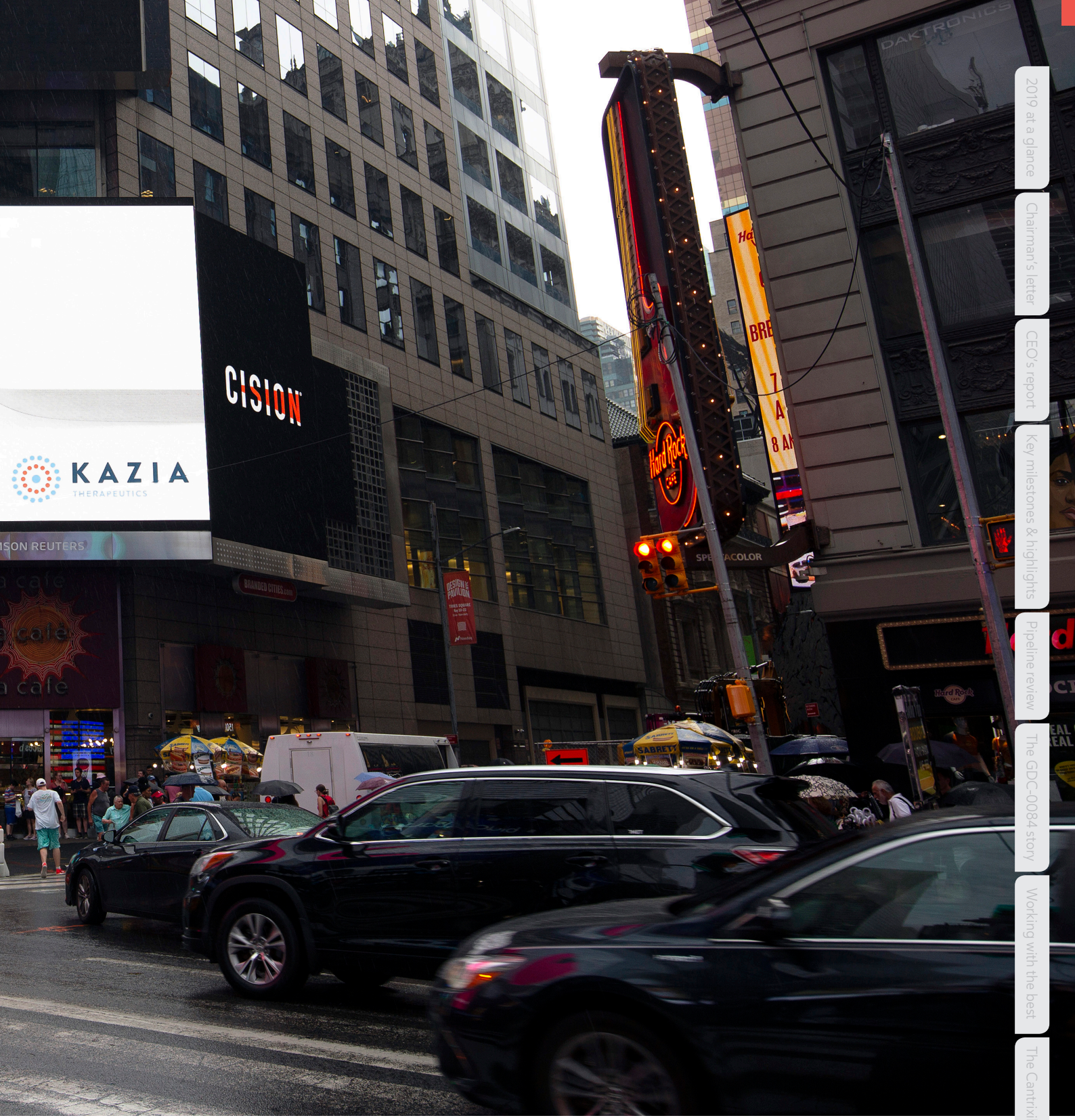
KAZIA
THERAPEUTICS

Annual Report 2019

> The pace has quickened, and Kazia now has six ongoing clinical trials, each generating data, and each creating opportunities to realise commercial value.



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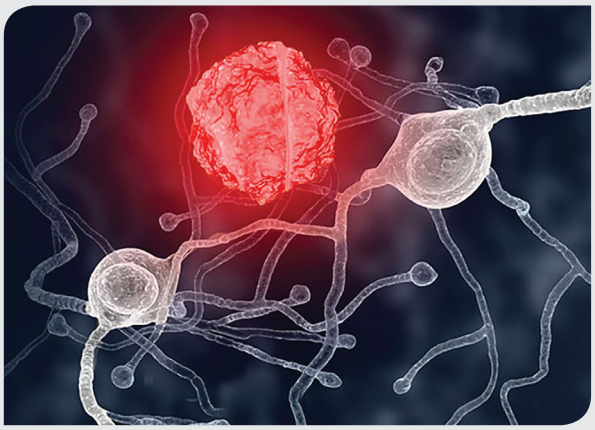
2019 at a glance

Who We Are



Kazia Therapeutics is an oncology-focused biotechnology company, developing innovative anti-cancer drugs. Headquartered in Sydney, Australia, Kazia Therapeutics collaborates with leading scientists, clinicians, and investors around the world.

What We Do

GDC-0084

GDC-0084 has completed a Phase I clinical trial with Genentech and is now undergoing a Phase II clinical trial in glioblastoma, sponsored by Kazia, focusing on newly diagnosed patients. Initial data was announced in May 2019 showing that the drug was better tolerated in this population than in the more advanced population which was the focus of the Genentech study. An expansion cohort of 20 patients is being recruited to provide confirmatory efficacy signals. Final data is expected in late 2019 or early 2020.

GDC-0084 is also involved in another four active trials.

Cantrixil

Currently in a Phase I clinical trial which has established a MTD of 5 mg/kg and has shown pleasing efficacy signals in the first phase of this trial. Part B of the trial has just finished recruitment and we expect to complete this study towards the end of 2019.

Collaborations

- *St Jude Children's Research Hospital* is examining GDC-0084 in diffuse intrinsic pontine glioma (DIPG), a rare but very aggressive childhood brain cancer
- *Dana-Farber Cancer Institute* is conducting a Phase II study of GDC-0084 in breast cancer brain metastases – breast cancer that has spread to the brain – in combination with Herceptin
- GDC-0084 is participating in an NCI-funded multi-drug study of brain metastases – cancer that has spread to the brain from any primary tumor. The study is being run by the *Alliance for Clinical Trials in Oncology* and includes drugs from either Eli Lilly, Genentech, or Kazia's GDC-0084
- *Memorial Sloan Kettering Cancer Centre* in New York is investigating GDC-0084 in combination with radiotherapy in a Phase I clinical trial for cancer that has spread to the brain

All of these collaborations are being funded primarily by the institution conducting the trial, with a small financial contribution being made by Kazia.

Financial Highlights

63%

Percentage of our operating cash outflows spent on our clinical programs

$6,174,832

Funds generated from capital raise and sale of shares during FY19, substantially funding our operations for the year

$5,613,883

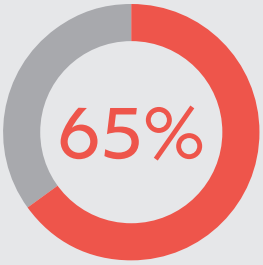
Net current assets (FY18: $5,372,114) available for funding our programs into FY20

41%

Reduction over a 2 year period (FY17 to FY19) in cash used in operating activities - preserving shareholders' funds for investment into progressing clinical programs

Our Pipeline

GDC-0084

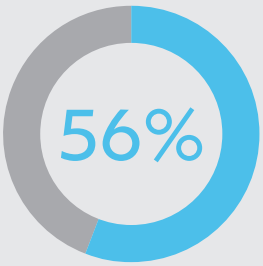


- **65%** of glioblastoma sufferers do not respond to **existing treatment**
- Involved in **5 clinical trials**
- Already administered to more than **75 patients**
- **133,000** cases diagnosed worldwide annually

× 133,000

Cantrixil

- Cantrixil dose determined in clinical trial to be **5**mg/kg
- Already administered to more than **20** patients



- **56%** of patients showed stable disease after two cycles of treatment
- **240,000** cases diagnosed worldwide annually

× 240,000

Chairman's Letter

FY2019: Delivering Results

> "Given the fundamental value we see in GDC-0084, a potential partnership would need to meet a high hurdle, but the growing excitement of clinicians and researchers for the drug has attracted considerable attention."

Dear Shareholder,

Significant progress and support

During the last year we have made significant progress as outlined in the CEO's Report in terms of the development of our potentially world-class clinical assets. Having said this the year has not been without its challenges, but with the continued support of our major shareholders and the dedication of a highly resilient and focused management team, we have been able to achieve our goals.

GDC-0084, our treatment for glioblastoma and DIPG, is now in five clinical trials covering three entirely distinct patient populations at nine world-renowned international centres of excellence, many of which have requested to be involved in, and in some cases have been prepared to independently fund, the development of this potentially exciting new drug. With Cantrixil, our treatment for ovarian cancer, we have progressed the clinical development during the year and seen clear signals of activity in patients. We have increasing confidence that both of our programs are tracking to their respective milestones, demonstrating positive clinical results that are likely to support taking each product to the next stage of development.

Share price performance

In FY2019 we achieved all the developmental, operational and clinical milestones we set ourselves, however our achievements have simply not yet been recognised in the marketplace and as a consequence the share price has continued to under-perform.

This situation has arisen partially perhaps because of our reticence to over-publicise our achievements as was the case in the past but also we have had to contend with a constant flux in our shareholder register with several shareholders selling down on a continual basis throughout the year. Accordingly our major shareholders and directors have significantly increased their holdings during the year reflecting our confidence in the business.

Funding

Your Board will continue to fund the company in a conservative way, raising only what is needed to move the programs to key milestones, with minimal dilution.

Following a small but meaningful fundraise at the end of 2018 we have continued to engage actively with sector-specialist investors to discuss the financing of the next stage of our clinical programs. Our overarching goal remains to explore all options, including partnerships, out-licensing, equity investment, and non-dilutive funding sources, so that the Company moves forward in the manner that best generates long term value for shareholders.

Outlook

We remain realistic, and intend to continue to manage expectations and recognise what it will take to fund our programs.

For Cantrixil we will be looking to balance the clear signals of activity seen in the clinical trials to date with the complex and evolving treatment landscape for ovarian cancer. The Board is inclined to seek early partnership opportunities for the Cantrixil asset, on the basis that a company more specifically focused on ovarian cancer may have advantages in what is a unique disease area. However, the over-riding priority, in this matter as in others, is to secure the best value for our shareholders, and if the emerging clinical trial data or our discussions with potential partners and investors lead us to believe that Cantrixil should remain in Kazia's hands for the next phase of its development, then we are confident that we have the right experience and capabilities and relationships to take it forward.

The emerging data from the GDC-0084 phase II clinical trial has provided an opportunity to engage actively with potential big pharma partners, and we continue to have those discussions. Given the fundamental value we see in GDC-0084, a potential partnership would need to meet a high hurdle, but the growing excitement of clinicians and researchers for the drug, exemplified by the broad pipeline of ongoing, independently-funded clinical studies, has certainly attracted considerable attention. Our aspiration is to take GDC-0084 forward into a registrational clinical trial, commencing in calendar 2020. This trial would be designed to secure an FDA approval, allowing GDC-0084 to become a commercial product, potentially within the next few years.

In summary I believe that despite the challenges that small biotechs such as Kazia face in the market, your Company remains in a very exciting place. With continued access to funds to enable us to focus on achieving our key milestones for FY2020, your Board and Management led by our CEO, Dr James Garner, is confident we will create meaningful value for all shareholders. I would like to thank the Kazia team for their continuing efforts and to especially recognise the active input we continue to receive from our major shareholders and those many other shareholders who provide ongoing positive support.

Iain Ross
Chairman

CEO's Report

FY2019: Six Clinical Trials

> "The 2019 annual report provides a great opportunity to reflect on the dramatic progress that has been made over the last two or three years."

Dear Fellow Shareholder,

Twelve months ago, Kazia was proud to have two clinical trials underway, a phase I study for Cantrixil and a phase II study for GDC-0084. Today, we have six.

Each of these studies is being conducted under the oversight of the US FDA, in the form of an Investigational New Drug (IND) application, the universal path to a product approval. Each of them is being performed at world-leading research hospitals, by clinicians who are top experts in their field. Each of our studies lies, in a scientific sense, at the cutting edge of clinical research. It is hard to point to many companies our size, anywhere in the world, which enjoy such a rich portfolio of clinical-stage activity.

Four of our studies are primarily funded by sources external to Kazia, either the hospitals by whom they are being conducted or, in the case of the recently-announced Alliance study, by the US National Cancer Institute, the body which partially supported the development of such revolutionary cancer therapies as Provenge, Velcade, and Erbitux. In aggregate, this support creates an enormous leverage for Kazia. Our own financial investment is amplified many times over by the larger commitments of these partners.

Both of our in-house clinical programs have provided positive data read-outs during the first half of calendar 2019, and both of them will provide further read-outs during the second half of the year. Every piece of emerging data reported to date has met or exceeded our expectations.

In the GDC-0084 program, our portfolio of studies encompasses a wide variety of different forms of brain cancer, ranging from DIPG, a rare but highly aggressive childhood brain cancer, to glioblastoma, the most common and most aggressive form of primary adult brain cancer. Potentially, these studies represent an opportunity to help many hundreds of thousands of patients worldwide each year. And that potential is not distant or hypothetical or aspirational. Three of our studies are phase II studies and, anticipating positive data at or around the end of calendar 2019, we see the potential to initiate a registrational study next year that will place GDC-0084 on a direct path to approval within just a few years. Kazia is about to become a late-stage clinical company in 2020.

If successful in Phase III, our drug will launch into a disease area that has been very poorly served by the last two decades of progress in cancer treatment. Unlike, say, lung cancer, or prostate cancer, or even melanoma, where enormous advances have been made and increasingly effective treatments are readily available, brain cancer remains one of the final frontiers in oncology. Patients diagnosed with glioblastoma today still have to rely on a twenty-year-old drug that is ineffective for two-thirds of cases. Children with DIPG have no approved drugs at all, and the options are also extremely limited for patients with metastatic brain cancer. It is not just hubris when we declare an aspiration to transform this arid treatment landscape – there are few more promising candidates than GDC-0084 in the global pipeline for brain cancer.

Drug development is a process that can most charitably be described as methodical, and for investors it can sometimes feel downright glacial. Observed day-to-day, progress can be hard to follow, and it can seem as though little is happening. But the longer cadence of the annual report provides a welcome opportunity to reflect on the dramatic progress that has been made over the last two or three years. That we have come so far in such a short time is testament to the hard work that is performed every day by the Kazia team, and to the vision of investors whose support has made the company's work possible.

