partners LLC (Biosynergy) to pursue transactions around Bisantrene. Biosynergy is a transaction consulting business owned by Dr John Cullity, a New York-based transaction consultant and a non-executive director of RAC. Under the Agreement, potential transactions included a sale, license, partnership, collaborative venture or other arrangement, whereby an interest in Bisantrene is transferred to a third party. During the year, the Company actively worked with Dr Cullity to identify and engage with potential partners..

On 17 December 2018, Race announced that it had executed an agreement with TrueMed for distribution and sales of Bisantrene in Israel, under a Named Patient Program (NPP). Under the agreement, Race and TrueMed shares the value of all Bisantrene NPP sales in Israel, with 60% of sales turnover paid to Race and 40% retained by TrueMed. TrueMed will be responsible for gaining the approval of the Israeli Ministry of Health (IMOH) for local NPP distribution of Bisantrene, and sales cannot commence until that approval has been obtained. The agreement will operate for an initial period of three years, after which, it can be terminated with nine months' notice by either party.

During the year, the Company continued to seek Named Patient Program (NPP) usage in Europe, but without any demonstrable success, in terms of sales. In late September 2018, the Company was advised by a UK hospital that the hospital intended to place an NPP order for Bisantrene for an AML patient who had failed other treatments; the order was received by Durbin, Race's agent in the UK, but unfortunately, the patient rapidly progressed and died before the order could be filled. Race remains committed to achieving contemporary usage of Bisantrene by clinicians, either under NPP or via investigator-initiated trials. During the year, Dr Samar Al-Behaisi, Race's Chief Medical Officer continued to build relationships with key AML clinicians towards that goal.

On 24 January 2019, Race announced an agreement with Professor Borje Andersson from the M.D. Anderson Cancer Research Center (MDACC) in Houston, Texas. Under the initial 12-month agreement, Professor Andersson was engaged to advise Race on clinical protocols for its adult and paediatric AML trials, advise Race on new product development strategies and acquisitions, assist Race with introductions to AML clinical trial groups at MD Anderson and support MDACC's participation in Race's clinical trials or investigator initiated clinical studies on Bisantrene, and assist Race with introductions to international and US and international investigators who could participate in Race's proposed NPP for Bisantrene. Prof. Andersson received compensation in the form of 420,000 RAC share options, which vested over 12 months.

Prof. Andersson stated: "I found that Race Oncology's research strategy for developing new therapies for both paediatric and adult AML are a perfect complement to my own long-standing research interests. Therefore, it is with great excitement and the highest level of enthusiasm that I look forward to working with the team at Race Oncology."

On 25 February 2019, Race announced that Dr Roland Walter – a leading international AML expert, based at the Fred Hutchinson Cancer Research Center in Seattle – had agreed to be the Principal Investigator for the US registration trial for Bisantrene. Trial commencement is subject to the filing by Race of an IND (Investigational New Drug application) with the FDA and the FDA agreeing to the IND.

On 25 March 2019, Race announced that it had filed the IND with the US FDA, on schedule. The IND application was considered an important milestone for the Company, involving around 2,000 pages of documentation on Bisantrene. For the Bisantrene registration trial to proceed, the IND would need to be allowed by the FDA. On 24 April 2019, Race advised the market that, as expected, the FDA had a number of questions about the proposed trial and as a result, the trial would be on a 'clinical hold' until the questions were resolved. The Company is continuing to seek to address these questions.

On 14 May 2019, Race announced that it has signed an agreement to conduct an investigator-initiated trial of Bisantrene at the Sheba Medical Center in Israel. This was considered an important development, as it represented the first use of Bisantrene in patients since the drug disappeared approximately 25 years ago. The trial is led by Professor Arnon Nagler, who is a highly-regarded international leader in the leukaemia field.

Prof. Nagler stated: "I am excited about the potential for Bisantrene in our leukemic patients in whom the disease is unresponsive and have very few alternatives. A number of new targeted agents have become available, but these are only useful in the small percentage of patients who have specific, identifiable mutations."

The trial is titled "Bisantrene for relapsed/refractory acute myelogenous leukemia (AML)" and its primary objective will be to generate clinical remissions (CR) in patients with AML, who are resistant to other therapy (refractory), have relapsed after previous therapy, or cannot receive further anthracycline treatment. The trial is expected to recruit 12 adult subjects over 12 months and

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report CR and a range of secondary endpoints, including leukaemia free survival (LFS) and overall survival (OS). All patients are expected to receive Bisantrene 250mg/m²/day for 7 days, in conjunction with conventional supportive care.

Shortly after the end of the year, on 25 July 2019, the Company announced that the first patient had been treated in the trial at the Sheba Medical Center in Israel.

During the year, Race filed a series of ASX notices, reporting changes in Directors' shareholdings, especially in relation to Dr William Garner, the Company's chairman. Most of the notices related to internal redistribution of shares held in the Company by Update Pharma, Inc. (Update), to the shareholders of Update, the major shareholder being Dr Garner. Update is the US entity that provided the Bisantrene IP to form Race Oncology.

In addition, on 21 December 2018 and 12 July 2019, Race filed Appendix 3Bs advising the conversion of performance shares into ordinary shares by Update, with 5 million converted at each date. The performance share milestones were met in June 2018 and were announced to the market on 2 July 2018 ("Performance Shares Milestones Met"). As indicated in that announcement there was a provision for Update to elect to receive the performance shares (at a time of their choosing), which was reflected in the December 2018 and July 2019 Appendix 3Bs.

Outlook

Race remains committed to achieving contemporary usage of Bisantrene by clinicians; in that regard, we look forward to further results of the Sheba Medical Center trial and hope to start other investigator-initiated trials of Bisantrene. Race believes that gaining contemporary clinician experience may pave the way for future NPP sales.

The US IND is currently on clinical hold, pending Race's responses to questions from the FDA. The pathway forward for Race likely involves further testing to generate new data and changes to the trial protocol, in order to meet the FDA's demands. This would be followed by a 'Type C' meeting with the FDA to discuss the additional data and the trial protocol. Because of the cost commitment associated with this additional testing and the Type C process, Race is deferring activity on the IND until additional funding is secured during FY20.

In the meantime, the paediatric AML program and the potential to secure a valuable Priority Review Voucher (PRV) remain a major value-creating opportunity for Race. The Company is actively exploring ways in which the necessary clinical work to support this program and the PRV can be conducted.

The Company continues to believe in the value of Bisantrene. The positive comments cited here by Professors Andersson and Nagler are reflective of much of the positive feedback we have received from AML clinicians over the last three years. There is little doubt that Bisantrene has a role to play in treating AML; and the fact that an international AML leader, such as Professor Nagler, is prepared to use Bisantrene on his relapsed/refractory AML patients is a clear indication of this. Over the coming year, we hope to see the trial in Israel prompt other investigators in other countries to undertake their own investigator-sponsored trials of Bisantrene and through this process, generate a growing awareness of Bisantrene's value.

Financial Position

The net assets of the Company at 30 June 2019 were \$5,049,906 (2018: \$7,930,697), including \$0.99 million in cash. Excluding non-cash items, such as share-based payments and amortisation expense, the total operational expenditure for the year was \$2.81 million, which was a 31% reduction from the previous year (\$4.06 million), with the largest savings being in business development and marketing (-\$0.65 million) and R&D (-\$0.33 million); however, savings were also achieved in manufacturing & distribution, corporate advice, and travel costs. In addition, R&D tax credit income increased to \$0.23 million (2018: \$0.17 million). Based on the costs savings and consequently, the overall lower cost structure going forward, the Company expects significantly reduced expenses overall during 2020 financial year.

Significant Events after the Reporting date

On 12 July 2019, the Company issued 5,000,000 fully paid ordinary shares following the conversion of Milestone (ii) Performance Shares. All of the Companies Performance Shares have now been converted into ordinary shares.

On 25 July 2019, the Company announced that the first patient had been treated with Race's cancer drug, Bisantrene, in the trial at the Sheba Medical Center in Israel. Race was advised by the Sheba Medical Center that the first relapsed/refractory AML patient had been recruited into the trial and completed their seven-day course treatment with Bisantrene, without any major complications.

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On 13 August 2019, the Company announced it had secured a new patent on its cancer drug, Bisantrene, from the United States Patent and Trademarks Office. This is Race's third patent granted on Bisantrene in the United States. The new patent covers expanded uses of Bisantrene, in particular its use in combination with other cancer drugs to treat Acute Myeloid Leukaemia and breast cancer.

On 20 August 2019, the Company announced it had completed a placement of \$1.45million, led by prominent biotechnology investor Dr Daniel Tillett and that it had issued 8,500,000 shares at \$0.066 each and 4,250,000 options exercisable at \$0.099 and expiring on 31 August 2021 to date pursuant to that placement.

Future Developments, Prospects and Business Strategies

Our goal continues to be to ensure that Bisantrene's potential is realised. We will continue to focus our efforts on completing the IND, supporting investigator-sponsored trials such as the one in Israel, and pursuing opportunities for external funding of the paediatric program. We hope that these programs will generate valuable milestones in the coming year that will significantly lift Race's share price and market value. In the meantime, we have cut overheads, positioning the Company for a significantly lower cash outflow in FY2020, consistent with our ability to raise funds.

Environmental Regulations

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

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Share Options

Unissued shares under option

At the date of this report, the un-issued ordinary shares of Race Oncology Limited under option are as follows:

Grant Date	Expiry Date	Exercise Price	Number of shares under option
1 July 2016	1 July 2021	\$0.25	9,000,000
22 November 2016	1 August 2021	\$0.256	135,000
28 March 2017	1 April 2022	\$0.25	1,500,000
8 May 2017	8 May 2022	\$0.25	100,000
22 November 2017	22 November 2019	\$0.49	2,000,000
22 November 2017	22 November 2019	\$0.65	2,000,000
20 June 2018	19 March 2020	\$0.45	5,000,000
13 July 2018	16 May 2023	\$0.32	1,500,000
13 July 2018	13 January 2020	\$0.30	6,000,000
1 October 2018	1 October 2023	\$0.12	420,000
27 November 2018	27 November 2021	\$0.23	2,000,000
21 January 2019	21 January 2024	\$0.12	420,000
13 March 2019	12 March 2024	\$0.10	500,000
13 March 2019	12 March 2024	\$0.135	100,000
31 May 2019	31 May 2024	\$0.085	420,000
31 May 2019	31 May 2024	\$0.085	420,000
			31,515,000

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

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Indemnification and Insurance of Directors and Officers

The Company indemnifies each of its Directors, Officers and Company Secretary. The Company indemnifies each Director or Officer to the maximum extent permitted by the Corporations Act 2001 from liability to third parties, except where the liability arises out of conduct involving lack of good faith, and in defending legal and administrative proceedings and applications for such proceedings.

