

Appendix 4E

Preliminary final report

1. Details of reporting period

Name of entity	Race Oncology Limited
ABN	61 149 318 749
Reporting Year	Year ended 30 June 2021
Previous Corresponding Year	Year ended 30 June 2020

2. Results for announcement to the market

Key information	12 months ended 30 June 2021 \$	12 months ended 30 June 2020 \$	Increase/ (decrease) %	Amount change \$
Revenues from ordinary activities	18,847	9,316	102%	9,531
Loss from ordinary activities after tax attributable to members	(6,340,319)	(3,845,965)	65%	(\$2,494,354)
Net loss for the year attributable to members	(6,340,319)	(3,845,965)	65%	(\$2,494,354)
Net tangible asset per share	0.070	0.015		

3. Statement of profit or loss and other comprehensive income

Refer to attached financial statements.

4. Statement of financial position

Refer to attached financial statements.

5. Statement of cash flows

Refer to attached financial statements.

6. Statement of changes in equity

Refer to attached financial statements.

7. Dividends/Distributions

No dividends declared in current or prior year.

8. Details of dividend reinvestment plans

N/A

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

The Company's subsidiary **Race Oncology Research, Inc.** was dissolved on 9 December 2020.

10. Details of associate and joint venture entities

N/A

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

Refer to attached financial statements.

12. Foreign entities

- On 6 October 2017, the Company incorporated a subsidiary in Belgium, **Race Oncology, Company Number 0682664917**. There were no significant financial transactions through the subsidiary for the year ended 30 June 2021.
- On 17 December 2019, the Company incorporated a subsidiary in United States, **Race Oncology Research, Inc.** The Company was dissolved on 9 December 2020. There were no significant financial transactions through the subsidiary up to dissolution date.

13. Commentary on results for period and explanatory information

Race Oncology Limited incurred a net loss from operations for the financial year ended 30 June 2021 of \$6,340,319 (2020: \$3,845,965 loss). The net cash outflow from operating activities for the financial year was \$4,697,578 (2020: \$2,463,083). At 30 June 2021, the Group had a cash balance of \$9,322,436 (2020: \$1,730,773) and net assets of \$13,722,464 (2020: \$5,690,035).

14. Audit

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

Authorised for release by the Board.

Phillip Lynch

Managing Director

26 August 2021





**RACE
ONCOLOGY**

ASX: RAC

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2021 Annual Report

Targeting Zantrene® towards
better cancer outcomes

Corporate Directory

DIRECTORS

John Cullity – Non-Executive Chairman
Phillip Lynch – Managing Director and Chief Executive Officer
Daniel Tillett – Executive Director and Chief Scientific Officer
Mary Harney – Non-Executive Director

COMPANY SECRETARY

Peter Webse

REGISTERED OFFICE

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AUDITOR

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Subiaco WA 6008

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Australian Securities Exchange Limited
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ASX Code – RAC

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Chairman's Letter



It is my pleasure to formally present Race Oncology's Annual Report for the period ended 30 June 2021.

Dear Fellow Shareholders

It's been a hallmark year for your company, marked by two keystone highlights.

The first, in July 2020, was the fully independent finding by a highly respected team at City of Hope Hospital, that our drug, Zantrene® (Zantrene® dihydrochloride) was shown to be the most potent known inhibitor of the Fatso/Fat Mass and Obesity Associated Protein (FTO). FTO plays a central role in the proliferation of cancer and this finding could lead our drug toward commercial potential we would never have previously considered possible.

The second was the release of our Three Pillar strategy, which is designed to recognise and leverage Zantrene's value as both an FTO inhibitor - and as a less cardiotoxic chemotherapeutic.

In addition to the two major highlights, Race's leadership capabilities and subject matter expertise were enhanced with recent appointments while capital management was strengthened via a targeted capital raise that was oversubscribed. We also awarded our loyal shareholders with a 1 for 20 bonus option to all eligible shareholders in May 2021.

These opportunities and our activities have driven a significant rise in our market capitalisation, as the potential value that Zantrene offers cancer patients has been recognised by many in the market.

The new Three Pillar strategy greatly expands the opportunities that lie ahead for Race.

Pillar 1 seeks to build on the published City of Hope (COH) findings around the FTO protein and its role in regulating RNA translation and cancer progression as reported in the June 2020 *Cancer Cell* publication by Su *et al*. The Race team has embarked on an extensive pre-clinical program in partnership with the University of Newcastle, investigating Zantrene and its FTO targeting activity in Acute Myeloid Leukaemia (AML), melanoma, and clear cell renal cell carcinoma.

Pillar 2 builds on the known lower cardiotoxic properties of Zantrene and its potential to be used in chemotherapeutic settings more safely or adjunctively to complement existing therapies. A pre-clinical program is underway to determine Zantrene's low cardiotoxic mechanism of action and to guide its appropriate clinical translation.

Pillar 3 leverages our long history in AML, working again with Professor Nagler at Chaim Sheba Israel, on a Phase 1b/2 R/R AML program using a novel combination drug approach. We have initiated a Phase 1b/2 clinical trial in Australia for patients with extramedullary AML, which will use Zantrene in combination with other standard of care drugs seeking to improve patient outcomes as part of our pathway to drug registration in the USA, and other markets.

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We are extremely fortunate to maintain access to an international network of advisors and expertise, supplemented by a highly capable Board and experienced Management team. Through the year our Board enhanced its independence and governance strength with the appointment of Ms Mary Harney as a Non-Executive Director. The management ranks were also boosted by the appointments of Dr David Fuller as Chief Medical Officer and Professor Michael Kelso as Principal Scientist. Our CEO, Mr Phil Lynch, and CSO Dr Daniel Tillett, continue to work effectively as a team in leading the business and have made considerable progress over the last year on many fronts.

Looking at our capital management, this financial year shows a loss of \$6.3m vs a loss of \$3.8 m in 2020 reflecting additional investment in our clinical and pre-clinical programs. Cash on hand as at 30 June 2021 increased to \$9.3m versus the prior year's \$1.7m, owing to our successful and oversubscribed capital raise of \$5.4m in March 2021, supplemented by option exercises and continued diligence in managing expenses. Race has full funding for all current commitments and will continue to address capital requirements on an as needed basis.

It's been a transformative year for Race as we continue to target and develop the many oncology applications of Zantrene. Our expanded and highly qualified team continues to pursue programs and plans with a strategy that appropriately capitalise on the risk/rewards on offer. We look forward to sharing pre-clinical and clinical results in the new financial year ahead, and to shaping our plans to ensure that patients, potential pharma partners, clinicians, and our investors, all participate in the potential that Zantrene presents.



Dr. John Cullity
Non-Executive Chairman



2021 Key Highlights

A pivotal period for Zantrene®

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Directors' Report

Your Directors present their report, together with the financial statements of Race Oncology Limited (the company, Race or RAC) for the financial year ended 30 June 2021.

Information on Directors

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

John Cullity	— Non-Executive Chairman (appointed as a Director 6 April 2018)
Qualifications	— MBBS, MRCP, MSc(Econs), MBA
Experience	— Dr Cullity is Managing Director at BioSynergy Partners, a New York and Melbourne based advisory recently spun out of Torreyia – the renowned life sciences investment bank. He additionally serves on the Boards of several life sciences companies including Ceramedix (seeded by Torreyia). At Torreyia, he provided strategic advisory on Mergers and Acquisitions, Partnering and Financing to life-science companies worldwide. Prior to joining Torreyia, 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, Dr Cullity was Head of Strategic Pricing and 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 Organisation. Dr Cullity 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	— 5,681,817 ordinary shares 2,000,000 options expiring on 27 November 2021 exercisable at \$0.23 1,000,000 options expiring on 25 November 2021 exercisable at \$0.25 189,394 options expiring on 16 May 2022 exercisable at \$4.50
Directorships held in listed entities	— None
Phillip Lynch	— Managing Director and Chief Executive Officer (appointed as a Director 1 June 2020)
Qualifications	— Graduate of Monash University with a Bachelor of Business in Marketing. Completed post-graduate studies at University of Virginia's Darden Business School (USA). Graduate of the Australian Institute of Company Directors
Experience	— Mr Lynch has a career spanning more than 30 years in the Asia Pacific region with Johnson & Johnson. He is an experienced executive and board director, with a diverse background across corporate development, strategy, financial performance, marketing and governance. In his former role as Vice President of Commercial Growth and Innovation at Johnson & Johnson Asia Pacific (J&J AP), 2016 - 2019), Mr Lynch partnered with the Mergers and Acquisitions team to drive the integration and growth of acquired businesses. He retired from J&J AP in December 2019 following the >\$2b acquisition and integration of a significant Japanese business. Mr Lynch was previously the Managing Director and CEO of J&J Pacific (AU/NZ - 2009 to 2015). He had further leadership roles across the Asia Pacific region, including Managing Director of various J&J divisions in Thailand, Vietnam, and Singapore. He is currently the Chair of Consumer Health Products Australia.
Interest in Shares and Options	— 419,149 ordinary shares 2,000,000 options expiring on 29 November 2025 exercisable at \$2.65 20,958 options expiring on 16 May 2022 exercisable at \$4.50

Information on Directors (continued)

Directorships held in listed entities — None

Daniel Tillett — Executive Director and Chief Scientific Officer (appointed as a Director 17 September 2019)

Qualifications — Ph.D in Molecular Genetics & Biochemistry

Experience — Dr Tillett is the CEO and founder of Nucleics Pty Ltd, a private biotechnology company in the genomics space. He was previously a Senior Lecturer within the School of Pharmacy at La Trobe University where he lectured on biochemistry, biotechnology, pharmacy, microbiology and virology. Dr Tillett's Ph.D on the molecular genetics and biochemistry of microcystin toxin production was awarded by the University of New South Wales in 2000.

Interest in Shares and Options — 13,450,000 ordinary shares
2,500,000 options expiring on 25 November 2022 exercisable at \$0.19
2,000,000 options expiring on 29 November 2025 exercisable at \$2.65
672,500 options expiring on 16 May 2022 exercisable at \$4.50

Directorships held in listed entities — None

Mary Harney — Non- Executive Director (appointed 8 February 2021)

Qualifications — BSc, BA (Fine Arts), AICD

Experience — Ms Harney is the Director of specialist consulting firm Mary Harney Advisory providing leadership, governance and strategic advice across innovation industries such as health, biotech and agriculture. She currently also serves as Chairman of private Australian biotech Oncology One Pty Ltd, a cancer drug discovery company.

Ms Harney was formerly the CEO of Royal Australasian College of Surgeons; CEO of Gardiner Research Foundation; COO and Director of Office of Cancer Research for Peter MacCallum Hospital, and; COO of Cerylid Biosciences. Other former roles were with CSL, Amrad, BIOPROPERTIES and Royal Melbourne Hospital.

Interest in Shares and Options — 13,400 ordinary shares
400 options expiring on 16 May 2022 exercisable at \$4.50

Directorships held in listed entities — None

Borje Andersson — Executive Director (appointed as a Director 1 February 2020, ceased 10 December 2020)

Qualifications — MB, MD, PhD

Experience — Prof Andersson is an internationally acclaimed leader in the field of leukaemia and stem cell transplantation research at the MD Anderson Cancer Centre in Houston, Texas. Prof Andersson was previously engaged as a scientific and clinical consultant to the Company and is Chair of RAC's Clinical Advisory Board.

