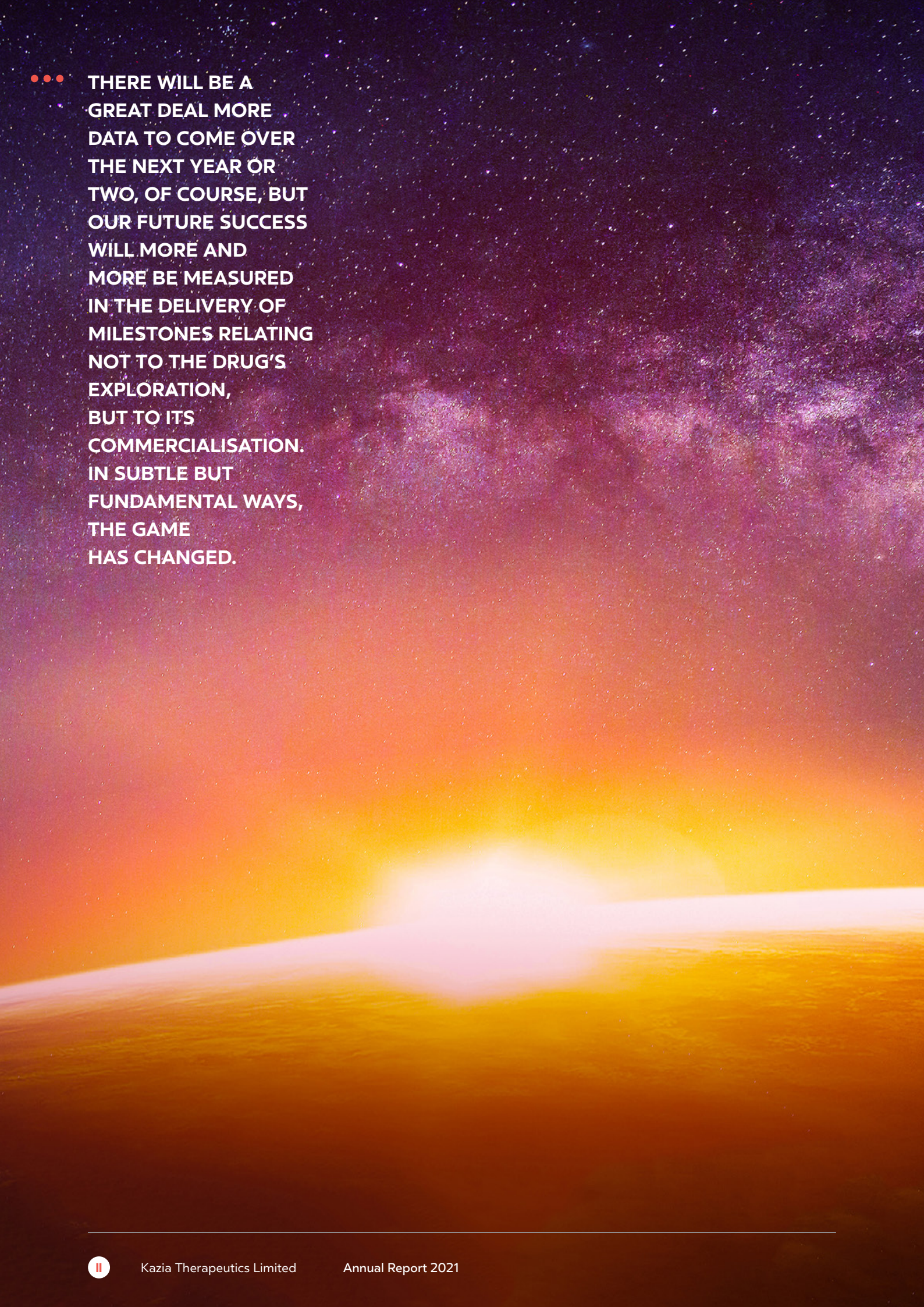

KAZIA
THERAPEUTICS
kaziatherapeutics.com
ANNUAL REPORT 2021
ASX:KZA | NASDAQ:KZIA


THERE WILL BE A GREAT DEAL MORE DATA TO COME OVER THE NEXT YEAR OR TWO, OF COURSE, BUT OUR FUTURE SUCCESS WILL MORE AND MORE BE MEASURED IN THE DELIVERY OF MILESTONES RELATING NOT TO THE DRUG'S EXPLORATION, BUT TO ITS COMMERCIALISATION. IN SUBTLE BUT FUNDAMENTAL WAYS, THE GAME HAS CHANGED.

2021 AT A GLANCE

OUR CLINICAL RESEARCH

Two best-in-class or first-in-class development candidates in clinical trials by end of CY2021

9

ongoing clinical trials with paxalisib

As at 30 June 2021

45

hospitals currently recruiting patients in GBM AGILE

As at 30 June 2021

>150

patients treated with paxalisib worldwide to date

As at 30 June 2021

OUR PATIENTS

Paxalisib is under investigation across a diverse range of brain cancers

4

distinct indications in phase II studies with paxalisib

Glioblastoma, DIPG, primary CNS lymphoma, brain metastases

Number of phase III clinical trials active globally

Lung Cancer
184

Glioblastoma
13

SOURCE: clinicaltrials.gov

Average survival from diagnosis with glioblastoma

12-18 months

SOURCE: National Brain Tumor Society

OUR BUSINESS

Kazia has grown rapidly, driven by progress in its world-class pipeline of cancer drug candidates

3

major cross-border licensing deals in FY2021

US$ 323M

in potential milestone payments from outbound partnering deals

80%

of operating cashflows invested in R&D
For FY2021

$24M

of new equity capital raised through financing in FY2021

Kazia Therapeutics is an innovative oncology-focused drug development company. We collaborate with clinicians, scientists, and researchers around the world to bring new hope to patients with cancer.

Overall Survival

Paxalisib
17.5 months

Temozolomide (existing standard of care)
12.7 months

Interim analysis as at November 2020

Phase I study of EVT801 expected to commence by end CY2021

96

Up to 96 patients planned in EVT801 phase I study

as at 30 June 2021

Average age at diagnosis with DIPG

5-7 years

SOURCE: DIPG.org

Number of new diagnoses of brain metastases each year in United States

>200,000

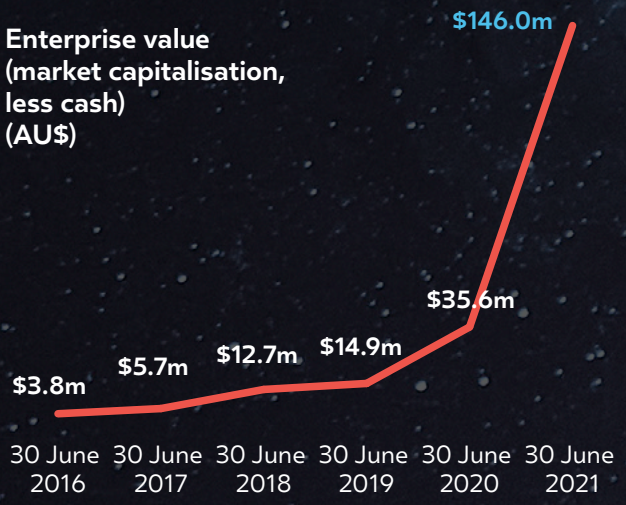
SOURCE: American Association of Neurological Surgeons

Five-year survival rate of primary CNS lymphoma

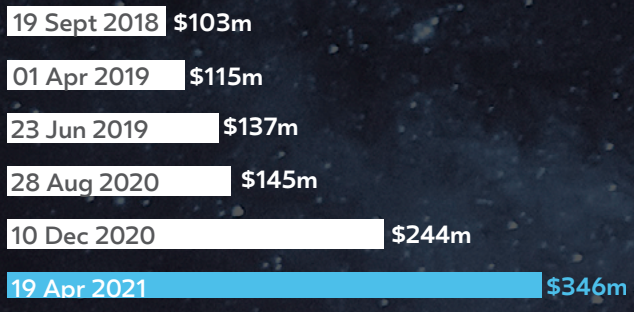
30%

Green & Hogg (2020)

Enterprise value (market capitalisation, less cash) (AU$)



Indicative Analyst Valuation (AU$)



SOURCE: Edison Research

CHAIRMAN'S LETTER

PARTNERING LIES AT THE HEART OF KAZIA'S BUSINESS MODEL, AND THE TRANSACTIONS DURING FY2021 DEMONSTRATE THAT THIS IS NOT MERELY AN ASPIRATION BUT AN IMPORTANT AND HIGHLY DIFFERENTIATING ABILITY OF THE COMPANY.

BUILDING VALUE

Dear Shareholder,

The end of the 2021 financial year finds Kazia in very robust health, with dramatic progress reported across every aspect of our business: clinical development, partnering, and financing. It is a pleasure to take this opportunity to review some of the most significant milestones of this past year.

FINANCIAL PERFORMANCE

Our cash balance at 30 June 2021 was $27.6 million, versus $8.8 million at 30 June 2020. Our total assets were $58.1m, up from $23.1 million at 30 June 2020. We committed outlays of $23.9m of which 80% was devoted directly to investment in R&D.

In part, our healthy cash balance reflects a successful financing round in October 2020, which raised gross proceeds of approximately $24 million. This was anchored by existing institutional investors, but also brought several new names to the register, as well as providing an opportunity for eligible shareholders to increase their position via a non-renounceable entitlement offer. The company has been grateful for the consistent and enthusiastic support of its major shareholders.

I am pleased that the market has rewarded that support. Kazia ended the previous financial year with a share price on the ASX of $0.46. On 30 June 2021, we closed at $1.31, representing a 185% appreciation in 12 months. Those who participated in our October 2020 financing have made an annualised return of 93% to 30 June 2021. This progress is set against a backdrop of an exceptionally challenging second half for the global biotech industry. Since its highs near the beginning of calendar 2021, the NASDAQ small cap biotech index is down more than 20%, and Kazia has remained remarkably resilient in the context of this challenging market.