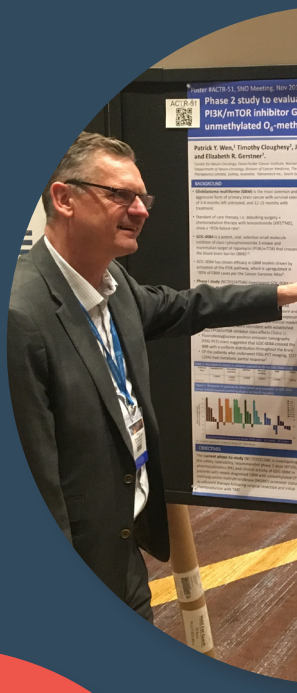
Summary of trials

Asset	Sponsor	Phase	Indication	Registration
GDC-0084	Kazia Therapeutics	II	Glioblastoma	NCT03522298
	Alliance for Clinical Trials in Oncology	II	Brain metastases	NCT03994796
	Dana-Farber Cancer Institute	II	Breast cancer brain metastases (with Herceptin)	NCT03765983
	St Jude Children's Research Hospital	I	DIPG (childhood brain cancer)	NCT03696355
	Memorial Sloan Kettering Cancer Center	I	Brain metastases (with radiotherapy)	(TBA)
Cantrixil	Kazia Therapeutics	I	Ovarian Cancer	NCT02903771

Dr James Garner
Chief Executive Officer

Key Milestones & Highlights:

2018/2019



JUL '18

ATM program divested for equity + royalties

GDC-0084 glioblastoma trial protocol updated to include dose optimisation

SEP '18

First GDC-0084 patient dosed and all trial sites open

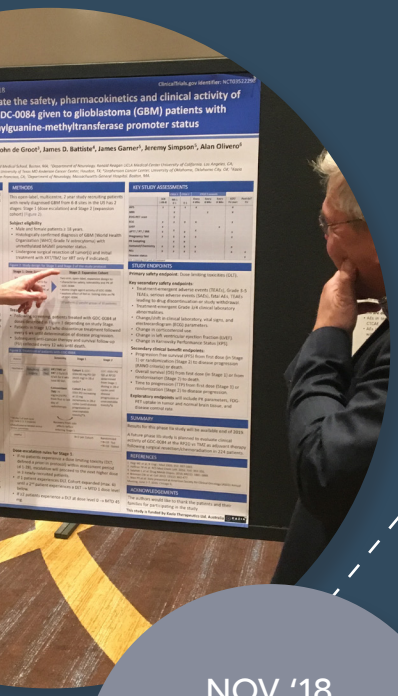
OCT '18

Collaboration announced with St Jude for DIPG

Cantrixil Phase I Part A trial in ovarian cancer completes, good safety and MTD of 5 mg/kg

$3.4m raised from sector-specialist investors

Collaboration announced with Dana-Farber for breast cancer that has spread to the brain



JAN '19

$2.2m R&D rebate received

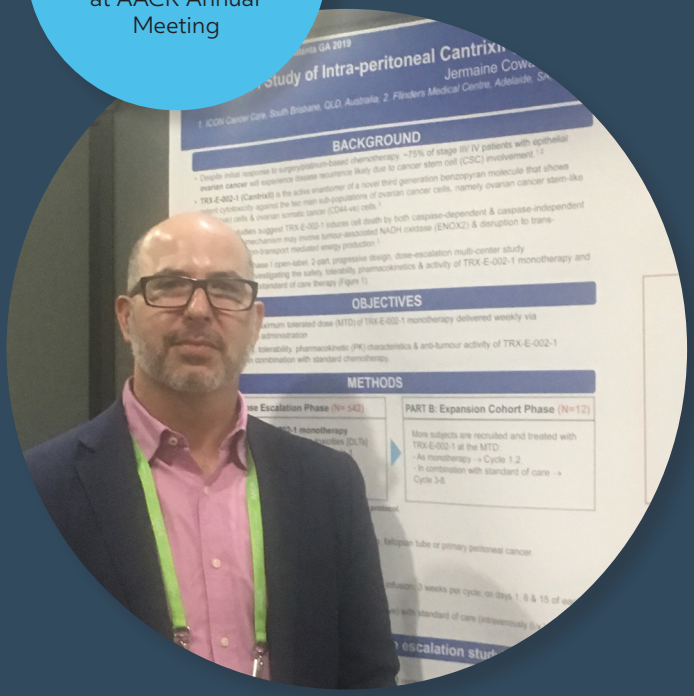
MAY '19

Phase IIa study of GDC-0084 in glioblastoma determines MTD of 60mg

Kazia's GDC-0084 included in Alliance study for cancer that has spread to the brain

APR '19

Phase I part A Cantrixil study data presented at AACR Annual Meeting



NOV '18

Phase II glioblastoma study data presented at SNO Annual Meeting

$0.8m raised through SPP

"Kazia's work is supported by some of the top cancer research centres in the world, each of whom have backed the program financially as well as operationally."

Pipeline Review

A Richly Diversified Mid-Clinical Pipeline

Few biotech companies our size can boast of six ongoing clinical trials, all under the oversight of the US FDA. Kazia's pipeline is broad-based and cutting-edge, with each clinical trial having the potential to deliver considerable shareholder value.

GDC-0084

FY2019 was the year in which GDC-0084 returned to the clinic. In September 2018, the first patients were dosed in a phase IIa clinical study in glioblastoma (GBM), the most common and most aggressive form of primary brain cancer. To understand the purpose of this study, it is important to recall that Genentech's earlier phase I study had focused on very advanced patients. By contrast, Kazia has chosen to focus on newly-diagnosed patients, who we believe may be a more responsive group. We needed to establish that the drug behaved similarly in the newly-diagnosed patients, and so the ongoing phase IIa study is designed to provide that confidence.

In May 2019, we announced initial data from this study, which showed that the drug was better tolerated in newly-diagnosed patients than in the more advanced population that had been trialled earlier. This was an excellent result. It would have been a positive result if we had simply determined that the same dose was appropriate, but the fact that we now have the option to consider higher doses in future studies means that the drug, if anything, has more chance to show efficacy. At present, an expansion cohort of 20 patients is being recruited to provide confirmatory efficacy signals, and to satisfy some administrative and regulatory requirements. We expect to report data from this work at the end of calendar 2019, or early in 2020.

Although the phase IIa study in glioblastoma is the primary focus for Kazia, it is now only one of five active trials taking place with the drug. A phase I study with St Jude Children's Research Hospital is examining GDC-0084 in diffuse intrinsic pontine glioma (DIPG), a rare but very aggressive childhood brain cancer. We have excellent preclinical data in this disease from some cutting-edge research by Professor Matt Dun's

Summary of trials

Asset	Sponsor	Phase	Indication	Registration
GDC-0084	Kazia Therapeutics	II	Glioblastoma	NCT03522298
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Cantrixil	Kazia Therapeutics	I	Ovarian Cancer	NCT02903771

> Each clinical trial is in a different patient group, and any one of them could define a path to realising value for the program.

team at the University of Newcastle, so we hope that the drug will be able to show benefit in patients. There is no approved pharmaceutical treatment for DIPG, so it would be an incredible achievement if GDC-0084 is able to make a difference. The St Jude study is recruiting well, and we anticipate being able to share some initial insights in the second half of calendar 2019.

Glioblastoma is the most common and aggressive form of brain cancer.

Despite current therapies, it is almost always fatal.

In October 2018, Professor Nancy Lin's team at Dana-Farber Cancer Institute commenced a phase II study of GDC-0084 in breast cancer brain metastases (BCBM) – breast cancer that has spread to the brain – in combination with Herceptin (trastuzumab). This study is also recruiting well, and we hope to likewise have some initial news to report in the second half of calendar 2019.

More recently, we announced in May 2019 that GDC-0084 would participate in an NCI-funded multi-drug study of brain metastases, i.e. cancer that has spread to the brain from any primary tumour. This is a very challenging area, with an estimated 200,000 cases per annum in the United States alone, and almost no available drug treatments. This phase II study, which is being run by the Alliance for Clinical Trials in Oncology and led by Professor Priscilla Brastianos at Harvard Medical School, will allocate patients to one of three drugs, depending on the genetic profile of their tumour. Those with disruption in the PI3K pathway will receive GDC-0084, while patients with other mutations may receive Eli Lilly's abemaciclib or Genentech's entrectinib. It is an enormously positive reflection of the potential of GDC-0084 that it is being trialled alongside drugs from world-leading pharmaceutical companies, one of which is already an approved product, and we are excited to be a part of this important research.

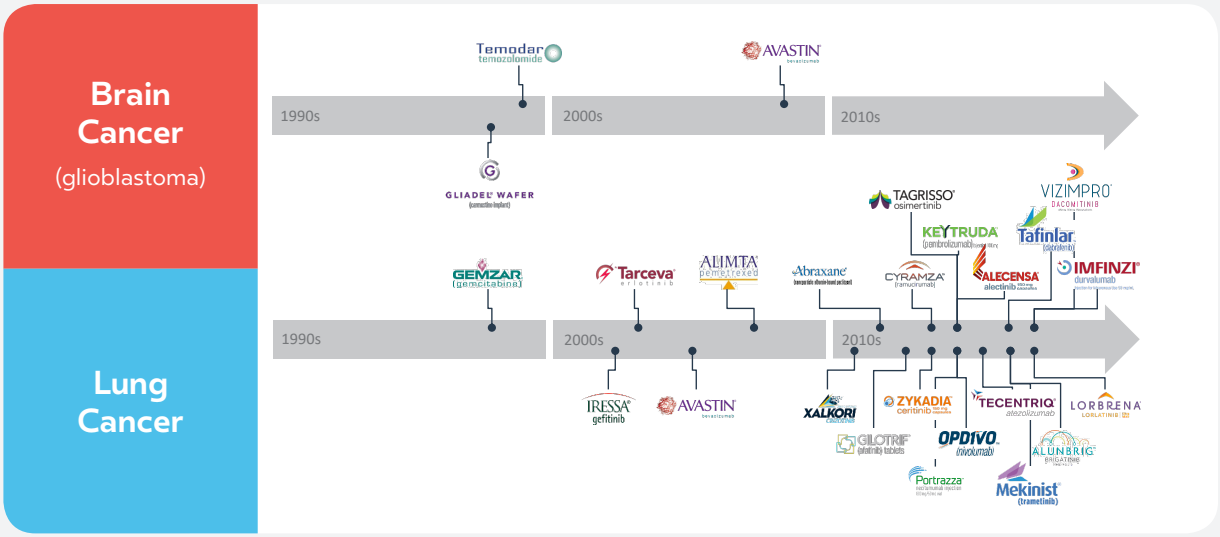
Post year end we announced that Memorial Sloan Kettering Cancer Center (MSK) in New York, NY would investigate the potential use of GDC-0084 in combination with radiotherapy in a phase I clinical trial for cancer that has spread to the brain (brain metastases and leptomeningeal metastases). This research will explore a new use of GDC-0084 and will run concurrently with the other ongoing studies. MSK is one of the world's leading cancer treatment centres, and Kazia is privileged to be supporting them in this state-of-the-art project. Many cancers have the potential to spread to the brain, and they become very difficult to treat when they do. The work being done at MSK will investigate whether GDC-0084 has the potential to enhance the effects of radiotherapy, which remains the current standard of care in most cases.

Five clinical trials means five sets of data, each in different forms of brain cancer, and the next twelve months is sure to provide an exciting flow of new information about GDC-0084.

Nevertheless, we may in time cease to refer to the drug by that name. In August, just after the close of the financial year, the World Health Organisation included our drug in their biannual list of provisional international non-proprietary names (INNs). An INN is usually sought some time after phase I, and represents the official name of a pharmaceutical agent.

Pipeline Review (continued)

Treatment of brain cancer has improved little in recent decades, unlike other cancers.



They are chosen not by companies but by the World Health Organisation, and the proposed name for GDC-0084 is paxalisib. Assuming no objections to this name, it is likely to be finalised by the end of calendar 2019, and we will begin to use this name more frequently as we discuss the program.

Meanwhile, Kazia has continued to undertake the important background work that is necessary to position the drug for a potential approval. A 13-week toxicology study has been completed in two animal species, which was an FDA requirement before undertaking a registration study. Improvements and refinements have been made to the manufacturing process to ensure that it meets the robust requirements of regulatory agencies. Progress has been made in protection of the intellectual property with patents proceeding to grant in a number of territories.

Important preclinical work has also been conducted by collaborators and research partners. Professor Matt Dun's team at the University of Newcastle, Australia, has explored GDC-0084 in preclinical models of DIPG. His experiments in the laboratory found the drug to be even more active in DIPG than in GBM, and he has progressed to examining rational combination strategies. Professor Priscilla Brastianos' team at Harvard Medical School has tested GDC-0084 in preclinical models of breast cancer brain metastases and found it to be particularly active in those cases with mutations affecting the PI3K pathway.

Milestones to watch for

GDC-0084	
2H 2019	Initial read-out from dose expansion cohort of phase IIa study in glioblastoma
2H 2019	Potential initial data from phase I study in DIPG
2H 2019	Potential initial data from phase II study in BCBM
Cantrixil	
2H 2019	Initial read-out from Part B of phase I study in ovarian cancer

Glioblastoma

About Glioblastoma:
The most common and most aggressive form of primary brain cancer in adults.

Symptoms:
Headache, nausea, drowsiness and impaired vision.

Treatment:
Treatment path usually consists of surgical resection of the tumour, followed by radiation. Patients then usually have a course of temozolomide (chemotherapy). Unfortunately temozolomide is only effective in about 35% of patients.

How common is it:
About 133,000 patients per annum worldwide.

Untreated survival rate:
3-4 months

Median survival rate with best available care:
12-15 months

CANTRIXIL

It was a busy year for Cantrixil, with data from the first part of its phase I study in ovarian cancer reported at the prestigious American Association of Cancer Research conference in April 2019. Part A of the study was designed to determine the appropriate dose of Cantrixil, and a dose of 5 mg/kg was determined. The main side effects were abdominal pain and fatigue. This dose looks to be well within the range that would be expected to be therapeutic, and a further 13 patients have now been enrolled to Part B to provide further insight to efficacy.

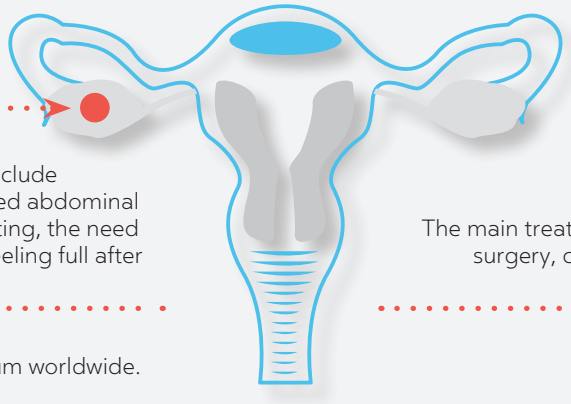
Five of the nine patients (56%) in the Part A study showed stable disease after two cycles of treatment with Cantrixil. Since these were very advanced patients, who had already failed at least two existing treatments, this is a very encouraging result, and it suggests that Cantrixil may be able to slow progression of the disease in some patients. Four of the nine patients (44%) remained on treatment for the full 24-week duration of the study. Given the typical time to progression for patients with late-stage ovarian cancer, this suggests that Cantrixil is working to slow the course of the disease. One patient showed a partial response, which indicates that Cantrixil plus chemotherapy had successfully shrunk the tumour.