Prof Andersson is the inventor of IV Busulfan, an FDA-approved drug used in stem cell transplantation. Busulfan was approved in 1999 and has drastically improved survival outlook for leukaemia patients, helping reduce the death rate in the first 100 days after transplant from 30-40% to less than 3%.

Interest in Shares and Options — 420,000 ordinary shares (at resignation as a KMP)
420,000 options expiring on 21 January 2024 exercisable at \$0.12 (at resignation as KMP)
840,000 options expiring on 5 December 2024 exercisable at \$0.18 (at resignation as KMP)
2,400,000 options expiring on 23 January 2025 exercisable at \$0.275 (at resignation as KMP)
118,577 performance rights

Directors' Report

Information on Directors (continued)

Directorships held — None
in listed entities

William Garner — Non-Executive Director (resigned 28 October 2020)

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 Zantrene® patents, originally filed by Update Pharma, Inc. and now owned by Race Oncology. Previously, he founded EGB Advisors LLC, a life sciences advisory firm whose clients have included the M.D. Anderson Cancer Centre, the Kauffman Foundation, ChemGenex (ASX:CXS) and CoTherix. He also founded Inverseon, Inc., which was merged with the ASX-listed company cBio to create Invion Ltd, serving as CEO until May of 2013. He founded Urogen Pharmaceuticals, Inc. and co-founded DelMar Pharmaceuticals, Inc. (NASDAQ:DMPI). Previously, he was at Hoffmann La Roche in oncology medical affairs and worked as a merchant banker in New York City.

Dr. Garner 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 — 14,037,774 ordinary shares (at resignation date)
and Options — 1,000,000 options expiring on 25 November 2021 exercisable at \$0.25 (at resignation date)
757,575 options expiring on 31 August 2021 exercisable at \$0.099 (at resignation date)

Directorships held — Chairman of listed company InMed Pharmaceuticals (TSX:IN)
in listed entities

Chris — Non-Executive Director (resigned 28 October 2020)
Ntoumenopoulos

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 — 1,038,884 ordinary shares (at resignation date)
and Options — 189,393 options expiring on 31 August 2021 exercisable at \$0.099 (at resignation date)
1,000,000 options expiring 25 November 2021 exercisable at \$0.25 (at resignation date)

Directorships held — ResApp Health Limited
in listed entities

Company Secretary

Peter Webse — Company Secretary

Qualifications — B.Bus, FGIA, FCIS, FCPA, MAICD.

Experience — Mr Webse has over 29 years' company secretarial experience and is the director of Governance Corporate Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services.

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
John Cullity	11	11
Phillip Lynch	11	11
Daniel Tillett	11	11
Mary Harney	4	4
Borje Andersson	4	4
William Garner	3	3
Chris Ntoumenopoulos	3	3

Principal Activities

Race Oncology is an ASX listed precision oncology company with a Phase 2/3 cancer drug called Zantrene® (bisantrene dihydrochloride).

Zantrene® is a potent inhibitor of the Fatso/Fat mass and obesity associated (FTO) protein. Overexpression of FTO has been shown to be the genetic driver of a diverse range of cancers. Race is exploring the proof-of-concept use of Zantrene® as a new therapy for melanoma and clear cell renal cell carcinoma, which are both frequent FTO over-expressing cancers. The Company also has compelling clinical data for the use of Zantrene® as a chemotherapeutic agent with reduced cardiotoxicity in Acute Myeloid Leukaemia (AML), breast and ovarian cancers and is investigating its use in these areas.

Race is pursuing outsized commercial returns for shareholders via its 'Three Pillar' strategy for the clinical development and regulatory approval of Zantrene®.

Operating Results

The operating loss after income tax amounted to \$6,340,319 (2020: \$3,845,965 loss); net cash used in operating activities was \$4,697,578 (2020: \$2,463,083).

Dividends Paid or Recommended

No dividends were paid or are payable for the financial year (2020: Nil).

Review of Operations

On 6 July 2020, the Company issued 500,000 fully paid ordinary shares at an issue price of \$0.25 on exercise of 500,000 unlisted options with an expiry date of 1 April 2022.

On 13 July 2020, the Company advised it had received firm commitments for \$3 million in new capital via a strategic placement of 5,000,000 ordinary shares at an issue price of \$0.60 per share. The placement was made to three prominent biotechnology investors, Kidder Williams' David Williams, EFM Asset Management's Jeff Emmanuel, and a follow-on investment by Merchant Opportunities Fund. The Shares were issued on the 14 July 2020.

On 22 July 2020, the Company announced it had secured a new patent on its cancer drug, Zantrene® (bisantrene dihydrochloride), from the United States Patent and Trademarks Office. This was Race's fourth patent granted on Zantrene in the United States.

During July 2020, the Company issued 818,560 fully paid ordinary shares at an issue price of \$0.099 upon exercise of 818,560 unlisted options with an expiry date of 31 August 2021.

On 11 August 2020, the Company held a General Meeting of Shareholders with all resolutions passed. Resolutions passed included the Selective Share Buy-Back by Race of former Managing Director and CEO Peter Molloy's Loan Shares. The 2,222,222 loan shares were subsequently cancelled on 26 August 2020.

Directors' Report

Review of Operations (Continued)

On 12 August 2020, the Company issued 6,000,000 fully paid ordinary shares at an issue price of \$0.25 on exercise of 6,000,000 unlisted options with an expiry date of 1 July 2021. The options were originally issued to former CEO and Managing Director, Peter Molloy and were acquired by a strategic investor on the 12 August 2020 and exercised early.

On 2 September 2020, the Company appointed Mr Phillip Lynch as CEO and Managing Director and Dr Daniel Tillett as Chief Scientific Officer and Executive Director each on a 50% full time equivalent basis.

On 2 October 2020, the Company announced Professor Borje Andersson was appointed Chief Medical Officer (CMO) on a 40% full time equivalent basis.

On 28 October 2020, Dr. William Garner and Chris Ntoumenopoulos resigned as Non-Executive Directors.

On 24 November 2020, the Company shared impressive results from a pre-clinical research program in breast cancer, conducted in collaboration with the University of Newcastle. The research program confirmed the historical clinical data that Zantrene showed similar efficacy to doxorubicin and epirubicin in a range of breast cancer types. In addition, the research program showed that Zantrene was effective and compatible in combination with other oncology drugs currently used in the breast cancer treatment setting. The program provided support for the progression of Zantrene in breast cancer clinical trials.

On 26 November 2020 Race announced that clinical research organisation, George Clinical, would scope and cost a proof of concept Phase I/II breast cancer clinical trial of Zantrene in combination with cyclophosphamide. The program will enable the Company to make an informed and costed decision on this potential clinical pathway prior to expending significant investor funds.

On 30 November 2020, the Company shared the Three Pillar Strategy, communicating an evolution to a precision oncology focus via the Fat Mass and Obesity associated protein (FTO), while retaining legacy opportunities in breast cancer and Acute Myeloid Leukaemia (AML). The updated strategy allows the Company to pursue outsized rewards for shareholders, while minimising clinical and commercial risk. The Three Pillar strategy addresses the following areas:

- **Pillar 1** – FTO inhibition focused on melanoma and clear cell renal cell carcinoma as clinical proof-of-concept indications
- **Pillar 2** – Breast cancer treatment as a safer chemotherapeutic agent with expanded therapeutic index
- **Pillar 3** – AML addressing legacy plans in adult and paediatric populations. Evaluation of extramedullary AML, building on the Israel trial observation and clear unmet clinical need.

On 30 November 2020, as approved at the Annual General Meeting, the Company issued a total of 5,600,000 Incentive Options and 118,557 Incentive Performance Rights as follows:

- a) 2,000,000 Options exercisable at \$2.65 and expiring on 29 November 2025 to Phillip Lynch;
- b) 2,000,000 Options exercisable at \$2.65 and expiring on 29 November 2025 to Daniel Tillett;
- c) 1,600,000 Options exercisable at \$2.65 and expiring on 29 November 2025 to Prof. Borje Andersson;
- d) 118,557 Performance Rights expiring on 29 November 2025 to Prof. Borje Andersson.

On 10 December 2020, Prof. Borje Andersson resigned as an Executive Director to focus on the role of Chief Medical Officer and Chair of the Race Clinical Advisory Board.

On 17 December 2020, the Company received a Research and Development tax incentive refund of \$387,385 from the Australian Taxation Office for financial year ended 30 June 2020.

On 8 February 2021, Mary Harney was appointed as an independent Non-Executive Director (NED). Ms Harney is an accomplished NED and executive with a deep academic and applied life science understanding, as well as biopharmaceutical experience.

On 19 February 2021, Race announced that Professor Borje Andersson would retire as Chief Medical Officer (CMO) but retain his role as Chair of the Clinical Advisory Board. Race shared plans to recruit a full time Australian based CMO, which would allow the Company to execute upon the expanded clinical program shared in the Three Pillar strategy.

Review of Operations (Continued)

On 19 February 2021, the Company issued 2,972,575 fully paid ordinary shares following the exercise of options:

- 757,575 unlisted options with an exercise price of \$0.099 expiring 31 August 2021;
- 1,540,000 unlisted options with an exercise price of \$0.25 expiring 25 November 2021; and
- 675,000 unlisted options with an exercise price of \$0.45 expiring 12 March 2022.

On 23 February 2021, Race announced positive early pre-clinical ovarian cancer results from the collaborative pre-clinical research program with The University of Newcastle. Zantrene was found to be more effective compared to doxorubicin and epirubicin in ovarian cancer cell lines and killed ovarian cancer cells resistant to the current standard of care chemotherapeutic agents cisplatin, 5-fluorouracil and chlorambucil.

On 9 March 2021, the Company announced the final results of the continuing collaborative preclinical research program with The University of Newcastle. It was reported that the final results showed Zantrene to be an effective chemotherapeutic agent across a diverse range of genetically defined breast cancer subtypes and to also be able to kill breast cancer cells resistant to a wide range of breast cancer treatment drugs.

On 10 March 2021, the Company issued 5,974,393 fully paid ordinary shares following the exercise of options:

- 135,000 unlisted options with an exercise price of \$0.256 expiring 1 August 2021;
- 5,339,393 unlisted options with an exercise price of \$0.099 expiring 31 August 2021; and
- 500,000 unlisted options with an exercise price of \$0.25 expiring 1 July 2021

On 12 March 2021, S&P Dow Jones announced that as of 22 March 2021 Race Oncology was added to the ASX All Ordinaries Index.

On 19 March 2021, Race initiated a pre-clinical collaboration study with the University of Newcastle to explore the use of Zantrene as a novel FTO-directed treatment for melanoma. The study will assess drug combinations that may improve the current standard of care for patients with a particular focus on overcoming immune checkpoint resistance. This project seeks to capitalise on Zantrene's FTO inhibiting properties in melanoma where FTO is overexpressed in approximately 50% of all metastatic melanoma cancers.

On 25 March 2021, Race initiated a pre-clinical program with the University of Newcastle exploring the use of Zantrene as a novel FTO-directed treatment for the kidney cancer, clear cell renal cell carcinoma (ccRCC). Study results will support a proposed Phase II human trial of Zantrene in ccRCC scheduled to begin in Australia in 2022.

On 30 March 2021, Race announced a pre-clinical collaboration with the University of Newcastle to investigate extramedullary AML using a mouse model developed by Associate Professor Nicki Verrills' team. This program supports the Australian extramedullary AML-focused clinical trial plan (Pillar 3), focused on a US FDA registration pathway for Zantrene.