BUSINESS DEVELOPMENT & LICENSING

Almost every young biotech company goes through several rounds of financing before it is able to become economically self-sufficient. Remarkably, that transition has already begun in Kazia. In the second half of FY2021, we reported material revenues from partnering activities, pertaining to licenses for Cantrixil and paxalisib. In effect, Kazia has declared its maiden revenue. Future payments from these transactions will be necessarily irregular, but we stand to receive up to a further US$ 323 million in milestone payments, together with very substantial royalties on commercial sales. The majority of the territorial rights for paxalisib, representing more than 90% of the global pharmaceutical market, remain unpartnered, and we expect to realise very much greater value in future partnering transactions.

PIPELINE PROGRESS

These partnering milestones would no doubt have been impossible without the rapid and convincing progress that has been made in the clinical development of paxalisib. In January of this year, the drug commenced recruitment to the GBM AGILE pivotal study and is now well advanced in its enrolment. The initial focus has been on the United States, but expansion to Europe and China is anticipated during the early part of FY2022. I have previously spoken and written about the merits of GBM AGILE, and the highly innovative approach to drug development that it represents. So far, our expectations have been exceeded in terms of the operational execution of the study and the extraordinary rate of recruitment. The Board remains convinced that GBM AGILE is the appropriate way to bring paxalisib forward.

Meanwhile, our own phase II study of paxalisib draws rapidly to a close. New data presented at the Society for Neuro-Oncology Annual Meeting in November 2020 helped to corroborate the very positive efficacy signals that have previously been seen. We expect to conclude the study in the second half of calendar 2021.

A NEW ASSET

When we negotiated our license for GDC-0084, as paxalisib was then known, with Genentech in 2016, we never envisioned that we would become a single-asset company. Over the intervening years, the rich opportunities derived from paxalisib have exceeded all expectations, and it has been appropriate for us to focus our resources on exploiting it to the fullest extent possible.

With that drug now well advanced on its path to commercialisation, however, it has proven timely to revisit our earlier aspirations and to look at opportunities to broaden Kazia's pipeline. The task set by the Board was simple and challenging: find a drug candidate that excites us as much as paxalisib. After considering many, many opportunities, EVT801 has been the first candidate that has met the threshold we set ourselves.

We feel that it represents first-class science, thanks in large part to the excellent work done by Evotec, its previous custodians. Its potential is enormous and we are fully committed to commencing a phase I study by the end of calendar 2021.

CONCLUSION

We conclude this financial year substantially further along our journey than we were twelve months ago. Our lead program, paxalisib, is in a pivotal study for registration and has already begun to generate commercial revenue by virtue of a regional licensing transaction. The legacy Cantrixil asset has been successfully partnered to Oasmia, a company that is ideally placed to take it forward, as we foreshadowed in last year's Annual Report. And our pipeline has been broadened and immeasurably enriched by the addition of an exceptionally promising new asset, EVT801, for which we have extremely high hopes. All in all, it has been a year of remarkable progress, and a profound validation of Kazia's efforts since 2016.

As always, I would like to thank my fellow directors and our management team, led by our CEO, James Garner, for their first-class work in support of the company. We are grateful to our shareholders whose belief in the company underpins everything that we do. I look forward to reporting our further progress in the year ahead.

Iain Ross
Chairman of the Board

CEO'S REPORT

IN ALMOST ANY OTHER SETTING, ONE OR TWO OF THESE MILESTONES WOULD PROVIDE THE CORNERSTONES OF AN EXTREMELY SUCCESSFUL YEAR.

DELIVERING MILESTONES

Dear Shareholder,

It has become almost a cliché to describe each year in the young life of Kazia as transformative, but the word could hardly be more apt. In the last twelve months, our lead asset, paxalisib, has commenced a pivotal study for registration, we have completed a major financing round to the tune of AU$ 24 million in gross proceeds, we have out-licensed the legacy Cantrixil asset, we have in-licensed an extremely promising new asset, EVT801, and we have begun the process of commercialising paxalisib through a substantial partnership with Simcere Pharmaceutical in China.

This list, dramatic as it is, is only a selective compilation of highlights. One could also point to our receipt of important regulatory designations by FDA, such as Fast Track and Rare Pediatric Disease Designation for paxalisib. Important new data read outs have been presented at international conferences and several new phase II clinical studies were launched. These include one in primary CNS lymphoma at Dana-Farber Cancer Institute, one in DIPG with the Pacific Pediatric Neuro-Oncology Consortium, and a third at Cornell University examining paxalisib in combination with ketogenesis. The scientific advisor for this study is none other than Professor Lew Cantley, the scientist who originally discovered the PI3K pathway.

In almost any other setting, one or two of these milestones would provide the cornerstones of an extremely successful year. For Kazia, they simply represent the methodical delivery of the plan that we outlined some years ago, and which we have systematically reported on at every opportunity since. All our recent achievements represent the fruition of work that the company commenced in 2016, and which has seen us grow from a corporate shell with negligible enterprise value to an exciting contender in the global life sciences industry.

As such, there is a certain continuity to the first five years of Kazia. It has been a story dominated by paxalisib, by our efforts to demonstrate the broad potential of that drug, and by our rapid movement through the clinical development process.

The future will be different. With the GBM AGILE study underway, Kazia now finds itself within just a few years of potentially commercialising a novel pharmaceutical product. And not just any product – paxalisib may be the first new drug for glioblastoma in more than twenty years.

Increasingly, this will mean that Kazia's attentions must focus on preparing paxalisib for commercialisation. Until now, the question has been a simple one: does the drug work?
We have answered that question to the best of our ability, and at least to our own satisfaction, and this has been the basis of its transition to a pivotal study for registration. There will be a great deal more data to come over the next year or two, of course, but our future success will more and more be measured in the delivery of milestones relating not to the drug's exploration, but to its commercialisation.
In subtle but fundamental ways, the game has changed.

In that regard, the most important achievement of this past year has perhaps been our licensing transaction with Simcere Pharmaceutical for the commercialisation of paxalisib in Greater China. This deal provided gross upfront proceeds of US$ 11 million, contingent milestone payments of up to US$ 281 million, and a mid-teen royalty on commercial sales in the territory.

The deal is important for three reasons. First, it demonstrates that paxalisib is attractive to, and able to withstand detailed due diligence by, one of the leading companies in the world's second largest pharmaceutical market. A company with a track record of more than forty successful commercial products also believes that the drug has the potential to be extremely successful.

Second, and to the extent that this deal provides for the first time an implicit market valuation for paxalisib, it has become clear that the economic value of our asset is substantial. The deal terms described above relate to a market which comprises, at most, around 10% of the global pharmaceutical market. The remainder is ours to monetise at our discretion, and it would be reasonable to impute equivalent or greater value to those global rights.

Finally, our ability to deliver a world-class partnering transaction validates not just paxalisib, but also Kazia's entire business model. We have always said that Kazia's core competencies would lie in clinical development and partnering.
With nine clinical trials now ongoing, we have proven the first of these. And with two international out-licensing deals in the past six months, we can now claim to have demonstrated our capabilities in the second area. As a business model, Kazia is not reliant on lofty aspirations, naïve hopes, or vague possibilities. Rather, the company has now established a track record, on which we hope to build further in the years ahead.

To that end, we have begun the next phase in the evolution of our pipeline by bringing on board a second asset. With paxalisib well advanced, it seemed timely to revisit our original goals for the business, which always envisaged a pipeline of several high-quality drug candidates at different stages of development. Having a diversified pipeline maximises return and minimises risk for our shareholders, and it gives us the scale to build richer relationships with clinicians, deeper partnerships with collaborators, and a more efficient operating model.

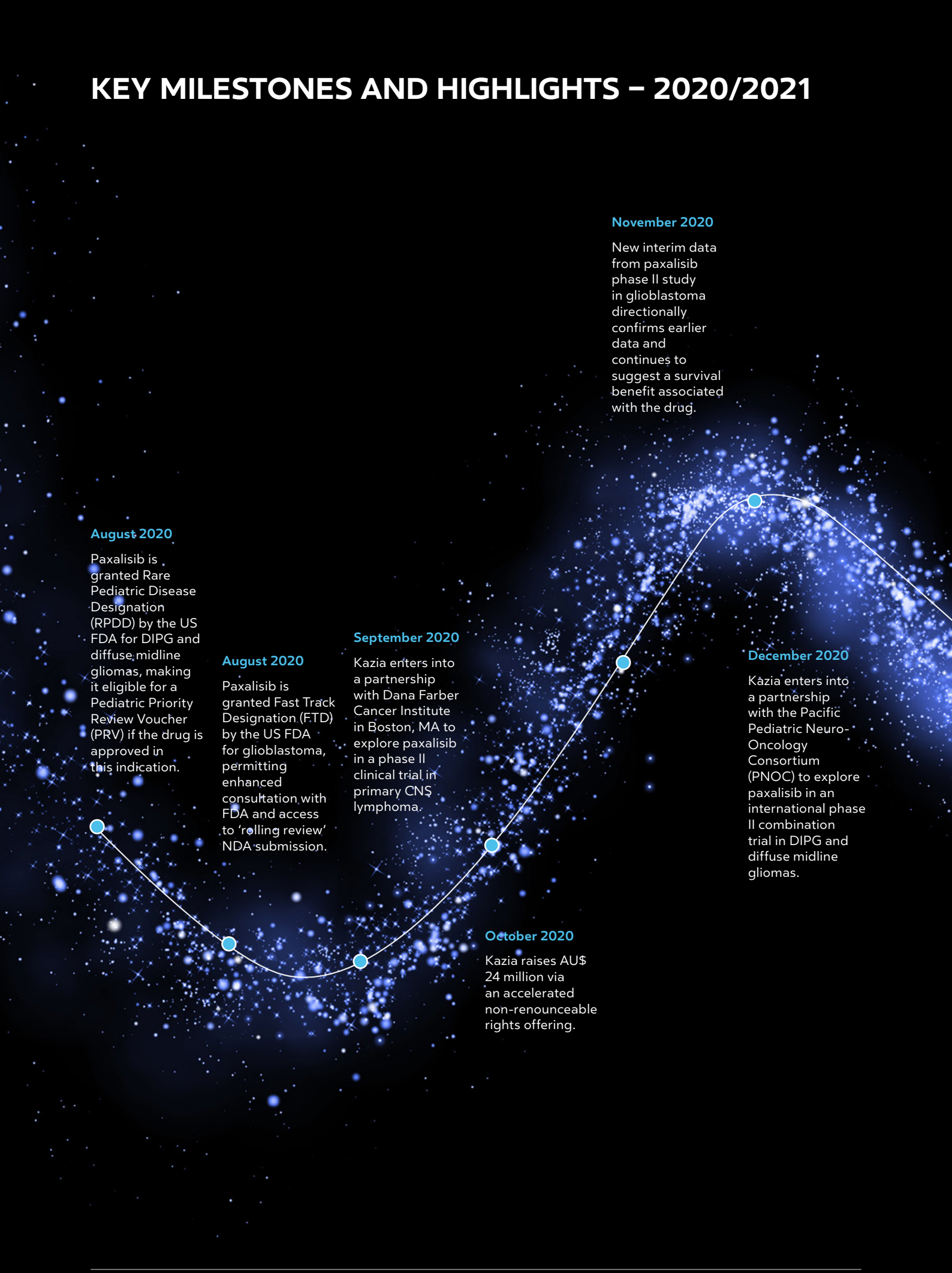
The challenge has been to find a drug candidate of the same calibre as paxalisib. EVT801 has been the first opportunity which excites us as much as paxalisib. Scientifically, it lies at the intersection of a well-established area of cancer treatment – angiogenesis – and a very new area of cancer treatment – immuno-oncology. In practice, it has been taken through preclinical development by Evotec, one of the most respected companies in the business. And in terms of its potential to benefit patients and realise value for Kazia, it is every bit the equal of paxalisib. We could not be more thrilled to bring it into our portfolio. EVT801 will enter a phase I clinical trial by the end of calendar 2021, and we will have much to report in the year ahead.