At the time of writing this report, Kazia had recently announced that the full cohort of patients had been recruited for Part B of the Cantrixil study. We expect to report data from Part B towards the end of calendar 2019.

> “Five of the nine patients (56%) showed stable disease after two cycles of treatment with Cantrixil. Since these were very advanced patients, who had already failed at least two existing treatments, this is a very encouraging result, and it suggests that Cantrixil may be able to slow progression of the disease in some patients.”

Ovarian cancer

What is this: Ovarian cancer is the seventh most common cancer in women and has the lowest survival rate of any women’s cancer. It affects about one in 100 women worldwide, with about 240,000 new cases each year.



Symptoms:
Can be hard to detect, but may include abdominal or pelvic pain, increased abdominal size or persistent abdominal bloating, the need to urinate often or urgently and feeling full after eating a small amount.

How common is it:
About 240,000 patients per annum worldwide.

Treatment:
The main treatments for ovarian cancer include surgery, chemotherapy, hormone therapy, targeted therapy and radiation.

Five-year survival rate:
45% (breast cancer 90%)

The GDC-0084 Story

Designing a New Kind of Cancer Drug

> How to design the ideal drug for brain cancer? Despite enormous progress in diseases such as breast cancer, bowel cancer, and prostate cancer, many of these resulting from Genentech's own advances, the brain had proven stubbornly resistant to new developments in cancer treatment.

Nestling on the west side of the San Francisco Bay Area, Genentech had established itself through the 1990s onwards as one of the most sophisticated and enterprising drug developers in the new field of biotechnology. Drugs such as Avastin and Herceptin have become almost household names, and the company led the way in so-called targeted therapies – a new approach to cancer which avoided many of the problems of older chemotherapy drugs by tightly focusing on very specific biological processes in the cancer cell.

In 2012, researchers at Genentech set themselves what may have been their greatest challenge yet, simple to express but unimaginably complex to execute. How to design the ideal drug for brain cancer? Despite enormous progress in diseases such as breast cancer, bowel cancer, and prostate cancer, many of these resulting from Genentech's own advances, the brain had proven stubbornly resistant to new developments in cancer treatment.

The challenge was not merely an intellectual one. Dr Alan Olivero (pictured), a senior scientist at Genentech, had lost his brother to glioblastoma, the most common and most aggressive form of brain cancer. He knew first-hand the devastation the disease could bring upon patients and their families, and he was determined to find an answer.

Genentech had developed world-class expertise in a new class of cancer drugs called PI3K inhibitors. Since its discovery in the 1980s, the PI3K pathway had emerged as a central control mechanism for a wide range of cancers. In glioblastoma, for example, almost 90% of patients had the PI3K pathway activated in some form. The scientists quickly realised that it was the perfect target for a new drug in brain cancer.

A larger problem remained, however. The brain is a unique part of the human body insofar as it is protected by the "blood-brain barrier" (BBB). The BBB prevents many drugs, including most cancer drugs, from getting into the brain, and thereby renders them useless. It took some of the most brilliant medicinal chemists in the company to design a unique drug: a brain-penetrant PI3K inhibitor. That drug we now know as GDC-0084.

Genentech is renowned for the quality of their drug development, and the preclinical research into GDC-0084 was first class. It showed the drug to be broadly active against animal models of glioblastoma, and so a phase I human trial quickly followed. In 47 patients, the study showed that the drug was generally well-tolerated, crossed the BBB very successfully, and showed convincing signals that tumour growth was being arrested.

Ultimately, Genentech decided to focus their resources on other forms of cancer, and Kazia became the custodians of GDC-0084 at the end of 2016. It is now in five clinical trials in different forms of brain cancer, and it is the hope of all involved that we may finally be able to make progress for patients with this terribly challenging disease.

Working with the Best

> Kazia is fortunate to collaborate with some of the world's leading experts in the development of its cutting-edge cancer therapies.

Dr. Priscilla Brastianos is the Director of the Central Nervous System Metastasis Center at Massachusetts General Hospital Cancer Center of Harvard Medical School. She is also the Principal Investigator on the US National Cancer Institute-backed Alliance for Clinical Trials in Oncology Foundation phase II study which is using Kazia's drug GDC-0084 for the treatment of brain metastases (cancer that has spread to the brain).

Dr Brastianos received her BSc in biochemistry and chemistry from the University of British Columbia and her medical school training at Johns Hopkins School of Medicine. She completed her internal medicine residency training at Johns Hopkins Hospital and her fellowship training at the Dana-Farber Cancer Institute and Massachusetts General Hospital.

As a physician-scientist, Dr. Brastianos has received a number of prestigious awards for her scholarship and research, with the latter focusing on understanding the molecular mechanisms that drive brain metastases. Her hope is that her studies will provide an understanding of the molecular pathways that drive brain metastasis, which will allow for the development of better treatments for this common and devastating complication of cancer.

Her pioneering work has led to national multicentre cooperative group trials that she is leading. Dr Brastianos also leads a multidisciplinary central nervous system metastasis clinic at Massachusetts General Hospital.

Associate Professor Jim Coward is a Brisbane-based oncologist who is leading the first clinical trial of Kazia's Cantrixil for recurrent ovarian cancer. He is a medical oncologist and Associate Professor of Medicine at the University of Queensland School of Medicine and Mater Research, Translational Research Institute (TRI).

Since completing his medical training in 1998, Associate Professor Coward has gained extensive experience in the delivery of cutting-edge cancer care.

In 2006, he was appointed as an MRC clinical fellow at the Barts Cancer Institute, London, where his research on the effects of immunotherapy in advanced ovarian cancer successfully translated into a clinical trial in patients with platinum resistant disease. This work culminated in a PhD award from Queen Mary, University of London in 2010.

Associate Professor Coward is passionate about delivering comprehensive oncology treatment by incorporating scientific research from the laboratory into cancer care and providing direct access to state-of-the-art clinical trials. He is heavily invested in providing cutting edge medicines through a rapidly evolving phase one research portfolio, with a predominant focus on immunotherapy-based clinical trials for all solid tumour types. He currently practices at Icon Cancer Centre South Brisbane and Icon Cancer Centre Chermside.

The Cantrixil Story

Learning from Nature

> Today, Cantrixil is close to completing a phase I clinical study in late-stage ovarian cancer. We have seen promising data so far, which validates the faith of the many scientists and researchers who have worked on benzyopyran molecules over the years

Like all the best science, Cantrixil originated with a chance observation: farmyard animals fed on a diet of soybeans and other similar foodstuffs showed biological changes such as feminisation. The reason? A class of chemicals called isoflavones, which over time became a popular natural health supplement.

Kazia's predecessor company, Novogen, built an international business in the 1990s to market a particular isoflavone extract from red leaf clover. The lead product, Promensil, was marketed as a treatment for menopausal symptoms. But it had long been known that people eating diets rich in soy protein, and presumably in isoflavones, were less likely to get certain types of cancer, and so Novogen began the gradual transformation to an oncology biotech company.

The outcome of extensive research by Novogen scientists was a drug candidate named phenoxodiol, now also known as idronoxil. Phenoxodiol was what we would now term a second-generation benzopyran, with the natural isoflavones such as genistein being considered first-generation. The company refocussed around the development of phenoxodiol, and took it all the way to a phase III clinical trial in ovarian cancer. Sadly, it failed phase III in 2010. However, a number of Novogen scientists felt they knew why, and so much had been learned about isoflavone chemistry that the possibility of building a third-generation benzyopyran lurked in their minds for years to come.

Fast forward to 2013, and the opportunity arose to reboot Novogen around a new drug platform, focused on third-generation benzopyrans. Professor Gil Mor at Yale University worked alongside the Novogen team to understand the efficacy of these new chemical entities in ovarian cancer, his specialty. They found the new molecules to be many times more powerful than phenoxodiol, and so the drug development program that we now know as Cantrixil was launched. When Novogen transformed into Kazia, we recognised the exciting potential of the Cantrixil program, and so were pleased to make it the first clinical trial we launched.

Today, Cantrixil is close to completing a phase I clinical study in late-stage ovarian cancer. We have seen promising data so far, which validates the faith of the many scientists and researchers who have worked on benzyopyran molecules over the years. The need for new therapies in ovarian cancer remains substantial, and we look forward to seeing if that chance observation so many years ago will yield an exciting new class of cancer drugs.

The Path Forward

For GDC-0084, our expectation is that the next step is likely to be a registrational study – a larger, comparative study to demonstrate efficacy in comparison to a control group. Kazia plans to discuss this study with the US FDA and with clinicians over the remainder of calendar 2019, with a view to commencing the study in the first half of calendar 2020.

At this stage, the planned study is expected to include approximately 200-250 patients, and will take around two-and-a-half years to complete. This would position us for the submission of a 'new drug application (NDA) to the US FDA in the first half of 2023, with approval expected later that year under priority review. Any such plans are naturally subject to constant review and refinement, but the key point is that GDC-0084 is being positioned for a fast path to market.

Kazia has always been clear that it envisages partnering with a larger company to bring GDC-0084 to market, and that partnering transaction could happen at any time during the development of the drug. We are already actively sharing progress with big pharma companies, and making sure that the emerging data from GDC-0084 is well-understood and well-circulated. Our priority, as always, is to ensure that any transaction delivers the maximum value for shareholders, and the growing body of data over the coming twelve months will undoubtedly help to demonstrate the value of our drug.

Along the way, we anticipate seeing regular data read-outs, both from our own studies in glioblastoma, and from the growing portfolio of collaborations and partnerships. That data will inform our planning and provide insight for investors as to the progress and potential of the drug.

With Cantrixil, we expect to finish the ongoing phase I study towards the end of calendar 2019, and then to pause for consultation with clinician advisors. Although the initial data has been very encouraging, it is true that ovarian cancer is a complex disease, with a rapidly evolving treatment landscape, and it is possible that Cantrixil's best path forward will consist in an early partnering transaction, which will likely depend on emerging data from Part B of the ongoing clinical trial. Kazia continues to explore all options.

> "Any such plans are naturally subject to constant review and refinement, but the key point is that GDC-0084 is being positioned for a fast path to market"

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Financal Report FY19

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Kazia Therapeutics Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

DIRECTORS

The following persons were Directors of Kazia Therapeutics Limited (ABN 37 063 259 754) during the whole of the financial year and up to the date of this report, unless otherwise stated:

Iain Ross

Bryce Carmine

Steven Coffey

James Garner

PRINCIPAL ACTIVITIES

During the financial year the principal continuing activity of the consolidated entity consisted of pharmaceutical research and development.

DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial year.

REVIEW OF OPERATIONS

The loss for the consolidated entity after providing for income tax amounted to $10,270,264 (30 June 2018: $6,039,242).

The attached financial statements detail the performance and financial position of the consolidated entity for the year ended 30 June 2019.

Cash resources

At 30 June 2019, the consolidated entity had total funds of $5,433,868, comprising cash at bank and on hand of $833,868 and short term deposits of $4,600,000. Total current assets at year-end stand at $7,514,175.

Going concern

The financial statements have been prepared on a going concern basis. The Directors have considered this to be appropriate. Refer to 'Going concern' in note 2 to the financial statements for further details.

Rounding of amounts

The Company is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

Research and development report

The company's lead development candidate is GDC-0084, a small molecule, brain-penetrant inhibitor of the PI3K / Akt / mTor pathway, that is being developed as a potential therapy for glioblastoma (GBM), the most common malignant and highly aggressive form of primary brain tumour in adults, as well as other forms of brain cancer. GDC-0084 is orally administered and is presented in a 15mg capsule formulation. The development candidate was granted orphan designation by FDA in February 2018.

GDC-0084 was developed by Genentech, Inc (South San Francisco, California) and the company entered into a worldwide exclusive license for the asset in October 2016. Prior to this transaction, Genentech had completed an extensive preclinical development program that provided convincing validation for GDC-0084 as a potential drug for brain cancer. Genentech also completed a phase I clinical trial in 47 patients with advanced recurrent grade III and grade IV glioma. The most common adverse events were oral mucositis and hyperglycemia. Per RANO criteria, 40% of patients exhibited a best observable response of stable disease, and 26% demonstrated a metabolic partial response on FDG-PET.

During the period, the company has commenced recruitment to a phase IIa clinical study in patients with newly-diagnosed glioblastoma who exhibit unmethylated MGMT promotor status (NCT03522298). Unmethylated MGMT status confers near-total resistance to temozolomide, the existing standard of care, and represents approximately two-thirds of the total incident GBM population. This phase IIa study is ongoing at seven centres in the United States. In May 2019, the company reported interim data from the initial dose escalation component of the study. In the newly-diagnosed population, a maximum tolerated dose (MTD) of 60mg was achieved, which is higher than the MTD of 45mg reported in the phase I study in recurrent patients. Adverse events were generally mild and reversible. Dose-limiting toxicities of mucositis and hyperglycemia were consistent with the PI3K inhibitor class and with prior clinical experience of this agent. An expansion cohort of 20 patients is currently recruiting, with initial efficacy data expected by the end of CY2019 or early in CY2020.

In October 2018, the company announced a phase I investigator-initiated study at St Jude Children's Research Hospital in Memphis, TN (NCT03696355). The St Jude study is designed to explore GDC-0084 as a monotherapy for diffuse intrinsic pontine glioma (DIPG), a rare but highly-aggressive childhood brain cancer with no approved pharmacological treatments. The study seeks to establish an MTD in the paediatric population before enrolling an expansion cohort to seek definitive signals of efficacy. The St Jude study is primarily funded by the hospital, with support via a financial grant from Kazia. The study is ongoing, with initial data potentially expected in 2H CY2019.

Also in October 2018, the company announced a phase II investigator-initiated study at Dana-Farber Cancer Institute in Boston, MA (NCT03765983). The Dana-Farber study examines GDC-0084 in combination with Herceptin (trastuzumab) in the treatment of HER2-positive breast cancer brain metastases (BCBM), a population for which there are again no approved pharmacological treatments. The Dana-Farber study is primarily funded by the hospital, with support via a financial grant from Kazia. The study is ongoing, and the company hopes to receive data during the latter part of CY2019 from this trial.

In May 2019, the company announced a phase II study sponsored by the Alliance for Clinical Trials in Oncology, a large academic research organisation, and funded by the US National Cancer Institute (NCT03994796). The Alliance study is a genomically-guided, multi-drug study in patients with brain metastases from any primary tumour. Those with mutations affecting the PI3K / Akt / mTOR pathway will be assigned to receive GDC-0084, while patients with other driving mutations may receive abemaciclib (Eli Lilly & Company) or entrectenib (Genentech, Inc). The study is due to commence recruitment in July 2019, and is expected to recruit approximately 150 patients, evenly divided between the three treatment arms, over the course of a two-year period.

A number of preclinical experiments with GDC-0084 reported data during the period. Of note, a paper by FM Ippen at al. from Harvard Medical School reported in vivo data from a model of breast cancer brain metastases. It concluded that "treatment with GDC-0084 markedly inhibited the growth of PIK3CA-mutant [brain tumours]." Meanwhile, R Duchatel et al. from the University of Newcastle reported in vitro data examining GDC-0084 in DIPG cell lines in a poster presentation at the SNO Pediatric Brain Tumor meeting, and found the drug to be highly active across all tested lines.