The Company must use its best endeavours to insure a Director or Officer against any liability, which does not arise out of conduct constituting a wilful breach of duty or a contravention of the Corporations Act 2001. The Company must also use its best endeavours to insure a Director or Officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

The Company has not entered into any agreement with its current auditors indemnifying them against any claims by third parties arising from their report on the financial report.

During the year the Company paid insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Group. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit service provided during the year is outlined in Note 5 to the financial statements.

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

The Directors are of the opinion that the service as disclosed in Note 5 to the financial statements do not compromise the external auditor's independence, based on resolution of the directors, for the following reasons:

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

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 17.

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REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2019 outlines the remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001(Cth), as amended (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Executive remuneration arrangements
4. Non-executive director fee arrangements
5. Company performance, shareholder wealth and Directors' and Executives' remuneration
6. Details of remuneration
7. Additional disclosures relating to options and shares
8. Loans to key management personnel (KMP) and their related parties
9. Service Agreements
10. Other transactions and balances with KMP and their related parties

The names of the directors in office at any time during or since the end of the financial year are:

William Garner – Non Executive Chairman (appointed 1 July 2016)
Peter Molloy – Managing Director (appointed 1 July 2016)
Chris Ntoumenopoulos – Non-Executive Director (appointed 27 April 2016)
John Cullity – Non-Executive Director (appointed 6 April 2018)

The names of other KMP in office at any time during or since the end of the year are:

John Rothman – Chief Scientific Officer (appointed 1 July 2016)
Samar Al-Behaisi – Chief Medical Officer and Vice President of Medical Affairs (appointed 16 May 2018)
Gordon Beck – Senior Vice President Business Development (resigned 25 September 2018)

1. Introduction

Key Management Personnel ("KMP") have authority and responsibility for planning, directing and controlling the major activities of the Company. KMP comprise the directors of the Company.

Compensation levels for KMP are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Board may seek independent advice on the appropriateness of compensation packages, given trends in comparative companies both locally and internationally and the objectives of the Company's compensation strategy.

2. Remuneration governance

The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of a separate remuneration committees. Accordingly, all matters are considered by the full Board of Directors.

During the financial year, the Company did not engage any remuneration consultants.

3. Executive remuneration arrangements

The compensation structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Compensation packages may include a mix of fixed compensation, equity-based compensation, short term incentives and employer contributions to superannuation funds. Shares and options may only be issued to directors subject to approval by shareholders in a general meeting.

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REMUNERATION REPORT (AUDITED)

3. Executive remuneration arrangements (cont'd)

At this stage the Board does not consider the Company's earnings or earnings related measures to be an appropriate key performance indicator (KPI). In considering the relationship between the Company's remuneration policy and the consequences for the Company's shareholder wealth, changes in share price are analysed as well as measures such as successful completion of business development, clinical and corporate activities.

4. Non-executive director fee arrangements

The Board policy is to remunerate Non-Executive Directors at a level to comparable Companies for time, commitment, and responsibilities. Non-executive Directors do not receive performance related compensation. Directors' fees cover all main Board activities and membership of any committee. The Board has no established retirement or redundancy schemes in relation to Non-Executive Directors.

The Non-Executive Directors have or may be provided with options that are meant to incentivise the Non-Executive Directors. The board determines payments to the Non-Executive Directors and reviews their remuneration annually based on market practice, duties, and accountability. Independent external advice will be sought when required.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is presently limited to an aggregate of \$300,000 per annum and any change is subject to approval by shareholders at the General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Company. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

Fees for the Non-Executive Directors for the financial year were \$217,088 (2018: \$217,450) and cover main Board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Company.

At the AGM held on 27 November 2018, 79% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2018.

5. Company performance, shareholder wealth and Directors' and Executives' remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and Directors' and Executives' performance. This will be facilitated through the issue of the Employee Incentive Option ("Plan") to Directors and Executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. The Plan will provide ongoing incentives to Eligible Participants, Eligible Participants include;

- a) a Director (executive or non-executive) of the Company;
- b) a full time or part time employee of the Company; and
- c) a casual employee or contractor of the Company to the extent permitted by the class order.

The purpose of the plan is to:

- a) assist in the reward, retention and motivation of Eligible Participants;
- b) link the reward of Eligible Participants to the performance and creation of shareholder value;
- c) align the interests of Eligible Participant's more closely with the interests of Shareholders by providing an opportunity for Eligible Participants to received Shares;
- d) provide greater incentive for Eligible Participants to focus on the Company's longer term goals; and
- e) provide Eligible Participants with the opportunity to share in any future growth in value of the Company.

The objective of the Plan is to provide the Company with a remuneration mechanism, through the issue of securities in the capital of the Company, to motivate and reward the performance of Eligible Participants.

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

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REMUNERATION REPORT (AUDITED)

6. Details of Remuneration

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

	Short Term Salary, Fees & Commissions	Post Employment Superannuation	Other/ Bonus ¹	Share-based payments ²	Total	Performance based remuneration
30 June 2019	\$	\$	\$	\$	\$	\$
Executive Management						
Peter Molloy	300,000	20,531	45,000	51,133	416,664	-
John Rothman	185,605	-	-	-	185,605	-
Gordon Beck ³	64,311	-	-	34,934	99,245	-
Samar Al-Behaisi	258,277	-	-	221,220	479,497	-
Non-Executive Directors						
William Garner	121,000	-	-	-	121,000	-
Chris Ntoumenopoulos	48,000	-	-	-	48,000	-
John Cullity	48,088	-	-	81,441	129,529	-
Total	1,025,281	20,531	45,000	388,728	1,479,540	-

	Short Term Salary, Fees & Commissions	Post Employment Superannuation	Other/ Bonus	Share-based payments ²	Total	Performance based remuneration
30 June 2018	\$	\$	\$	\$	\$	\$
Executive Management						
Peter Molloy	300,000	20,049	-	127,833	447,882	-
John Rothman	257,566	-	-	57,525	315,091	-
Gordon Beck ³	257,673	-	-	116,918	374,591	-
Samar Al-Behaisi	31,262	-	-	28,614	59,876	-
Non-Executive Directors						
William Garner	118,250	-	-	-	118,250	-
Chris Ntoumenopoulos	48,000	-	-	252,904	300,904	-
John Cullity	11,200	-	-	-	11,200	-
Brendan de Kauwe ⁴	40,000	-	-	-	40,000	-
Total	1,063,951	20,049	-	583,794	1,667,794	-

¹ As per Mr. Molloy's employee agreement, his annual Short Term Incentive (STI) bonus is capped at 30% of Salary, which did not change during the year. Mr. Molloy was granted a STI bonus payment for the year ending 30 June 2019, equivalent to 50% of his bonus entitlement for the financial year, following board approval on the 19 April 2019. The STI bonus paid was subject to the board's determination of performance for the financial year and consideration of the fact that no STI bonus was paid for the previous financial year.

² The value of the options granted to key management personnel as part of their remuneration is calculated as at the grant date using the Black Scholes method. The amounts disclosed as part of remuneration for the financial year were issued and vested within the period.

³ Mr Gordon Beck resigned as Senior Vice President Business Development effective 25 September 2018.

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

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7. Additional disclosures relating to options and shares

Options awarded, vested and lapsed during the year

The table below discloses the number of share options granted, vested or lapsed during the year.

Share options do not carry any voting or dividend rights, and can only be exercised once the vesting conditions have been met, until their expiry date.

KMP Shareholdings

The number of ordinary shares¹ in Race Oncology Limited held by each KMP of the Group during the financial year is as follows:

30 June 2019	Balance at the start of the year	Granted as Remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of Year
Executive Management					
Peter Molloy	4,120,000	-	-	185,004	4,305,004
John Rothman	-	-	-	1,884,674 ⁵	1,884,674
Gordon Beck ²	-	-	-	-	-
Samar Al-Behaisi	-	-	-	-	-
Non-Executive Directors					
William Garner	15,200,000	-	-	(3,565,834) ⁴	11,634,166
Chris Ntoumenopoulos	606,250	-	-	53,847	660,097
John Cullity	-	-	-	-	-
Total	19,926,250	-	-	(1,442,309)	18,483,941

30 June 2018	Balance at the start of the year	Granted as Remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of Year
Executive Management					
Peter Molloy	4,020,000	-	-	100,000	4,120,000
John Rothman	-	-	-	-	-
Gordon Beck ²	-	-	-	-	-
Samar Al-Behaisi	-	-	-	-	-
Non-Executive Directors					
William Garner	15,100,000	-	-	100,000	15,200,000
Chris Ntoumenopoulos	606,250	-	-	-	606,250
John Cullity	-	-	-	-	-
Brendan de Kauwe ³	590,000	-	-	-	590,000
Total	20,316,250	-	-	200,000	20,516,250

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

² Mr Gordon Beck resigned as Senior Vice President Business Development on 25 September 2018.

³ Mr Brendan de Kauwe resigned as a Director on 4 April 2018 and his shareholding is shown as at date of resignation.

⁴ Other changes during the financial year for Mr William Garner include; the conversion of 5 million performance shares into ordinary shares, on-market purchase and sale of shares, and off-market transfer of shares to other shareholders of Update Pharma.

⁵ Transfer from Update Pharma during the financial year.