I am immensely grateful to my colleagues on the Board and in the Management Team for their perseverance and commitment over this past year, to our many collaborators and partners for their belief and investment in our drug candidates, and to our shareholders for their enthusiastic support of the company.

James Garner

Dr James Garner
Chief Executive Officer

KEY MILESTONES AND HIGHLIGHTS – 2020/2021



August 2020

Paxalisib is granted Rare Pediatric Disease Designation (RPDD) by the US FDA for DIPG and diffuse midline gliomas, making it eligible for a Pediatric Priority Review Voucher (PRV) if the drug is approved in this indication.

August 2020

Paxalisib is granted Fast Track Designation (FTD) by the US FDA for glioblastoma, permitting enhanced consultation with FDA and access to 'rolling review' NDA submission.

September 2020

Kazia enters into a partnership with Dana Farber Cancer Institute in Boston, MA to explore paxalisib in a phase II clinical trial in primary CNS lymphoma.

October 2020

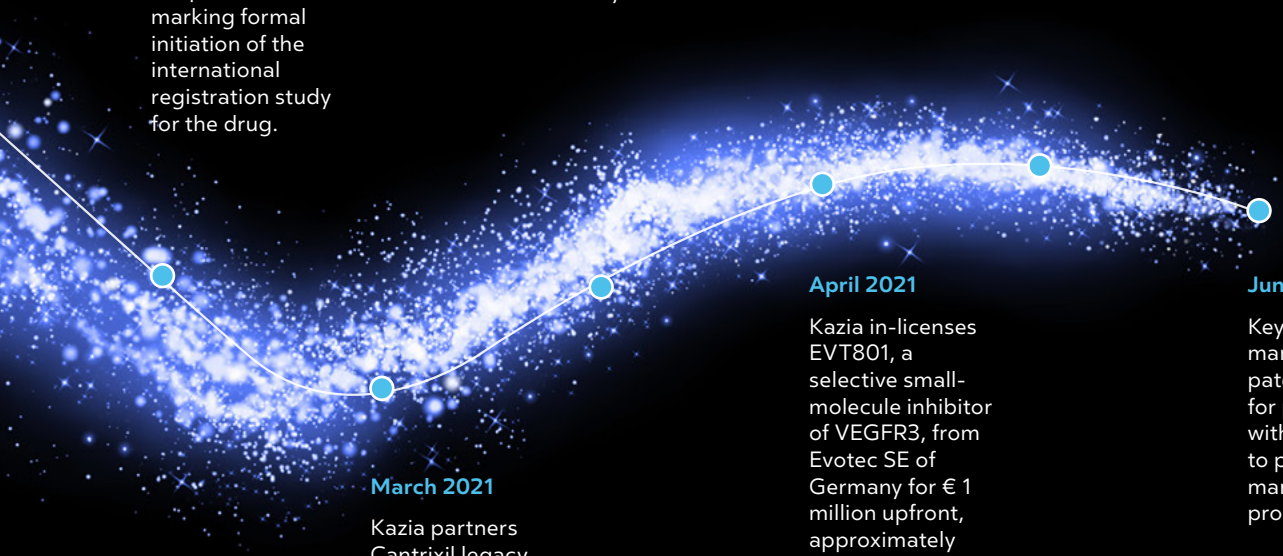
Kazia raises AU$ 24 million via an accelerated non-renounceable rights offering.

November 2020

New interim data from paxalisib phase II study in glioblastoma directionally confirms earlier data and continues to suggest a survival benefit associated with the drug.

December 2020

Kazia enters into a partnership with the Pacific Pediatric Neuro-Oncology Consortium (PNOC) to explore paxalisib in an international phase II combination trial in DIPG and diffuse midline gliomas.



January 2021

GBM AGILE commences recruitment to the paxalisib arm, marking formal initiation of the international registration study for the drug.

March 2021

Kazia partners Cantrixil legacy asset to Oasmia Pharmaceutical of Sweden for US$ 4 million upfront, up to US$ 42 million in contingent milestones, and double-digit royalties.

March 2021

Kazia partners paxalisib for Greater China to Simcere Pharmaceutical for US$ 11 million upfront, up to US$ 281 million in contingent milestones, and tiered mid-teen royalties.

April 2021

Kazia in-licenses EVT801, a selective small-molecule inhibitor of VEGFR3, from Evotec SE of Germany for € 1 million upfront, approximately € 300 million in contingent milestones, and single-digit royalties.

June 2021

Kazia enters into a partnership with Cornell University to explore paxalisib in combination with a ketogenic diet in a phase II trial for glioblastoma.

June 2021

Key manufacturing patents granted for paxalisib, with potential to protect manufacturing process to 2036.

PIPELINE REVIEW: TWO FIRST-CLASS DEVELOPMENT CANDIDATES

FOR THE LAST FIVE YEARS, KAZIA'S STORY HAS BEEN PRINCIPALLY THE STORY OF PAXALISIB. A NEW DRUG CANDIDATE, EVT801, HAS NOW ENTERED THE KAZIA PIPELINE, CREATING RICHER AND MORE NUMEROUS OPPORTUNITIES FOR THE YEARS AHEAD.

SURGING AHEAD

PAXALISIB

One of the most important milestones in the entire development of paxalisib occurred on 4 January 2021. On that day, and right on schedule, paxalisib began recruitment to a pivotal study for registration – GBM AGILE, which is being driven by the Global Coalition for Adaptive Research.

A pivotal study is the final chapter in the development of any new medicine, and the results that emerge from GBM AGILE will provide the basis on which FDA, EMA, and other regulatory agencies determine whether to grant paxalisib a marketing authorisation. GBM AGILE will test paxalisib both in newly diagnosed glioblastoma patients, and those with recurrent disease, and the drug may show benefit in either or both of these patient populations.

The primary endpoint of paxalisib is overall survival (OS), which is a measure of the ability of a drug to prolong life. It is the most demanding criterion on which to judge a cancer drug and is rightly considered the 'gold standard' by regulatory agencies. In glioblastoma, no drug this century has shown convincing evidence of an ability to improve OS.

If our participation in GBM AGILE is a success, then paxalisib may be the first new therapy, at least for newly diagnosed patients, in twenty years.

GBM AGILE will recruit up to 200 patients on paxalisib. However, the study uses a sophisticated and novel statistical approach called an 'adaptive design' to readjust its statistical power as it goes. Consequently, if an answer becomes clear after fewer than 200 patients, the study will conclude early and Kazia will look to submit a new drug application to FDA with the final data in hand. As a base case, we expect that the duration of the study will be around two-and-a-half years, but the adaptive design means that it may be longer or shorter, depending on the data that emerges.

The initial focus of GBM AGILE has been on the United States, where more than forty leading cancer hospitals are now participating. During FY2022, paxalisib will additionally become available to patients in Canada, Europe, and China, which will substantially accelerate recruitment.

Much of the work that Kazia has been doing with paxalisib this year has been to support GBM AGILE, and to facilitate the regulatory submission which hopefully follows conclusion of the study. One manifestation of these efforts has been a slew of 'special designations' from FDA in August 2020, comprising orphan drug designation, rare pediatric disease designation, and fast track designation. Collectively, these regulatory milestones very much enhance and deepen the discussion between Kazia and FDA, and help us to best position the drug for success.

IN GLIOBLASTOMA, NO DRUG THIS CENTURY HAS SHOWN CONVINCING EVIDENCE OF AN ABILITY TO IMPROVE OS. IF OUR PARTICIPATION IN GBM AGILE IS A SUCCESS, THEN PAXALISIB MAY BE THE FIRST NEW THERAPY, AT LEAST FOR NEWLY DIAGNOSED PATIENTS, IN TWENTY YEARS.