Post-period, the company announced that the World Health Organisation (WHO) had selected 'paxalisib' as the provisional International Nonproprietary Name (pINN) for GDC-0084 and that, subject to final confirmation in late CY2019, the company would begin to deploy this name and discontinue public use of the GDC-0084 code number.

Cantrixil (TRX-E-002-1) is the company's second clinical asset, and is derived from a proprietary drug discovery program. It is being developed as a potential therapy for ovarian cancer.

Research undertaken by Yale University (New Haven, Connecticut) has provided preclinical evidence that Cantrixil is active against both differentiated cancer cells and tumour-initiating cells (sometimes referred to as 'cancer stem cells'). The latter are thought to be an important component of chemotherapy resistance and disease recurrence in diseases such as ovarian cancer, and thus Cantrixil has potential to offer benefit to the approximately three-quarters of ovarian cancer patients who are not adequately managed by conventional chemotherapy treatments.

In December 2016, the company commenced a phase I clinical trial of Cantrixil in patients with ovarian cancer (NCT02903771). The study is designed to establish the safety and tolerability of the development candidate, to determine a Maximum Tolerated Dose (MTD), and to explore indicative signals of clinical efficacy. Data from the initial dose escalation cohort was reported at the American Association of Cancer Research meeting in April 2019. Cantrixil was broadly well-tolerated, and an MTD of 5 mg/kg was determined. Dose-limiting toxicities were generally gastrointestinal in nature. Of nine evaluable patients, five (56%) achieved stable disease after two cycles of Cantrixil monotherapy, and one patient went on to exhibit a partial response after treatment with Cantrixil and chemotherapy. The study has now completed recruiting a 12-patient dose expansion cohort and is expected to report efficacy data by the end of CY2019.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The consolidated entity has a reasonable expectation that over the course of the coming 12 months:

- Results will be reported from the phase I clinical trial of Cantrixil (TRX-E-002-1) .
- Results will be reported from the phase II clinical trial of GDC-0084 in glioblastoma
- Initial data will be reported from the phase I clinical trial of GDC-0084 in DIPG at St Jude
- Initial data will be reported from the phase II clinical trial of GDC-0084 in BCBM at Dana-Farber

ENVIRONMENTAL REGULATION

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

INFORMATION ON DIRECTORS

'Other current directorships' quoted below are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted below are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Name:	Iain Ross
Title:	Non-Executive Director, Chairman
Qualifications:	B.Sc. (Hons). C Dir.
Experience and expertise:	Iain, based in the UK, is an experienced Director and has served on a number of Australian company boards. He is Chairman of e-Therapeutics plc (LSE:ETX), Redx Pharma plc (LSE:REDX), Silence Therapeutics plc (LON:SLN) and Biomer Technology Limited. In his career he has held senior positions in Sandoz AG, Fisons Plc, Hoffmann-La Roche AG and Celltech Group Plc and also undertaken a number of start-ups and turnarounds on behalf of banks and private equity groups. His track record includes multiple financing transactions having raised in excess of £300 million, both publicly and privately, as well as extensive experience of divestments and strategic restructurings and has over 20 years in cross-border management as a Chairman and CEO. He has led and participated in six Initial Public Offerings, (4 LSE, 1 ASX, 1 NASDAQ) and has direct experience of mergers and acquisitions transactions in Europe, USA and the Pacific Rim.
Other current directorships:	e-Therapeutics plc (LSE: ETX), Redx Pharma plc (LSE:REDX), Silence Therapeutics plc (LON:SLN)
Former directorships (last 3 years):	Benitec Biopharma Limited (ASX:BLT), Premier Veterinary Group Plc (LSE:PVG), Anatara Lifesciences Limited (ASX:ANR)
Special responsibilities:	Member of Remuneration and Nomination Committee, Member of Audit, Risk and Governance Committee.
Interests in shares:	475,001 ordinary shares
Interests in options:	None
Contractual rights to shares:	None

Name:	Bryce Carmine
Title:	Non-Executive Director
Qualifications:	B.Sc., Biochemistry, Microbiology & Genetics
Experience and expertise:	Bryce spent 36 years working for Eli Lilly & Co. and retired as Executive Vice President for Eli Lilly & Co, and President, Lilly Bio-Medicines. Prior to this he lead the Global Pharmaceutical Sales and Marketing and was a member of the company's Executive Committee. Mr Carmine previously held a series of product development portfolio leadership roles culminating when he was named President, Global Pharmaceutical Product Development, with responsibility for the entire late-phase pipeline development across all therapeutic areas for Eli Lilly. During his career with Lilly, Bryce held several country leadership positions including President Eli Lilly Japan, Managing Dir. Australia/NZ & General Manager of a JV for Lilly in Seoul, Korea. Bryce is currently Chairman and CEO of HaemaLogiX Pty Ltd, a Sydney based privately owned biotech.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Audit, Risk and Governance Committee, Chair of Remuneration and Nomination Committee.
Interests in shares:	131,293 ordinary shares
Interests in options:	None
Contractual rights to shares:	None

Name:	Steven Coffey
Title:	Non-Executive Director
Qualifications:	B. Comm, CA

Experience and expertise:	Steven is a Chartered Accountant and registered company auditor and has over 35 years experience in the accounting and finance industry. He has been a partner in the chartered accounting firm Watkins Coffey Martin since 1993. He has previously served on the board of an ASX listed public company and sits on the board of a number of large private family companies. He audits a number of large private companies as well as a number of not-for-profit entities.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of Audit, Risk and Governance Committee, Member of Remuneration and Nomination Committee.
Interests in shares:	181,474 ordinary shares
Interests in options:	5,875 listed options (NRTO)
Contractual rights to shares:	None

Name:	Dr James Garner
Title:	Chief Executive Officer, Managing Director
Qualifications:	MA, MBA, MBBS, BSc (Hons)
Experience and expertise:	Dr Garner is an experienced life sciences executive who has previously worked with companies ranging from small biotechs to multinational pharmaceutical companies such as Biogen and Takeda. His career has focused on regional and global development of new medicines from preclinical to commercialisation. Dr Garner is a physician by training and holds an MBA from the University of Queensland. He began his career in hospital medicine and worked for a number of years as a corporate strategy consultant with Bain & Company before entering the pharmaceutical industry. Prior to joining Kazia in 2016, he led R&D strategy for Sanofi in Asia-Pacific and was based in Singapore.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	110,000 ordinary shares
Interests in options:	750,000 options with various exercise prices and expiring 1 February 2021.
Contractual rights to shares:	None

COMPANY SECRETARY

Kate Hill (CA, GAICD, BSc (Hons)) has held the role of Company Secretary since 9 September 2016.

Kate has over 20 years' experience as an audit partner with Deloitte Touche Tohmatsu, working with ASX listed and privately owned clients. She has worked extensively in regulated environments including assisting with Initial Public Offerings, capital raising and general compliance, as well as operating in an audit environment. She is a Non-executive Director of Countplus Limited (ASX: CUP) and Elmo Software Limited (ASX:ELO) as well as Chair of their Audit and Risk Committees. She is also Chair of Seeing Machines Limited (AIM:SEE).

MEETINGS OF DIRECTORS

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board		Audit, Risk & Governance Committee		Remuneration & Nomination Committee	
	Attended	Held	Attended	Held	Attended	Held
Iain Ross	10	10	4	4	2	2
Bryce Carmine	9	10	4	4	2	2
Steven Coffey	10	10	4	4	2	2
James Garner	10	10	-	-	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

REMUNERATION REPORT (AUDITED)

The remuneration report, which has been audited, outlines the Key Management Personnel ('KMP') remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

Remuneration philosophy

Remuneration for Directors and Senior Executives is based on the overall objective of attracting and retaining people of high quality who will make a worthwhile contribution to the consolidated entity in the short, medium and long term, and thereby contribute to long term shareholder value. The Board and its Remuneration and Nomination Committee take a balanced position between the need to pay market rates to attract talent, and the financial resources of the consolidated entity, in determining remuneration.

Non-Executive Directors remuneration

The Constitution of the consolidated entity and the ASX listing rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by General Meeting. The last determination for the consolidated entity was at the Annual General Meeting held on 28 October 2005 when the shareholders approved an aggregate remuneration of $560,000.

Non-Executive Directors' fees are reviewed periodically by the Board and are regularly compared with those of companies of comparable market capitalisation and stage of development. The Chairman's fees are determined independently to the fees of other non-executive Directors based on comparative roles in the external market. The Non-Executive Directors fee structure is a fixed fee model and includes superannuation. Directors fees for the current financial year have been held at the same level as in the prior financial year.

Executive Directors and other KMP

The Board and the Remuneration and Nomination Committee, in consultation with the Managing Director, have put in place a remuneration structure which provides incentive for employees to drive the activities of the company forward. These arrangements are reviewed annually at the end of the calendar year.

The Board determines an appropriate level of fixed remuneration for the CEO and Group Executives, as well as the proportion of performance based remuneration.

The executive remuneration and reward framework has three components:

- fixed remuneration
- short-term performance incentives - cash bonus
- share-based payments - award of options through the ESOP

Fixed remuneration is reviewed annually by the Remuneration and Nomination Committee based on individual performance, the overall performance of the consolidated entity and comparable market remunerations. The Remuneration and Nomination Committee approved increases in fixed remuneration during the financial year ended 30 June 2019.

The short-term incentives program is designed to align the targets of the consolidated entity with the performance hurdles of executives. Short-term incentive payments are granted to executives based on specific annual performance objectives, metrics and performance appraisals. Annual performance reviews are conducted at the end of each calendar year and bonuses are paid shortly after the performance reviews are completed. Annual performance objectives cover matters such as progress in clinical trials, and management of the Company's financial resources.

The Board or the Remuneration and Nomination Committee may, at its discretion, award bonuses for exceptional performance.

The Remuneration and Nomination Committee approved the payment of cash bonuses to the CEO and employees in respect of the financial year ended 30 June 2019.

The long-term incentive comprises equity-based payments. The consolidated entity aims to attract and retain high calibre executives, and align their interests with those of the shareholders, by granting equity-based payments based on tenure. The share-options issued to executives are governed by the ESOP.

Employee share option plan

The Employee Share Option Plan ('ESOP') was approved by shareholders on 4 March 2015 and re-approved by shareholders on 15 November 2017.

The ESOP provides for the issue of options to eligible individuals, being employees or Officers of the consolidated entity, however it excludes Non-Executive Directors.

Each option issued under the ESOP entitles its holder to acquire one fully paid ordinary share and is exercisable at a price based on a formula, which includes the weighted average price of such shares at the close of trading on the Australian Securities Exchange for the seven days prior to the date of issue. The number of options offered, the amount payable, the vesting period, the option period, the conditions of exercise or any other factors are at the discretion of the Board of Directors.

The consolidated entity issued 250,000 share options under the ESOP during the financial year that ended 30 June 2019.

Any change to the ESOP will require approval by shareholders.

Use of remuneration consultants

During the financial year ended 30 June 2019, the consolidated entity did not engage remuneration consultants.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The KMP of the consolidated entity consisted of the following directors of Kazia Therapeutics Limited:

- Iain Ross - Non-Executive Director, Chairman
- Bryce Carmine - Non-Executive Director
- Steven Coffey - Non-Executive Director
- Dr James Garner - Managing Director, CEO

And the following persons:

- Gabrielle Heaton - Director of Finance and Administration
- Kate Hill - Company Secretary

2019	Short-term benefits: Cash salary and fees $	Short-term benefits: Cash bonus $	Short-term benefits: Movements in accrued leave Non-monetary $	Post-employment benefits: Super-annuation $	Share-based payments: Equity-settled options $	Total $
Non-Executive Directors:						
I Ross*	130,270	-	-	-	-	130,270
B Carmine	75,000	-	-	7,125	-	82,125
S Coffey	75,000	-	-	7,125	-	82,125
Executive Directors:						
J Garner	445,500	90,000	16,562	50,873	88,150	691,085
Other Key Management Personnel:						
G Heaton	180,000	20,400	2,666	19,038	15,280	237,384
K Hill	125,000	15,000	-	-	21,580	161,580
	1,030,770	125,400	19,228	84,161	125,010	1,384,569

* Salary paid in UK pounds, but disclosed in Australian dollars using a conversion rate of 0.5527.

The cash bonuses were granted by the Remuneration Committee at a meeting held on 3 December 2018. The amounts were determined on a discretionary basis by the Remuneration Committee after assessing the corporate achievements for the 2018 calendar year.

2018	Short-term benefits: Cash salary and fees $	Short-term benefits: Cash bonus $	Short-term benefits: Movement in accrued annual leave Non-monetary $	Post-employment benefits: Health Insurance $	Post-employment benefits: Super-annuation $	Share-based payments: Equity-settled options $	Total $
Non-Executive Directors:							
I Ross***	124,957	-	-	-	-	-	124,957
B Carmine	75,000	-	-	-	7,125	-	82,125
S Coffey	75,000	-	-	-	7,125	-	82,125
Executive Directors:							
J Garner	425,000	-	21,038	3,917	37,010	133,171	620,136
Other Key Management Personnel:							
G Heaton	170,000	-	-	-	14,804	6,650	191,454
K Hill	140,000	-	-	-	-	19,132	159,132
G Hirsch *	287,269	-	(19,447)	-	24,426	(9,159)	283,089
P Leong*, **	320,020	-	(14,770)	27,735	-	(32,767)	300,218
	1,617,246	-	(13,179)	31,652	90,490	117,027	1,843,236

* Remuneration for the duration of appointment as KMP.
** Salary paid in US dollars, but disclosed in Australian dollars using a conversion rate of 0.7753.
*** Salary paid in UK pounds, but disclosed in Australian dollars using a conversion rate of 0.5762.

The relative proportions of remuneration that are linked to performance and those that are at risk

Name	Fixed remuneration 2019	Fixed remuneration 2018	At risk - STI 2019	At risk - STI 2018	At risk - LTI 2019	At risk - LTI 2018
Executive Directors:						
James Garner	**74%**	79%	**13%**	-	**13%**	21%
Other Key Management Personnel:						
Gabrielle Heaton	**85%**	97%	**9%**	-	**6%**	3%
Gordon Hirsch	**-**	100%	**-**	-	**-**	-
Kate Hill	**78%**	88%	**9%**	-	**13%**	12%
Peng Leong	**-**	100%	**-**	-	**-**	-

Consequences of performance on shareholder wealth

Shareholder wealth in a company engaged in drug development is generally driven by successful commercialisation, out-licence or sale of a drug candidate, and is a long-term proposition, rather than being linked to annual financial performance. The directors have selected a CEO and key management team who, in the directors opinion, are well placed to realise such an outcome for our shareholders. The Company has recorded losses for the past four years as it is still in a pre-revenue phase, and the Company's share price has not increased over this period.

Voting and comments made at the consolidated entity's last Annual General Meeting

The consolidated entity received 89.75% of "yes" votes on its Remuneration Report for the financial year ending 30 June 2018. The consolidated entity received no specific feedback on its Remuneration Report at the Annual General Meeting.