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

KMP Options holdings

The number of options¹ over ordinary shares held by each KMP of the Group during the financial year is as follows:

	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year ²	Balance at the end of the year	Vested and exercisable	Unvested
30 June 2019							
Executive Management							
Peter Molloy	6,000,000	-	-	-	6,000,000	6,000,000	-
John Rothman	3,000,000	-	-	-	3,000,000	3,000,000	-
Gordon Beck ³	1,500,000	-	-	-	1,500,000	1,500,000	-
Samar Al-Behaisi	1,500,000	500,000	-	-	2,000,000	750,000	1,250,000
Non-Executive Directors							
William Garner	-	-	-	-	-	-	-
Chris Ntoumenopoulos	7,000,000	-	-	(5,000,000)	2,000,000	2,000,000	-
John Cullity	-	2,000,000	-	-	2,000,000	500,000	1,500,000
Total	19,000,000	2,500,000	-	(5,000,000)	16,500,000	13,750,000	2,750,000

	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year ²	Balance at the end of the year	Vested and exercisable	Unvested
30 June 2018							
Executive Management							
Peter Molloy	6,000,000	-	-	-	6,000,000	-	6,000,000
John Rothman	3,000,000	-	-	-	3,000,000	-	3,000,000
Gordon Beck ³	1,500,000	-	-	-	1,500,000	750,000	750,000
Samar Al-Behaisi	-	1,500,000	-	-	1,500,000	-	1,500,000
Non-Executive Directors							
William Garner	-	-	-	-	-	-	-
Chris Ntoumenopoulos	5,000,000	2,000,000	-	-	7,000,000	7,000,000	-
John Cullity	-	-	-	-	-	-	-
Brendan de Kauwe ⁴	-	2,000,000	-	(2,000,000)	-	-	-
Total	15,500,000	5,500,000	-	(2,000,000)	19,000,000	7,750,000	11,250,000

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

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

³ Mr Gordon Beck resigned as Senior Vice President Business Development effective 25 September 2018.

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

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

KMP performance shares holdings

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

30 June 2019	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year
Executive Management					
Peter Molloy	-	-	-	-	-
John Rothman	-	-	-	-	-
Gordon Beck ¹	-	-	-	-	-
Samar Al-Behaisi	-	-	-	-	-
Non-Executive Directors					
William Garner	10,000,000	-	(5,000,000)	-	5,000,000 ²
Chris Ntoumenopoulos	-	-	-	-	-
John Cullity	-	-	-	-	-
Total	10,000,000	-	(5,000,000)	-	5,000,000

30 June 2018	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year
Executive Management					
Peter Molloy	-	-	-	-	-
John Rothman	-	-	-	-	-
Gordon Beck ¹	-	-	-	-	-
Samar Al-Behaisi	-	-	-	-	-
Non-Executive Directors					
William Garner	10,000,000	-	-	-	10,000,000
Chris Ntoumenopoulos	-	-	-	-	-
John Cullity	-	-	-	-	-
Brendan de Kauwe ³	-	-	-	-	-
Total	10,000,000	-	-	-	10,000,000

¹ Mr Gordon Beck resigned as Senior Vice President Business Development on 25 September 2018.

² Performance shares were converted into ordinary shares subsequent to the financial year-end.

³ Mr Brendan de Kauwe resigned as a Director on 4 April 2018 and his shareholding is shown as at date of resignation.

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8. Loans to KMP and their related parties

Employee loan shares

Remuneration in the form of Employee Loan Shares were issued to the Managing Director, Peter Molloy, upon settlement of the Company's acquisition of intellectual property from Update Pharma Inc. The acquisition of intellectual property was completed on 1 July 2016.

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

- i. The total loan is \$800,000 (equivalent to \$0.20 per share), which was deemed to have been draw down at Settlement and issuance of the Loan Shares.
- ii. The Loan is repayable on the earlier of:
 - a) The date that is 5 business days following Mr Molloy ceasing to be employed by the Company; and
 - b) The date that is 5 years from the date of issue of the Loan Shares.
- iii. The Loan is interest free.
- iv. All or part of the loan may be repaid prior to the loan repayment date.

Repayment date

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

Sale of Loan Shares

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

Vesting conditions

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

- (a) The Loan Shares vested over 2 years and are now fully vested.
- (b) The Loan Shares are not transferable.

9. Service Agreements

On 18 November 2015 (amended 11 May 2016), the Company entered into an Executive Services Agreement with Peter Molloy whereby Mr. Molloy will provide the services as Managing Director of the Company.

The key terms of the Consultancy Agreement are as follows:

- (a) the agreement commenced on 1 July 2016 and has no term until his engagement is terminated, which requires 6 months' written notice;
- (b) the Company will pay Mr. Molloy \$300,000 per annum (exclusive of superannuation); and
- (c) Mr. Molloy will be entitled Short Term Incentive (STI) bonuses up to 30% of salary upon meeting performance based objectives to be set by the Board from time to time.
- (d) Mr Molloy will be issued 6,000,000 Molloy Options upon settlement of the Acquisition (Issued on the 1 July 2016).
- (e) Mr Molloy will be issued with 4,000,000 Loan Shares upon settlement of the Acquisition (Issued on the 1 July 2016) and will be granted the Molloy Loan to pay for the Shares,

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Consultancy Agreements

On 18 November 2015, the Company entered into a Consultancy Agreement with John Rothman whereby Mr. Rothman will provide the services as Chief Scientific Officer of the Company.

The key terms of the Consultancy Agreement were as follows:

- (a) the agreement commenced on 1 July 2016 and has no term until his engagement is terminated, which is 3 months' written notice;
- (b) the Company will pay Mr. Rothman USD 200,000; and
- (c) Mr. Rothman will be entitled to a cash bonus of up to 20% of the salary payable to him upon meeting performance based objectives to be set by the Board from time to time.
- (d) Mr Rothman will be issued 3,000,000 Rothman Options upon settlement of the Acquisition (issued 1 July 2016)

The Company advised that Dr John Rothman would step down from his role as full-time Chief Scientific Officer for Race and continue on a part-time basis until the end of December 2018; subsequently, Dr Rothman agreed to continue providing some informal consulting services to the Company beyond December to assist with the IND (Investigational New Drug application).

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

The key terms of the Consultancy Agreement are as follows:

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

10. Other transactions and balances with KMP and their related parties

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. The Company acquired no services from entities that are controlled by members of the Company's key management personnel.

Remuneration Report - End

Signed in accordance with a resolution of the directors.



Peter Molloy
Managing Director
Dated 23 August 2019

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

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To The Board of Directors

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

As lead audit Partner for the audit of the financial statements of Race Oncology Limited for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



BENTLEYS
Chartered Accountants



DOUG BELL CA
Partner

Dated at Perth this 23rd day of August 2019

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
Interest received		17,355	21,656
Other income	3	228,501	170,262
Administrative expenses		(20,787)	(30,987)
Accounting and audit fees		(81,268)	(68,870)
Amortisation	11	(281,196)	(250,866)
Business development and marketing		(561,298)	(1,211,166)
Manufacturing and distribution		(532,487)	(593,137)
Corporate advice expenses		(88,236)	(201,013)
Non-Executive Director fees		(217,088)	(217,450)
Employee benefits expense		(157,918)	(152,549)
Research and development expense		(956,337)	(1,283,363)
Share based payment expense	16	(812,042)	(2,183,081)
Share registry expense		(6,229)	(6,250)
Travel and accommodation		(47,160)	(130,362)
Other expenses		(143,212)	(169,270)
Loss from ordinary activities before income tax expense		(3,659,402)	(6,306,446)
Income tax expense relating to ordinary activities	7	-	-
Loss from ordinary activities after income tax expense		(3,659,402)	(6,306,446)
Foreign currency translation (net of tax)		411	645
Total comprehensive loss for the year attributable to members of the Company		(3,658,991)	(6,305,801)
Basic earnings/(loss) per share (cents per share)	6	(4.6)	(9.4)
Diluted earnings/(loss) per share (cents per share)	6	(4.6)	(9.4)

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	8	988,714	3,709,998
Trade and other receivables	9	611	431
Other assets	10	34,762	30,842
TOTAL CURRENT ASSETS		1,024,087	3,741,271
NON-CURRENT ASSETS			
Intangible assets	11	4,217,938	4,499,134
TOTAL NON-CURRENT ASSETS		4,217,938	4,499,134
TOTAL ASSETS		5,242,025	8,240,405
CURRENT LIABILITIES			
Trade and other payables	12	158,369	287,208
Provisions	13	33,750	22,500
TOTAL CURRENT LIABILITIES		192,119	309,708
TOTAL LIABILITIES		192,119	309,708
NET ASSETS / (LIABILITIES)		5,049,906	7,930,697
EQUITY			
Issued and unissued capital	14	15,422,621	14,456,463
Reserve	15	3,854,997	5,084,736
Reserve shares	14b	(800,000)	(800,000)
Accumulated losses		(13,427,712)	(10,810,502)
TOTAL EQUITY		5,049,906	7,930,697

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Issued Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2017	8,493,301	1,900,948	(4,756,960)	5,637,289
Loss for the year	-	-	(6,306,446)	(6,306,446)
Other comprehensive income	-	645	-	645
Total comprehensive income for the year	-	645	(6,306,446)	(6,305,801)
Transactions with owners, recognised directly in equity				
Revaluation of performance shares	-	500,000	-	500,000
Shares issued during the year	5,659,060	-	-	5,659,060
Share based payments	-	2,261,740	-	2,261,740
Shares applied but unissued	480,000	-	-	480,000
Exercise of options	204,909	(47,034)	-	157,875
Extinguishment of options	-	(331,563)	252,904	(78,659)
Capital raising costs	(380,807)	-	-	(380,807)
Balance at 30 June 2018	14,456,463	4,284,736	(10,810,502)	7,930,697

	Issued Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2018	14,456,463	4,284,736	(10,810,502)	7,930,697
Loss for the year	-	-	(3,659,402)	(3,659,402)
Other comprehensive income	-	411	-	411
Total comprehensive income for the year	-	411	(3,659,402)	(3,658,991)
Transactions with owners, recognised directly in equity				
Conversion of performance shares	1,000,000	(1,000,000)	-	-
Share based payments	-	812,042	-	812,042
Extinguishment of options	-	(1,042,192)	1,042,192	-
Capital raising costs	(33,842)	-	-	(33,842)
Balance at 30 June 2019	15,422,621	3,054,997	(13,427,712)	5,049,906