Kazia has primarily been focused on FDA, the US Food and Drug Administration, for much of paxalisib's development. Following our partnership with Simcere Pharmaceutical in China, however, an almost equal amount of work is going into preparing paxalisib for consideration by NMPA, the Chinese regulatory agency. The Kazia and Simcere teams have spent many hundreds of hours preparing for the very specific requirements set out by NMPA, with an objective of launching GBM AGILE in China by the end of CY2021.

Our partnership with Simcere is not only of great operational value – by itself, Kazia would never be able to optimally navigate the Chinese regulatory environment – but it also represents another important milestone for the drug. Our licensing agreement with Simcere in March 2021 provided gross proceeds of US$ 11 million upfront, plus up to $281 million in contingent milestones and mid-teen royalties on net sales. These terms represent one of the richer transactions ever executed in China for a drug of this type and have, in effect, provided the first revenue for paxalisib. As the drug proceeds through development, further milestone payments will be reinvested by Kazia in the global paxalisib program. Although all eyes are rightly focused on product registration, the reality is that paxalisib has already begun to generate value for Kazia and its shareholders.

Meanwhile, a broad and growing portfolio of clinical trials in other forms of brain cancer will help us in due course to expand the potential commercial opportunity for paxalisib. Although glioblastoma represents, on a conservative assessment, a US$ 1.5 billion annual commercial market, paxalisib has the potential to provide benefit in a much wider range of diseases. The clinical program that has been deployed will help to identify new opportunities. To be clear, it is possible that not all of these trials will be successful. However, if even one of them suggests an additional use for paxalisib, it will substantially increase the commercial value of the product.

A 'PIVOTAL' STUDY OR A 'PHASE III' STUDY?

Clinical drug development has traditionally been divided into three phases, denoted by Roman numerals. However, the terminology has become old-fashioned. Regulatory agencies increasingly differentiate between studies which are exploratory in nature, and those which are intended to secure product registration. The latter are described as 'pivotal' studies, or 'registration' studies, and Kazia generally uses that language in relation to GBM AGILE.

GBM AGILE – KEY FACTS

- An 'adaptive trial' that only recruits the number of patients needed to reach an answer
- Substantially faster and more cost-effective than conventional approaches
- Up to 200 patients on paxalisib, with the potential to conclude much earlier, depending on emergent data
- Operational in >40 hospitals across the United States, with expansion to Canada, Europe, and China in FY2022

Sponsor	Phase	Indication	Registration
Kazia Therapeutics	II	Glioblastoma	NCT03522298
Global Coalition for Adaptive Research	II / III	Glioblastoma	NCT03970447
Weill Cornell Cancer Center	II	Glioblastoma (with ketogenic diet)	TBD
Alliance for Clinical Trials in Oncology	II	Brain metastases	NCT03994796
Dana-Farber Cancer Institute	II	Breast cancer brain metastases (with Herceptin)	NCT03765983
Dana-Farber Cancer Institute	II	Primary CNS lymphoma	NCT04906096
Pacific Pediatric Neuro-Oncology Consortium	II	DIPG & DMGs (childhood brain cancer)	TBD
St Jude Children's Research Hospital	I	DIPG (childhood brain cancer)	NCT03696355
Memorial Sloan Kettering Cancer Center	I	Brain metastases (with radiotherapy)	NCT04192981

EVT801

In April 2021, Kazia licensed EVT801, an investigational new drug for multiple forms of cancer, from Evotec SE, a European drug development company. EVT801 is now Kazia's second pipeline asset, behind paxalisib, and it represents a tremendously exciting addition to the company's portfolio.

An introduction to EVT801 can be found later in this Annual Report. In terms of activity, however, the entire focus of the program since April has been on launching a phase I clinical trial by the end of CY2021. The Kazia and Evotec teams have been working closely together to design a cutting-edge study protocol, identify suitable clinical trial sites, manufacture investigational product, and navigate the European regulatory processes.

The study remains well on track, indeed potentially ahead of schedule. The transition into a human trial is always an enormous step in the development of any new medicine. For EVT801, we expect that the study will rapidly begin to generate data that demonstrates its potential, guides its future development, and establishes it as a worthy companion to paxalisib in the Kazia portfolio.

Such a rapid transition into human trials is only possible with the benefit of a compelling package of preclinical data. Kazia and Evotec have begun work on an academic publication that will summarise this rich body of data, and it is expected that this will be published in a peer-reviewed academic journal and communicated to investors by the end of CY2021.

Sponsor	Phase	Indication	Registration
Kazia Therapeutics	I	Advanced Solid Tumours	TBD

PARTNERING FOR SUCCESS: THREE MAJOR CROSS-BORDER LICENSING DEALS IN FY2021

KAZIA'S BUSINESS MODEL IS PREDICATED NOT JUST ON THE ABILITY TO DESIGN AND EXECUTE INNOVATIVE CLINICAL TRIALS, BUT ALSO ON THE CAPACITY TO PARTNER WITH OTHER COMPANIES FOR DISCOVERY AND COMMERCIALISATION.

Not so long ago, drug development used to be conducted in complete isolation, with individual companies working on their own drugs, 'from the bench to the bedside'. This is no longer the case. Today, many drugs pass through the custodianship of several companies during their development and commercialisation. In 2020, pharmaceutical licensing deals in oncology alone totalled US$ 59 billion in value.[1]

Kazia has been established to capitalise on this trend. The company performs no in-house drug discovery. Rather, we look to identify promising drug candidates in the global pipeline which are no longer strategic for their parent companies. We bring those in to Kazia, build their value through innovative clinical development strategies, and generally seek to partner them for commercialisation.

One key advantage of this approach is financial in nature. To bring a good quality drug candidate to the point where it can begin clinical trials costs many millions of dollars. Kazia typically acquires assets for a discount to their sunk cost, providing future upside to licensors in the event of success. This has allowed us to bring two world-class drug candidates into our pipeline at very modest cost. A second advantage is that it gives us access to the very best research, without being limited by the expertise of in-house scientists.

A typical pharmaceutical licensing deal has three components:

Upfront Payment – this is paid at the time of signing a licensing agreement and is non-refundable.

Milestone Payments – these are paid throughout the development and commercialisation of the drug, providing certain milestones are met. Typical milestones may include FDA approval, selling >$500 million in a given year, or achieving approval for a second indication.

Royalties – these are paid as a percentage of net sales. They may be tiered, so that higher sales in a given year pay a larger percentage in royalties.

In March 2021, Kazia partnered the legacy Cantrixil asset to Oasmia Pharmaceutical AB of Sweden. This drug candidate was developed by Novogen Limited, and Kazia was of the view that the work needed to shape it into a viable commercial product would be better performed by a larger, more specialised company. Oasmia has an existing commercial product in ovarian cancer, and deep expertise in this field, so it represented the ideal partner. Kazia received a US$ 4 million upfront payment, up to US$ 42 million in milestone payments, and double-digit royalties (i.e. ≥ 10%). In this way, Kazia will substantially benefit from any future success in the drug, without needing to devote further resources to its development.

Also in March 2021, Kazia partnered the Greater China rights for paxalisib to Simcere Pharmaceutical. Regional partnerships such as this are sometimes executed late in the development of a drug, so as to provide the specialist capabilities required to commercialise in territories such as China. Kazia received a US$ 11 million upfront payment, up to US$ 281 million in milestone payments, and mid-teen royalties. Unlike the Cantrixil deal, where Oasmia will take the lead in the drug's future development, the Simcere partnership envisages the companies working closely together to secure regulatory approval and commercial success in China. The Greater China market represents 8-10% of the global opportunity for a new cancer drug, and so Kazia remains free to find other partners in other regions or, in principle, to commercialise itself in some territories.

In April 2021, we executed a deal with Evotec SE which brought a new asset, EVT801, into our pipeline. Evotec is one of the world's leading drug development partners and works closely with a wide range of pharmaceutical companies to help develop their drug candidates. Unsurprisingly, the work done on EVT801 was first-class. Their business strategy does not envisage taking their own drugs into clinical trials, and so it presented an ideal partnering opportunity for Kazia. The deal comprised a €1 million upfront payment, up to €308 million in milestones, and single digit royalties (i.e. < 10%).

In aggregate, these three transactions have radically reshaped Kazia as a business, and left it greatly strengthened. The sense of transformation however is deceptive – these sorts of transactions are a central part of what Kazia exists to do and they represent one of our core competencies as a business.

MAKING DEALS

[1] S Hardison (2021). BioPharma Dealmakers.

WORKING WITH THE BEST

Dr Lakshmi Nayak is Director of the Center for CNS Lymphoma at Dana-Farber Cancer Institute in Boston, MA, and an Assistant Professor of Neurology at Harvard Medical School. After completing her residency at Weill Cornell Medical College in New York, she underwent a fellowship at Memorial Sloan Kettering Cancer Center. She became a board-certified neurologist in 2009, and a board-certified neuro-oncologist in 2013.

Dr Nayak has been instrumental in establishing Dana-Farber as a centre of excellence for the treatment of primary CNS lymphoma. The CNS Lymphoma Center is the first of its kind dedicated specifically to providing multi-disciplinary care to patients with primary or secondary CNS lymphoma. Her research is focussed on exploring the genomic landscape of CNS lymphomas, including identification of targets and mechanisms of resistance and response to targeted agents. To this end, she has established a cerebrospinal fluid and brain tumour tissue banking protocol and developed patient-derived xenograft models for this rare disease.

In addition to her research interests in CNS lymphoma, Dr Nayak has led numerous multicentre clinical trials in glioblastoma and other solid tumours. The US National Cancer Institute's Cancer Therapy Evaluation Program (CTEP) selected her proposal for a phase I study of two novel agents for a study in solid tumours, including glioblastoma, from among a highly competitive field.