Bonuses included in remuneration

Details of short term incentive cash bonuses awarded as remuneration to each key management personnel are included in the above tables.

Service agreements

Under Remuneration and Nomination Committee policy, employment contracts are entered into with each of the executives who is considered to be KMP. Under the terms of the contracts, remuneration is reviewed at least annually. The employment contracts of KMPs include a termination clause whereby a party can terminate the agreement on notice. Such notice may vary between 4 weeks and 6 months. Under the terms of each contract, payment in lieu can be made by the consolidated entity to substitute the notice period. The consolidated entity may terminate the contracts at any time without cause if serious misconduct has occurred. In the event that employment is terminated for cause, no severance pay or other benefits are payable by the consolidated entity.

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	James Garner
Title:	Chief Executive Officer, Managing Director
Agreement commenced:	1 February 2016
Term of agreement:	Full-time employment
Details:	Base salary to be reviewed annually by the Remuneration and Nomination Committee. James's appointment with the consolidated entity may be terminated with the consolidated entity giving 6 months' notice or by James giving 6 months' notice. The consolidated entity may elect to pay James equal amount to that proportion of his salary equivalent 6 months' pay in lieu of notice, together with any outstanding entitlements due to him. The current base salary, as from 1 January 2019, is $458,000 including an allowance for health benefits.
Name:	Gabrielle Heaton
Title:	Director of Finance and Administration
Agreement commenced:	13 March 2017
Term of agreement:	Full time employment
Details:	Base salary to be reviewed annually by the Remuneration and Nomination Committee. Gabrielle's appointment with the consolidated entity may be terminated with the consolidated entity giving 4 weeks' notice or by Gabrielle giving 4 weeks' notice. The consolidated entity may elect to pay Gabrielle equal amount to that proportion of her salary equivalent 4 weeks' pay in lieu of notice, together with any outstanding entitlements due to her. The current base salary, from 1 January 2019, is $190,000.
Name:	Kate Hill
Title:	Company Secretary
Agreement commenced:	9 September 2016
Term of agreement:	Part-time contractor
Details:	Base remuneration is based on time worked. Daily rate to be reviewed annually by the Remuneration and Nomination Committee, with an uplift of 10% on the daily rate applied from 1 January 2019. The contract is open ended. Kate's appointment with the consolidated entity may be terminated with the consolidated entity giving 60 days' notice or by Kate giving 60 days' notice.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

The terms and conditions of each grant of options over ordinary shares granted as remuneration to Directors or other Key Management Personnel in this financial year or future financial years are set out below. The options issued on 4 January 2019 were to Kate Hill (50,000 options, with a fair value at grant date of $7,000) and Gabrielle Heaton (50,000 options, with a fair value at grant date of $7,000). Service conditions are that any unvested options are forfeit on cessation of employment. There are no performance conditions, consistent with the Company's Employee Share Option Plan rules, as reapproved by shareholders on 15 November 2017.

Grant date	No of options	Vesting date	Exercise date	Expiry date	Exercise price	Fair value per option at grant date
4-Jan-19	25,000	4-Jul-19	4-Jul-19	4-Jan-24	$0.49	$0.14
4-Jan-19	25,000	4-Jan-20	4-Jan-20	4-Jan-24	$0.49	$0.14
4-Jan-19	25,000	4-Jul-20	4-Jul-20	4-Jan-24	$0.49	$0.14
4-Jan-19	25,000	4-Jan-21	4-Jan-21	4-Jan-24	$0.49	$0.14

Options granted carry no dividend or voting rights. Each option is convertible to one ordinary share upon exercise. The number and exercise price of options was adjusted during the year ended 30 June 2018 as a result of the share consolidation whereby ten of the former ordinary shares of the Company were exchanged for one new ordinary share.

No options were exercised or lapsed during the year.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of Key Management Personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Purchased on market	Balance at the end of the year
Ordinary shares			
B Carmine	91,819	39,474	131,293
S Coffey	142,000	39,474	181,474
I Ross	220,000	255,001	475,001
J Garner	50,000	60,000	110,000
K Hill	30,000	-	30,000
	533,819	393,949	927,768

Option holding

The number of options over ordinary shares in the company held during the financial year by each Director and other members of Key Management Personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted as remuneration	Balance at the end of the year
Options over ordinary shares			
S Coffey*	5,875	-	5,875
J Garner**	750,000	-	750,000
K Hill**	220,000	50,000	270,000
G Heaton**	142,000	50,000	192,000
	1,117,875	100,000	1,217,875

* The above listed options were not issued as part of remuneration.

** Options issued under the Employee Share Option Plan. Unvested options are forfeited upon cessation of employment with the Company.

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
Options over ordinary shares - vested			
S Coffey	5,875	-	5,875
J Garner	500,000	-	500,000
K Hill	85,000	-	85,000
G Heaton	55,500	-	55,500
	646,375	-	646,375

Other transactions with key management personnel and their related parties

There was no other transaction with KMP and their related parties.

This concludes the remuneration report, which has been audited.

SHARES UNDER OPTION

Unissued ordinary shares of Kazia Therapeutics Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise Price	Closing Balance
16 December 2014	16 December 2019	$1.500	46,647
18 December 2014	18 December 2019	$1.500	19,952
4 June 2015*	4 June 2020	$4.000	2,948,400
30 June 2015*	4 June 2020	$4.000	200,000
30 June 2015	30 June 2020	$4.000	2,906,500
16 November 2015	16 November 2020	$2.200	236,667
18 March 2016	1 February 2021	$1.990	500,000
18 March 2016	1 February 2021	$2.610	250,000
5 September 2016	5 September 2021	$1.630	50,000
31 October 2016	1 November 2021	$1.380	12,500
12 October 2016	17 October 2021	$1.560	62,000
21 November 2016	23 November 2021	$1.380	50,000
7 August 2017	7 August 2022	$0.670	224,000
5 February 2018	5 February 2023	$0.780	440,000
4 January 2019	4 January 2024	$0.492	250,000
			8,196,666

* Listed options. All other tranches of options shown above are unlisted

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares of Kazia Therapeutics Limited issued on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

INDEMNITY AND INSURANCE OF OFFICERS

The consolidated entity has not indemnified the Directors and Executives of the consolidated entity for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the consolidated entity paid a premium in respect of a contract to insure the Directors and Executives of the consolidated entity against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The consolidated entity has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the consolidated entity or any related entity against a liability incurred by the auditor.

During the financial year, the consolidated entity has not paid a premium in respect of a contract to insure the auditor of the consolidated entity or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 27 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

All services have been pre-approved by the Audit, Risk and Governance Committee

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF GRANT THORNTON AUDIT PTY LTD

There are no officers of the company who are former partners of Grant Thornton Audit Pty Ltd.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

AUDITOR

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Mr Iain Ross

Chairman

Dr James Garner

Managing Director, Chief Executive Officer

29 August 2019

Sydney

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Auditor's Independence Declaration

To the Directors of Kazia Therapeutics Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Kazia Therapeutics Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

S M Coulton
Partner – Audit & Assurance

Sydney, 29 August 2019

CONTENTS

GENERAL INFORMATION

The financial statements cover Kazia Therapeutics Limited as a consolidated entity consisting of Kazia Therapeutics Limited and the entities it controlled at the end of or during the year. The financial statements are presented in Australian dollars, which is Kazia Therapeutics Limited's functional and presentation currency.

Kazia Therapeutics Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Three International Towers,
Level 24
300 Barangaroo Avenue
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2019. The directors have the power to amend and reissue the financial statements.

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

	Note	Consolidated 2019 $	Consolidated 2018 $
Revenue	5	-	119,170
Other income	6	**1,465,428**	12,989,303
Finance income		**99,619**	-
Expenses			
Research and development expense		**(6,475,626)**	(9,773,662)
General and administrative expense		**(3,785,563)**	(5,598,447)
Loss on disposal of fixed assets		**(1,076)**	(136,753)
Fair value losses on financial assets at fair value through profit or loss		**(1,808,512)**	(1,114,080)
Impairment of financial assets		-	(2,830,030)
Loss on revaluation of contingent consideration		**(62,729)**	-
Loss before income tax benefit		**(10,568,459)**	(6,344,499)
Income tax benefit	8	**298,195**	305,257
Loss after income tax benefit for the year attributable to the owners of Kazia Therapeutics Limited		**(10,270,264)**	(6,039,242)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net exchange difference on translation of financial statements of foreign controlled entities, net of tax		**(88,986)**	(251,332)
Other comprehensive income for the year, net of tax		**(88,986)**	(251,332)
Total comprehensive income for the year attributable to the owners of Kazia Therapeutics Limited		**(10,359,250)**	(6,290,574)
		Cents	**Cents**
Basic earnings per share	33	**(17.86)**	(12.48)
Diluted earnings per share	33	**(17.86)**	(12.48)

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
Assets			
Current assets			
Cash and cash equivalents	9	**5,433,868**	5,956,182
Trade and other receivables	10	**1,710,703**	2,535,479
Other	11	**369,604**	767,954
Total current assets		**7,514,175**	9,259,615
Non-current assets			
Financial assets	12	**167,814**	4,335,463
Property, plant and equipment	13	**-**	1,179
Intangibles	14	**13,494,483**	14,578,830
Total non-current assets		**13,662,297**	18,915,472
Total assets		**21,176,472**	28,175,087
Liabilities			
Current liabilities			
Trade and other payables	15	**1,763,940**	2,066,758
Provisions	16	**136,352**	161,327
Deferred income		**-**	138,188
Contingent consideration	17	**-**	1,521,228
Total current liabilities		**1,900,292**	3,887,501
Non-current liabilities			
Deferred tax	18	**3,710,983**	4,009,178
Contingent consideration	19	**1,370,431**	1,036,474
Total non-current liabilities		**5,081,414**	5,045,652
Total liabilities		**6,981,706**	8,933,153
Net assets		**14,194,766**	19,241,934
Equity			
Contributed equity	20	**36,641,519**	31,575,824
Other contributed equity	21	**464,000**	464,000
Reserves	22	**2,037,453**	1,843,228
Accumulated losses		**(24,948,206)**	(14,641,118)
Total equity		**14,194,766**	19,241,934

The above statement of financial position should be read in conjunction with the accompanying notes

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

Consolidated	Issued capital $	Other contributed equity $	Available-for sale reserve $	Foreign currency translation reserve $	Share based payments reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2017	193,769,409	600,000	(36,824)	(111,350)	2,077,512	(170,961,061)	25,337,686
Loss after income tax benefit for the year	-	-	-	-	-	(6,039,242)	(6,039,242)
Other comprehensive income for the year, net of tax	-	-	-	(251,332)	-	-	(251,332)
Total comprehensive income for the year	-	-	-	(251,332)	-	(6,039,242)	(6,290,574)
Transactions with owners in their capacity as owners:							
Share-based payments (note 34)	-	-	-	-	165,222	-	165,222
Issue of shares (note 20)	29,600	-	-	-	-	-	29,600
Cancellation of share capital (note 20)	(162,223,185)	-	-	-	-	162,223,185	-
Cancellation of convertible note (note 35)	-	(136,000)	-	-	-	136,000	-
Balance at 30 June 2018	31,575,824	464,000	(36,824)	(362,682)	2,242,734	(14,641,118)	19,241,934

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

STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019

Consolidated	Issued capital $	Other contributed equity $	Available-for sale reserve $	Foreign currency translation reserve $	Share based payments reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2018	31,575,824	464,000	(36,824)	(362,682)	2,242,734	(14,641,118)	19,241,934
Adjustment for change in accounting policy (AASB 9 – note 2)	-	-	36,824	-	-	(36,824)	-
Balance at 1 July 2018 - restated	31,575,824	464,000	-	(362,682)	2,242,734	(14,677,942)	19,241,934
Loss after income tax benefit for the year	-	-	-	-	-	(10,270,264)	(10,270,264)
Other comprehensive income for the year, net of tax	-	-	-	(88,986)	-	-	(88,986)
Total comprehensive income for the year	-	-	-	(88,986)	-	(10,270,264)	(10,359,250)
Shares issued (note 20)	5,405,760	-	-	-	-	-	5,405,760
Share issue costs (note 20)	(340,065)	-	-	-	-	-	(340,065)
Transactions with owners in their capacity as owners:							
Share-based payments (note 34)	-	-	-	-	246,387	-	246,387
Balance at 30 June 2019	36,641,519	464,000	-	(451,668)	2,489,121	(24,948,206)	14,194,766

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
Cash flows from operating activities			
Loss after income tax benefit for the year		**(10,270,264)**	(6,039,242)
Adjustments for:			
Depreciation and amortisation	7	**1,084,450**	1,547,033
Impairment of property, plant and equipment		**1,076**	142,851
Net loss on disposal of non-current assets		**-**	136,753
Share-based payments		**246,387**	165,222
Foreign exchange differences		**-**	(251,322)
Shares issued for no consideration		**-**	29,600
Gain on legal settlement	35	**-**	(8,410,680)
(Gain)/loss on contingent consideration	17	**62,729**	(1,461,298)
Fair value loss on financial assets		**1,808,511**	3,944,110
		(7,067,111)	(10,196,973)
Change in operating assets and liabilities:			
Decrease in trade and other receivables		**824,776**	1,723,575
Decrease/(increase) in accrued revenue		**(138,188)**	97,185
Decrease in deferred tax		**(298,195)**	(305,257)
Decrease/(increase) in prepayments		**398,350**	(9,872)
Increase/(decrease) in trade and other payables		**(408,867)**	87,806
Decrease in other provisions		**(24,975)**	(57,700)
Net cash used in operating activities		**(6,714,210)**	(8,661,236)
Cash flows used in operating activities is represented by:			
R&D cash rebate		**2,191,258**	3,973,052
Payments to suppliers		**(8,905,468)**	(12,634,288)
Net cash used in operating activities		**(6,714,210)**	(8,661,236)
Cash flows from investing activities			
Proceeds from legal settlement	35	**-**	150,000
Proceeds from disposal of shares		**2,359,137**	-
Net cash from investing activities		**2,359,137**	150,000
Cash flows from financing activities			
Proceeds from issue of shares	20	**3,815,695**	-
Net cash from financing activities		**3,815,695**	-
Net decrease in cash and cash equivalents		**(539,378)**	(8,511,236)
Cash and cash equivalents at the beginning of the financial year		**5,956,182**	14,454,784
Effects of exchange rate changes on cash and cash equivalents		**17,064**	12,634
Cash and cash equivalents at the end of the financial year	9	**5,433,868**	5,956,182

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

NOTE 1. GENERAL INFORMATION

The financial statements cover Kazia Therapeutics Limited as a consolidated entity consisting of Kazia Therapeutics Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is Kazia Therapeutics Limited's functional and presentation currency.

Kazia Therapeutics Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Three International Towers
Level 24, 300 Barangaroo Avenue
Sydney NSW 2000

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 29 August 2019. The Directors have the power to amend and reissue the financial statements.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets. When adopting AASB 9, the Group has applied transitional relief and elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

The impacts on the consolidated entity from the adoption of this accounting policy were as follows:

Listed equity investments - available-for-sale financial assets under AASB 139 included listed equity investments of $3,679,542 at 30 June 2018. These were reclassified to fair value through profit or loss (FVPL) under AASB 9. The associated available-for-sale reserve, amounting to $36,824 at 1 July 2018, was reclassified to accumulated losses.