On 31 March 2021, Race shared updates to the Company's Three Pillar strategy detailing intended programs and activities. The updates to respective pillars included:

- **Pillar 1** – pre-clinical programs confirmed in melanoma and ccRCC. A potential Phase 1 FTO-focused dose escalation clinical safety study is under feasibility consideration.
- **Pillar 2** – a two path program investigating breast cancer was developed with advice from George Clinical. An Australian clinical study focused on late-stage metastatic breast cancer has enlisted a principal investigator with a proposed start date in late 2021. A secondary clinical program involving a potential opportunity to assess Zantrene's heart-safety profile is undergoing full feasibility evaluation in anthracycline naïve patients by George Clinical.
- **Pillar 3** –
 - (i) Race committed to a Phase I/II clinical trial of Zantrene in combination with clofarabine and fludarabine in relapsed or refractory (r/r) AML in Israel at the Chaim Sheba Medical Centre, led by Professor Arnon Nagler who also led the earlier 2020 Phase II study.
 - (ii) A Phase I/II trial of Zantrene in extramedullary AML led by Associate Professor Anoop Enjeti, Director of Haematology at Calvary Mater Newcastle and John Hunter Hospitals. This trial seeks to demonstrate efficacy of Zantrene in fit patients or in combination with a hypomethylating agent in less fit patients. This trial will potentially enable Race to pursue FDA/EMA approvals for this indication.

Directors' Report

Review of Operations (Continued)

- (iii) A further opportunity in paediatric r/r AML is under feasibility assessment. This study is being shaped with input from the Children's Oncology Group in the USA and has the potential for both US FDA registration and a Priority Review Voucher award.

On 1 April 2021, the Company issued 625,000 fully paid ordinary shares following the exercise of options:

- 125,000 unlisted options with an exercise price of \$0.099 expiring 31 August 2021; and
- 500,000 unlisted options with an exercise price of \$0.25 expiring 1 July 2021

On 7 April 2021, the Company issued 1,000,000 fully paid ordinary shares following the exercise of 1,000,000 unlisted options with an exercise price of \$0.025 expiring 1 July 2021.

On 15 April 2021, Race announced that the journal *Nature Communication* had published details of independent work by the University of Chicago reconfirming Zantrene as an effective inhibitor of the FTO protein in both cell culture and mice, supporting earlier observations by the City of Hope.

On 16 April 2021, Race announced the appointment of Professor Jianjun Chen of the City of Hope to Race's Scientific Advisory Board. Prof Chen and his team first identified Zantrene as a potent FTO inhibitor and the important role of FTO in cancer via regulation of the m6A RNA methylation pathway. His expertise will enhance and guide Race's FTO related clinical and pre-clinical plans.

On 20 April 2021, Race announced the appointment of Dr David Fuller as Chief Medical Officer (CMO). Dr Fuller, a former Senior Vice President at the CRO Syneos Health has 30 years' experience in oncology, international pharma industry, and listed businesses. His background includes the design and execution of multiple Phase 1, 2 and 3 studies in multiple global markets, successful marketing and drug approvals.

On 23 April 2021, the Company issued 1,050,000 fully paid ordinary shares following the exercise of options:

- 1,000,000 unlisted options with an exercise price of \$0.025 expiring 1 July 2021; and
- 50,000 unlisted options with an exercise price of \$0.099 expiring 31 August 2021

On 28 April 2021, Race initiated a preclinical study to further explore Zantrene's known lower cardio toxicity profile. The study is led by an experienced team at the University of Newcastle (UON). The study aims include identifying Zantrene's underlying mechanism of action and the potential role of FTO inhibition in Zantrene's low cardiotoxic profile.

On 5 May 2021, Race issued announced it had received binding commitments for an oversubscribed placement of \$5.4 million at an issue price of \$3.00 per share, a 2% discount to the closing price. Additionally, Race commenced a bonus issue of unlisted loyalty options to eligible shareholders, at 1 option for every 20 shares held, with an exercise price of \$4.50 expiring on 16 May 2022. Funds raised support an FTO-focused Phase 1 study, further pre-clinical work evaluating Zantrene's heart safety, and related manufacturing investment to support future trial plans.

On 7 May 2021, Race issued a letter to eligible, and ineligible shareholders outlining further detail of the issue of the pro-rata non-renounceable loyalty bonus options. This offer of 7,054,043 Bonus Options if fully exercised, will provide funds of approximately \$31.7 million in CY 2022.

On 10 May 2021, Race announced publication of a pre-clinical study by Professors Borje Andersson and Ben Valdez, that identified novel drug combinations showing synergy with Zantrene in treating AML cells. The study, sponsored by Race, was published in the Journal of Clinical & Experimental Oncology, and underpins the Phase 1b/2 R/R AML trial at the Chaim Sheba Medical Center in Israel.

On 10 May 2021, the Company issued 150,000 fully paid ordinary shares following the exercise of 150,000 unlisted options with an exercise price of \$0.099 expiring 31 August 2021.

On 13 May 2021, the Company issued 420,000 fully paid ordinary shares following the exercise of 420,000 unlisted options with an exercise price of \$0.085 expiring 31 May 2024.

Further to the announcement on 5 May 2021, on the Company announced on 14 May 2021 that it had completed a placement of \$5.4 million through the issue of 1,800,000 shares at \$3 per share and 7,039,060 bonus options with exercise price of \$4.50 and expiry of 16 May 2022.

Review of Operations (Continued)

On 20 May 2021, Race announced the appointment of Professor Michael Kelso as Principal Scientist. Prof Kelso brings 25 years of deep understanding in oncology, medicinal chemistry, drug development and chemistry. His most recent role was as Professor of Medicinal Chemistry at the University of Wollongong. Michael's appointment adds significant scientific experience and capability to the Race team.

On 2 June 2021, Race announced the appointment of the CRO Parexel, to support the Australian Phase 2 clinical trial of Zantrene in AML patients with extramedullary disease. The study is led by Associate Professor Anoop Enjeti and supports future trials in the EU and USA with the aim of achieving FDA and EMA approval. The trial has two stratum (arms), one applying Zantrene in a high intensity chemotherapy setting in combination with azacytidine, while the second stratum will use Zantrene as a low dose FTO targeted agent in combination with Inqovia® (oral decitabine and cedazuridine), for patients unable to tolerate intense chemotherapy.

On 8 June 2021, Race signed a contract with Trialog Clinical trials for USD\$801,247 to supply drug and other services to support the Phase 2 (R/R) AML trial at the Sheba Medical Center in Israel.

On 22 June 2021, Race announced execution of a contract to commence the Phase 1b/2 R/R AML trial at the Chaim Sheba Medical Center. Professor Anon Nagler will lead this study that includes a novel drug combination shown in Race-sponsored pre-clinical studies to demonstrate high efficacy in AML cells. The first patient is expected to be treated in Q3 CY 2021.

On 26 June 2021, the Company issued 200,000 fully paid ordinary shares following the exercise of options:

- 100,000 unlisted options with an exercise price of \$0.135 expiring 12 March 2024; and
- 100,000 unlisted options with an exercise price of \$0.25 expiring 8 May 2022

On 30 June 2021, Race announced that Non-Executive Director Mary Harney had purchased 5,400 shares on market.

Outlook

Race Oncology is focused on using its Three Pillar strategy as outlined at the 2020 AGM to achieve contemporary use of Zantrene® by clinicians, and ultimately approval for its use in a range of cancers.

Our FTO directed activities described under Pillar 1 are at a pre-clinical stage. We plan to move into the clinic for melanoma and clear cell renal cell carcinoma in 2022. We are exploring the possibility of a Phase 1 dose escalation study to support clinical translation which we may achieve through our announced extramedullary AML stratum 2 trial.

In Pillar 2 we are completing a pre-clinical program to determine the mechanism of action which appears to make Zantrene® a less cardio toxic drug than other anthracyclines. The work is expected to lead to clinical translation in due course.

In Pillar 3 we have commenced a Phase 1b/2 clinical trial at the Sheba Medical Center for R/R AML. We have also initiated a study using Zantrene® in combination with standard of care AML drugs to treat the extramedullary form of AML. These programs offer the promise of improving patient outcomes in this difficult to treat disease, while providing a clear registration pathway for Zantrene®.

The management team has programs underway to enlarge Zantrene's application through chemical, manufacturing and formulation initiatives. We expect continued expansion of our patent portfolio based on these initiatives.

Financial Position

The net assets of the Company at 30 June 2021 were \$13,722,464 (2020: \$5,690,035), including \$9,322,436 in cash.

Significant Events after the Reporting Date

On 1 July 2021, 500,000 unlisted options with exercise price of \$4.90 and expiry date of 1 July 2026 were issued to KMP.

On 6 July 2021, \$337,500 was raised and 750,000 fully paid ordinary shares were issued on the exercise of unlisted options with exercise price \$0.45 and expiry date of 12 March 2022.

On 12 July 2021, 270,000 unlisted options with exercise price of \$4.76 and expiry date of 12 July 2026 were issued to an employee.

On 9 August 2021, the company announced that the first patient had been dosed in the Phase1b/2 trial in relapsed refractory Acute Myeloid Leukemia, at Chaim Sheba Medical Center, Israel.

Directors' Report

Significant Events after the Reporting Date (Continued)

Covid related lockdowns in NSW have slowed our University of Newcastle pre-clinical programs, but preclinical activities continue in other Australian states and outside of Australia.

On 23 August 2021, 2,143,939 options with exercise price of \$0.099 and expiry date of 31 August 2021 were exercised.

There have been no other matters or circumstances that have arisen since 30 June 2021.

Future Developments, Prospects and Business Strategies

Our Goal remains to progress a range of clinical programs which demonstrate efficacy and utility in a number of targeted indications for Zantrene®, with the aim of achieving a commercial outcome for shareholders via a sale, partnership, or license to a scaled pharmaceutical company.

We have enhanced our teams' capabilities to support the Three Pillar program and have implemented clear and costed plans to execute on this strategy. Shareholders can expect that we will continue to share progress, evaluate alternatives, and proceed with due care and attention to achieving improved patient outcomes, partnering with clinicians and other stakeholders to maximise shareholder value.

These programs and the results from them have the potential to attract increasing industry interest in Zantrene® and we will be focused on seeing this potential realised, at an appropriate time, in order to create the most beneficial outcome for all shareholders.

Environmental Regulations

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

Unissued Shares Under Option

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

Grant Date	Expiry Date	Exercise Price	Number of shares under option
27 November 2018	27 November 2021	\$0.230	2,000,000
22 January 2019	21 January 2024	\$0.120	420,000
26 November 2019	25 November 2021	\$0.250	1,000,000
26 November 2019	25 November 2022	\$0.190	2,500,000
5 December 2019	5 December 2024	\$0.180	840,000
28 January 2020	23 January 2025	\$0.275	2,400,000
17 February 2020	17 February 2024	\$0.490	2,400,000
12 March 2020	12 March 2022	\$0.450	75,000
30 November 2020	29 November 2025	\$2.650	4,000,000
14 May 2021	16 May 2022	\$4.500	7,039,060
1 July 2021	1 July 2026	\$4.900	500,000
12 July 2021	12 July 2026	\$4.760	270,000
			23,444,060

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. During the financial year ended 30 June 2021 the Company issued 21,916,968 fully paid ordinary shares on exercise of various options (2020: 347,561 fully paid ordinary shares).