Dr Nayak is an author of more than seventy peer-reviewed academic publications in brain cancer. She is a highly sought-after thought leader in the field, serving on a national panel of the Joint Guidelines Committee of the American Association of Neurological Surgeons (AANS) and Congress of Neurological Surgeons (CNS) which has drafted guidelines for management of progressive glioblastoma, as well as on the Neuro-Oncology Guidelines Committee for the American Academy of Neurology (AAN). She leads the Neurologic Assessment in Neuro-Oncology (NANO) working group with international thought-leaders in neuro-oncology and has developed an objective and quantifiable measure of neurologic function to facilitate comparison across clinical trials in brain tumours.

Dr Nayak has conducted preclinical and clinical research on the PI3K/mTOR pathway in primary brain tumours and is the principal investigator for a phase II clinical study of paxalisib (NCT04906096) in primary CNS lymphoma, which commenced patient recruitment in June 2021.

Dr Sabine Mueller is a paediatric neuro-oncologist who specialises in caring for children with brain tumours and related genetic syndromes. She obtained her PhD and her medical degree from the Universität Hamburg School of Medicine. She is a Professor at University of California, San Francisco (UCSF), Departments of Neurology, Neurosurgery and Pediatrics.

In addition to her roles at UCSF, Dr Mueller also serves as the Clinical Lead of The Diffuse Didline Glioma Center of at the Universität-Kinderspital in Zurich, Switzerland. The DIPG/DMG Center in Zurich is a leading multi-disciplinary unit focused on clinical practice and translational research, with a mission to improve the prognosis for children with DIPG/DMG.

Prior to her medical career, Dr Mueller worked as a scientist, director of genomics, and project leader for a brain tumour program at AGY Therapeutics, a biotechnology company in South San Francisco.

Dr Mueller is a highly experienced clinical researcher, with specialist qualifications in trial design and methodology. She is the Project lead of the Pacific Pediatric Neuro-Oncology Consortium (PNOC), an international coalition of more than two hundred brain tumour specialists, focused on finding new treatment options for children with brain cancer.

Dr Mueller is the principal investigator for an adaptive clinical study which will explore multiple combination therapies in DIPG/DMG. Paxalisib will be one of the therapies under investigation. Recruitment is expected to commence in the second half of calendar 2021.

KAZIA IS PRIVILEGED TO WORK WITH CANCER RESEARCHERS AROUND THE GLOBE WHO SHARE OUR PASSION FOR GOOD SCIENCE AND OUR COMMITMENT TO PATIENTS.

Dr Lakshmi Nayak

Dr Sabine Mueller

TARGETING CANCER

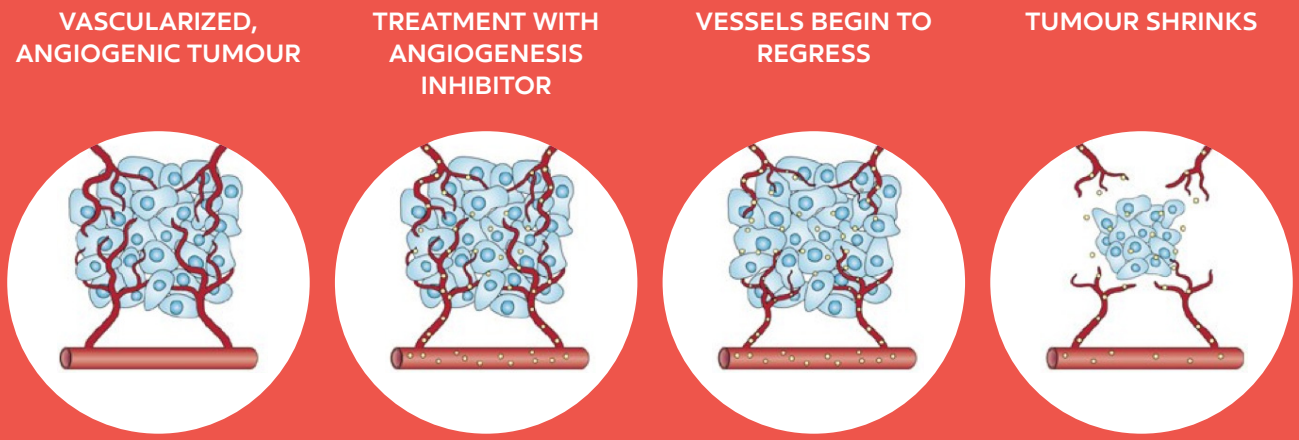
CHAPTER TWO IN THE KAZIA STORY

WITH PAXALISIB WELL ADVANCED ON ITS JOURNEY TO COMMERCIALISATION, KAZIA HAS BROUGHT A NEW ASSET INTO THE PORTFOLIO: EVT801, A NOVEL DRUG CANDIDATE WITH POTENTIAL APPLICATIONS IN A WIDE VARIETY OF CANCERS.

ANGIOGENESIS: TARGETING THE SUPPLY CHAIN OF THE TUMOUR

In a famous academic paper in 1971, an American medical researcher named Judah Folkman observed that tumours were 'hot and bloody'. The reason, he surmised, was that a rapidly growing tumour depended on rich supply of oxygen and nutrients to grow, and consequently needed to trigger the formation of new blood vessels to supply those materials. The implication was obvious: if we could prevent the formation of new blood vessels, it would starve the tumour of essential nutrients, and thereby slow or even reverse its growth.

More than thirty years later, Dr Folkman's theory was proven. A young biotech company named Genentech secured FDA approval for a new drug named Avastin (bevacizumab), for use in bowel cancer. Avastin worked by targeting vascular endothelial growth factor (VEGF), a chemical that tumours use to trigger the formation of new blood vessels. As Dr Folkman had hypothesised, blocking VEGF limited the supply of nutrients to the tumour and thereby slowed or even reversed its growth. Today, Avastin is one of the most successful cancer drugs of all time and is used in diseases as diverse as lung cancer, breast cancer, ovarian cancer, and even some cases of brain cancer.



Source: Nature Reviews / Cancer

TODAY, A WIDE VARIETY OF MARKETED DRUGS TARGET ANGIOGENESIS

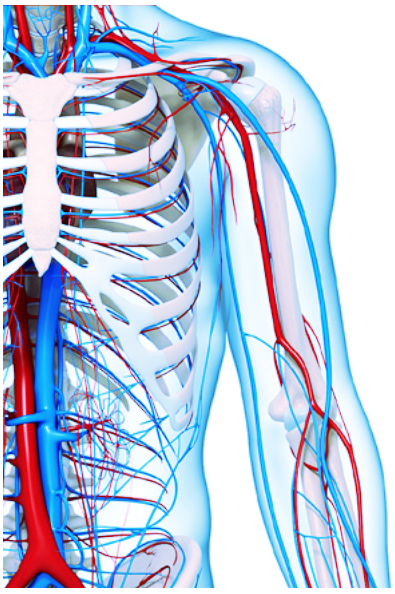
Some, like Avastin, work by targeting VEGF. Others target the receptor on blood vessels to which VEGF binds, which is known as the VEGF receptor or VEFGR. Drugs which work this way include Nexavar (sorafenib) and Sutent (sunitinib). In aggregate, drugs modulating angiogenesis account for more than US$ 10 billion in annual sales.

Product	Company	Target(s)	Indications	Annual Sales (US$)
Avastin (bevacizumab)	Genentech	VEGF-A	– Colorectal cancer – Lung cancer – Breast cancer – Other cancers	$7 billion
Nexavar (sorafenib)	Bayer	VEGFR PDGFR RAF kinases	– Hepatocellular carcinoma – Renal call carcinoma – Thyroid cancer	$1 billion
Sutent (sunitinib)	Pfizer	VEGFR PDGFR	– Renal cell carcinoma – Gastro-intestinal stromal tumor	$750 million
Votrient (pazopanib)	Novartis	VEGFR PDGFR c-Kit FGFR	– Renal cell carcinoma – Soft tissue sarcoma	$1 billion
Inlyta (axitinib)	Pfizer	VEGFR c-Kit PDGFR	– Renal cell carcinoma	$400 million

FROM ANGIOGENESIS TO LYMPHANGIOGENESIS – BUILDING A BETTER CANCER DRUG

As effective as it is, targeting angiogenesis has a very significant problem. Cutting off the blood supply reduces the oxygen levels in the tumour, a situation described as hypoxia in scientific literature. Initially, hypoxia stops the tumour from growing. However, prolonged hypoxia triggers adaptive mechanisms in the tumour which allow it to grow via different means. Because of this, as tumours mutate and develop, they eventually become resistant to anti-angiogenic therapies. Avastin, and therapies like it, are never curative, and will eventually become ineffective in most patients.

Thankfully, the human body has two circulations. The blood circulation is the best known and most visible. But the lymphatic circulation runs in parallel and is just as important for the growth of tissues. Cells need access to both systems. One can think of them as similar to the water and electricity supply to a house – both are critical for the house to be habitable. Targeting the lymphatic system may be just as effective in treating cancer. And as a bonus, oxygen is carried almost entirely by the blood, and so cutting off the lymphatic supply to a tumour does not cause the same level of hypoxia. In principle, a drug targeting lymphangiogenesis may have all the advantages of a drug targeting angiogenesis, without the downside of resistance.



TARGETING VEGFR3 – A SELECTIVE APPROACH TO LYMPHANGIOGENESIS

Targeting lymphangiogenesis is much more technically challenging. Of the five subtypes of VEGF, VEGF-C and VEGF-D are substantially involved in promoting lymphangiogenesis, but they also promote angiogenesis, so they are not promising as targets for a selective therapy.

Fortunately, there are three subtypes of VEGF receptor, and VEGFR3 is specifically involved in lymphangiogenesis. A drug which was able to inhibit VEGFR3 would selectively reduce the formation of new lymphatic vessels but would leave blood vessels untouched. The result should be a reduction in tumour growth, without the problem of hypoxia-induced resistance. That is the principle that led to the invention of EVT801.