Trade and other receivables - these were classified as loans and receivables under AASB 139 and are now held at amortised cost under AASB 9. The R&D tax refund forms the majority of this balance. There was no impact on the financial statements as a result of this change.

There was no change to financial liabilities.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. The new Standard has been applied from 1 July 2018.

As the consolidated entity does not enter into contracts with customers, the adoption of this standard has not had any impact on the financial statements.

Going concern

The consolidated entity incurred a loss after income tax of $10,270,264 (2018: $6,039,242), was in a net current asset position of $5,613,883 (2018: net current asset position of $5,372,114) and had net cash outflows from operating activities of $6,714,210 (2018: $8,661,236) for the year ended 30 June 2019.

As at 30 June 2019 the consolidated entity had cash in hand and at bank of $5,433,868 and current assets of $7,514,175.

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal activities and realisation of assets and settlement of liabilities in the normal course of business. As is often the case with drug development companies, the ability of the consolidated entity to continue its development activities as a going concern is dependent upon it deriving sufficient cash from investors, from licensing and partnering activities and from other sources of revenue such as grant funding.

The directors have considered the cash flow forecasts and the funding requirements of the business and continues to explore grant funding, licensing opportunities and equity investment opportunities in the Company. The directors are confident that these strategies are appropriate to generate sufficient funding to allow the consolidated entity to continue as a going concern.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accordingly the directors have prepared the financial statements on a going concern basis. Should the above assumptions not prove to be appropriate, there is material uncertainty whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in these financial statements.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements have been prepared on an accruals basis and under the historical cost conventions, except for listed equity investments which are carried at fair value.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kazia Therapeutics Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Kazia Therapeutics Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference is between the consideration transferred and the book value.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. The CODM is considered to be the Board of Directors.

Foreign currency translation

The financial statements are presented in Australian dollars, which is the consolidated entity's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation is disposed of.

Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation shall be recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through profit or loss (FVPL)

Classifications are determined by both:

- The entity's business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVPL)

Financial assets that are held within a business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. The Group's investments in equity instruments and derivatives fall under this category.

Impairment of financial assets

AASB 9's new impairment model uses more forward looking information to recognize expected credit losses - the 'expected credit losses (ECL) model'. The application of the new impairment model depends on whether there has been a significant increase in credit risk. The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities comprise trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Investments and other financial assets (comparative period accounting policy)

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss (FVTPL) include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

Finance Income

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Revenue recognition

Revenue from contracts with customers

The Group does not earn revenue from contracts with customers.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Grant Income

The R&D Tax Incentive is a government program which helps to offset some of the incurred costs of R&D. Eligible expenditure incurred under the scheme in a financial year attracts an additional 43.5% tax deduction, and for a group earning income of less than $20 million, the cash value of the additional deduction is remitted to the taxpayer. In accordance with AASB 120, as the compensation relates to expenses already incurred, it is recognised in profit or loss of the period in which it becomes receivable. Accordingly the group accounts for the R&D Tax Incentive in the same year as the expenses to which it relates.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Kazia Therapeutics Limited (the 'parent entity') and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. Kazia Therapeutics Limited as the parent entity discloses all of the deferred tax assets of the tax consolidated group in relation to tax losses carried forward (after elimination of inter-group transactions). The tax consolidated group has applied the 'separate taxpayer in the group' allocation approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

As the tax consolidation group continues to generate tax losses there has been no reason for the company to enter a tax funding agreement with members of the tax consolidation group.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives from 2.5 to 10 years.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Patents and trademarks

Significant costs associated with patents and intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of 5 years.

Licensing agreement for GDC-0084

The Licensing Agreement asset was initially brought to account at fair value, and is being amortised on a straight-line basis over the period of its expected benefit, being the remaining life of the patent, which was15 years from the date of acquisition.

Impairment of non-financial assets

Non-financial assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Compound financial instruments

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest rate method, whereas the equity component is not remeasured. Interest, gains and losses relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting

date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees under the terms of the Employee Share Option Plan ('ESOP') and consultants as compensation for services performed.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on short-term and long-term borrowings.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options, including share based payments relating to the issue of shares are, shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Kazia Therapeutics Limited, 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 financial year.

Diluted earnings per share

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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Standard will not have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020, because the group is not a party to any material leases.

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed as follows:

Research and development expenses

The Directors do not consider the development programs to be sufficiently advanced to reliably determine the economic benefits and technical feasibility to justify capitalisation of development costs. These costs have been recognised as an expense when incurred.

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Research and development expenses relate primarily to the cost of conducting human clinical and pre-clinical trials. Clinical development costs are a significant component of research and development expenses. Estimates have been used in determining the expense liability under certain clinical trial contracts where services have been performed but not yet invoiced. Generally the costs, and therefore estimates, associated with clinical trial contracts are based on the number of patients, drug administration cycles, the type of treatment and the outcome being measured. The length of time before actual amounts can be determined will vary depending on length of the patient cycles and the timing of the invoices by the clinical trial partners.

Clinical trial expenses

Estimates have been used in determining the expense liability under certain clinical trial contracts being performed but not yet invoiced.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

Research and development tax rebate

The R&D Tax Incentive is recognised when a reliable estimate of the amounts receivable can be made. For the year ended 30 June 2019 the group has estimated the rebate which will be received in early 2020 and has accrued that amount as income in the statement of profit or loss and other comprehensive income.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. There have been no deferred tax assets recognised in the financial statements.

Business combinations

The consolidated entity entered into a business combination in a prior year. The transaction was complex, involving the licensing of an asset from one party and the purchase of a company from another party. Significant judgement was required in determining that the transaction was a business combination and in relation to the identification and valuation of assets and liabilities acquired.

Contingent consideration

The fair value of contingent consideration is dependent on the key assumptions including probability of milestones occurring, timing of settlement and discount rates.

NOTE 4. OPERATING SEGMENTS

Identification of reportable operating segments

The consolidated entity's operating segment is based on the internal reports that are reviewed and used by the Board of Directors (being the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The consolidated entity operates in the pharmaceutical research and development business. There are no operating segments for which discrete financial information exists.

The information reported to the CODM, on at least a quarterly basis, is the consolidated results as shown in the statement of profit or loss and other comprehensive income and statement of financial position.

Major customers

During the current and prior financial year there were no major customers.

NOTE 5. REVENUE

	Consolidated	
	2019 $	2018 $
Bank interest	-	119,170

NOTE 6. OTHER INCOME

	Consolidated	
	2019 $	2018 $
Net foreign exchange gain	-	223,998
Payroll tax rebate	**318**	235
Subsidies and grants	**9,413**	685,033
Reimbursement of expenses	**24,614**	8,129
Gain on legal settlement (note 35)	-	8,410,680
Research and development rebate	**1,431,083**	2,200,000
Gain on revaluation of contingent consideration	-	1,461,228
Other income	**1,465,428**	12,989,303

NOTE 7. EXPENSES

	Consolidated	
	2019 $	2018 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	-	191,884
Property, plant and equipment	**103**	18,759
Total depreciation	**103**	210,643
Amortisation		
Patents and intellectual property	-	249,906
Software	-	2,138
GDC licensing agreement	**1,084,347**	1,084,346
Total amortisation	**1,084,347**	1,336,390
Total depreciation and amortisation	**1,084,450**	1,547,033
Impairment		
Leasehold improvements	-	142,851
Finance costs		
Interest and finance charges paid/payable	-	70
Net foreign exchange loss		
Net foreign exchange loss	**17,835**	-
Rental expense relating to operating leases		
Minimum lease payments	**78,521**	300,528
Superannuation expense		
Defined contribution superannuation expense	**128,271**	170,456
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	**1,395,831**	2,212,562
Other expenses		
Revaluation of contingent consideration	**62,729**	-

NOTE 8. INCOME TAX BENEFIT

	Consolidated 2019 $	Consolidated 2018 $
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	**(10,568,459)**	(6,344,499)
Tax at the statutory tax rate of 27.5%	**(2,906,326)**	(1,744,737)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	**67,756**	45,436
Gain/loss on revaluation of contingent consideration	**17,250**	(401,837)
Research and Development claim	**393,548**	605,000
	(2,427,772)	(1,496,138)
Tax losses and timing differences not recognised	**2,129,577**	1,190,881
Income tax benefit	**(298,195)**	(305,257)

	Consolidated 2019 $	Consolidated 2018 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised – Australia	**57,049,913**	50,330,712
Potential tax benefit at 27.5%	**15,688,726**	13,840,946
Unused tax losses for which no deferred tax asset has been recognised – US (in Australian dollars)	**2,365,967**	2,525,188
Potential tax benefit at statutory tax rates at 21% - US (in Australian dollars)	**496,853**	530,289

NOTE 9. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated 2019 $	Consolidated 2018 $
Cash at bank and on hand	**833,868**	2,956,182
Short-term deposits	**4,600,000**	3,000,000
	5,433,868	5,956,182

NOTE 10. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated 2019 $	Consolidated 2018 $
Trade receivables	**16,767**	1,130
R&D tax rebate receivable	**1,439,825**	2,200,000
Less: Allowance for expected credit losses	**(16,767)**	-
	1,439,825	2,201,130
Other receivables	**112,017**	119,890
Deposits held	**563,982**	608,532
Less: Provision for impairment of deposits held	**(405,121)**	(394,073)
	1,710,703	2,535,479

Deposits held included a guarantee to the value of €250,000 ($387,657) for the "APO Trend" case. Please refer to note 28 for further information on this matter.

Allowance for expected credit losses

The consolidated entity has recognised a loss of $16,767 (2018: loss of nil) in profit or loss in respect of impairment of receivables (excluding 'deposits held') for the year ended 30 June 2019.

NOTE 11. CURRENT ASSETS - OTHER

	Consolidated	
	2019 $	2018 $
Prepayments	**369,604**	767,954

NOTE 12. NON-CURRENT ASSETS - FINANCIAL ASSETS

	Consolidated	
	2019 $	2018 $
Listed ordinary shares – FVTPL (2018: Available for Sale)	**25,014**	3,679,542
Unlisted shares and options - FVTPL	**142,800**	655,921
	167,814	4,335,463

Refer to note 25 for further information on fair value measurement.

NOTE 13. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2019 $	2018 $
Plant and equipment - at cost	-	1,845
Less: Accumulated depreciation	-	(666)
	-	1,179

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvement $	Plant and equipment $	Total $
Balance at 1 July 2017	383,614	105,991	489,605
Additions	6,705	2,480	9,185
Disposals	(55,584)	(88,533)	(144,117)
Impairment of assets	(142,851)	-	(142,851)
Depreciation expense	(191,884)	(18,759)	(210,643)
Balance at 30 June 2018	-	1,179	1,179
Disposals	-	(1,076)	(1,076)
Depreciation expense	-	(103)	(103)
Balance at 30 June 2019	-	-	-

NOTE 14. NON-CURRENT ASSETS - INTANGIBLES

	Consolidated	
	2019 $	2018 $
Patents and intellectual property - at cost	**2,850,517**	2,850,517
Less: Accumulated amortisation	**(2,850,517)**	(2,850,517)
	-	-
Licensing agreement - at acquired fair value	**16,407,788**	16,407,789
Less: Accumulated amortisation	**(2,913,305)**	(1,828,959)
	13,494,483	14,578,830
	13,494,483	14,578,830

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Software $	Patents and intellectual property $	GDC licensing agreement $	Total $
Balance at 1 July 2017	5,272	249,906	15,663,176	15,918,354
Disposals	(3,134)	-	-	(3,134)
Amortisation expense	(2,138)	(249,906)	(1,084,346)	(1,336,390)
Balance at 30 June 2018	-	-	14,578,830	14,578,830
Amortisation expense	-	-	(1,084,347)	(1,084,347)
Balance at 30 June 2019	-	-	13,494,483	13,494,483

NOTE 15. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	2019 $	2018 $
Trade payables	**1,049,944**	1,406,887
Accrued payables	**713,517**	575,871
Other current liability	**479**	84,000
	1,763,940	2,066,758

Refer to note 24 for further information on financial instruments.

NOTE 16. CURRENT LIABILITIES - PROVISIONS

	Consolidated	
	2019 $	2018 $
Employee benefits	**136,352**	90,744
Lease make good	**-**	70,583
	136,352	161,327

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated - 2019	Lease make good $
Carrying amount at the start of the year	**70,583**
Unused amounts reversed	**(70,583)**
Carrying amount at the end of the year	**-**

NOTE 17. CURRENT LIABILITIES - CONTINGENT CONSIDERATION

	Consolidated	
	2019 $	2018 $
Contingent consideration	-	1,521,228

NOTE 18. NON-CURRENT LIABILITIES - DEFERRED TAX

	Consolidated	
	2019 $	2018 $
Deferred tax liability associated with Licensing Agreement	**3,710,983**	4,009,178
Amount expected to be settled within 12 months	**298,195**	305,257
Amount expected to be settled after more than 12 months	**3,412,788**	3,703,921
	3,710,983	4,009,178

NOTE 19. NON-CURRENT LIABILITIES - CONTINGENT CONSIDERATION

	Consolidated	
	2019 $	2018 $
Contingent consideration	**1,370,431**	1,036,474

During the 2017 financial year, the consolidated entity acquired 100% of the issued shares in Glioblast Pty Ltd, a privately-held, neuro-oncology-focused Australian biotechnology company. On the same day, Kazia entered into a worldwide licensing agreement with Genentech to develop and commercialise GDC-0084.

The Glioblast acquisition contains four contingent milestone payments, the first two milestone payments are to be settled with Kazia shares, and the third and fourth milestone payments are to be settled with either cash or Kazia shares at the discretion of Kazia. Milestone 1 has now been paid out, and Milestone 3 has lapsed.

The Genentech Agreement comprises of one milestone payment payable on the first commercial licensed product sale.

The range of outcomes of contingent consideration are summarised below:

	Contingent consideration	
Milestone	High	Low
Milestone 2	1,250,000	1,250,000
Milestone 4	4,199,000	3,400,000
Milestone 5	1,394,000	1,394,000
Total	6,843,000	6,044,000

Each milestone payment is probability weighted for valuation purposes. The milestone payments are discounted to present value, using a discount rate of 35% per annum, if they are expected to be achieved more than 12 months after the valuation date. The contingent consideration was revalued at 30 June 2019 to take into account revised estimated probabilities and timelines of certain milestones being achieved, and a portion of the discount has unwound with the resultant loss on contingent consideration being recognised in profit and loss.

Kazia is also required to pay royalties to Genentech in relation to net sales. These payments are related to future financial performance, and are not considered as part of the consideration in relation to the Genentech Agreement.