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

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		17,355	21,656
Research and development refund received		228,501	170,262
Payments for research and development		(1,000,485)	(1,408,693)
Payment for business development and marketing		(667,945)	(1,499,937)
Payment for manufacturing and distribution		(495,055)	(593,137)
Payments to suppliers and employees		(756,373)	(559,543)
Net Cash Used in Operating Activities	17b	<u>(2,674,002)</u>	<u>(3,869,392)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Cash Provided by Investing Activities		<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from shares issued		-	5,659,060
Proceeds from shares yet to be issued		-	480,000
Proceeds issue of shares on exercise of options		-	157,875
Capital raising costs		(33,842)	(380,807)
Net Cash from Financing Activities		<u>(33,842)</u>	<u>5,916,128</u>
Net increase / (decrease) in cash held		(2,707,844)	2,046,736
Foreign currency translation		(13,440)	(33,572)
Cash at beginning of the year		<u>3,709,998</u>	<u>1,696,834</u>
Cash at end of the year	17a	<u>988,714</u>	<u>3,709,998</u>

The Statement of Cash Flows should be read in conjunction with the accompanying notes

RACE ONCOLOGY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements cover Race Oncology Limited (Company) and its controlled entities as a consolidated entity (referred to as the consolidated entity). Race Oncology Limited is a company limited by shares, incorporated and domiciled in Australia. The Company is a for-profit entity. The Company's financial statements are presented in Australian dollars.

The financial statements were issued in accordance with a resolution by the board of directors 23 August 2019 by the directors of the Company.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of preparation of the financial report

a) Statement of Compliance

The Financial Report is a General Purpose Financial Report, which has been prepared in accordance with Australian Accounting Standards Board (AASB) (including Australian Accounting interpretations and other authoritative pronouncements) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Financial Report of the Company complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

b) Basis of preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Going Concern

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

The consolidated entity incurred a loss for the year ended 30 June 2019 of \$3,659,402 (2018: \$6,306,446) and net cash outflows from operating activities of \$2,674,002 (2018: \$3,869,392).

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

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

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the consolidated entity history of capital raising to date, the directors are confident of the consolidated entity's ability to raise additional funds as and when they are required.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

b) Basis of preparation – continued

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

c) Income Tax

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

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

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

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

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

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

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

d) Financial Instruments

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

d) Financial Instruments (continued)

Classification and subsequent measurement

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

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

(i) Loans and receivables

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

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

(ii) Financial liabilities

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

Derivative instruments

The consolidated entity does not trade or hold derivatives.

Financial guarantees

The consolidated entity has no material financial guarantees.

Impairment

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial instrument has been impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a Company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

e) Impairment of Assets

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

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

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

f) Intangible assets other than Goodwill

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

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

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

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

Research and development costs

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

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

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

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NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Patents

The Company made upfront payments to purchase patents. The patents, if granted, will have a life of 20 years in each jurisdiction where they are granted.

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

g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks with original maturity of three months or less.

h) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is brought to account on an accruals basis using the effective interest rate method and, if not received at the end of the reporting period, is reflected in the statement of financial position as a receivable

i) Goods and Services Tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

Receivable and payables are stated inclusive of the amount of GST receivable or payable. The net amount of the GST recoverable from, or payable to, the ATO is included with other receivables and payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

j) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on corporate bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

Equity-settled compensation

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

Employee loan shares

Refer to Note 14(b) for detailed terms and conditions of the Employee loan shares.

k) Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

l) Segment Information

Identification of reportable segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

During the year, the consolidated entity is operated in two segments, being research into oncology drug, Bisantrone and the manufacturing and distribution of the drug for clinical trials. Accordingly the financial information reported elsewhere in this financial report is representative of the nature and financial effects of the business activities in which it engages and the economic environment in which it operates.

m) Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to member of the parent entity, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year (if any).

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

n) Comparative Information

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. When the consolidated entity applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

o) Critical Accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity.

Key Estimates

Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the consolidated entity as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Share-based payments

The value attributed to share options and remuneration shares issued is an estimate calculated using an appropriate mathematical formula based on Black-Scholes option pricing model. The choice of models and the resultant option value require assumptions to be made in relation to the likelihood and timing of the conversion of the options to shares and the value and volatility of the price of the underlying shares. Details of share-based payments assumptions are detailed in Note 16.

Amortisation of patents

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

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NOTE 2. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2019	2018
	\$	\$
Short-term employee benefits	1,070,281	1,063,951
Post-employment benefits	20,531	20,049
Equity Settled	388,728	583,794
Total KMP Compensation	1,479,540	1,667,794

Refer to the remuneration report contained in the director's report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2019.

NOTE 3. OTHER INCOME

	2019	2018
	\$	\$
Research and development tax incentive	228,501	170,262

NOTE 4. LOSS FOR THE YEAR

	2019	2018
	\$	\$

Profit/(Loss) before income tax from continuing operations includes the following specific expenses:

- Rental of office	4,109	14,642
- Unrealised foreign exchange	(1,067)	(2,225)
	<u>3,042</u>	<u>12,417</u>

NOTE 5. AUDITOR'S REMUNERATION

	2019	2018
	\$	\$

Auditor remuneration

- auditing or reviewing the financial reports (Bentleys)	27,800	25,520
	<u>27,800</u>	<u>25,520</u>

Other non-audit remuneration

- Tax compliance services (Bentleys)	2,500	2,750
	<u>2,500</u>	<u>2,750</u>

NOTE 6. LOSS PER SHARE

	2019	2018
	\$	\$

Loss per share (EPS)

(a) Loss used in calculation of basic EPS and diluted EPS	<u>3,659,402</u>	<u>6,306,446</u>
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	<u>79,844,032</u>	<u>67,401,723</u>
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>79,844,032</u>	<u>67,401,723</u>

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NOTE 7. INCOME TAX	2019	2018
(a) Income tax expense / (benefit)	\$	\$
Current tax	-	-
Deferred tax	-	-
	<hr/>	<hr/>
	<hr/>	<hr/>
(b) Reconciliation of income tax expense to prima facie tax payable		
The prima facie tax payable on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating loss	(3,659,402)	(6,306,447)
- Income tax calculated at 30% (2018: 27.5%)	(1,097,822)	(1,734,273)
<i>Non-deductible items</i>		
Share based payment expense	243,612	600,347
Other non-deductible expenses	352,737	478,504
Other reconciling items	-	-
Non-assessable income	(68,550)	(46,822)
Deferred tax (liabilities)/asset not brought to account	570,022	702,244
Income tax attributable to operating loss	<hr/>	<hr/>
	<hr/>	<hr/>
(c) Deferred tax (liabilities)/assets		
Tax Losses	2,360,200	1,335,314
Other	147,574	28,774
Total deferred tax asset	<hr/>	<hr/>
	2,507,774	1,364,088
Set-off deferred tax liabilities	-	-
Less deferred tax assets not recognised	<hr/>	<hr/>
	(2,507,774)	(1,364,088)
Net deferred tax assets	<hr/>	<hr/>
	<hr/>	<hr/>
(d) Deferred tax liabilities		
Other	-	-
Total deferred tax liabilities	<hr/>	<hr/>
	-	-
Set-off deferred tax assets	<hr/>	<hr/>
	-	-
Net deferred tax liabilities	<hr/>	<hr/>
	<hr/>	<hr/>
(e) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	<hr/>	<hr/>
	8,034,430	4,855,686
Potential tax benefit @ 30% (2018: 27.5%)	<hr/>	<hr/>
	2,410,329	1,335,314
The benefit for tax losses will only be obtained if:		
(a) The company and consolidated entity derive future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realised;		
(b) The company and the consolidated entity continue to comply with the conditions for deductibility imposed by law; and		
(c) No changes in tax legislation adversely affect the ability of the Company and consolidated entity to realise these benefits.		

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NOTE 8. CASH AND CASH EQUIVALENTS	2019	2018
	\$	\$
Cash on hand	988,714	3,709,998

The effective interest rate on cash and cash equivalents was 0.74% (30 June 2018: 0.80%).

NOTE 9. TRADE AND OTHER RECEIVABLES	2019	2018
	\$	\$
Other receivables	611	431
	611	431

NOTE 10. OTHER ASSETS	2019	2018
	\$	\$
Prepayment	34,762	30,842
	34,762	30,842

NOTE 11. INTANGIBLE ASSETS	2019	2018
	\$	\$
At cost – intellectual property	5,000,000	5,000,000
Accumulated amortisation	(782,062)	(500,866)
Total intangible assets	4,217,938	4,499,134

Movement during the year	Intellectual Property
Balance at 1 July 2018	4,499,134
Amortisation expense	(281,196)
Balance at 30 June 2019	4,217,938

Intellectual property totalling \$5,000,000 comprises patents and licenses initially acquired through Update Pharma pertaining to the oncology drug, called Bisantrone. The intellectual property is supported by 2 patent applications that if granted will expire in year 2034. The patent useful life has been aligned to the patent term and as a result, those patents are amortised on a straight-line basis over the period of the patent. The amortisation expense has been included in the line item 'amortisation' in profit or loss.

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

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

NOTE 12. TRADE AND OTHER PAYABLES	2019	2018
	\$	\$
Trade and other creditors	100,149	205,076
Accruals	58,220	82,132
	158,369	287,208

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

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NOTE 13. PROVISIONS	2019	2018
	\$	\$
CURRENT		
Provision for annual leave	33,750	22,500
	33,750	22,500

NOTE 14. ISSUED AND UNISSUED CAPITAL	Note	2019	2018
		\$	\$
Opening balance		14,456,463	8,493,301
Shares issued during the year		-	5,659,060
Shares issued on conversion of performance shares	15	1,000,000	-
Shares applied for but unissued		-	480,000
Exercise of options		-	204,909
Less: capital raising costs		(33,842)	(380,807)
		15,422,621	14,456,463

The Company has issued share capital amounting to 82,235,813 (2018: 75,735,813) ordinary shares of no par value and the Company does not have a limited amount of authorised capital.