EVT801 – A NEXT GENERATION ANTI-LYMPHANGIOGENESIS THERAPY

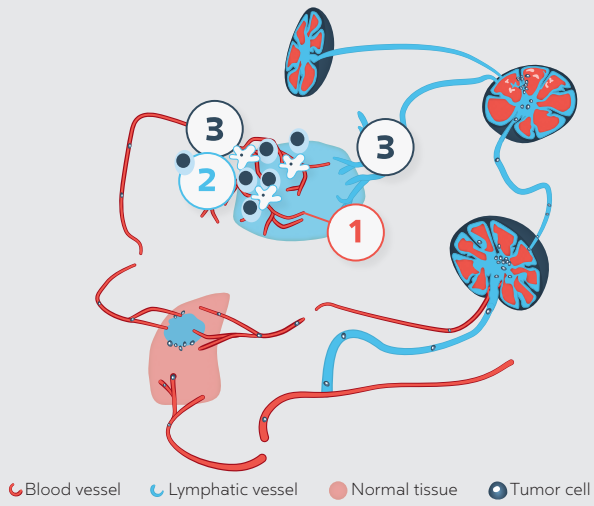
EVT801 was originally invented by Sanofi, a French pharmaceutical company, and was licensed to Evotec as part of a transaction between those companies. Evotec took the drug through the complex process of preclinical development, building a formidable body of data that supports its activity.

The drug is a selective VEGFR3 inhibitor. This selectivity is very important. Several of the existing anti-angiogenesis drugs do have some activity against VEGFR3. However, they are all relatively non-specific, affecting a wide variety of other targets, and this leads to substantial toxicity. A drug which is selective for VEGFR3 should successfully inhibit lymphangiogenesis without the many toxicities seen in other agents.

EVT801 inhibits the growth of tumours in the same way as older anti-angiogenic therapies: by starving the tumour of essential nutrients. However, it also has two other important benefits. First, many tumours spread (metastasise) via the lymphatic system. By restricting the development of lymphatic vessels, EVT801 is likely to reduce the potential metastasis of the tumour. This would be very valuable, because tumours become much more difficult to treat when they spread.

The final potential advantage for EVT801 is something that would be less obvious from an understanding of its mechanism of action. For reasons that are incompletely understood, drugs targeting angiogenesis and lymphangiogenesis have the effect of changing the balance of white blood cells in and around the tumour. White blood cells are the main actors in the immune system, and this effect has important therapeutic consequences. One of the most significant advances of the last decade has been the ability to use the body's own immune system to fight cancer. 'Immuno-oncology' drugs have rapidly gained a foothold in diseases such as melanoma and lung cancer. However, many tumours do not have many white blood cells in them, or they have the wrong kind of white blood cells, and in these 'cold' tumours, immuno-oncology drugs are usually ineffective. If EVT801 is able to turn cold tumours 'hot', as it does in the laboratory, then it may be a valuable adjunct to these therapies.

EVT801 IS EXPECTED TO HAVE THREE PRIMARY MECHANISMS OF ACTION



1 **TUMOR KILLING**

Direct effect on VEGFR3-expressing tumor cells (typically from endothelial origin, eg. sarcoma)

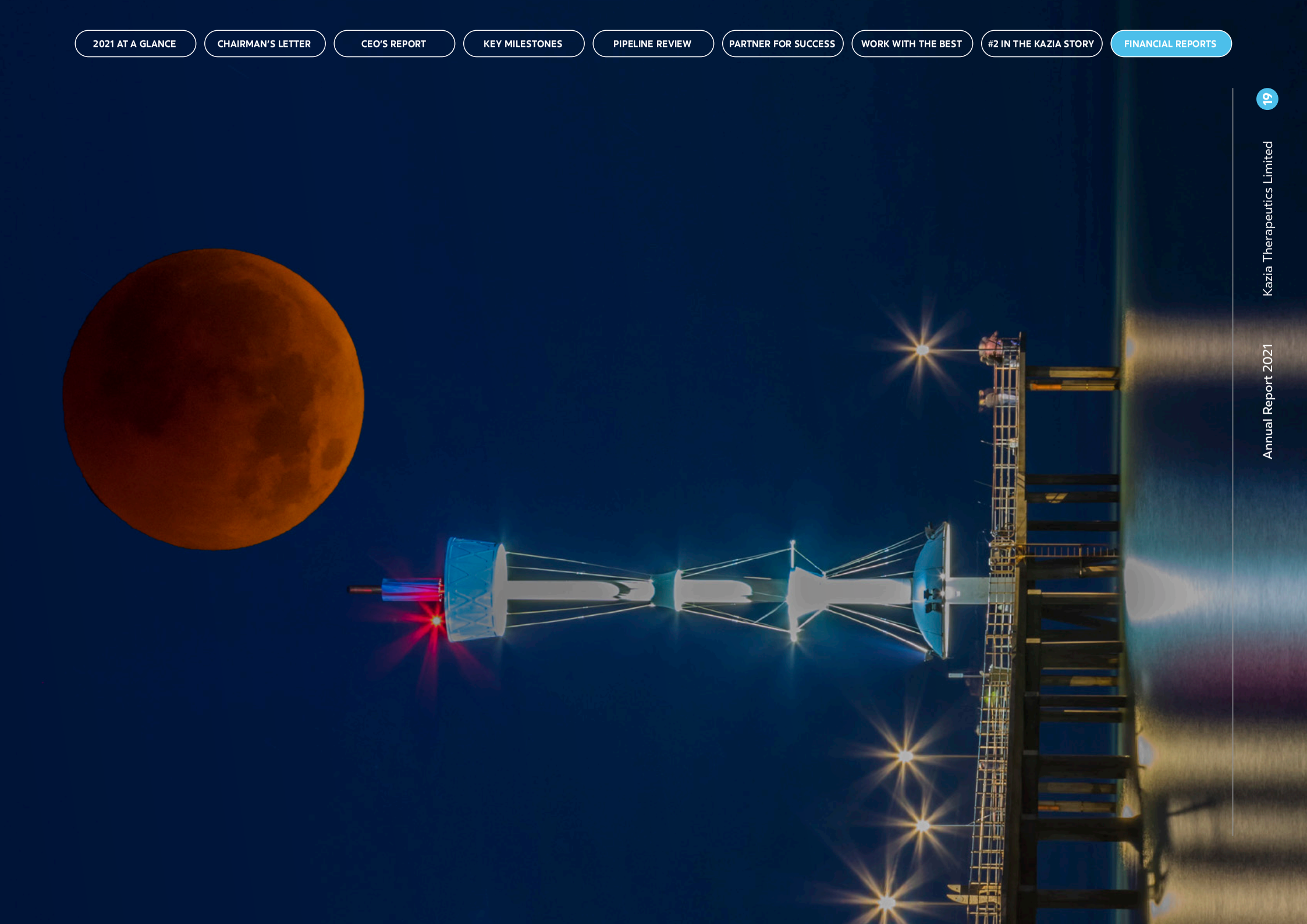
2 **INCREASE IN ANTI-TUMOR IMMUNE ACTIVITY**

Increased infiltration of effector T-cells, and reduction in immunosupressive myeloid cells

3 **INHIBITION OF METASTASIS**

Stabilsation of tumor vasculature and avoidance of hypoxia decreases potential for metastatic spread

FINANCIAL REPORTS



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 2021.

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 with a view to commercialising the results of our research through license transactions or other means.

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 $8,421,960 (30 June 2020: $12,467,466).

The attached financial statements detail the performance and financial position of the consolidated entity for the year ended 30 June 2021.

Cash resources

At 30 June 2021, the consolidated entity had total funds, comprising cash at bank and on hand of $21,086,760 and short term deposits of $6,500,000, giving total cash resources amounting to $27,586,760 at year end. Total current assets at year-end stand at $29,390,818.

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.

Impact of COVID-19

The Directors have considered the impact of COVID-19 on the operations of the Company and make the following observations:

(1) Kazia's key clinical trials have not been materially impacted by COVID-19 to date. The GBM Agile study, the pivotal study for paxalisib in glioblastoma, is on track with recruitment running to plan, and no disruption to this schedule is foreseen. The Phase II study of paxalisib in glioblastoma was fully recruited prior to the onset of restrictions and is in wrap up stage at the date of this report. Plans are on track for the commencement of a Phase I trial for the consolidated entity's new asset, EVT801, before the end of 2021. Further details of this asset are included later in this report.

(2) In general, clinical research in advanced cancer is relatively protected from pandemic disruption due to the ongoing and time-critical need for patient care in specialised facilities which cannot easily be repurposed;

(3) The Company's staff have been working remotely since the onset of the pandemic, and hence no operational disruptions have occurred or are anticipated to occur; and

(4) The Company is not reliant on ongoing revenue from customers, and so changes in customer behaviour over the next several years due to public health restrictions and reduced economic activity will have little to no impact on its finances.

Accordingly the Directors do not foresee any material impacts on the Company's operations as a result of the COVID-19 outbreak.

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 paxalisib (formerly known as 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 and most aggressive form of primary brain tumour in adults, as well as other forms of brain cancer. Paxalisib is orally administered and is presented in a 15mg capsule formulation. The development candidate is the subject of IND 112,608 with the US FDA.

Paxalisib 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 paxalisib 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 (NCT01547546). 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.

The development candidate was granted the International Non-Proprietary Name (INN) 'paxalisib' by the World Health Organisation in December 2019. This was confirmed as the United States Adopted Name (USAN) by the USAN Council in April 2020.

Paxalisib is the subject of granted or pending composition-of-matter patents in all key territories. In general, the expiry of these patents is in December 2031. However, the company expects that it will be able to secure patent term extensions in the most substantial markets, including US, EU, China, Japan, and Korea, and that these extensions will provide effective protection until 2036. In addition, the company has recently received notice of grant for a patent protecting the manufacturing process associated with paxalisib, and this will provide an additional layer of protection in relevant territories until 2036.