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 2021 has been received and can be found on page 22.

Directors' Report

Remuneration Report (Audited)

This remuneration report for the year ended 30 June 2021 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. Other transactions and balances with KMP and their related parties

1. Introduction

Key Management Personnel (**KMP**) have authority and responsibility for planning, directing and controlling the major activities of the Group. KMP comprise the directors of the Company and identified key management personnel.

Key management personnel covered in this report are as follows:

Name	Status	Appointed as a Director	Ceased/ Resigned
John Cullity	Non-Executive Chairman	6 April 2018	-
Phillip Lynch	Managing Director and CEO	1 June 2020	-
Daniel Tillett	Executive Director and Chief Scientific Officer	17 September 2019	-
Mary Harney	Non-Executive Director	8 February 2021	-
Borje Andersson	Executive Director	1 February 2020	10 December 2020
William Garner	Non-Executive Director	6 March 2020	28 October 2020
Chris Ntoumenopoulos	Non-Executive Director	27 April 2016	28 October 2020

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, in accordance with a remuneration committee charter.

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.

At the date of this report the Company has three appointed executives, being Mr Phillip Lynch as Managing Director and CEO, Dr Daniel Tillett as the Executive Director and Chief Scientific Officer and Dr David Fuller as Chief Medical Officer. Prior to his resignation, Professor Borje Andersson was also an executive of the Company. The terms of all Executive Employment Agreements in place during the financial year are summarised below.

Executive Name	Remuneration
Mr Phillip Lynch	<p>The terms of the Executive Employment Agreement are as follows:</p> <ul style="list-style-type: none"> • The agreement is for a term of two years from commencement date • The annual salary is set at \$200,000 plus superannuation (0.5 FTE assumption) • Performance Bonus STI – 40% target subject to Board assessment of KPI delivery • Issue of 2,000,000 options with exercise price of \$2.65 and expiry date of 29 November 2025. The options vest 1/3rd at 12 months and the balance equally over months 13-36. • The notice period is 3 months.
Dr Daniel Tillett	<p>The terms of the Executive Employment Agreement are as follows:</p> <ul style="list-style-type: none"> • The agreement is for a term of two years from commencement date • The annual salary is set at \$200,000 plus superannuation (0.5 FTE assumption) • Performance Bonus STI – 40% target subject to Board assessment of KPI delivery • Issue of 2,000,000 options with exercise price of \$2.65 and expiry date of 29 November 2025. The options vest 1/3rd at 12 months and the balance equally over months 13-36. • The notice period is 3 months.
Dr David Fuller	<p>The terms of the Executive Employment Agreement are as follows:</p> <ul style="list-style-type: none"> • The agreement is for a term of three years from commencement date • The annual salary is set at \$345,000 plus superannuation • Performance Bonus STI – 40% target subject to Board assessment of KPI delivery • Issue of 500,000 options with exercise price of \$4.90 and expiry date of 1 July 2026. The options vest as follows: 166,667 on the date, which is 12 months from issue date, 13,888 options will vest on each monthly anniversary of the first vesting date, for a 23 month period; and 13,909 options will vest on the date which is 24 months from the first vesting date. • The notice period is 3 months.
Prof. Borje Andersson (resigned on 19 February 2021 effective 18 May 2021)	<p>The terms of the Executive Employment Agreement were as follows:</p> <ul style="list-style-type: none"> • The agreement was for a term of two years from commencement date • The annual salary is set at \$160,000 • Performance Bonus STI – 40% target subject to Board assessment of KPI delivery • Issue of 1,600,000 options with exercise price of \$2.65 and expiry date of 29 November 2025. The options vest 1/3rd at 12 months and the balance equally over months 13-36. • Issue of 118,577 performance rights expiring on 29 November 2025. • The notice period is 3 months.

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.

Directors' Report

Remuneration Report (Audited)

3. 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 \$180,111 (2020: \$206,962) 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 30 November 2020, 99.16% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020.

4. 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.

5. Details of Remuneration

	Short Term Salary, Fees & Commissions	Post Employment Superannuation	Other/ Bonus ¹	Share-based payment ²	Total	Performance based remuneration
30 June 2021	\$	\$	\$	\$	\$	%
Directors:						
John Cullity	120,000	-	-	4,949	124,494	-
Phillip Lynch	173,973	16,527	60,000	762,190	1,012,690	6%
Daniel Tillett	166,667	15,833	60,000	811,190	1,053,690	6%
Mary Harney ³	19,000	1,805	-	-	20,805	-
Borje Andersson ⁴	112,713	-	-	354,928	467,641	-
William Garner ⁵	16,000	-	-	-	16,000	-
Chris Ntoumenopoulos ⁶	16,000	-	-	-	16,000	-
Key Management:						
David Fuller ⁷	11,500	1,093	-	-	12,593	-
Total	635,853	35,258	120,000	1,933,257	2,724,368	

	Short Term Salary, Fees & Commissions	Post Employment Superannuation	Other/ Bonus ⁸	Share-based payments	Total	Performance based remuneration
30 June 2020	\$	\$	\$	\$	\$	%
Directors:						
Daniel Tillett	-	-	-	147,001 ⁹	147,001	-
John Cullity	60,000	-	-	101,584	161,584	-
William Garner	108,833	-	-	54,208	163,041	-
Chris Ntoumenopoulos	48,000	-	-	54,208	102,208	-
Borje Andersson	-	-	-	161,223 ¹⁰	161,223	-
Phillip Lynch	3,653	347	-	-	4,000	-
Peter Molloy ¹¹	455,927	21,003	79,890	-	556,820	14.35%
Key Management:						
John Rothman ¹²	19,461	-	-	-	19,461	-
Samar Al-Behaisi ¹³	180,977	-	-	-	180,977	-
Total	876,851	21,350	79,890	518,224	1,496,315	-

¹ As per Mr Lynch and Mr Tillett employee agreement, the annual Short -Term Incentive (STI) bonus is capped at 40% of Salary. The above amounts represent bonus accrual for the 9 months period to 30 June 2021.

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 Appointed on 8 February 2021

⁴ Resigned as a Director on 10 December 2020 and as Chief Medical Officer on 19 February 2021, effective 18 May 2021

⁵ Resigned on 28 October 2020

⁶ Resigned on 28 October 2020

⁷ Commenced on 15 June 2021

⁸ As per Mr. Molloy's employee agreement, his annual Short Term Incentive (STI) bonus is capped at 30% of Salary. Mr. Molloy was granted a STI bonus payment for the year ending 30 June 2020 was equivalent to 100% of his bonus entitlement until his resignation date and for the year ending 30 June 2019 equivalent to 50% of his bonus entitlement for the financial year.

⁹ Daniel Tillett's share based payment for the year ended 30 June 2020 was apportioned over a 12 month period with 9 months expense recognised in FY20.

¹⁰ Appointed 1 February 2020. Borje Andersson's share based payment for the year ended 30 June 2020 was apportioned over a 12 month period with 5 months expense recognised in FY20.

¹¹ Resigned 20 May 2020. His remuneration for the year ending 30 June 2020 includes his termination payments.

¹² Resigned September 2019.

¹³ Resigned 20 March 2020.

Directors' Report

Remuneration Report (Audited)

7. Additional disclosures relating to options and shares

Options awarded, vested and lapsed during the year

The table below discloses the number of share options granted, vested or lapsed during the year. Share options do not carry any voting or dividend rights, and can only be exercised once the vesting conditions have been met, prior to expiry.

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 2021	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
Directors					
John Cullity	3,787,878	-	-	-	3,787,878
Phillip Lynch	419,149	-	-	-	419,149
Daniel Tillett	9,200,000	-	4,250,000	-	13,450,000
Mary Harney	-	-	-	13,400	13,400
Borje Andersson ²	-	-	420,000	-	420,000
William Garner ³	14,037,774	-	-	-	14,037,774
Chris Ntoumenopoulos ³	1,038,884	-	-	-	1,038,884
Key Management					
David Fuller	-	-	-	500	500
Total	28,483,685	-	4,670,000	13,900	33,167,585

KMP Options holdings

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

30 June 2021	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year ⁴	Balance at the end of the year	Vested and exercisable	Unvested
Directors							
John Cullity	4,893,939	-	-	189,394	5,083,333	5,083,333	-
Phillip Lynch	-	2,000,000	-	20,958	2,020,958	20,958	2,000,000
Daniel Tillett	6,750,000	2,000,000	(4,250,000)	672,500	5,172,500	3,172,500	2,000,000
Mary Harney	-	-	-	400	400	400	-
Borje Andersson ²	4,080,000	1,600,000	(420,000)	(1,600,000)	3,660,000	3,660,000	-
William Garner ³	1,757,575	-	-	-	1,757,575	1,757,575	-
Chris Ntoumenopoulos ³	1,189,393	-	-	-	1,189,393	1,189,393	-
Key Management							
David Fuller	-	-	-	25	25	25	-
Total	18,670,907	5,600,000	(4,670,000)	(716,723)	18,884,184	14,884,184	4,000,000

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

² The balance shown is at resignation date as KMP

³ The balance shown is at resignation date

⁴ Other changes include options issued that have expired during the year and bonus options issued.

7. Additional disclosures relating to options and shares (continued)

KMP performance shares rights

The number of performance rights in Race Oncology Limited 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	Balance at the end of the year	Vested and exercisable	Unvested
30 June 2021							
Directors							
Borje Andersson ¹	-	118,577	-	-	118,577	118,577	-
Total	-	118,577	-	-	118,577	118,577	-

¹ The balance shown is at resignation date as KMP

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.

On 20 May 2020, Mr Molloy ceased to be employed by the Company, resigning as the Managing Director, thus the Loan become repayable 5 business days following his resignation date which was subsequently extended to 18 June 2020 as agreed by the Company.

As approved by shareholders at the General Meeting held on 11 August 2020, the Loan was repaid through a selective buy-back and cancellation of \$800,000 worth of Loan Shares under Part 2J.1, Division 2 of the Corporation Act (Buy-Back). The selective buy-back and cancellation was completed on the 28 August 2020 with 2,222,222 shares bought back at \$0.36 per shares (the volume weighted average price for the Company shares for the five-day trading period).

9. 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.

Consultancy Agreement

On 19 February 2021, the Company entered into a Consultancy Agreement with Prof. Borje Andersson for a period of 12 months, renewable by mutual agreement. The fee is set at US\$5,000 per month.

Remuneration Report - End

Signed in accordance with a resolution of the directors.