	2019	2018
	No.	No.
a. Ordinary shares		
At beginning of year	75,735,813	52,837,501
Shares issued during the year	6,500,000	22,898,312
At end of the year	82,235,813	75,735,813

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

b. Reserve Shares	Date	Quantity	Unit Price \$	Total \$
Reserve shares (loan shares)	1 July 2016	4,000,000	\$0.20	800,000
Balance at 30 June 2019		4,000,000		800,000

Employee loan shares

Remuneration in the form of Employee Loan Shares were issued to the Managing Director, Peter Molloy, upon settlement of the Company's acquisition of intellectual property from Update Pharma Inc. The acquisition of intellectual property was completed on 1 July 2016.

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

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

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NOTE 14. ISSUED AND UNISSUED CAPITAL (continued)

Repayment date

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

Sale of Loan Shares

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

Vesting conditions

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

- (a) The Loan Shares vested over 2 years and are now fully vested.
- (b) The Loan Shares are not transferable.

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

c. Capital management

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

NOTE 15. RESERVE	Note	2019	2018
		\$	\$
Opening balance		5,084,736	2,700,948
Foreign currency translation (net of tax)		411	645
Conversion of Performance Shares to Ordinary Shares	14	(1,000,000)	-
Share based payment – reassessment of performance shares	16	-	500,000
Share based payment expense	16	812,042	2,261,740
Extinguishment of options		(1,042,192)	(331,563)
Exercise of options		-	(47,034)
Closing balance		3,854,997	5,084,736

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NOTE 15. RESERVE (continued)

a. Performance Shares Issued

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

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

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

The Company have assessed all the performance milestones had been achieved as at 30 June 2019 and attributed an undiscounted grant date fair value of \$0.20 per performance share to the instruments, being the initial Public Offer price of the Company's shares. On 21 December 2018, the Company issued 5,000,000 fully paid ordinary shares following the conversion of Milestone (i) Performance Shares. The remaining 5,000,000 performance shares were converted into fully paid ordinary shares subsequent to 30 June 2019. Refer to Note 16 for additional information on Performance Shares.

NOTE 16. SHARE BASED PAYMENTS

The following share based payment arrangement existed at 30 June 2019:

On 1 July 2016, the following securities were issued:

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

On 22 November 2016, the Company issued 200,000 unlisted options to DEL Biopharma LLC exercisable at \$0.256 each on or before 1 August 2021 and vesting on 1 August 2017. The number of unlisted options vesting at the vesting date was calculated based on the performance against key performance indicators pursuant to the terms and conditions of a consulting agreement and as a result, 135,000 of the options vested on 1 August 2017. The balance of the 65,000 options have lapsed.

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

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

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

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

The remaining 6,006,250 options expired on the 30 September 2018.

On 30 August 2017, the Company issued 4,000,000 unlisted options exercisable at \$0.30 and expiring before the 30 September 2018 pursuant to the advisory mandate. On 11 January 2018, an Advisor exercised 282,500 options converting them into ordinary shares. The remaining 3,717,500 options expired on the 30 September 2018.

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NOTE 16. SHARE BASED PAYMENTS (continued)

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

- (a) 2,000,000 unlisted options exercisable at \$0.49 and expiring 22 November 2019. 1,000,000 options were issued to each of the two Directors, Mr Chris Ntoumenopoulos and Dr Brendan De Kauwe.
- (b) 2,000,000 unlisted options exercisable at \$0.65 and expiring 22 November 2019. 1,000,000 options were issued to each of the two Directors, Mr Chris Ntoumenopoulos and Dr Brendan De Kauwe.

The 1,000,000 options exercisable at \$0.49 and 1,000,000 options exercisable at \$0.65 for Brendan De Kauwe lapsed on 4 April 2018 as the Director resigned, however new options were issued on the same terms and condition on 27 November 2018 following approval at the Company's AGM.

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

On 13 July 2018, the Company issued the following options:

- (a) 6,000,000 unlisted options exercisable at \$0.30 and expiring on or before 13 January 2020. The options were issued for the provision of corporate advisory services.
- (b) 1,500,000 unlisted options issued pursuant to the ESOP exercisable at \$0.32 and expiring on or before 16 March 2023.

On 1 October 2018, the Company issued 420,000 unlisted options exercisable at \$0.12 and expiring on or before 1 October 2023. The options were issued for the provision of consultancy services.

On 27 November 2018, the Company issued 2,000,000 unlisted options to a Director John Cullity, exercisable at \$0.23 and expiring on or before 27 November 2021.

On 21 December 2018, the Company issued 5,000,000 fully paid ordinary shares following the conversion of Milestone (i) Performance Shares. The remaining 5,000,000 performance shares were converted into fully paid ordinary shares subsequent to 30 June 2019, refer to Note 23 for additional information.

On 22 January 2019, the Company issued 420,000 unlisted options exercisable at \$0.12 and expiring on or before 21 January 2024. The options were issued pursuant to a consultancy agreement with Professor Borje Andersson.

On 13 March 2019, the Company issued the following options:

- (a) 500,000 unlisted options issued pursuant to the Incentive Option Plan exercisable at \$0.0 and expiring on or before 12 March 2024.
- (b) 100,000 options issued pursuant to the Plan exercisable at \$0.135 and expiring on or before 12 March 2024.

On 31 May 2019, the Company issued 840,000 unlisted options exercisable at \$0.085 and expiring on or before 31 May 2024. The options were issued to consultants for services performed.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 16. SHARE BASED PAYMENTS (continued)

Share based payments expense as disclosed in the profit and loss for the financial year:

Recipient	Class of SBP	Quantity	Share price at Grant date	Value recognised during the year	Value to be recognised in future years
Peter Molloy	Unlisted share options	6,000,000	\$0.20	51,133	-
Advisor Options	Unlisted share options	6,000,000	\$0.175	343,704	-
Former Director Brendan De Kauwe	Unlisted share options	2,000,000	\$0.13	16,845	-
John Cullity	Unlisted share options	2,000,000	\$0.13	81,441	52,324
Samar Al-Behaisi	Unissued shares	1,500,000	\$0.28	213,003	67,975
Samar Al-Behaisi	Unlisted share options	500,000	\$0.077	8,217	19,298
Advisor Options	Unlisted share options	420,000	\$0.095	28,017	711
Consultant Options	Unlisted share options	420,000	\$0.099	23,459	6,723
Consultant Options	Unlisted share options	420,000	\$0.064	9,744	28,349
Gordon Beck	Unlisted share options	1,500,000	\$0.21	34,934	-
Peter Webse	Unlisted share options	100,000	\$0.077	1,545	3,630
		20,860,000		812,042	179,010

No options were exercised during the financial year ended 30 June 2019.

Fair value of options

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

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

Unlisted Share Options	Advisor Options	Advisor Options	Brendan De Kauwe	Brendan De Kauwe	John Cullity
Exercise price	\$0.30	\$0.12	\$0.65	\$0.49	\$0.23
Share price at date of issue	\$0.175	\$0.095	\$0.13	\$0.13	\$0.13
Grant date	13 Jul 2018	1 Oct 2018	27 Nov 2018	27 Nov 2018	27 Nov 2018
Expected volatility	100%	100%	100%	100%	100%
Expiry date	13 Jan 2020	1 Oct 2023	22 Nov 2019	22 Nov 2019	27 Nov 2021
Risk free interest rate	1.99%	2.23%	2.00%	2.00%	2.07%
Value per option	\$0.057	\$0.068	\$0.006	\$0.010	\$0.067
Number of options	6,000,000	420,000	1,000,000	1,000,000	2,000,000
Total value of options	\$343,704	\$28,728	\$6,388	\$10,457	\$133,765

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NOTE 16. SHARE BASED PAYMENTS (continued)

Fair value of options (continued)

Unlisted Share Options	Consultant Options	Samar Al-Behaisi	Peter Webse	Consultant Options	Consultant Options
Exercise price	\$0.12	\$0.10	\$0.135	\$0.85	\$0.85
Share price at date of issue	\$0.099	\$0.077	\$0.077	\$0.064	\$0.064
Grant date	21 Jan 2019	13 Mar 2019	13 Mar 2019	31 May 2019	31 May 2019
Expected volatility	100%	100%	100%	100%	100%
Expiry date	21 Jan 2024	12 Mar 2024	12 Mar 2024	31 May 2024	31 May 2024
Risk free interest rate	1.92%	1.65%	1.65%	1.21%	1.21%
Value per option	\$0.072	\$0.055	\$0.052	\$0.045	\$0.045
Number of options	420,000	500,000	100,000	420,000	420,000
Total value of options	\$30,182	\$27,515	\$5,175	\$19,046	\$19,046

Fair value of Loan Shares

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

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

Loan shares	Peter Molloy
Exercise price	\$0.20
Share price at date of issue	\$0.20
Grant date	1 July 2016
Expected volatility	50.06 %
Expiry date	30 June 2021
Expected dividends	-
Risk free interest rate	1.61%
Value per loan share	\$0.0895
Number of loan shares	4,000,000
Total value	\$358,016

Performance Shares

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

- (i) 5,000,000 performance shares to convert upon the Company satisfying the following milestones within a period of 24 months from the date of issue of the performance share
 - (a) The Company having received approval under section 505(b)(2) of the Federal Food, Drug, and Cosmetic Act 1938 which allows the use of information from historical clinical trials not conducted by the Company or Update Pharma; and
 - (b) The Company having received approval for, and commenced a bridging study on a medical product to extrapolate foreign clinical trial data on safety, efficacy and dose response within a new region; and

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 16. SHARE BASED PAYMENTS (continued)

Performance Shares (continued)

- (c) 5,000,000 Performance shares to convert if, within a period of 24 months from the date of issue of the Performance shares, the Company has received approval to distribute unauthorised medications to physicians and named patients with unmet medical needs under an early access program.