Paxalisib was granted orphan drug designation (ODD) by FDA for glioblastoma in February 2018, and for the broader indication of glioma in August 2020. The development candidate also received Fast Track designation (FTD) for glioblastoma in August 2020, and Rare Pediatric Disease Designation (RPDD) for diffuse midline gliomas in August 2020. Collectively, these special designations provide paxalisib with enhanced access to FDA, a waiver of PDUFA fees, a period of data exclusivity and, in the specific case of RPDD, the potential to secure a pediatric Priority Review Voucher (pPRV) should paxalisib be approved in this indication.

Paxalisib commenced recruitment to GBM AGILE (NCT03970447), a phase II / III adaptive clinical trial in glioblastoma, in January 2021. GBM AGILE is sponsored by the Global Coalition for Adaptive Research, a US-based 501(C)(3) non-profit organisation dedicated to advancing the development of new therapies via the application of cutting-edge statistical methodologies. The study is a platform study, or master protocol study, in which multiple experimental agents are evaluated in parallel, and are compared against a shared control arm. GBM AGILE uses an adaptive Bayesian statistical design to ensure that only the number of patients required to reach a definitive answer are enrolled. Three patient populations are included in the study: newly diagnosed patients with unmethylated MGMT promotor status, newly diagnosed patients with methylated MGMT promotor status, and recurrent patients. Paxalisib is participating in the first and third of these groups but will not examine patients with methylated MGMT promotor status in this study.

As at 30 June 2021, three experimental agents are enrolling patients in GBM AGILE: Bayer's regorafenib, Kazia's paxalisib, and VAL-083, manufactured by Kintara Therapeutics. The study has screened approximately 650 patients, and approximately two-dozen study sites are open to the paxalisib arm, with more expected to open during 2H CY2021.

A company-sponsored phase II study of paxalisib in newly diagnosed patients with unmethylated MGMT promotor status (NCT03522298) remains ongoing. In November 2020, an interim analysis was presented at the Society for Neuro-Oncology (SNO) Annual Meeting. This analysis showed a median progression-free survival (PFS) of 8.4 months, and a median overall survival (OS) of 17.5 months, each of which compare favourably to the corresponding figures of 5.3 months and 12.7 months which are associated in this patient population with temozolomide, the existing standard of care. The safety profile of paxalisib continues to appear highly favourable, with rash, hyperglycemia, and oral mucositis representing the most common toxicities. In April 2021, the company presented additional interim data focusing on pharmacokinetics at the American Association for Cancer Research Annual Meeting. This data supported 60mg as the go-forward dose, and suggested no significant food effect, allowing for both fed and fasted administration in future studies.

In May 2021, the last patient in the phase II study experienced disease progression and came off study drug, after some 2.3 years of treatment. The study is now in survival follow-up, with final data expected by end of CY2021.

An investigator-initiated phase I study of paxalisib in children with diffuse intrinsic pontine glioma (DIPG) and other diffuse midline gliomas (DMGs) (NCT03696355), sponsored by St Jude Children's Research Hospital in Memphis, TN, reported initial interim data in an oral presentation at the SNO Annual Meeting in November 2020. The study met its primary objective and determined a maximum tolerated dose for paediatric use of 27 mg/m2. 27 patients were recruited, of whom 24 received at least one dose of paxalisib. The safety profile and pharmacokinetics were highly consistent with the adult data. The study had not at that stage demonstrated a survival benefit. As at 30 June 2021, a number of patients remain in survival follow-up.

Three further investigator-initiated studies in patients with brain metastases continued to recruit during the period: a phase II genomically-guided study in patients with brain metastases (NCT03994796), sponsored by the Alliance for Clinical Trials in Oncology; a phase II study in patients with HER2-positive breast cancer brain metastases, in which paxalisib is administered in combination with Herceptin (trastuzumab) (NCT03765983), sponsored by Dana-Farber Cancer Institute in Boston, MA; and a phase I study in patients with brain metastases and leptomeningeal metastases, in which paxalisib is administered in combination with radiotherapy (NCT04192981), sponsored by Memorial Sloan-Kettering Cancer Center in New York, NY. Each of these studies are expected to provide interim data during FY2022.

During the period, the company initiated three further investigator-initiated studies. In September 2020, the company signed an agreement with Dana-Farber Cancer Institute in Boston, MA, for an investigator-initiated phase II clinical study of paxalisib in patients with primary CNS lymphoma (PCNSL) (NCT04906096). This study commenced recruitment in June 2021. Four of the five FDA-approved PI3K inhibitors are indicated for various forms of lymphoma, so this is considered a high-potential indication for paxalisib. The unique brain-penetrant qualities of paxalisib make it ideally suitable for investigation in this patient group. The

study is expected to recruit around 25 patients, and to run for approximately two years. The Principal Investigator is Professor Lakshmi Nayak, a highly experienced clinical researcher in brain cancer, with a specialist interest in PCNSL.

In December 2020, the company entered into a letter of intent with the Pacific Pediatric Neuro-Oncology Consortium (PNOC) to execute an investigator-initiated phase II adaptive study of paxalisib in patients with DIPG and other DMGs, a group which collectively constitutes one of the most aggressive childhood cancers. The study will explore paxalisib in combination with ONC-201, a small-molecule investigational new drug which targets dopamine receptor D2 (DRD2), and which is manufactured by Oncoceutics, Inc, a wholly-owned subsidiary of Chimerix, Inc. The St Jude phase I study in DIPG has already provided invaluable information regarding dosing and safety of paxalisib in a paediatric population, but it has always been assumed that combination therapy would be required to achieve meaningful efficacy in such an aggressive tumour. Research by Professor Matt Dun at the Hunter Medical Research Institute in Newcastle, Australia, has shown compelling evidence of combinatorial synergy between paxalisib and ONC-201, and so the PNOC study will investigate this combination, among others, in patients.

In June 2021, the company entered into an agreement with the Joan & Sanford I Weill Medical College of Cornell University in New York, NY, known generally as Weill Cornell Medicine, for an investigator-initiated phase II clinical trial combining paxalisib with ketogenesis in patients with newly-diagnosed and recurrent glioblastoma. In addition to the general interest in ketogenic diets as a potential adjunct to treatment for various forms of cancer, research by Professor Lew Cantley and colleagues has demonstrated the potential for insulin to antagonise PI3K inhibition. Administering a PI3K inhibitor in the context of minimal insulin secretion should allow the drug to achieve its full potential, and a combination of ketogenic diet and metformin will be used in this study to achieve a hypoinsulinaemic state. Professor Cantley serves as a scientific advisor to the study, and Dr Howard Fine, a highly experienced neuro-oncologist, will serve as Principal Investigator. The study is expected to commence recruitment during 2H CY2021.

The company's second development candidate is EVT801, a small-molecule selective inhibitor of vascular endothelial growth factor receptor 3 (VEGFR3). EVT801 was originally discovered by Sanofi SA and was licensed to Evotec SE as part of a broader transaction. Evotec conducted an extensive program of preclinical development, which showed compelling evidence of activity in a broad range of animal models. The drug was licensed to Kazia in April 2021.

For several decades, it has been clear that growing tumours require an extensive network of newly formed blood vessels and lymphatic vessels to satisfy their substantial nutrient requirements. Drugs which inhibit the formation of new blood vessels (angiogenesis inhibitors) have proven effective in a wide range of solid tumours, with Avastin (bevacizumab) being the best-known example of the class. However, the use of such drugs is limited by hypoxia-induced resistance mechanisms and, in the case of many small-molecule inhibitors, by toxicity. EVT801 has been designed to respond to these challenges by selectively targeting lymphangiogenesis, the formation of new lymphatic vessels. Doing so, and with a high degree of selectivity, is expected to provide many of the same benefits as inhibition of angiogenesis, but without the attendant problems of resistance and toxicity.

In addition, drugs which target VEGF receptors have shown the potential to alter the population of immune cells within the tumour micro-environment, thereby potentially making 'cold' tumours more susceptible to immuno-oncology agents such as checkpoint inhibitors. A wealth of preclinical evidence supports this hypothesis with EVT801 and provides a second and almost entirely distinct mechanism of action through which the drug may provide benefit to cancer patients.

EVT801 is protected by granted or pending composition-of-matter patents in all key territories, with exclusivity generally through to the early 2030s.

Kazia has initiated work on a phase I clinical trial of EVT801, which will seek to explore both of these mechanisms, as well as provide critical information regarding the safety, tolerability, and pharmacokinetics of the drug. The planned phase I study will be initiated at two trial sites in France and will aim to recruit up to 96 patients with advanced cancer. Multiple stages of the study will evaluate EVT801 both as monotherapy and in combination with one or more immuno-oncology agents. The study is expected to commence recruitment by the end of CY2021.

Subsequent events

There were no significant events subsequent to the reporting date.

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:

- Final results will be reported from the phase II clinical trial of paxalisib in glioblastoma;
- Interim results will be reported from the phase II clinical trial of paxalisib in combination with trastuzumab in breast cancer metastases;
- Interim results will be reported from the phase II genomically-guided study of paxalisib in brain metastases;
- Interim results will be reported from the phase I study of paxalisib in combination with radiotherapy in brain metastases;
- Final data will be reported from the phase I study of paxalisib in children with diffuse intrinsic pontine glioma (DIPG);
- The phase II study of paxalisib in combination with a ketogenic diet in glioblastoma will commence recruitment;
- The phase II study of paxalisib in combination with ONC-201 in DIPG and DMGs will commence recruitment; and
- The phase I study of EVT801 in patients with advanced solid tumours will commence recruitment.