Mr Phillip Lynch
Managing Director & CEO
Dated 26 August 2021

Auditor's Independence Declaration

HALL CHADWICK 

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 2021, 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,

Hall Chadwick

HALL CHADWICK
Chartered Accountants



MARK DELAURENTIS CA
Partner

Dated at Perth this 26th day of August 2021

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2021

	Note	2021 \$	2020 \$
Interest received		18,847	9,316
Other income	3	424,885	256,440
Administrative expenses		(67,829)	(24,647)
Accounting and audit fees		(98,666)	(86,431)
Amortisation	11	(281,196)	(281,196)
Business development and marketing		(174,263)	(104,060)
R&D Manufacturing and distribution		(620,078)	(443,190)
Corporate advice expenses		(324,898)	(169,322)
Non-Executive Director fees		(178,306)	(206,962)
Employee benefits expense		(216,524)	(252,161)
Research and development expense		(2,199,539)	(1,276,645)
Share based payment expense	16	(2,276,196)	(1,093,307)
Share registry expense		(37,818)	(8,091)
Travel and accommodation		(874)	(13,988)
Other expenses		(307,864)	(151,721)
Loss from ordinary activities before income tax expense		(6,340,319)	(3,845,965)
Income tax expense relating to ordinary activities	7	-	-
Loss from ordinary activities after income tax expense		(6,340,319)	(3,845,965)
Foreign currency translation (net of tax)		(553)	173
Total comprehensive loss for the year attributable to members of the Company		(6,340,872)	(3,845,792)
Basic earnings/(loss) per share (cents per share)	6	(4.84)	(3.60)
Diluted earnings/(loss) per share (cents per share)	6	(4.84)	(3.60)

The Consolidated 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 2021

	Note	2021 \$	2020 \$
CURRENT ASSETS			
Cash and cash equivalents	8	9,322,436	1,730,773
Trade and other receivables	9	128,169	48,918
Other assets	10	1,139,423	217,253
TOTAL CURRENT ASSETS		10,590,028	1,996,944
NON-CURRENT ASSETS			
Intangible assets	11	3,655,546	3,936,742
TOTAL NON-CURRENT ASSETS		3,655,546	3,936,742
TOTAL ASSETS		14,245,574	5,933,686
CURRENT LIABILITIES			
Trade and other payables	12	492,157	239,520
Provisions	13	30,953	4,131
TOTAL CURRENT LIABILITIES		523,110	243,651
TOTAL LIABILITIES		523,110	243,651
NET ASSETS / (LIABILITIES)		13,722,464	5,690,035
EQUITY			
Issued and unissued capital	14	31,495,411	19,660,008
Reserve	15	4,693,488	2,600,587
Reserve shares	14b	-	(800,000)
Accumulated losses		(22,466,435)	(15,770,560)
TOTAL EQUITY		13,722,464	5,690,035

The Consolidated 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 2021

	Note	Issued Capital	Reserves	Accumulated Losses	Total
		\$	\$	\$	\$
Balance at 1 July 2019		15,422,621	3,054,997	(13,427,712)	5,049,906
Loss for the year		-	-	(3,845,965)	(3,845,965)
Other comprehensive income		-	173	-	173
Total comprehensive income for the year		-	173	(3,845,965)	(3,845,792)
Transactions with owners, recognised directly in equity					
Conversion of performance shares	14	1,000,000	(1,000,000)	-	-
Shares issued	14	3,246,000	-	-	3,246,000
Share based payments	16	-	1,276,049	-	1,276,049
Extinguishment of options	16	-	(1,503,117)	1,503,117	-
Exercise of options	14	122,315	(27,515)	-	94,800
Shares applied but unissued	14	11,138	-	-	11,138
Capital raising costs	14	(142,066)	-	-	(142,066)
Balance at 30 June 2020		19,660,008	1,800,587	(15,770,560)	5,690,035
Balance at 1 July 2020					
		19,660,008	1,800,587	(15,770,560)	5,690,035
Loss for the year		-	-	(6,340,319)	(6,340,319)
Other comprehensive income	16	-	(553)	-	(553)
Total comprehensive income for the year		-	(553)	(6,340,319)	(6,340,872)
Transactions with owners, recognised directly in equity					
Conversion of performance shares					
Shares issued	14	7,955,556	800,000	(355,556)	8,400,000
Share based payments	16	-	2,093,454	-	2,093,454
Exercise of options	14	4,390,377	-	-	4,390,377
Capital raising costs	14	(510,530)	-	-	(510,530)
Balance at 30 June 2021		31,495,411	4,693,488	(22,466,435)	13,722,464

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

Consolidated Statement of Cash Flows

for the year ended 30 June 2021

	Note	2021 \$	2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Other income		50,000	63,758
Interest received		18,847	9,316
Research and development refund received		387,385	159,371
Payments for research and development		(3,011,815)	(1,296,713)
Payment for business development and marketing		(201,652)	(77,402)
Payment for manufacturing and distribution		(650,321)	(404,081)
Payments to suppliers and employees		(1,290,022)	(917,332)
Net Cash Used in Operating Activities	17b	(4,697,578)	(2,463,083)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from shares issued		8,400,000	3,246,000
Proceeds from shares yet to be issued		-	11,138
Proceeds from issue of shares on exercise of options		4,390,377	94,800
Capital raising costs		(510,530)	(142,066)
Net Cash from Financing Activities		12,279,847	3,209,872
Net increase / (decrease) in cash held		7,582,269	746,789
Foreign currency translation		9,394	(4,730)
Cash at beginning of the year		1,730,773	988,714
Cash at end of the year	17a	9,322,436	1,730,773

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

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Notes to the Financial Statements

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 26 August 2021 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.

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 as 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.

Notes to the Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Income Tax (continued)

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

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

d) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

The 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.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial Instruments (continued)

Derecognition

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

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

e) Impairment of Assets

At the end of each reporting period, the 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.

Notes to the Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Intangible Assets Other Than Goodwill (continued)

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.

Patents

The Company made upfront payments to purchase patents. The patents 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.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Employee Benefits (continued)

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.

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, Zantrene 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.

Notes to the Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 2. KEY MANAGEMENT PERSONNEL COMPENSATION

	2021	2020
	\$	\$
The totals of remuneration paid to Key Management Personnel during the year are as follows:		
Short-term employee benefits	755,853	956,741
Post-employment benefits	35,258	21,350
Equity Settled	1,933,257	518,224
Total KMP Compensation	<u>2,724,368</u>	<u>1,496,315</u>

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 2021.

NOTE 3. OTHER INCOME

	2021	2020
	\$	\$
Other income		
- Research and development tax incentive	387,385	159,371
- ATO Cashflow Boost, COVID-19 business incentive	37,500	83,311
- Expense recovery of Zantrene to a Paris hospital	-	13,758
	<u>424,885</u>	<u>256,440</u>

NOTE 4. LOSS FOR THE YEAR

	2021	2020
	\$	\$
Profit/(Loss) before income tax from continuing operations includes the following specific expenses:		
Research and development expense		
- R&D Pre-clinical Research	815,202	95,259
- R&D Consultants	681,728	606,436
- R&D Other	702,610	574,950
Total research and development expense	<u>2,199,539</u>	<u>1,276,645</u>
Corporate advice expense		
- Legal fees	154,898	111,508
- Other	170,000	57,814
Total corporate advice expense	<u>324,898</u>	<u>169,322</u>
Other expenses		
- ASX Fees	167,172	57,355
- Insurance	105,549	70,204
- Other	35,142	24,162
Total other expense	<u>307,863</u>	<u>151,721</u>

NOTE 5. AUDITOR'S REMUNERATION

	2021	2020
	\$	\$
Auditor remuneration		
- auditing or reviewing the financial reports	34,500	35,931
	<u>34,500</u>	<u>35,931</u>
Other non-audit remuneration		
- Tax compliance services	2,650	2,500
	<u>2,650</u>	<u>2,500</u>

NOTE 6. LOSS PER SHARE

	2021	2020
	\$	\$
Loss per share (EPS)		
(a) Loss used in calculation of basic EPS and diluted EPS	<u>6,340,319</u>	<u>3,845,965</u>
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	<u>130,963,695</u>	<u>106,594,738</u>
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>130,963,695</u>	<u>106,594,738</u>

Notes to the Financial Statements

NOTE 7. INCOME TAX

	2021	2020
	\$	\$
(a) Income tax expense / (benefit)		
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>

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

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

Operating loss	(6,340,319)	(3,845,965)
- Income tax calculated at 26% (2020: 27.5%)	(1,648,482)	(1,057,640)
<i>Non-deductible items</i>		
Share based payment expense	591,811	300,659
Other non-deductible expenses	812,687	553,223
Non-assessable income	(100,720)	(43,827)
Deferred tax (liabilities)/asset not brought to account	344,704	247,585
Income tax attributable to operating loss	<u>-</u>	<u>-</u>

(c) Deferred tax (liabilities)/assets

Tax Losses	3,131,803	2,647,963
Other	241,025	143,473
Total deferred tax asset	<u>3,372,828</u>	<u>2,791,437</u>
Set-off deferred tax liabilities	-	-
Less deferred tax assets not recognised	<u>(3,372,828)</u>	<u>(2,791,437)</u>
Net deferred tax assets	<u>-</u>	<u>-</u>

(d) Deferred tax liabilities

Other	-	-
Total deferred tax liabilities	<u>-</u>	<u>-</u>
Set-off deferred tax assets	-	-
Net deferred tax liabilities	<u>-</u>	<u>-</u>

(e) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	12,045,395	9,603,318
Potential tax benefit @ 26% (2020: 27.5%)	<u>3,131,802</u>	<u>2,640,912</u>

The benefit for tax losses will only be obtained if:

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

	2021	2020
	\$	\$
Cash on hand	9,322,436	1,730,773

The effective interest rate on cash and cash equivalents was 0.34% (30 June 2020: 0.69%).

NOTE 9. TRADE AND OTHER RECEIVABLES

	2021	2020
	\$	\$
Other receivables	128,169	48,918
	<u>128,169</u>	<u>48,918</u>

NOTE 10. OTHER ASSETS

	2021	2020
	\$	\$
Prepayment	1,139,423	34,513
Prepayment – share based payment	16	182,741
	<u>1,139,423</u>	<u>217,254</u>

NOTE 11. INTANGIBLE ASSETS

	2021	2020
	\$	\$
At cost – intellectual property	5,000,000	5,000,000
Accumulated amortisation	(1,344,454)	(1,063,258)
Total intangible assets	<u>3,655,546</u>	<u>3,936,742</u>

Movement during the year	Intellectual Property
Balance at 1 July 2020	3,936,742
Amortisation expense	(281,196)
Balance at 30 June 2021	<u>3,655,546</u>

Intellectual property totalling \$5,000,000 comprises patents and licenses initially acquired by the Company and pertain to the oncology drug, called Zantrene. The initial acquisition of intellectual property was supported by 2 patent applications. Subsequent to the initial patent applications the Company strategy has evolved to include a total of four patent families. The portfolio of patents is a robust program and the two most recent patent applications expands Zantrene's protected use of combination therapies. The patent useful life has been aligned to the patent term and as a result, those patents are amortised on a straight-line basis over the period of the patent. The amortisation expense has been included in the line item 'amortisation' in profit or loss.

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

NOTE 12. TRADE AND OTHER PAYABLES

	2021	2020
	\$	\$
Trade and other creditors	311,833	132,571
Accruals	180,323	106,949
	<u>492,157</u>	<u>239,520</u>

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

Notes to the Financial Statements

NOTE 13. PROVISIONS

	2021	2020
	\$	\$
CURRENT		
Provision for annual leave	30,953	4,131
	30,953	4,131

NOTE 14. ISSUED AND UNISSUED CAPITAL

	Note	2021	2020
		\$	\$
Opening balance		19,660,008	15,422,621
Shares issued during the year		8,400,000	3,246,000
Shares issued on conversion of performance shares	15	-	1,000,000
Shares applied for but unissued		-	11,138
Exercise of options		4,390,377	122,315
Reserve share buy back and cancellation		(444,444)	-
Less: capital raising costs		(510,530)	(142,066)
		31,495,411	19,660,008

The Company has issued share capital amounting to 143,650,843 (2020: 116,450,037) ordinary shares of no par value and the Company does not have a limited amount of authorised capital.