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

An undiscounted grant date fair value of \$0.20 per performance share has been attributable to the instruments being the Initial Public Offer price of the Company's shares.

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

- (i) 5,000,000 Performance Shares shall convert upon the Company, within a period of 24 months from the date of issue of the Performance Shares, having received advice from the FDA that the Company may use information from historical clinical trials conducted by third parties in connection with the development and approval of Bisantrene under section 505(b)(2) of the FFDC Act; and
- (ii) 5,000,000 Performance Shares shall convert if, with a period of 24 months from the date of issue of the Performance Shares, the company has received approval to distribute unauthorised medication to physicians and named patients with unmet medical needs under an early access program.

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

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

On 21 December 2018, the Company issued 5,000,000 fully paid ordinary shares following the conversion of Milestone (i) Performance Shares. The remaining 5,000,000 performance shares were converted into fully paid ordinary shares subsequent to 30 June 2019.

NOTE 17. CASH FLOW INFORMATION

	2019	2018
	\$	\$
(a) Reconciliation of Cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:	988,714	3,709,998
	988,714	3,709,998
(b) Reconciliation of Cash Flow from Operations with Operating Loss after Income Tax		
Operating loss after income tax	(3,659,402)	(6,306,446)
Add: adjustments for		
Share based payments	812,042	2,183,681
Amortisation	281,196	250,867
Unrealised foreign exchange translation	13,440	33,572
Changes in assets and liabilities		
Decrease in receivables	(181)	1,785
Decrease in payables	(117,588)	(53,866)
Decrease in prepayments	(3,920)	21,370
Increase in other foreign exchange reserve	411	645
Net Cash Flow used in Operating Activities	(2,674,002)	(3,869,392)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 17. CASH FLOW INFORMATION (continued)

Credit Standby Facilities

The consolidated entity has no credit standby facilities.

Non-Cash Investing and Financing Activities

Refer to note 16 for non-cash investing and financing activities during the year.

NOTE 18. FINANCIAL INSTRUMENTS

Financial Risk Management Policies

The consolidated entity's financial instruments consist mainly of deposits with banks, other debtors, accounts payables and borrowings. The main purpose of non-derivative financial instruments is to raise finance for consolidated entity's operations. The consolidated entity does not speculate in the trading of derivative instruments.

Specific Financial Risk Exposures and Management

The main risk the consolidated entity is exposed to through its financial instruments are market risk (including fair value and interest rate risk) and cash flow interest rate risk, credit risk and liquidity risk.

(a) Interest rate risk

From time to time the consolidated entity has significant interest bearing assets, but they are as a result of the timing of equity raising and capital expenditure rather than a reliance on interest income. The interest rate risk arises on the rise and fall of interest rates. The consolidated entity's income and operating cash flows are not expected to be materially exposed to changes in market interest rates in the future and the exposure to interest rates is limited to the cash and cash equivalents balances.

The consolidated entity exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is below:

2019

Fixed interest rate maturing in:

	Floating interest rate	1 year or less	Non-interest Bearing	Total	Weighted average effective interest rate
	\$	\$	\$	\$	
Financial Assets					
Cash and cash equivalents	988,714	-	-	988,714	0.74%
Other receivables	-	-	611	611	-
Total financial assets	988,714	-	611	989,325	
Financial Liabilities					
Trade and other Payables	-	-	158,369	158,369	-
Total financial liabilities	-	-	158,369	158,369	
Net financial assets / (liability)	988,714	-	157,758	830,956	

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 18. FINANCIAL INSTRUMENTS (continued)

2018

Fixed interest rate maturing in:

	Floating interest rate	1 year or less	Non-interest Bearing	Total	Weighted average effective interest rate
	\$	\$	\$	\$	
Financial Assets					
Cash and cash equivalents	3,709,998	-	-	3,709,998	1%
Other receivables	-	-	431	431	-
Total financial assets	3,709,998	-	431	3,710,429	
Financial Liabilities					
Trade and other Payables	-	-	(287,208)	(287,208)	-
Total financial liabilities	-	-	(287,208)	(287,208)	
Net financial assets	3,709,998	-	(286,777)	3,423,221	

Sensitivity Analysis

The following table illustrates sensitivities to the consolidated entity's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at reporting date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Movement in Loss	Movement in Equity
	\$	\$
Year ended 30 June 2019		
+/-1% in interest rates	23,494	23,494
Year ended 30 June 2018		
+/-1% in interest rates	27,034	27,034

(b) Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the consolidated entity. The consolidated entity does not have any material credit risk exposure to any single receivable or consolidated entity of receivables under financial instruments entered into by the consolidated entity.

Credit risk exposures

The maximum exposure to credit risk is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

Credit risk related to balances with banks and other financial institutions is managed by the consolidated entity in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. The below table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 18. FINANCIAL INSTRUMENTS (continued)

	Note	2019 \$	2018 \$
Cash and cash equivalents	8	988,714	3,709,998
Trade and other receivables		611	431

(c) Liquidity risk

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

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

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

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

2019	Interest rate	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount assets/ (liabilities)
		\$	\$	\$	\$	\$	\$	\$
<u>Financial liabilities at amortised cost</u>								
Trade and other payables		158,369	-	-	-	-	158,369	158,369
<hr/>								
2018	Interest rate	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount assets/ (liabilities)
		\$	\$	\$	\$	\$	\$	\$
<u>Financial liabilities at amortised cost</u>								
Trade and other payables		(287,208)	-	-	-	-	(287,208)	(287,208)

(d) Financial Risk Management

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

(e) Net fair Value of financial assets and liabilities

Fair value estimation

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

(f) Financial arrangements

The consolidated entity has no other financial arrangements in place.

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NOTE 19. RELATED PARTY TRANSACTIONS

(a) Controlled Entities

	Country of Incorporation	% Interest	
		2019	2018
Race Oncology SPRL	Belgium	100	100

(b) Key Management Personnel (“KMP”)

Details of KMP compensation are included in Note 2 and share based payment arrangements are at Note 16.

(c) Transactions with Other Related Parties

On the 30 October 2018, the Company entered into an agreement with Biosynergy Partners LLC (Biosynergy) to pursue licensing and other deals for Bisantrene. Biosynergy is a transaction consulting business owned by Dr John Cullity, a non-executive director of Race. No transactions have been made to Biosynergy during the financial year.

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

NOTE 20. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets and liabilities.

NOTE 21. SEGMENT REPORTING

Identification of reportable segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

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

NOTE 22. COMMITMENTS

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

NOTE 23. SUBSEQUENT EVENTS

On 12 July 2019, the Company issued 5,000,000 fully paid ordinary shares following the conversion of Milestone (ii) Performance Shares. All of the Companies Performance Shares have been converted into ordinary shares.

On 25 July 2019, the Company announced that the first patient had been treated with Race’s cancer drug, Bisantrene, in the trial at the Sheba Medical Center in Israel. Race was advised by the Sheba Medical Center that the first relapsed/refractory AML patient had been recruited into the trial and completed their seven-day course treatment with Bisantrene, without any major complications.

On 13 August 2019, the Company announced it had secured a new patent on its cancer drug, Bisantrene, from the United States Patent and Trademarks Office. This is Race’s third patent granted on Bisantrene in the United States. The new patent covers expanded uses of Bisantrene, in particular its use in combination with other cancer drugs to treat Acute Myeloid Leukaemia and breast cancer.

On 20 August 2019, the Company announced it had completed a placement of \$1.45million, led by prominent biotechnology investor Dr Daniel Tillett and that it had issued 8,500,000 shares at \$0.066 each and 4,250,000 options exercisable at \$0.099 and expiring on 31 August 2021 to date pursuant to that placement.

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NOTE 24. NEW ACCOUNTING STANDARDS

Accounting Standards that are mandatorily effective for the current reporting year

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2018.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 9 *Financial Instruments* and related amending Standards
- AASB 15 *Revenue from Contracts with Customers* and related amending Standards
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*

AASB 9 Financial Instruments and related amending Standards

In the current year, the Group has applied AASB 9 Financial Instruments (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives however there was no material impact on adoption of the standard.

Additionally, the Group adopted consequential amendments to AASB 7 *Financial Instruments: Disclosures*.

In summary AASB 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities,
- Impairment of financial assets, and
- General hedge accounting.

AASB 15 Revenue from Contracts with Customers and related amending Standards

In the current year, the Group has applied AASB 15 Revenue from Contracts with Customers (as amended), which is effective for an annual period that begins on or after 1 January 2018.

This standard provides a single standard for revenue recognition. The core principle of the standard is that an entity must recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard requires: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity must select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.

The entity has assessed the requirements of AASB 15, and analysed the effect this has on revenue recognition however there was no material impact on adoption of the standard.

New accounting standards for application in future periods

Accounting standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117.

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However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group does not have any non-cancellable operating lease commitments. Based on a preliminary analysis, the directors anticipate that the adoption of AASB 16 is unlikely to have a material impact on the consolidated entity's financial statements.

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Directors' Declaration

The directors of the consolidated entity, declare that:

1. the financial statements, notes and additional disclosures included in the directors' report designated as audited, of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2019 and of their performance for the year ended on that date.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial report.
3. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended to 30 June 2019.

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



Peter Molloy
Managing Director
Dated 23 August 2019

Independent Auditor's Report

To the Members of Race Oncology Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Race Oncology Limited ("the Company") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Basis for Opinion

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

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

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Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) in the financial report which indicates that the Consolidated Entity incurred a net loss of \$3,659,402 during the year ended 30 June 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 opinion is not modified in this respect of this matter.