NOTE 20. EQUITY - CONTRIBUTED EQUITY

	Consolidated			
	2019 Shares	2018 Shares	2019 $	2018 $
Ordinary shares - fully paid	**62,166,673**	48,409,621	**36,641,519**	31,575,824

NOTE 20. EQUITY - CONTRIBUTED EQUITY (CONTINUED)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2017	483,287,914		193,769,409
Share consolidation - note 1	17 November 2017	(434,958,293)	$0.000	-
Issue of shares to Scientific Advisory Board	30 November 2017	80,000	$0.370	29,600
Cancellation of share capital - note 2	31 December 2017	-	$0.000	(162,223,185)
Balance	30 June 2018	48,409,621		31,575,824
Share placement	24 October 2018	8,900,001	$0.380	3,382,000
Milestone 1 shares issued in connection with purchase of Glioblast Pty Limited (GDC-0084)	9 November 2018	2,820,824	$0.440	1,250,000
Issued under Share Purchase Plan	23 November 2018	2,036,227	$0.380	773,760
Share issue transaction costs		-	$0.000	(340,065)
Balance	30 June 2019	62,166,673		36,641,519

Ordinary shares

Note 1 - Share consolidation of 10 to 1, which was approved by the shareholders at the Annual General Meeting on 15 November 2017, occurred in the prior financial year.

Note 2 - Section 258F of the Corporations Act allows a company to reduce its share capital by cancelling any paid-up share capital which is lost or is not represented by available assets. The directors believe that $162,223,185 of the parent entity's share capital satisfies the criteria in Section 258F of the Corporations Act and accordingly this amount of the ordinary share capital was cancelled in the prior financial year.

The shares issued in connection with the purchase of Glioblast Pty Limited constituted a non-cash transaction, and accordingly this transaction is not reflected in the Statement of Cash Flows.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

The capital structure of the consolidated entity consists of cash and cash equivalents and equity attributable to equity holders. The overall strategy of the consolidated entity is to continue its drug development programs, which depends on raising sufficient funds, through a variety of sources including issuing of additional share capital, as may be required from time to time.

The capital risk management policy remains unchanged from the prior year.

NOTE 21. EQUITY - OTHER CONTRIBUTED EQUITY

	Consolidated	
	2019 $	2018 $
Convertible note - Triaxial	**464,000**	464,000

On 4 December 2014, the consolidated entity and the convertible note holder ('Triaxial') signed a Convertible Note Deed Poll ('Deed') which superseded the precedent Loan Agreement between Triaxial shareholders and the consolidated entity. The Deed extinguishes the liability created by the Loan Agreement and provides that the Convertible Notes will convert into a pre-determined number of ordinary shares on the achievement of defined milestones established in the schedule of the Deed. Accordingly the convertible note has been reclassified as an equity instrument rather than debt instrument.

NOTE 21. EQUITY - OTHER CONTRIBUTED EQUITY (CONTINUED)

During the financial year ended 30 June 2017, the Company reached two milestones triggering the conversion of a portion of its convertible note as follows;

- on 11 August 2016 the Company announced the submission of an IND application. On 10 September 2016, the Company received a letter from the FDA advising the study may proceed triggering conversion of 20,000,000 ordinary shares.
- on 31 October 2016, the Company announced it had licensed a Phase II ready molecule triggering the conversion of 16,000,000 ordinary shares.

During the financial year ended 30 June 2018, a portion of the convertible notes was extinguished.

The remaining portion of the convertible note will be exercised at the holders' discretion on completion of Phase II clinical trial or achieving Breakthrough Designation, and would convert to 1,856,000 ordinary shares if converted. Completion will be deemed to occur upon the receipt by the consolidated entity of a signed study report or notification of the designation. There is a possibility for an early conversion of the convertible notes if a third party acquires more than 50% of the issued capital of the consolidated entity.

NOTE 22. EQUITY - RESERVES

Foreign currency translation reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and executive directors as part of their remuneration, and other parties as part of their compensation for services.

NOTE 23. EQUITY - DIVIDENDS

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Franking credits

There were no franking credits available at the reporting date.

NOTE 24. FINANCIAL INSTRUMENTS

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The consolidated entity uses different methods to measure and manage the different types of risks to which it is exposed. These methods include monitoring the levels of exposure to interest rates and foreign exchange, ageing analysis and monitoring of specific credit allowances to manage credit risk, and, rolling cash flow forecasts to manage liquidity risk.

Market risk

Foreign currency risk

The consolidated entity operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollars ('USD'). Foreign exchange risk arises from future transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations.

As of 30 June 2019, the consolidated entity did not hold derivative financial instruments in managing its foreign currency, however, the consolidated entity may from time to time enter into hedging arrangements where circumstances are deemed appropriate. The consolidated entity used natural hedging to reduce the foreign currency risk, which involved processing USD payments from cash held in USD. Foreign subsidiaries with a functional currency of Australian Dollars ('AUD') have exposure to the local currency of these subsidiaries and any other currency these subsidiaries trade in.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	Assets		Liabilities	
Consolidated	2019 $	2018 $	2019 $	2018 $
US dollars	**30,720**	316,588	**1,046,504**	895,525
Euros	**-**	-	**731**	-
	30,720	316,588	**1,047,235**	895,525

The consolidated entity had net liabilities denominated in foreign currencies of $1,016,515 as at 30 June 2019 (2018: net liabilities $578,937).

NOTE 24. FINANCIAL INSTRUMENTS (CONTINUED)

If the AUD had strengthened against the USD by 10% (2018: 10%) then this would have had the following impact:

	AUD strengthened			AUD weakened		
Consolidated - 2019	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
US dollars	10%	101,578	101,578	(10%)	(101,578)	(101,578)
Euros	10%	73	73	(10%)	(73)	(73)
		101,651	101,651		(101,651)	(101,651)

	AUD strengthened			AUD weakened		
Consolidated - 2018	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
US dollars	10%	57,894	57,894	(10%)	(57,894)	(57,894)

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The consolidated entity's exposure to market interest rates relate primarily to the investments of cash balances.

The consolidated entity has cash reserves held primarily in Australian dollars and United States dollars and places funds on deposit with financial institutions for periods generally not exceeding three months.

As at the reporting date, the consolidated entity had the following variable interest rate balances:

	2019		2018	
Consolidated	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Cash at bank and in hand	0.03%	833,868	0.04%	2,956,182
Short term deposits	1.88%	4,600,000	2.35%	3,000,000
Net exposure to cash flow interest rate risk		5,433,868		5,956,182

The consolidated entity has cash and cash equivalents totalling $5,433,868 (2018: $5,956,182). An official increase/decrease in interest rates of 100 basis points (2018: 100 basis points) would have a favourable/adverse effect on profit before tax and equity of $54,337 (2018: $59,562) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The entity is not exposed to significant credit risk on receivables.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

The consolidated entity places its cash deposits with high credit quality financial institutions and by policy, limits the amount of credit exposure to any single counter-party. The consolidated entity is averse to principal loss and ensures the safety and preservation of its invested funds by limiting default risk, market risk, and reinvestment risk. The consolidated entity mitigates default risk by constantly positioning its portfolio to respond appropriately to a significant reduction in a credit rating of any financial institution.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

There are no significant concentrations of credit risk within the consolidated entity. The credit risk on liquid funds is limited as the counter parties are banks with high credit ratings.

Credit risk is managed by limiting the amount of credit exposure to any single counter-party for cash deposits.

NOTE 24. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. In particular, contingent consideration may be satisfied either by payment of cash or by issue of shares, at the discretion of the entity.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2019	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Trade payables	-	1,049,944	-	-	-	1,049,944
Accrued payables	-	713,517	-	-	-	713,517
Contingent consideration	-	-	-	5,193,500	1,394,000	6,587,500
Total non-derivatives		1,763,461	-	5,193,500	1,394,000	8,350,961

Consolidated - 2018	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Trade payables	-	1,406,887	-	-	-	1,406,887
Accrued payables	-	575,871	-	-	-	575,871
Contingent consideration	-	4,250,000	-	4,650,000	1,394,000	10,294,000
Total non-derivatives		6,232,758	-	4,650,000	1,394,000	12,276,758

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

NOTE 25. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 2019	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Ordinary shares - listed	25,014	-	-	25,014
Unlisted options	-	-	142,800	142,800
Total assets	25,014	-	142,800	167,814
Liabilities				
Contingent consideration	-	-	1,370,431	1,370,431
Total liabilities	-	-	1,370,431	1,370,431

Consolidated - 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Ordinary shares - listed	3,679,542	-	-	3,679,542
Unlisted options	-	-	655,921	655,921
Total assets	3,679,542	-	655,921	4,335,463
Liabilities				
Contingent consideration	-	-	2,557,702	2,557,702
Total liabilities	-	-	2,557,702	2,557,702

There were no transfers between levels during the financial year.

The fair value of contingent consideration related to the acquisition of Glioblast Pty Ltd and the licence agreement is estimated by probability-weighting the expected future cash outflows, adjusting for risk and discounting.

The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the estimated cash flows rather than adjusting the discount rate. The estimated cashflows were adjusted based on the directors' assessment of achieving contracted milestones as disclosed in Note 19. The probabilities used fell in the range of 35% to 55% and were informed by generally accepted industry probabilities of drugs achieving certain milestones in their progression towards registration.

NOTE 26. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated 2019 $	Consolidated 2018 $
Short-term employee benefits	1,175,398	1,635,719
Post-employment benefits	84,161	90,490
Share-based payments	125,010	117,027
	1,384,569	1,843,236

Please refer to note 30 for other transactions with key management personnel and their related parties.

NOTE 27. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company:

	Consolidated	
	2019 $	2018 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	**119,800**	130,833
Other services - Grant Thornton Audit Pty Ltd		
F3 review	**-**	11,245
	119,800	142,078

NOTE 28. CONTINGENT LIABILITIES

The consolidated entity is continuing to prosecute its Intellectual Property ('IP') rights against an Austrian company, APOtrend. At 30 June 2019 the Austrian Supreme Court has rendered a final decision on the patent infringement. As a result, Kazia is entitled to make a claim against APOtrend in relation to two of the three products which were the subject of the claim, while for the third product, Kazia's claim was denied. In respect of this third product, APOtrend is entitled to claim compensation for damages caused by a preliminary injunction. At the date of this report, no claim has been made by either party. Kazia is entitled to access APOtrend's books to calculate a license fee/other payment claims against APOtrend. Kazia is currently trying to enforce this right in court.

The consolidated entity has provided a guarantee to the value of €250,000 ($387,657) with the court to provide a security for potential damage claims raised by APOtrend (which is not limited to this amount, however). As at 30 June 2019, the receivable balance continues to be fully impaired on the basis that it is unlikely to be recovered.

NOTE 29. COMMITMENTS

The Company is not a party to any contracts with material commitments.

NOTE 30. RELATED PARTY TRANSACTIONS

Parent entity

Kazia Therapeutics Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 32.

Key management personnel

Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

Transactions with related parties

There was no other transaction with KMP and their related parties.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

NOTE 31. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2019 $	2018 $
Loss after income tax	(7,198,302)	(5,378,469)
Total comprehensive income	(7,198,302)	(5,378,469)

Statement of financial position

	Parent	
	2019 $	2018 $
Total current assets	7,015,002	7,902,064
Total assets	20,677,299	26,817,536
Total current liabilities	213,444	1,714,055
Total liabilities	5,294,858	6,759,707
Equity		
Contributed equity	36,641,519	31,575,823
Other contributed equity	464,000	464,000
Reserves	2,489,121	2,205,789
Accumulated losses	(24,212,199)	(14,187,783)
Total equity	15,382,441	20,057,829

Reserves comprise Share Based Payments reserve of $2,489,121 (2018: Share Based Payments reserve of $2,242,734 and Available for Sale reserve of $(36,824)).

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018, except as detailed in note 28.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2019 and 30 June 2018.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

NOTE 32. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

		Ownership interest	
Name	Principal place of business/ Country of incorporation	2019 %	2018 %
Kazia Laboratories Pty Ltd	Australia	100.00%	100.00%
Kazia Research Pty Ltd	Australia	100.00%	100.00%
Kazia Therapeutics Inc.	United States of America	100.00%	100.00%
Glioblast Pty Ltd	Australia	100.00%	100.00%

NOTE 33. EARNINGS PER SHARE

	Consolidated	
	2019 $	2018 $
Loss after income tax attributable to the owners of Kazia Therapeutics Limited	**(10,270,264)**	(6,039,242)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	**57,503,555**	48,376,525
Weighted average number of ordinary shares used in calculating diluted earnings per share	**57,503,555**	48,376,525
	Cents	Cents
Basic earnings per share	**(17.86)**	(12.48)
Diluted earnings per share	**(17.86)**	(12.48)

1,865,000 unlisted convertible notes with a face value of $464,000, 5,048,266 unlisted options and 3,148,400 listed options have been excluded from the above calculations as they were anti-dilutive.

NOTE 34. SHARE-BASED PAYMENTS

The options in tranches 1 - 3 in the table below have been issued as consideration for services rendered in relation to capital raising conducted during a previous year by the consolidated entity.

The options in tranches 4 - 14 in the table below have been issued to employees under the ESOP. In total, $246,387 (2018: $165.222) of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in profit or loss during the year and credited to share-based payment reserve.

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Forfeited on cessation of employment	Balance at the end of the year
04/03/2015	16/12/2019	$1.500	46,647	-	-	-	46,647
04/03/2015	18/12/2019	$1.500	19,952	-	-	-	19,952
24/06/2015	30/06/2020	$4.000	519,000	-	-	-	519,000
15/11/2015	16/11/2020	$2.200	236,667	-	-	-	236,667
18/03/2016	01/02/2021	$1.990	300,000	-	-	-	300,000
18/03/2016	01/02/2021	$1.990	200,000	-	-	-	200,000
18/03/2016	01/02/2021	$2.610	250,000	-	-	-	250,000
05/09/2016	05/09/2021	$1.630	50,000	-	-	-	50,000
12/10/2016	17/10/2021	$1.560	62,000	-	-	-	62,000
31/10/2016	01/11/2021	$1.380	12,500	-	-	-	12,500
21/11/2016	23/11/2021	$1.380	50,000	-	-	-	50,000
07/08/2017	07/08/2022	$0.670	224,000	-	-	-	224,000
05/02/2018	05/02/2023	$0.780	440,000	-	-	-	440,000
04/01/2019	04/01/2024	$0.492	-	250,000	-	-	250,000
			2,410,766	250,000	-	-	2,660,766
Weighted average exercise price			$2.120	$0.490	$0.000	$0.000	$1.960

At the end of the period the following options were vested and exercisable:

- Options from Tranche 1 to Tranche 6, Tranches 8, 10 and 11 were vested and exercisable
- Options in Tranches 7 and 14 were unvested
- Options from Tranche 9 and 13 were vested and exercisable as to 50%
- Options from Tranche 12 were vested and exercisable as to 25%

All remaining options are expected to vest in future periods. No options have expired during the financial year.

The weighted average remaining contractual life of options outstanding at the 30 June 2019 is 1.43 years.