	2021	2020
	No.	No.
a. Ordinary shares		
At beginning of year	116,450,037	82,235,813
Shares issued during the year	27,200,806	34,214,224
At end of the year	143,650,843	116,450,037

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 2021		-		-

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.

On 20 May 2020, Mr Molloy ceased to be employed by the Company, resigning as the Managing Director, thus the Loan become repayable 5 business days following his resignation date which was subsequently extended to 18 June 2020 as agreed by the Company.

As approved by shareholders at the General Meeting held on 11 August 2020, the Loan was repaid through a selective buy-back and cancellation of \$800,000 worth of Loan Shares under Part 2J.1, Division 2 of the Corporation Act (Buy-Back). The selective buy-back and cancellation was completed on the 28 August 2020 with 2,222,222 shares bought back at \$0.36 per shares (the volume weighted average price for the Company shares for the five-day trading period).

NOTE 14. ISSUED AND UNISSUED CAPITAL

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	2021	2020
		\$	\$
Opening balance		2,600,587	3,854,997
Foreign currency translation (net of tax)		(553)	173
Conversion of Performance Shares to Ordinary Shares	14	-	(1,000,000)
Share based payment expense	16	2,528,521	1,276,049
Extinguishment of options		(453,067)	(1,503,117)
Exercise of options		-	(27,515)
Closing balance		<u>4,693,488</u>	<u>2,600,587</u>

a. Performance Shares Issued

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 two milestones. On 21 December 2018, the Company issued 5,000,000 fully paid ordinary shares following the conversion of the first milestone and the remaining 5,000,000 performance shares were converted into fully paid ordinary shares on the 12 July 2019.

b. Performance Rights Issued

As approved by the Shareholders at the Annual General Meeting held on 30 November 2020, the Company issued 118,577 incentive performance rights to Prof. Borje Andersson subject to following vesting conditions:

- (i) Incentive Performance Rights are granted on the basis of Prof. Borje Andersson's contribution to the initiation and execution of the forthcoming Phase 2b clinical trial of Zantrene at the Chaim Sheba Medical Center in Tel Aviv, Israel.
- (ii) Any Performance Rights not converted before the date which is five years from the date of issue (Expiry Date) shall automatically lapse on the Expiry Date and the holder shall have no entitlement to Shares pursuant to those Performance Rights.
- (iii) Vesting will occur in full upon recruitment of the 10th patient into the Chaim Sheba Phase 2b protocol or alternatively following the conclusion of the protocol at the election of the appointed Chaim Sheba Medical Centre Institutional Review Board (IRB) or the appointed Data Safety Monitoring Board (DSMB), whichever comes first.

Refer to Note 16 for additional information on Performance Rights.

Notes to the Financial Statements

NOTE 16. SHARE BASED PAYMENTS

The following share-based payment arrangement existed at 30 June 2021:

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 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 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.

On 26 November 2019, the Company issued 2,500,000 unlisted options exercisable at \$0.19 each on or before 25 November 2022, pursuant to the terms and conditions of appointment of Dr Daniel Tillett as an Executive Director of the Company. The Company also issued 3,000,000 unlisted options exercisable at \$0.25 each on or before 25 November 2021, issued to Non-Executive Directors.

On 5 December 2019, the Company issued 840,000 unlisted options exercisable at \$0.18 each on or before 5 December 2024, issued to Professor Borje Andersson in recognition of the services to be provided by him in relation to the Clinical Advisory Board.

On 28 January 2020, the Company issued 2,400,000 unlisted options exercisable at \$0.275 each on or before 23 January 2025, issued to Professor Borje Andersson in lieu of Director fees pursuant to his terms of appointment as a Non-Executive Director.

On 17 February 2020, the Company issued 2,400,000 unlisted options exercisable at \$0.49 each on or before 17 February 2024, issued to Marinella Messina under the employee incentive option plan.

On 12 March 2020, the Company issued 1,500,000 unlisted options exercisable at \$0.45 each on or before 12 March 2022, issued to Nascent Capital as part of the placement on 12 March 2020.

On 30 November 2020, the Company issued the following incentives options:

- a) 2,000,000 Options exercisable at \$2.65 and expiring on 29 November 2025 to Phillip Lynch;
- b) 2,000,000 Options exercisable at \$2.65 and expiring on 29 November 2025 to Daniel Tillett;
- c) 1,600,000 Options exercisable at \$2.65 and expiring on 29 November 2025 to Prof. Borje Andersson.

The vesting conditions for the incentives options are as follow:

- (i) Tranche A; 1/3 Options will vest and become exercisable on the date which is 12 months from the date of issue of the Options (First Vesting Date);
- (ii) Tranche B; Commencing on the date that is 1 month after the First Vesting Date, 2.77775% of the Options will vest and become exercisable on each monthly anniversary of the First Vesting Date thereafter for a twenty-three month period; and
- (iii) Tranche C; 2.7784% Options will vest and become exercisable on the date which is 24 months from the First Vesting Date.

On 30 November 2020, the Company issued 118,577 Incentive Performance Rights to Prof. Borje Andersson. The Performance Rights have been valued at grant date and are linked to non-market based vesting conditions, from which a probability based valuation have been applied. The Company value the Performance Rights at \$203,952, 80% probability being \$1.72 per Incentive Performance Rights.

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
Daniel Tillett	Unlisted Options	2,500,000	\$0.150	49,000	-
Borje Andersson	Unlisted Options	840,000	\$0.170	12,124	-
John Cullity	Unlisted Options	2,000,000	\$0.125	4,949	-
Marinella Messina	Unlisted Options	2,400,000	\$0.350	256,079	150,564
Borje Andersson	Unlisted Options	2,400,000	\$0.260	225,712	-
Phillip Lynch	Unlisted Options	2,000,000	\$2.150	762,190	1,058,185
Daniel Tillett	Unlisted Options	2,000,000	\$2.150	762,190	1,058,185
Borje Andersson*	Unlisted Options	1,600,000	\$2.150	-	-
Borje Andersson	Performance Rights	118,577	\$2.150	203,952	-
		15,858,577		2,276,196	2,266,934

* Prof. Borje Andersson resigned prior to vesting of these options, therefore no expense recognised for 30 June 2021.

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	Director Options		
	Tranche A	Tranche B	Tranche C
Exercise price	\$2.65	\$2.65	\$2.65
Spot price	\$2.15	\$2.15	\$2.15
Grant date	30 November 2020	30 November 2020	30 November 2020
Expected volatility	76%	76%	76%
Expiry date	29 November 2025	29 November 2025	29 November 2025
Risk free interest rate	0.30%	0.30%	0.30%
Vesting period	12 months	12- 36 months	36 months
Provision for Employee Exit (%)	16%	16%	16%
Number of options	666,667	356,858	55,568
Total value of options	\$680,135	\$1,100,239	\$40,001
Value recognised during the period	\$395,190	\$359,379	\$7,774

Unlisted Securities	Borje Andersson Options			Borje Andersson
	Tranche A	Tranche B	Tranche C	Performance Rights
Exercise price	\$2.65	\$2.65	\$2.65	Nil
Spot price	\$2.15	\$2.15	\$2.15	\$2.15
Grant date	30 November 2020	30 November 2020	30 November 2020	30 November 2020
Expected volatility	76%	76%	76%	-
Expiry date	29 November 2025	29 November 2025	29 November 2025	29 November 2025
Risk free interest rate	0.30%	0.30%	0.30%	-
Vesting period	12 months	12- 36 months	36 months	Nil
Provision for Employee Exit (%)	16%	16%	16%	-
Number of options	533,333	1,022,212	44,455	118,557
Total value of options	\$544,108	\$880,191	\$32,001	\$203,952
Value recognised during the period	-	-	-	\$203,952

Notes to the Financial Statements

NOTE 17. CASH FLOW INFORMATION

	2021	2020
	\$	\$
(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:	9,322,436	1,730,773
	9,322,436	1,730,773
(b) Reconciliation of Cash Flow from Operations with Operating Loss after Income Tax		
Operating loss after income tax	(6,340,319)	(3,845,965)
Add: adjustments for		
Share based payments	2,276,196	1,093,307
Amortisation	281,196	281,196
Unrealised foreign exchange translation	(9,394)	4,730
Changes in assets and liabilities		
Decrease in receivables	(79,251)	(48,304)
Decrease in payables	279,458	51,532
(Increase)/Decrease in prepayments	(1,104,911)	248
Increase in other foreign exchange reserve	(553)	173
Net Cash Flow used in Operating Activities	(4,697,578)	(2,463,083)

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:

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NOTE 18. FINANCIAL INSTRUMENTS (CONTINUED)

2021

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	9,322,436	-	-	9,322,436	0.34%
Total financial assets	9,322,436	-	-	9,322,436	
Financial Liabilities					
Trade and other Payables	-	-	332,618	332,618	
Total financial liabilities	-	-	332,618	332,618	
Net financial assets / (liability)	9,322,436	-	(322,618)	8,999,818	

2020

Fixed interest rate maturing in:

	Floating interest rate	1 year or less	Non-interest Bearing	Total	Weighted average effective interest rate
	\$	\$	\$	\$	
Financial Assets					
Cash and cash equivalents	1,730,773	-	-	1,730,773	0.69%
Other receivables	-	-	48,918	48,918	
Total financial assets	1,730,773	-	48,918	1,779,691	
Financial Liabilities					
Trade and other Payables	-	-	239,520	239,520	
Total financial liabilities	-	-	239,520	239,520	
Net financial assets	1,730,773	-	(190,602)	1,540,171	

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 2021		
+/-1% in interest rates	55,266	55,266
Year ended 30 June 2020		
+/-1% in interest rates	13,597	13,597

Notes to the Financial Statements

NOTE 18. FINANCIAL INSTRUMENTS (CONTINUED)

(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.

	Note	2021 \$	2020 \$
Cash and cash equivalents	8	9,322,436	1,730,773

(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.

2021	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		332,618	-	-	-	-	332,618	332,618

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NOTE 18. FINANCIAL INSTRUMENTS (CONTINUED)

2020	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		239,520	-	-	-	-	239,520	239,520

(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.

NOTE 19. RELATED PARTY TRANSACTIONS**(a) Controlled Entities**

	Country of Incorporation	2021	2020
Race Oncology SPRL	Belgium	100%	100%
Race Oncology Research, Inc	United States	-	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) Other transactions with Related Parties**Consultancy Agreement**

On 19 February 2021, the Company entered into a Consultancy Agreement with Prof. Borje Andersson for a period of 12 months, renewable by mutual agreement. The fee is set at US\$5,000 per month.

NOTE 20. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets and liabilities for the year ended 30 June 2021.

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.

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Notes to the Financial Statements

NOTE 22. COMMITMENTS

There are no leasing or capital commitments for the year ended 30 June 2021.

NOTE 23. SUBSEQUENT EVENTS

On 1 July 2021, 500,000 unlisted options with exercise price of \$4.90 and expiry date of 1 July 2026 were issued to KMP.

On 6 July 2021, \$337,500 was raised and 750,000 fully paid ordinary shares were issued on the exercise of unlisted options with exercise price \$0.45 and expiry date of 12 March 2022.

On 12 July 2021, 270,000 unlisted options with exercise price of \$4.76 and expiry date of 12 July 2026 were issued to an employee.

On 9 August 2021, the company announced that the first patient had been dosed in the Phase1b/2 trial in relapsed refractory Acute Myeloid Leukemia, at Chaim Sheba Medical Center, Israel.