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Accounting for share based payments</p> <p>As disclosed in note 16 to the financial statements, during the year ended 30 June 2019 the Consolidated Entity incurred share based payments expense of \$812,042.</p> <p>Share based payments are considered to be a key audit matter due to</p> <ul style="list-style-type: none"> – the value of the transactions; – the complexities involved in the recognition and measurement of these instruments; and – the judgement involved in determining the inputs used in the valuations. <p>Management used the Black-Scholes option valuation model to determine the fair value of the options granted. This process involved significant estimation and judgement required to determine the fair value of the equity instruments granted.</p>	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none"> – Analysing agreements to identify the key terms and conditions of share based payments issued and relevant vesting conditions in accordance with AASB 2 Share Based Payments; – Evaluating management's Black-Scholes Valuation Models and assessing the assumptions and inputs used; – Assessing the amount recognised during the year in accordance with the vesting conditions of the agreements; – Assessing the achievement of relevant milestones with reference to documentation from relevant bodies; and – Assessing the adequacy of the disclosures included in Note 16 to the financial statements.
<p>Carrying value of intangible assets</p> <p>As disclosed in note 11 to the financial statements the Consolidated Entity has intangible assets with a carrying value of \$4,217,938.</p> <p>Intangible assets are considered to be a key audit matter due to the size of the balance having a pervasive impact on the financial statements and the judgement requirement in assessing the balance.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> – Assessing whether there are any indicators of impairment of the asset, including understanding management's planned future commercialisation activities; – Assessing the achievement of relevant milestones with reference to documentation from relevant bodies; and – Assessing the appropriateness of the disclosures included in Note 11 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Independent Auditor's Report
To the Members of Race Oncology Limited *(Continued)*



Auditor's Opinion

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

A handwritten signature in blue ink that reads "Bentleys".

BENTLEYS
Chartered Accountants

A handwritten signature in blue ink that reads "Doug Bell".

DOUG BELL CA
Partner

Dated at Perth this 23rd day of August 2019

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ASX ADDITIONAL INFORMATION

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement is current as at 23 August 2019 and has been approved by the Board of the Company.

This Corporate Governance Statement discloses the extent to which the Company will follow the recommendations set by the ASX Corporate Governance Council in its publication *Corporate Governance Principles and Recommendations 3rd Edition* (Recommendations). The Recommendations are not mandatory, however the Recommendations that will not be followed have been identified and the reasons for not following them, along with what (if any) alternative governance practices have been adopted in lieu of the Recommendation.

The Company has adopted Corporate Governance Policies which provide written terms of reference for the Company's corporate governance practices. The Board of the Company has not yet formed an audit committee, nomination committee, risk management committee or remuneration committee.

The Company's Corporate Governance Policies are contained within the Corporate Governance Plan and is available on the Company's website at www.raceoncology.com

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Roles of the Board & Management

The role of the Board is to provide overall strategic guidance and effective oversight of management. The Board derives its authority to act from the Company's Constitution.

The Board is responsible for, and has the authority to determine all matters relating to the strategic direction, policies, practices, establishing goals for management and the operation of the Company. The Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Chief Executive Officer.

The role of management is to support the Chief Executive Officer and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

In addition to matters it is expressly required by law to approve, the Board has reserved the following matters to itself:

- Driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- Appointment, and where necessary, the replacement, of the Chief Executive Officer and other senior executives and the determination of their terms and conditions including remuneration and termination;
- Approving the Company's remuneration framework;
- Monitoring the timeliness and effectiveness of reporting to Shareholders;
- Reviewing and ratifying systems of audit, risk management and internal compliance and control, codes of conduct and legal compliance to minimise the possibility of the Company operating beyond acceptable risk parameters;
- Approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- Approving and monitoring the budget and the adequacy and integrity of financial and other reporting such that the financial performance of the company has sufficient clarity to be actively monitored;
- Approving the annual, half yearly and quarterly accounts;
- Approving significant changes to the organisational structure;
- Approving decisions affecting the Company's capital, including determining the Company's dividend policy and declaring dividends;
- Ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- Procuring appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively;
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted, and that its practice is consistent with, a number of guidelines including:
 - Corporate Code of Conduct;
 - Continuous Disclosure Policy;
 - Diversity Policy;
 - Performance Evaluation;
 - Procedures for Selection and Appointment of Directors;
 - Risk Management Review Procedure and Internal Compliance and Control Policy;
 - Trading Policy; and
 - Shareholder Communication Strategy.

Subject to the specific authorities reserved to the Board under the Board Charter, the Board delegates to the Chief Executive Officer responsibility for the management and operation of Race Oncology. The Chief Executive Officer is responsible for the day-to-day operations, financial performance and administration of Race Oncology within the powers authorised to him from time-to-time by the Board. The Chief Executive Officer may make further delegation within the delegations specified by the Board and will be accountable to the Board for the exercise of those delegated powers.

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Further details of Board responsibilities, objectives and structure are set out in the Board Charter which is contained within the Corporate Governance Place available on the Race Oncology website.

Board Committees

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate committees at this time including audit and risk, remuneration or nomination committees, preferring at this stage of the Company's development, to manage the Company through the full Board of Directors. The Board assumes the responsibilities normally delegated to the audit and risk, remuneration and nomination Committees.

If the Company's activities increase, in size, scope and nature, the appointment of separate committees will be reviewed by the Board and implemented if appropriate.

Board Appointments

The Company undertakes comprehensive reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

The Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees (as applicable) on governance matters, monitoring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

Diversity

The Board has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect to gender, age, ethnicity and cultural diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives (if considered appropriate) and to assess annually both the objectives (if any have been set) and the Company's progress towards achieving them.

The Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for the Diversity Policy at this time is not appropriate. The Board will consider setting measurable objectives as the Company increases in size and complexity.

The participation of women in the Company at the date of this report is as follows:

- | | |
|--|-----|
| • Women employees in the Company | 50% |
| • Women in senior management positions | 50% |
| • Women on the Board | 0% |

The Company's Diversity Policy is contained within the Corporate Governance Plan and is available on its website.

Board & Management Performance Review

On an annual basis, the Board conducts a review of its structure, composition and performance.

The annual review includes consideration of the following measures:

- Comparing the performance of the Board against the requirements of its Charter;
- Assessing the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and the annual budget;
- Reviewing the Board's interaction with management;
- Reviewing the type and timing of information provided to the Board by management;
- Reviewing management's performance in assisting the Board to meet its objectives; and
- Identifying any necessary or desirable improvements to the Board Charter.

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Chairman has primary responsibility for conducting performance appraisals of Non-Executive Directors, in conjunction with them, having particular regard to:

- Contribution to Board discussion and function;
- Degree of independence including relevance of any conflicts of interest;

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- Availability for and attendance at Board meetings and other relevant events;
- Contribution to Company strategy;
- Membership of and contribution to any Board committees; and
- Suitability to Board structure and composition.

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

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

Independent Advice

Directors have a right of access to all Company information and executives. Directors are entitled, in fulfilling their duties and responsibilities, to seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairman. A copy of any such advice received is made available to all members of the Board.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Board Composition

At the date of this report the Board was comprised of the following members:

Dr William James Garner	Non-Executive Chairman (appointed 1 July 2016);
Mr Peter Molloy	Chief Executive Officer (appointed 1 July 2016);
Dr John Cullity	Non-Executive Director (appointed 6 April 2018);
Mr Chris Ntoumenopoulos	Non-Executive Director (appointed 27 April 2016);

The Board consists of a majority of Non-Executive Directors.

Race Oncology has adopted a definition of 'independence' for Directors that is consistent with the Recommendations.

The Company does not currently have any independent Directors.

Dr Garner is not considered to be independent as he is a substantial holder of the Company. Mr Molloy is not considered to be independent as he is an executive of the Company. Dr John Cullity is not considered to be independent due to him having a material business relationship with the company to secure licensing partners for Bisantrone. Mr Chris Ntoumenopoulos is not considered to be independent as he has within the last three years been in a material business relationship with the Company, having been involved with the capital raising as part of its listing on the ASX.

Board Selection Process

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern Race Oncology. The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review.

The Board is responsible for the nomination and selection of directors. The Board reviews the size and composition of the Board regularly and at least once a year as part of the Board evaluation process.

The Board has established a Board Skills Matrix. The Board Skills Matrix includes the following areas of knowledge and expertise:

- Strategic expertise;
- Specific industry knowledge;
- Accounting and finance;
- Risk management;
- Experience with financial markets; and
- Investor relations.

Induction of New Directors and Ongoing Development

New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work.

An induction program is in place and new Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

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PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

The Company has implemented a Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders.

All employees and Directors are expected to:

- Respect the law and act in accordance with it;
- Maintain high levels of professional conduct;
- Respect confidentiality and not misuse Company information, assets or facilities;
- Avoid real or perceived conflicts of interest;
- Act in the best interests of shareholders;
- By their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- Perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- Exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- Act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Conduct may face disciplinary action including, in the cases of serious breaches, dismissal. If an employee suspects that a breach of the Code of Conduct has occurred or will occur, he or she must report that breach to the Company Secretary. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

The Board as a whole fulfils the functions normally delegated to the Audit Committee as detailed in the Audit and Risk Committee Charter.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board receives regular reports from management and from external auditors. It also meets with the external auditors as and when required.

The external auditors attend Race Oncology's AGM and are available to answer questions from security holders relevant to the audit.

Prior approval of the Board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the lead engagement partner responsible for the audit not perform in that role for more than five years.

CEO and CFO Certifications

The Board, before it approves the entity's financial statements for a financial period, receives from its CEO and CFO (or, if none, the persons fulfilling those functions) a declaration provided in accordance with Section 295A of the Corporations Act that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

PRINCIPLE 5: MAKE TIMELY AND BALANCE DISCLOSURE

The Company has a Continuous Disclosure Policy which outlines the disclosure obligations of the Company as required under the ASX Listing Rules and Corporations Act. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which Company securities are traded.

The Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of any information in the course of their duties as a Director of the Company.

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company.

The Board has designated the Company Secretary as the person responsible for communicating with the ASX. All key announcements at the discretion of the Chief Executive Officer are to be circulated to and reviewed by all members of the Board.

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The Chairman, the Board, Chief Executive Officer and the Company Secretary are responsible for ensuring that:

- a) Company announcements are made in a timely manner, that announcements are factual and do not omit any material information required to be disclosed under the ASX Listing Rules and Corporations Act; and
- b) Company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

The Company recognises the value of providing current and relevant information to its shareholders. The Board of the Company aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- Communicating effectively with shareholders through releases to the market via ASX, the company website, information posted or emailed to shareholders and the general meetings of the Company;
- Giving shareholders ready access to clear and understandable information about the Company; and
- Making it easy for shareholders to participate in general meetings of the Company.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. These contact details are available on the "Contact" page of the Company's website.