NOTE 34. SHARE-BASED PAYMENTS (CONTINUED)

2018

Grant date	Expiry date	Exercise Price	Balance at the start of the year	Granted	Exercised	Forfeited on cessation of employment	Balance at the end of the year
04/03/2015	16/12/2019	$1.500	466,470	-	(419,823)	-	46,647
04/03/2015	18/12/2019	$1.500	199,521	-	(179,569)	-	19,952
24/06/2015	30/06/2020	$4.000	5,190,000	-	(4,671,000)	-	519,000
15/11/2015	16/11/2020	$2.200	3,633,334	-	-	(3,396,667)	236,667
18/03/2016	01/02/2021	$1.990	3,000,000	-	(2,700,000)	-	300,000
18/03/2016	01/02/2021	$1.990	2,000,000	-	(1,800,000)	-	200,000
18/03/2016	01/02/2021	$2.610	2,500,000	-	(2,250,000)	-	250,000
05/09/2016	05/09/2021	$1.630	2,000,000	-	(1,800,000)	(150,000)	50,000
12/10/2016	17/10/2021	$1.560	620,000	-	(558,000)	-	62,000
31/10/2016	01/11/2021	$1.380	500,000	-	(450,000)	(37,500)	12,500
21/11/2016	23/11/2021	$1.380	2,000,000	-	(1,800,000)	(150,000)	50,000
07/08/2017	07/08/2022	$0.670	-	224,000	-	-	224,000
05/02/2018	05/02/2023	$0.780	-	440,000	-	-	440,000
			22,109,325	664,000	(16,628,392)	(3,734,167)	2,410,766
Weighted average exercise price			$0.244	$0.740	$0.000	$2.140	$2.120

* Options from Tranche 1 to Tranche 6, Tranches 8, 10 and 11 listed above were vested and exercisable at the end of the period.
Options from Tranche 9 listed above include 1/4 vested options at the end of the period.
All remaining options are expected to vest in future periods.

The weighted average remaining contractual life of options outstanding at the 30 June 2018 is 2.97 years.

Employee share options

During the year ended 30 June 2019, 250,000 options have been issued to the employees by the consolidated entity pursuant to the Company's Employee Share Option Plan.

- Tranche 14 of 250,000 options vesting equally over 2 years in 6 monthly intervals

An option will only vest if the option holder continues to be a full-time employee with the Company or an Associated Company during the vesting period relating to the option.

Conditions for an option to be exercised:

- The option must have vested and a period of 1 year from the date the option was issued must have expired;
- Option holder must have provided the Company with an Exercise Notice and have paid the Exercise Price for the option.
- The Exercise Notice must be for the exercise of at least the Minimum Number of Options;
- The Exercise Notice must have been provided to the Company and Exercise Price paid before the expiry of 5 years from the date the Option is issued.

Options Valuation

In order to obtain a fair valuation of these options, the following assumptions have been made:

The Black Scholes option valuation methodology has been used with the expectation that the majority of these options would be exercised towards the end of the option term. Inputs into the Black Scholes model includes the share price at grant date, exercise price, volatility, and the risk free rate of a five year Australian Government Bond on grant date.

Risk-free rate and grant date

For all tranches, the risk-free rate of a five-year Australian Government bond on grant date was used. Please refer to the table below for details.

Options in Tranches 4 to 14 have various vesting periods and exercising conditions. These options are unlisted as at 30/06/2019.

No dividends are expected to be declared or paid by the consolidated entity during the terms of the options.

The underlying expected volatility was determined by reference to historical data of the Company's shares over a period of time. No special features inherent to the options granted were incorporated into measurement of fair value.

NOTE 34. SHARE-BASED PAYMENTS (CONTINUED)

Based on the above assumptions, the table below sets out the valuation for each tranche of options:

Grant date	Expiry date	Share price at Grant Date	Exercise price	Volatility (%)	Remaining Life (years)	Risk free Rate (%)	Fair value per option
04/03/2015	16/12/2019	$0.180	$1.500	120.00%	2.46	2.07%	$1.500
04/03/2015	18/12/2019	$0.180	$1.500	120.00%	2.47	2.07%	$1.500
24/06/2015	30/06/2020	$0.245	$4.000	150.00%	3.00	2.02%	$2.170
15/10/2015	16/11/2020	$0.140	$2.200	158.11%	3.38	2.04%	$1.280
18/03/2016	01/02/2021	$0.115	$1.990	130.00%	3.59	2.00%	$0.810
18/03/2016	01/02/2021	$0.115	$1.990	130.00%	3.59	2.00%	$0.860
18/03/2016	01/02/2021	$0.115	$2.610	130.00%	3.59	2.00%	$0.870
05/09/2016	05/09/2021	$0.105	$1.630	122.00%	4.19	1.60%	$0.840
12/10/2016	17/10/2021	$0.098	$1.560	122.00%	4.30	1.89%	$0.780
31/10/2016	01/11/2021	$0.090	$1.380	122.00%	4.34	1.87%	$0.720
21/11/2016	23/11/2021	$0.092	$1.380	122.00%	4.40	2.10%	$0.730
07/08/2017	07/08/2022	$0.430	$0.670	74.50%	4.00	1.95%	$0.206
05/02/2018	05/02/2023	$0.500	$0.780	74.50%	3.00	1.95%	$0.200
04/01/2019	04/01/2024	$0.340	$0.492	74.50%	3.00	1.95%	$0.140

NOTE 35. SETTLEMENT OF LEGAL PROCEEDINGS

In the prior financial year, the consolidated entity reached an agreement with another ASX listed company, Noxopharm Limited, in relation to that company's key asset, NOX66. Under this agreement, the consolidated entity has released Noxopharm Limited from any claims of ownership it believes it may have had of NOX66 or the IP and technology that underpins it. In return, the consolidated entity received the following:

1) 5,970,714 ordinary shares in Noxopharm Limited, held under voluntary escrow until 14 June 2018 (value at date of settlement: $6,490,680);

2) 3,000,000 unlisted options in Noxopharm Limited, with an exercise price of $0.80, expiring 18 January 2020, unable to be exercised prior to 18 July 2018 (value at date of settlement: $1,770,000);

3) extinguishment of certain convertible notes (book value: $136,000); and

4) a cash payment of $165,000 (including GST) from Noxopharm Limited.

Items 1,2 and 4, totalling $8,410,680 net of GST, have been reflected in the profit and loss as 'other income' while item 3, representing $136,000, has been dealt with as a movement in equity in the 2018 financial year.

NOTE 36. SUBSEQUENT EVENTS

Since the end of the financial year the Company signed an agreement with Memorial Sloan Kettering Cancer Center (MSK) in New York, whereby MSK will investigate the potential use of Kazia's investigational new drug, GDC-0084, in combination with radiotherapy in a phase I clinical trial for cancer that has spread to the brain (brain metastases and leptomeningeal metastases). This research will explore a new use of GDC-0084 and will run concurrently with other ongoing studies in different forms of brain cancer.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Board of Directors

Mr Iain Ross
Chairman

Dr James Garner
Managing Director, Chief Executive Officer

29 August 2019
Sydney

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Independent Auditor's Report

To the Members of Kazia Therapeutics Limited

Report on the audit of the financial report

Opinion

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

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 Group 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.

Grant Thornton

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of $10,270,264 during the year ended 30 June 2019, and had a net operating cash outflows of $6,714,210. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Intangible asset impairment (Note 2 and Note 14)	
The Group carries on its statement of financial position the Licensing Agreement which grants the Company the right to develop the GDC-0084 molecule. The asset has a carrying value of $13.5million and is being amortised over the 20-year life of the underlying patent. AASB 136 *Impairment of Assets* requires an entity to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any indication exists, the entity shall estimate the recoverable amount of the asset. Assessing whether there is any indication that an asset may be impaired involves a high degree of judgement. This area is a key audit matter due to the complexities and high degree of judgement in assessing whether there are indicators of impairment.	Our procedures included, amongst others: • obtaining an understanding of and evaluating management's process and controls related to the assessment of the existence of impairment indicators; • reviewing and assessing management's documented consideration of the existence of any impairment indicators; • considering each of the internal and external factors outlined by AASB 136 and assessing whether any indicators of impairment are present; • evaluating all information gathered to form a view as to the reliability of management's determination; and • assessing the adequacy of the relevant disclosures in the financial statements.

Completeness of contingent consideration (Note 17 & Note 19)	
During the 2017 financial year, the consolidated entity acquired 100% of the issued shares in Glioblast Pty Ltd, a privately-held, neuro-oncology-focused Australian biotechnology company. On the same day, Kazia entered into a worldwide licensing agreement with Genentech to develop and commercialise GDC-0084. As disclosed in Note 19, the acquisition agreements contain contingent payments dependent on the achievement of contracted milestones. Management experts were used in the assessment of the likely success and timing of each milestone. The estimate of the contingent consideration at 30 June 2019 is $1.37 million. We consider the fair value of the contingent consideration at 30 June 2019 to be a key audit matter due to the high level of subjectivity and management judgement involved in calculating the contingent consideration and the materiality of the amounts in question.	Our audit procedures, amongst others included the following: • obtaining an understanding of and evaluating management's process and controls related the estimation of the of the liability; • evaluating the competence, capabilities and objectivity of management's experts; • obtaining management's calculation of the contingent consideration liability and assessing the key inputs and assumptions made by management's experts; • where management's assumptions are applied to other critical accounting estimates, such as the valuation of intangible assets described above, assessing whether those assumptions have been applied consistently across estimates; and • assessing the adequacy of the relevant disclosures in the financial statements.
Recognition of R&D tax incentive (Note 6, Note 8, Note 10)	

Under the research and development (R&D) tax incentive scheme, the Group receives a 43.5% refundable tax offset of eligible expenditure if its turnover is less than $20 million per annum, provided it is not controlled by income tax exempt entities. A Registration of R&D Activities Application is filed with AusIndustry in the following financial year and, based on this filing, the Group receives the incentive in cash.
Management engaged an R&D expert to perform a detailed review of the Group's total R&D expenditure to determine the potential claim under the R&D tax incentive legislation. The receivable at year-end for the incentive was $1.44million. This represents an estimated claim for the period 1 July 2018 to 30 June 2019.
This area is a key audit matter due to the size of the receivable and because there is a degree of judgement and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme.
	Our procedures included, amongst others:
	• obtaining and documenting, through discussions with management, an understanding of the process to estimate the claim;
	• evaluating the competence, capabilities and objectivity of management's expert;
	• utilising an internal R&D tax specialist in:
	  ○ reviewing the methodology used by management for consistency with the R&D tax offset rules; and
	  ○ considering the nature of the expenses against the eligibility criteria of the R&D tax incentive scheme to assess whether the expenses included in the estimate were likely to meet the eligibility criteria.
	• inspecting supporting documentation for a sample of expenses claimed to assess validity of the claimed amount and eligibility against the R&D tax incentive scheme criteria;
	• comparing the nature of the R&D expenditure included in the current year estimate to the prior year claim;
	• comparing the eligible expenditure used in the receivable calculation to the expenditure recorded in the general ledger;
	• considering the entity's history of successful claims;
	• inspecting copies of relevant correspondence with AusIndustry and the Australian Taxation Office related to the claims; and
	• assessing the adequacy of the relevant disclosures in the financial statements.

Grant Thornton

Information other than the financial report and auditor's report thereon

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

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

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

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

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group'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 Group or to cease operations, or have 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 25 to 31 of the Directors' report for the year ended 30 June 2019.

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

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton Audit Pty Ltd
Chartered Accountants

S M Coulton
Partner – Audit & Assurance

Sydney, 29 August 2019

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 23 August 2019.

Range	Total holders	Number of shares
1 - 1,000	3,104	840,152
1,001 - 5,000	975	2,487,823
5,001 - 10,000	299	2,288,404
10.001 - 100,000	394	11,309,209
Over 100,000	50	45,241,085
Total	**4,822**	**62,166,673**
Holding less than a marketable parcel	3,262	1,025,707

EQUITY SECURITY HOLDERS

The names of the twenty largest quoted equity security holders are listed below:

	Units	% Units
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	23,797,096	38.28
WILLOUGHBY CAPITAL PTY LTD <WILLOUGHBY CAPITAL A/C>	7,220,000	11.61
MNA FAMILY HOLDINGS PTY LTD <HISHENK PTY LTD SUPER A/C>	1,855,792	2.99
KILINWATA INVESTMENTS PTY LTD <LIFE SCIENCE PORTFOLIO A/C>	1,844,000	2.97
D & G BROWN INVESTMENTS PTY LIMITED	790,174	1.27
MISS MI OK CHONG	624,312	1.00
MR EVAN KNIGHT MORGAN + MRS CAROLYN MARY MORGAN <EVAN K MORGAN SUPER A/C>	500,000	0.80
C & L JACKSON INVESTMENTS PTY LTD <JACKSON FAMILY S/FUND A/C>	475,212	0.76
MR IAIN ROSS	475,001	0.76
EL CORONADO HOLDINGS	453,164	0.73
PHYTOSE CORPORATION PTY LTD <BOUNDARY ONE SUPER FUND A/C>	442,697	0.71
MR TONY MARK ELDRIDGE + MRS ANITA MAREE ELDRIDGE <TM & AM ELDRIDGE SUPER A/C>	400,000	0.64
MRS ALISON LOUISE SUTERS + MR MARK GERARD SUTERS	340,076	0.55
MR JOHN PETSAS	330,511	0.53
CITICORP NOMINEES PTY LIMITED	315,421	0.51
MR MOHAMMED SHAHEED	286,876	0.46
DR ANDREW HEATON	246,536	0.40
YAT HING INVESTMENT PTY LTD <TANG FAMILY A/C>	229,474	0.37
MR ROSS RICHARD EDDISON	220,725	0.36
MRS JANET LOUISE BOWTELL	200,000	0.32
MR ANDREW WENG SEN KOK	200,000	0.32
	41,247,067	66.35

SUBSTANTIAL HOLDERS

Substantial holders of equity in the Company are:

WILLOUGHBY CAPITAL PTY LTD <WILLOUGHBY CAPITAL A/C>	7,220,000	11.61
MNA FAMILY HOLDINGS PTY LTD <HISHENK PTY LTD SUPER A/C>	1,855,792	2.99
PLATINUM INTERNATIONAL HEALTH CARE FUND *	6,578,948	10.58
	15,654,740	**25.18**

* Held by a nominee

VOTING RIGHTS

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

CORPORATE DIRECTORY

DIRECTORS

Mr Iain Ross
Mr Bryce Carmine
Mr Steven Coffey
Dr James Garner

COMPANY SECRETARY

Ms Kate Hill

REGISTERED OFFICE

Three International Towers,
Level 24
300 Barangaroo Avenue
Sydney NSW 2000

PRINCIPAL PLACE OF BUSINESS

Three International Towers,
Level 24
300 Barangaroo Avenue
Sydney NSW 2000

SHARE REGISTER

Computershare Investor Services Pty Limited
Level 4
60 Carrington Street
Sydney NSW 2000
Tel: 1300 787 272

AUDITOR

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000

STOCK EXCHANGE LISTING

Kazia Therapeutics Limited ordinary shares are listed on the Australian Securities Exchange (ASX code: KZA)

Kazia Therapeutics Limited's ordinary shares trade in the United States in the form of ADRs on the NASDAQ Capital Market (NASDAQ code: KZIA). At year end each ADR represents ten ordinary Kazia shares.

Kazia Therapeutics Limited options are listed on the Australian Securities Exchange (ASX code KZAO)

WEBSITE

www.kaziatherapeutics.com

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KAZIA

THERAPEUTICS