Covid related lockdowns in NSW have slowed our University of Newcastle pre-clinical programs, but preclinical activities continue in other Australian states and outside of Australia.

On 23 August 2021, 2,143,939 options with exercise price of \$0.099 and expiry date of 31 August 2021 were exercised.

There have been no other matters or circumstances that have arisen since 30 June 2021.

NOTE 24. NEW ACCOUNTING STANDARDS

There are no Australian accounting standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Company for the year ended 30 June 2021 which are expected to have a material impact on the Company in future reporting period.

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 2021 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 2021.

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



Mr Phillip Lynch
Managing Director & CEO
Dated: 26 August 2021

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Independent Auditor's Report



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 2021, 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 2021 and of its financial performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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.

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.

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Independent Auditor's Report

To the Members of Race Oncology Limited (Continued)

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 2021 the Consolidated Entity incurred share based payments expense of \$2,276,196.</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; and • Assessing the adequacy of the disclosures included in Note 16 to the financial statements.
<p>Intangible assets</p> <p>As disclosed in note 11 to the financial statements the Consolidated Entity has intangible assets with a carrying value of \$3,655,546.</p> <p>No impairment write-down was recorded for the year ended 30 June 2021. No indicators of impairment have been noted.</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 for impairment.</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; • Comparing market capitalisation as at sign-off date to the carrying value of net assets and capitalised intangible assets at year-end; • Assessing managements rights to the patents and licences acquired; 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 2021, 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.

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Independent Auditor's Report

Independent Auditor's Report

To the Members of Race Oncology Limited (*Continued*)

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the 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 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

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Independent Auditor's Report

To the Members of Race Oncology Limited (Continued)

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 2021. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Race Oncology Limited, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.



HALL CHADWICK
Chartered Accountants



MARK DELAURENTIS CA
Partner

Dated at Perth this 26th day of August 2021

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Corporate Governance Statement

This Corporate Governance Statement (“Statement”) outlines the key aspects of the governance framework and main governance practices of Race Oncology Limited (“Race Oncology” or “the Company”), a Company which is not included within the S&P/ASX 300 index. The Company’s charters, policies, and procedures are regularly reviewed and updated to comply with law and best practice. 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.

This Statement is structured with reference to the Australian Securities Exchange Corporate Governance Council’s (“the Council’s”) “Corporate Governance Principles and Recommendations 4th Edition” (“the Recommendations”). The Board of Directors has adopted the Recommendations to the extent that is deemed appropriate considering current size and operations of the Company. Therefore, where the Board considers that the cost of implementing a recommendation outweighs any potential benefits, considering the size and financial position of the Company, those recommendations have not been adopted.

As at the date of this Statement, the Board of Race Oncology consists of four Directors. One Director is considered by the Board to be independent, and three Directors are considered by the Board as non-independent:

Dr John Cullity	Non-Independent Non-Executive Chairman
Mr Phillip Lynch	Managing Director & Chief Executive Officer
Ms Mary Harney	Independent Non-Executive Director
Dr Daniel Tillett	Executive Director

This Corporate Governance Statement is current as at 26 August 2021 and has been approved by the Board of the Company.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

A listed entity should clearly delineate the respective roles and responsibilities of its Board and management and regularly review their performance.

1.1 A listed entity should have and disclose a Board Charter setting out the respective roles of its Board and management and those matters expressly reserved to the Board and those delegated to management.

Race Oncology’s constitution (“Constitution”) provides that the business of Race Oncology will be managed by or under the direction of the Board. The Board operates under a Board Charter, a copy of which is located on the Company’s website at www.raceoncology.com.

The key roles and responsibilities of the Board along with the key roles and responsibilities of senior management, including those specifically delegated to the Managing Director are set out in the Board Charter. The Board is responsible for evaluating and setting the strategic direction for the Company, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day-to-day management of the Company.

The principal functions and responsibilities of the Board include, but are not limited to, the following:

- Driving the strategic direction of the Company and defining the Company’s purpose, ensuring appropriate resources are available to meet objectives and monitoring management’s performance;
- Approving the Company’s statement of values and Code of Conduct to ensure the desired culture within the Company is maintained and monitoring the implementation of such values and culture at all times;
- Ensuring that an appropriate framework exists for relevant information to be reported by management to the Board;
- When required, challenging management and holding it to account;
- Appointment and replacement of the Chief Executive Officer/Managing Director, other senior executives and the Company Secretary and the determination of the terms and conditions of their employment including remuneration and termination;
- Approving the Company’s remuneration framework and ensuring it is aligned with the Company’s purpose, values, strategic objectives and risk appetite;
- Monitoring the timeliness and effectiveness of reporting to shareholders;
- Reviewing and ratifying systems of audit, risk management (for both financial and non-financial risk) 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;
- Recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them (in accordance with the ASX Listing Rules if applicable);
- Ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making; and
- Procuring appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively and to deal with new and emerging business and governance issues.

Subject to the specific authorities reserved to the Board under the Board Charter, the Board delegates to the Managing Director & Chief Executive Officer responsibility for the management and operation of Race Oncology. The Managing Director 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 Managing Director 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.

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.

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.

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

1.2 A listed entity should undertake appropriate checks before appointing a Director or senior executive or putting someone forward for election as a Director and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.

The Constitution of the Company sets out the process of appointment, retirement and rotation of directors.

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 a Director. The Company provides all material information that is in its possession to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

1.3 A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.

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. All current agreements are made with the Director or senior executive personally.

1.4 The Company Secretary of a listed entity should be directly accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

In accordance with the Board Charter, the decision to appoint or remove the Company Secretary must be made or approved by the Board. The Company Secretary is accountable directly to the Board, through the Chairperson, 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.

Corporate Governance Statement

1.5 A listed entity should have and disclose a Diversity Policy; set measurable objectives for achieving gender diversity and disclose the measurable objectives set to achieve gender diversity.

The Board has adopted a Diversity Policy which is available on its website and 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 has not yet set measurable objectives for achieving gender diversity due to the Company's current size and level of operations. The Board is acutely aware of the importance for gender diversity within the workforce and looks to achieve a culture of inclusion when assessing a suitable candidate for an open position and through its day-to-day practices.

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

- | | |
|--|-----|
| • Women employees in the Company | 33% |
| • Women in senior management positions | 20% |
| • Women on the Board | 25% |

The Company is not a "relevant employer" under the Workplace Gender Equality Act.

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

1.6 A listed entity should have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors and disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

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

The annual review includes consideration of the following measures:

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

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

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

- Contribution to Board discussion and function;
- Degree of independence including relevance of any conflicts of interest;
- Availability for and attendance at Board meetings and other relevant events;
- Contribution to Company strategy;
- Membership of and contribution to any Board committees; and
- Suitability to Board structure and composition.

A Board performance review was conducted during the year in accordance with the above processes.

1.7 A listed entity should have and disclose a process for periodically evaluating the performance of its senior executives and disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

The Company has an annual performance review process in place for its Managing Director, Executive Director and other senior executives. On an annual basis, corporate objectives and individual key performance indicators (KPIs) are set. The Managing Director reviews the performance of senior executives and their delivery of corporate and individual objectives.

Performance reviews of senior executives were conducted during the year in accordance with the above process.

PRINCIPLE 2: STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE

The Board of a listed entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.

2.1 The Board of listed entity should have a nomination committee or, if it does not have a nomination committee, disclose the fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skill, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Board considers that the Company does not currently benefit from the establishment of a separate Nomination Committee. In accordance with the Company's Board Charter and operating within the boundaries of the Remuneration and Nomination Policy, the Board is responsible for the nomination and selection of directors.

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 reviews the size and composition of the Board regularly and at least once a year as part of the Board evaluation process. When the need for a new director is identified, the required experience and competencies of the new director are defined in the context of the skills matrix and any gaps that may exist.

Generally a list of potential candidates is identified based on these skills required and other issues such as geographic location and diversity criteria. Candidates are assessed against the required skills and on their qualifications, backgrounds and personal qualities. In addition, candidates are sought who have a proven track record in creating security holder value and the required time to commit to the position.

2.2 A listed entity should have and disclose a Board skills matrix setting out the mix of skills that the Board currently has or is looking to achieve in its membership.

The Board has a skills matrix covering the competencies and experience of each Director. The results of the skills matrix assessment in relation to the Board as a whole is displayed on the Company's website at www.raceoncology.com.

2.3 A listed entity should disclose the names of the Directors considered by the Board to be independent Directors and the length of service of each Director.

Director	Length of Service
Dr John Cullity	Non-Independent Non-Executive Chairman (appointed as a Non-Executive Director 6 April 2018);
Mr Phillip Lynch	Non-Executive Director (appointed 1 June 2020);
Ms Mary Harney	Independent Non-Executive Director (appointed 8 February 2021); and
Dr Daniel Tillett	Executive Director (appointed 17 September 2019).

2.4 A majority of the Board should be independent Directors.

The Board, at the date of this statement, has only one independent Director, Ms Mary Harney.

Dr Cullity is not considered to be independent due to him having a material business relationship with the Company to secure licensing partners for Zantrene and by virtue of having been an Executive Chairman of the Company. Mr Phillip Lynch and Dr Daniel Tillett are not considered to be independent by virtue of them being executives of the Company.

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

Given the size of the Board and the nature and scale of the Company's current operations the Board believes that its current composition, with only one independent Director, is sufficient.

2.5 The chair of the board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.

Dr John Cullity is the Chair of the Company, is not considered by the Board to be independent and is not the same person as the CEO of the Company. However, his extensive transactional experience and his haematology qualifications and experience are considered highly, justifying his status as non-independent Chairman.

Corporate Governance Statement

2.6 A listed entity should have a program for inducting new Directors and for periodically reviewing whether there is a need for existing Directors to undertake professional development to maintain the skills and knowledge needed to perform their role as Directors effectively.

In accordance with the Company's Board Charter, the Board is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.

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.

The Company Secretary is responsible for facilitating inductions and professional development that is tailored to the individual's needs.

PRINCIPLE 3: INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY

A listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and responsibly.

3.1 A listed entity should articulate and disclose its values

Race Oncology has adopted a Statement of Values that underpins the commitment that each individual and the Company as a whole lives by each and every day. These value are:

- Commitment;
- Respect;
- Integrity;
- Solidarity; and
- Putting patients first.

3.2 A listed entity should have and disclose a Code of Conduct for its Directors, senior executives and employees and ensure that the Board or a committee of the Board is informed of any material breaches of that Code.

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:

- behave honestly and with integrity and report other employees who are behaving dishonestly;
- treat fellow employees with respect and not engage in bullying, harassment or discrimination;
- disclose and deal appropriately with any conflicts between your personal interests and your duty as a Director, senior executive or employee (as applicable);
- not take advantage of the property or information of the Company or its customers for personal gain or to cause detriment to the Company or its customers;
- not take advantage of your position for the opportunities arising therefrom for personal gain;
- carry out your work with integrity and to a high standard and in particular, commit to the Company's policy of producing quality goods and services;
- operate within the law at all times;
- act in the best interests of the Company;
- follow the policies of the Company and adhere to the Company's values; and
- act in an appropriate business-like manner when representing the Company in public forums and deal with customers and suppliers fairly.

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 on and kept confidential.