Shareholders may elect to, and are encouraged to, receive communications from Race Oncology and Race Oncology's securities registry electronically. The contact details for the registry are available on the "Contact Us" page of the Company's website.

The Company maintains information in relation to its Constitution, governance documents, Directors and senior executives, Board and committee charters, annual reports and ASX announcements on the Company's website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Board is committed to the identification, assessment and management of risk throughout Race Oncology's business activities.

The Board is responsible for the oversight of the Company's risk management and internal compliance and control framework. The Company does not have an internal audit function. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Chief Executive Officer having ultimate responsibility to the Board for the risk management and internal compliance and control framework. Race Oncology has established policies for the oversight and management of material business risks.

Race Oncology's Risk Management and Internal Compliance and Control Policy recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.

Race Oncology believes that explicit and effective risk management is a source of insight and competitive advantage. To this end, Race Oncology is committed to the ongoing development of a strategic and consistent enterprise wide risk management program, underpinned by a risk conscious culture.

Race Oncology accepts that risk is a part of doing business. Therefore, the Company's Risk Management and Internal Compliance and Control Policy is not designed to promote risk avoidance. Rather Race Oncology's approach is to create a risk conscious culture that encourages the systematic identification, management and control of risks whilst ensuring we do not enter into unnecessary risks or enter into risks unknowingly.

Race Oncology assesses its risks on a residual basis; that is it evaluates the level of risk remaining and considering all the mitigation practices and controls. Depending on the materiality of the risks, Race Oncology applies varying levels of management plans.

The Board has required management to design and implement a risk management and internal compliance and control system to manage Race Oncology's material business risks. It receives regular reports on specific business areas where there may exist significant business risk or exposure. The Company faces risks inherent to its business, including economic risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term. The Company has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management and Internal Compliance and Control Policy), which is developed and updated to help manage these risks. The Board does not consider that the Company currently has any material exposure to environmental or social sustainability risks.

The Company's process of risk management and internal compliance and control includes:

- Identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect those risks;
- Formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and

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- Monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

The Board reviews the Company's risk management framework at least annually to ensure that it continues to effectively manage risk.

Management reports to the Board as to the effectiveness of Race Oncology's management of its material business risks on at each Board meeting.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The Board as a whole fulfils the functions normally delegated to the Remuneration Committee as detailed in the Remuneration Committee Charter.

Race Oncology has implemented a Remuneration Policy which was designed to recognise the competitive environment within which Race Oncology operates and also emphasise the requirement to attract and retain high calibre talent in order to achieve sustained improvement in Race Oncology's performance. The overriding objective of the Remuneration Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of Race Oncology.

The key principles are to:

- Review and approve the executive remuneration policy to enable the Company to attract and retain executives and Directors who will create value for shareholders;
- Ensure that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration;
- Fairly and responsibly reward executives having regard to the performance of the Group, the performance of the executive and the prevailing remuneration expectations in the market;
- Remunerate fairly and competitively in order to attract and retain top talent;
- Recognise capabilities and promote opportunities for career and professional development; and
- Review and approve equity based plans and other incentive schemes to foster a partnership between employees and other security holders.

The Board determines the Company's remuneration policies and practices and assesses the necessary and desirable competencies of Board members. The Board is responsible for evaluating Board performance, reviewing Board and management succession plans and determines remuneration packages for the Chief Executive Officer, Non-Executive Directors and senior management based on an annual review.

Race Oncology's executive remuneration policies and structures and details of remuneration paid to directors and key management personnel (where applicable) are set out in the Remuneration Report.

Non-Executive Directors receive fees (including statutory superannuation where applicable) for their services, the reimbursement of reasonable expenses and, in certain circumstances options.

The maximum aggregate remuneration approved by shareholders for Non-Executive Directors is \$300,000 per annum. The Directors set the individual Non-Executive Directors fees within the limit approved by shareholders.

The total fees paid to Non-Executive Directors during the reporting period were \$217,088.

Executive directors and other senior executives (where appointed) are remunerated using combinations of fixed and performance based remuneration. Fees and salaries are set at levels reflecting market rates and performance based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives.

In accordance with the Company's Securities Trading policy, participants in an equity based incentive scheme are prohibited from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

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The shareholder information set out below was applicable as at 7 October 2019.

As at 7 October 2019 there were 899 holders of Ordinary Fully Paid Shares

VOTING RIGHTS

The voting rights of the ordinary shares are as follows:

Subject to any rights or restrictions for the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representation more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held.

There are no voting rights attached to any of the options and performance shares that the Company currently has on issue. Upon exercise of these options, the shares issued will have the same voting rights as existing ordinary shares.

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of each class of listed securities are listed below:

Ordinary Full Paid Shares

Holder Name	Holding	% IC
Dr William James Garner	16,164,927	16.05%
Dr Daniel Tillett	8,758,421	8.69%
Peter Molloy	4,000,000	3.97%
Freeman Road Pty Ltd <The Avenue A/C>	2,775,000	2.75%
P R Perry Nominees Pty Ltd <Donesk Family A/C>	2,328,008	2.31%
Bond Street Custodians Limited <WILLIM - V21664 A/C>	1,935,096	1.92%
Adra Future Co Limited	1,692,091	1.68%
Ms Nicole Gallin & Mr Kyle Haynes <GH Super Fund A/C>	1,500,000	1.49%
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	1,400,197	1.39%
Dr John Rothman	1,284,674	1.28%
Mr Jay Campbell	1,013,105	1.01%
Mr Peter Gerard Cook	1,00,000	0.99%
Mr Kimberley Ross Gartrell & Mrs Jennifer Margaret Gartrell <K&J Gartrell Super Fund A/C>	750,000	0.74%
Dr Sharyn Hensel <Sharyn Gaye Hensel A/C>	650,000	0.65%
Mr Phillip Richard Perry	600,000	0.60%
Laneway Investments Pty Ltd <Jola Family A/C>	600,000	0.60%
Beppe Super Pty Limited <Pake Superannuation Fund A/C>	585,625	0.58%
Eldon Holdings Pty Ltd <The Marshall Flower S/F A/C>	575,000	0.57%
HSBC Custody Nominees (Australia) Limited	564,516	0.56%
Mr Sandor Helby	564,264	0.56%
Totals	48,740,924	48.39%

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SUBSTANTIAL HOLDERS

The names of the substantial shareholders disclosed to the Company as substantial shareholders as at 7 October 2019 are:

Name	No of Shares Held	% of Issued Capital
Dr William James Garner	16,414,927	16.30%
Dr Daniel Tillett	8,758,421	8.69%

DISTRIBUTION OF EQUITY SECURITIES

Ordinary Fully Paid Shares

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	28	7,464	0.01%
1,001 - 5,000	117	384,364	0.38%
5,001 - 10,000	143	1,249,095	1.24%
10,001 - 100,000	460	21,369,546	21.21%
100,001 - 9,999,999,999	151	77,724,844	77.16%
Totals	899	100,735,813	100.00%

Unmarketable Parcels – 95 Holders

RESTRICTED SECURITIES

As at 7 October 2019 there were no restricted securities.

UNQUOTED SECURITIES

As at 7 October 2019, the following unquoted securities are on issue:

2,000,000 Options Expiring 22/11/2019 @ \$0.49 – 2 Holders

Holder with more than 20%

Holder Name	Holding	% IC
SOBOL Capital Pty Ltd <BOC Investment A/C>	1,000,000	50.00%
Attollo Investments Pty Ltd <Attollo Investment A/C>	1,000,000	50.00%

2,000,000 Options Expiring 22/11/2019 @ \$0.65 – 2 Holders

Holder with more than 20%

Holder Name	Holding	% IC
SOBOL Capital Pty Ltd <BOC Investment A/C>	1,000,000	50.00%
Attollo Investments Pty Ltd <Attollo Investment A/C>	1,000,000	50.00%

6,000,000 Options Expiring 13/01/2020 @ \$0.30 – 3 Holders

Holder with more than 20%

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

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

Holder with more than 20%

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

9,000,000 Options Expiring 01/07/2021 @ \$0.25 – 2 holders

Holder with more than 20%

Holder Name	Holding	% IC
Peter Molloy	6,000,000	66.67%
John Rothman	3,000,000	33.33%

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

Holder with more than 20%

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

6,750,000 Options Expiring 31/08/2021 @ \$0.099 – 24 Holders

Holder with more than 20%

Holder Name	Holding	% IC
Dr Daniel Tillett	4,250,000	62.96%

2,000,000 Options Expiring 27/11/2021 @ \$0.23 – 1 Holder

Holder with more than 20%

Holder Name	Holding	% IC
Craganorig Holdings LLC	2,000,000	100.00%

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

Holder with more than 20%

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

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

Holder with more than 20%

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

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

Holder with more than 20%

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

420,000 Options Expiring 01/10/2023 @ \$0.12 – 1 Holder

Holder with more than 20%

Holder Name	Holding	% IC
Mr Tom Lee	420,000	100.00%

420,000 Options Expiring 21/01/2024 @ \$0.12 – 1 Holder

Holder with more than 20%

Holder Name	Holding	% IC
Prof Borje Andersson	420,000	100.00%

500,000 Options Expiring 12/03/2024 @ \$0.10 – 1 Holder

Holder with more than 20%

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

100,000 Options Expiring 12/03/2024 @ \$0.135 – 1 Holder

Holder with more than 20%

Holder Name	Holding	% IC
Mr Peter Gordon Webse	100,000	100.00%

840,000 Options Expiring 31/05/2024 @ \$0.085 – 2 Holders

Holder with more than 20%

Holder Name	Holding	% IC
Mr Tom Lee	420,000	50.00%
Prof Borje Andersson	420,000	50.00%

ON-MARKET BUY BACK

There is currently no on-market buyback program.