3.3 A listed entity should have and disclose a Whistleblower Policy and ensure that the Board or a committee of the Board is informed of any material incidents reported under that Policy.

The Company has adopted a Whistleblower Protection Policy which is available on the Company's website.

The Policy includes that the Board will be informed of any material incidents reported under that Policy.

3.4 A listed entity should have and disclose an Anti-Bribery and Corruption Policy and ensure that the Board or a committee of the Board is informed of any material breaches of that Policy.

The Company has adopted an Anti-Bribery and Corruption Policy which is available on the Company's website.

The Policy includes that the Board will be informed of any material breaches of that Policy.

PRINCIPLE 4: SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS

A listed entity should have appropriate processes to verify the integrity of its corporate reports.

4.1 A Board of listed entity should have an audit committee or if it does not have an audit committee, disclose the fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Board considers that the Company does not currently benefit from the establishment of a separate Audit Committee. The Board as a whole fulfills the functions normally delegated to the Audit Committee as detailed in the Audit 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 audit partner responsible for the audit not perform in that role for more than five years.

4.2 A Board of listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration 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.

The Board has received certifications from the CEO and CFO Equivalent in connection with the financial statements for Race Oncology for the Reporting Period. The certifications state that the declaration provided in accordance with Section 295A of the Corporations Act as to the integrity of the financial statements is founded on a sound system of risk management and internal control which is operating effectively.

4.3 A listed entity should disclose its process to verify the integrity of any period corporate report it releases to the market that is not audited or reviewed by an external auditor.

In reviewing the quarterly cashflow reports and prior to the lodgement with the ASX, the following process has been adopted:

- cash transactions for the quarter are provided by the accountant to the Chief Financial Officer Equivalent;
- cash transactions are matched against the bank statements; and
- quarterly figures are compiled and verified by the CFO Equivalent and CEO.

Corporate Governance Statement

A declaration is then provided by the CFO Equivalent and CEO to the Board noting compliance with section 286 of the Corporations Act 2001, the appropriate accounting standards and with Listing Rule 19.11A.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

5.1 A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.

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. The Chairman, Managing Director and the Company Secretary are responsible for ensuring that:

- (a) All key announcements at the discretion of the Managing Director (or in his/her absence, the Chairman of the Board) are to be circulated to and reviewed by all members of the Board.
- (b) All members of the Board are required to seek to provide the Managing Director (or in his/her absence, the Company Secretary) with verbal or written contribution on each key announcement, prior to its release. Where the urgency of the subject matter precludes reference to the full Board, an announcement within this category may be approved by the Directors who are available. It is specifically acknowledged that where a continuous disclosure obligation arises, disclosure cannot be delayed to accommodate the availability of Board members.
- (c) Any relevant parties named in the announcement should also be given the opportunity to review the announcement prior to its release, to confirm all information is factually correct.
- (d) All members of the Board will receive copies of all material market announcements promptly after they have been made.

5.2 A listed entity should ensure that its Board receives copies of all material market announcements after they have been made.

The Board receives copies of all material market announcements after they have been made.

5.3 A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.

Any new and substantive investor or analyst presentation will be released on the ASX Market Announcements Platform ahead of the presentation.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

A listed entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.

6.1 A listed entity should provide information about itself and its governance framework to investors via its website.

The Company has adopted a Shareholder Communications Strategy which is available on the Company's website. Under this strategy, Race Oncology's website will contain information about the Company and its governance, copies of media releases, ASX announcements, annual reports, financial statements, notices of meetings of shareholders, copies of documents tabled at shareholder meetings and any materials distributed at investor or analyst presentations.

6.2 A listed entity should have an investor relations program that facilitates effective two-way communication with investors.

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.

Race Oncology's register is maintained by a professional security registry, Automic Group. Shareholders are able to communicate with the Company and Automic via email and can register to receive communications and shareholder materials from the Company via its security registry electronically.

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.

6.3 A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.

The Shareholder Communication Strategy provides that security holders are encouraged to attend and participate at general meetings. To facilitate this, meetings will be held during normal business hours, at a place, or in a manner, convenient for the greatest possible number of security holders to attend either in person or electronically. Moreover, Race Oncology's Constitution allows, if permitted by law, shareholder meetings to be held electronically and provides each security holder with the right to appoint a proxy, attorney or representative to vote on their behalf.

6.4 A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

The Company has a policy that all substantive resolutions at a meeting of security holders are to be decided by a poll.

6.5 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company provides security holders the option to electronically receive communications from, and send communications to, the Company and its share registry, Automic Registry Services. The Company encourages security holders to utilise electronic communications with the Company to facilitate speed, convenience and environmental friendliness of communications.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

7.1 The Board of a listed entity should have a committee or committees that oversee risk and if it does not have a risk committee or committees, disclose that fact and the processes it employs for overseeing the entity's risk management framework

The Board considers that the Company does not currently benefit from the establishment of a separate Risk Committee. In accordance with the Company's Board Charter and operating within the boundaries of the Risk Management Policy, the Board carries out the duties that would ordinarily be carried out by the Risk Committee under the Risk Management Policy.

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.

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Race Oncology's Risk Management 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 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.

7.2 The Board or a committee of the Board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the Board and disclose, in relation to each reporting period, whether such a review has taken place.

The Board reviews the Company's risk management framework at each scheduled Board meeting to ensure that it continues to effectively manage risk.

7.3 A listed entity should disclose if it has an internal audit function or if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.

The Company does not have an internal audit function.

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 Policy), which is developed and updated to help manage these risks.

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

- Identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect those risks;
- Formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and
- Monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

The Board 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 at each scheduled Board meeting.

7.4 A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.

The Board does not consider that the Company currently has any material exposure to environmental or social risks.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

A listed entity should pay Director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders and with the entity's values and risk appetite.

8.1 The Board of a listed entity should have a remuneration committee or if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Company does not have a Remuneration Committee. The Board considers that the Company will not currently benefit from the establishment of a Remuneration Committee and as a whole fulfills the functions normally delegated to the Remuneration Committee as detailed in the Remuneration Committee Charter.

In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Remuneration Committee under the Remuneration Committee Charter, including devoting time annually to assess the level and composition of remuneration for Directors and senior executives.

8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.

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 contained in the Annual 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 \$178,306.

Executive Directors and other senior executives 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.

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

8.3 A listed entity which has an equity-based remuneration scheme should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme and disclose that policy or a summary of it.

In accordance with the Company's 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.

ASX Additional Information

The shareholder information set out below was applicable as at 9 August 2021.

As at 9 August 2021 there were 662 holders of Ordinary Fully Paid Shares

VOTING RIGHTS

The voting rights of the ordinary shares are as follows:

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

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

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

TWENTY LARGEST SHAREHOLDERS

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

Ordinary Full Paid Shares

Holder Name	Holding	% IC
Dr Daniel Tillett	13,450,000	9.31%
Dr William James Garner	8,979,939	6.22%
The Trust Company (Australia) Limited <MOF A/C>	6,208,947	4.30%
Mr Phillip Richard Perry	5,715,694	3.96%
Biosynergy Partners Pty Ltd	3,787,878	2.62%
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	2,452,236	1.70%
Mr Mark Phillip Juan	2,301,316	1.59%
Mr Anthony James Robinson <The Peeko Family No 86 A/C>	1,600,000	1.11%
Mr Phillip Richard Perry & Mrs Tetyana Perry <Doneska Super Fund A/C>	1,490,000	1.03%
Mr Kenneth Barry Ridley & Mrs Catherine Mary Ridley <Ridley Retirement Fund A/C>	1,200,000	0.83%
Citicorp Nominees Pty Limited	1,140,603	0.79%
Mr Kimberley Ross Gartrell & Mrs Jennifer Margaret Gartrell <K&J Gartrell Super Fund A/C>	1,125,000	0.78%
Mr Sandor Helby	1,018,000	0.71%
Mr Andrew Jacobs	970,223	0.67%
Mr Brian James Walker	707,290	0.49%
Mr Graeme Stewart Pocknall & Mrs Vivienne Glynis Pocknall	617,830	0.43%
T&G Corporation Pty Ltd	589,400	0.41%
Mr Simon Rogers <Rogers Family A/C>	577,167	0.40%
Ditthavong & Steiner PC	538,478	0.37%
Beppe Super Pty Limited <Pake Superannuation Fund A/C>	532,000	0.37%
Totals	55,002,001	38.09%

ASX Additional Information

SUBSTANTIAL HOLDERS

The names of the substantial shareholders disclosed to the Company as substantial shareholders as at 5 August 2021 are:

Name	No of Shares Held	% of Issued Capital
Daniel Tillett	13,450,000	9.72%
Merchant Funds Management Pty Ltd as Manager of the Merchant Opportunities Fund & Merchant Group Pty Ltd	8,470,000	6.40%
Dr William James Garner	9,230,00	6.39%

DISTRIBUTION OF EQUITY SECURITIES

Ordinary Fully Paid Shares

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	4,173	1,866,817	1.29%
1,001 - 5,000	2,897	7,164,031	4.96%
5,001 - 10,000	807	6,171,01	4.27%
10,001 - 100,000	1,199	38,346,797	26.56%
100,001 - 9,999,999,999	20	9,852,187	62.92%
Totals	9,278	144,400,843	100.00%

Unmarketable Parcels – 568 Holders

RESTRICTED SECURITIES

As at 9 August 2021 there were no restricted securities.

UNQUOTED SECURITIES

As at 9 August 2021, the following unquoted securities are on issue:

2,143,939 Options Expiring 31/08/2021 @ \$0.0.099 – 2 Holders

Holder with more than 20%

Holder Name	Holding	% IC
Biosynergy Partners Pty Ltd	1,893,939	88.34%

1,000,000 Options Expiring 25/11/2021 @ \$0.25 – 1 Holder

Holder with more than 20%

Holder Name	Holding	% IC
Biosynergy Partners Pty Ltd	1,000,000	100.00%

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%

75,000 Options Expiring 12/03/2022 @ \$0.45 – 3 Holders

Holder with more than 20%

Holder Name	Holding	% IC
Geln Summer Investments Pty Ltd <The BSC A/C>	63,000	84.00%

7,039,060 Options Expiring 16/05/2022 @ \$4.50 – 9,185 Holders

There are no holders with more than 20%

ASX Additional Information

2,500,000 Options Expiring 25/11/2022 @ \$0.19 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
Dr Daniel Tillett	2,500,000	100.00%

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

Holders with more than 20%

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

2,400,000 Options Expiring 17/02/2024 @ \$0.49 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
Marinella Messina	2,400,000	100.00%

840,000 Options Expiring 05/12/2024 @ \$0.18 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
Prof Borje Andersson	840,000	100.00%

2,400,000 Options Expiring 23/01/2025 @ \$0.275 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
Prof Borje Andersson	840,000	100.00%

4,000,000 Options Expiring 29/11/2025 @ \$2.65 – 2 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Dr Daniel Tillett	2,000,000	50.00%
Mr Phillip Lynch	2,000,000	50.00%

500,000 Options Expiring 01/07/2026 @ \$4.90 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
Jaggered 1 Pty Ltd <Jaggered 1 Family A/C>	500,000	100.00%

270,000 Options Expiring 12/07/2026 @ \$4.76 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
Michael John Kelso	270,000	100.00%

118,577 Performance Rights Expiring 29/11/2025 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
Prof Borje Andersson	118,577	100.00%

ON-MARKET BUY BACK

There is currently no on-market buyback program.

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