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 Silence Therapeutics plc (LSE & NASDAQ:SLN), ReNeuron Group plc (LSE:RENE) and BiVitctriX Therapeutics plc (LSE:BVX) as well as unlisted Biomer Technology Limited. He is also a non-executive director of Palla Pharma Limited (ASX:PAL). 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 £400 million, both publicly and privately, as well as extensive experience of divestments and strategic restructurings and has over 25 years in cross-border management as a Chairman and CEO. He has led and participated in 8 Initial Public Offerings,(5 LSE, 1 ASX, 2 NASDAQ) and has direct experience of mergers and acquisitions transactions in Europe, USA and the Pacific Rim
Other current directorships:	Silence Therapeutics plc (LSE:SLN), ReNeuron Group plc (LSE:RENE), Palla Pharma Limited (ASX:PAL) and BiVictriX Therapeutics plc (LSE:BVX)
Former directorships (last 3 years):	Redx Pharma plc (LSE:REDX), Premier Veterinary Group Plc (LSE:PVG), Anatara Lifesciences Limited (ASX:ANR) and e-Therapeutics plc (LSE:ETX).
Special responsibilities:	Member of Remuneration and Nomination Committee, Member of Audit, Risk and Governance Committee.
Interests in shares:	1,000,001 ordinary shares
Interests in options:	400,000 options with exercise price of $1.132 expiring 9 November 2024
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:	372,693 ordinary shares
Interests in options:	400,000 options with exercise price of $1.132 expiring 9 November 2024
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. Steven sits on the board of a number of large private family companies and audits a number of large private companies and not-for-profit entities.
Other current directorships:	None
Former directorships (last 3 years):	The Docyard Limited (ASX:TDY)
Special responsibilities:	Chair of Audit, Risk and Governance Committee, Member of Remuneration and Nomination Committee.
Interests in shares:	434,265 ordinary shares
Interests in options:	400,000 options with exercise price of $1.132 expiring 9 November 2024
Contractual rights to shares:	None
Name:	Dr James Garner
Title:	Chief Executive Officer, Managing Director
Qualifications:	MA, MBA, MBBS, BSc (Hons), MAICD
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:	430,000 ordinary shares
Interests in options:	1,200,000 options with exercise price of $0.4925 expiring 4 January 2024 800,000 options with exercise price of $0.8812 expiring 13 January 2025
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 and Elmo Software Limited (ASX:ELO) as well as Chair of their Audit and Risk Committees. She is also Chair of Seeing Machines Limited (LSE: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 2021, 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	13	13	2	2	1	1
Bryce Carmine	12	13	2	2	1	1
Steven Coffey	13	13	2	2	1	1
James Garner	13	13	-	-	-	-

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

Note: James Garner is not a member of the Audit, Risk and Governance Committee or the Remuneration and Nomination Committee, but attended all meetings as a guest.

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 group, 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 7 November 2020 when the shareholders approved an aggregate remuneration of $700,000.

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 directors fees were held constant in recent years as a result of funding constraints, and in the current financial year, after conducting a benchmarking exercise, directors fees were increased to a market rate, and a bonus was paid to Non-Executive Directors to reflect their service over recent years at a discounted remuneration level. Further, at the 2020 AGM the shareholders approved the award of 400,000 options to each Non-Executive Director.

In relation to the cap on aggregate fees of Non-Executive Directors, the value of the options has been excluded from the calculation of aggregate fees because the options were separately approved by the shareholders.

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 2021.

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.

During the year 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 2020.

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 which are issued at a premium to the share price on date of issue and vest in tranches 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 most recently approved by shareholders on 6 November 2020.

The ESOP provides for the issue of options to eligible individuals, being employees, Non-executive directors and Officers of the consolidated entity.

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, and a premium which is applied to this value. 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 2,200,000 share options under the ESOP during the financial year ended 30 June 2021, of which 2,100,000 were issued to KMP.

Any change to the ESOP will require approval by shareholders.

Use of remuneration consultants

During the year ended 30 June 2021 the consolidated entity did not engage remuneration consultants to assist with the determination of remuneration levels.

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

2021	Short-term benefits			Post-employment benefits	Share-based payments	
	Salary & fees Cash $	Bonus Cash $	Movements in accrued leave Non-monetary $	Super-annuation $	Options Equity-settled $	Total $
Non-Executive Directors:						
I Ross*	147,436	20,000	-	-	119,067	286,503
B Carmine	82,500	22,500	-	9,975	119,067	234,042
S Coffey	82,500	22,500	-	9,975	119,067	234,042
Executive Directors:						
J Garner	503,000	240,000	90,400	70,585	228,651	1,132,636
Other Key Management Personnel:						
G Heaton	204,000	25,000	(241)	21,755	15,069	265,583
K Hill	108,525	26,400	-	-	15,677	150,602
	1,127,961	356,400	90,159	112,290	616,598	2,303,408

* Salary paid in UK pounds, but disclosed in Australian dollars using a conversion rate of 0.5562

2020	Short-term benefits			Post-employment benefits	Share-based payments	
	Salary & fees Cash $	Bonus Cash $	Movement in accrued leave Non-monetary $	Super-annuation $	Options Equity-settled $	Total $
Non-Executive Directors:						
I Ross*	135,272	-	-	-	-	135,272
B Carmine	75,000	-	-	7,125	-	82,125
S Coffey	75,000	-	-	7,125	-	82,125
Executive Directors:						
J Garner	473,000	180,000	23,423	62,035	206,465	944,923
Other Key Management Personnel:						
G Heaton	195,000	17,500	7,275	20,188	10,745	250,708
K Hill	127,875	15,000	-	-	12,826	155,701
	1,081,147	212,500	30,698	96,473	230,036	1,650,854

* Salary paid in UK pounds, but disclosed in Australian dollars using a conversion rate of 0.5323

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2021	2020	2021	2020	2021	2020
Non-Executive Directors:						
Iain Ross	**51%**	100%	**7%**	-	**42%**	-
Bryce Carmine	**40%**	100%	**10%**	-	**50%**	-
Steven Coffey	**40%**	100%	**10%**	-	**50%**	-
Executive Directors:						
James Garner	**59%**	59%	**21%**	19%	**20%**	22%
Other Key Management Personnel:						
Gabrielle Heaton	**85%**	89%	**9%**	7%	**6%**	4%
Kate Hill	**72%**	82%	**18%**	10%	**10%**	8%

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. Now that the current CEO and management team have been in place for a number of years, the directors are able to provide the below table showing increase in enterprise value of the Company over the relevant period, with details of bonuses and options awarded each year, to demonstrate the link between performance, reward and increase in shareholder wealth.

	June 2017	June 2018	June 2019	June 2020	June 2021
Enterprise Value	5,736,560	12,659,955	14,884,643	35,582,939	**145,349,234**
Total bonuses paid to KMP	191,135	-	125,400	212,500	**356,400**
Number of bonus participants	5	-	3	3	**6**
Share options issued to KMP	450,000	362,000	100,000	1,300,000	**2,100,000**
Number of KMP granted options	2	2	2	3	**6**

Enterprise Value of the Company has been calculated as the market capitalisation of the Company at each period end, adjusted for cash held at year end, and the for anticipated R&D cash rebate (deemed to be essentially cash). The use of Enterprise Value seeks to represent the underlying value of the business after adjusting for cash or debt balances.

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

The consolidated entity received 93.63% of "yes" votes on its Remuneration Report for the financial year ending 30 June 2020. 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 2021, is $510,000 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 2021, is $208,000.

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 a monthly rate of $11,900 for a two-day week, applied from 1 January 2021. 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 options

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 9 November 2020 were to James Garner (800,000 options with a fair value at grant date of $402,000), Iain Ross (400,000 options with a fair value at grant date of $165,300), Bryce Carmine (400,000 options with a fair value at grant date of $165,300) and Steven Coffey (400,000 options with a fair value at grant date of $165,300).

The options issued on 4 January 2021 were to Kate Hill (50,000 options, with a fair value at grant date of $29,929) and Gabrielle Heaton (50,000 options, with a fair value at grant date of $29,929). 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 6 November 2020.

Grant date	No of options	Vesting date	Expiry date	Exercise price $	Fair value at grant date $
09/11/2020	200,000	13/01/2021	13/01/2025	$0.881	$0.450
09/11/2020	200,000	13/01/2022	13/01/2025	$0.881	$0.490
09/11/2020	200,000	13/01/2023	13/01/2025	$0.881	$0.520
09/11/2020	200,000	13/01/2024	13/01/2025	$0.881	$0.550
09/11/2020	300,000	01/01/2021	09/11/2024	$1.132	$0.379
09/11/2020	300,000	01/07/2021	09/11/2024	$1.132	$0.403
09/11/2020	300,000	01/01/2022	09/11/2024	$1.132	$0.425
09/11/2020	300,000	01/07/2022	09/11/2024	$1.132	$0.446
04/01/2021	25,000	04/01/2022	04/01/2025	$1.690	$0.520
04/01/2021	25,000	04/01/2023	04/01/2025	$1.690	$0.576
04/01/2021	25,000	04/01/2024	04/01/2025	$1.690	$0.627
04/01/2021	25,000	04/01/2025	04/01/2025	$1.690	$0.671
	2,100,000				

Options granted carry no dividend or voting rights. Each option is convertible to one ordinary share upon exercise. During the year, 96,500 options were exercised by Gabrielle Heaton and 245,000 options were exercised by Kate Hill.

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	Allocated on entitlement offer	Exercise of options	Balance at the end of the year
Ordinary shares					
B Carmine	266,293	43,900	62,500	-	372,693
S Coffey	326,474	45,291	62,500	-	434,265
I Ross	800,001	75,000	125,000	-	1,000,001
J Garner	275,000	92,500	62,500	-	430,000
K Hill	30,000	-	20,000	245,000	295,000
G Heaton	10,000	-	6,668	96,500	113,168
	1,707,768	256,691	339,168	341,500	2,645,127

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	Expired	Exercised	Balance at the end of the year
Options over ordinary shares					
J Garner *	1,200,000	800,000	-	-	2,000,000
K Hill *	320,000	50,000	-	(245,000)	125,000
G Heaton *	242,000	50,000	-	(96,500)	195,500
Iain Ross *	-	400,000	-	-	400,000
Bryce Carmine *	-	400,000	-	-	400,000
Steven Coffey *	-	400,000	-	-	400,000
	1,762,000	2,100,000	-	(341,500)	3,520,500

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

	Vested and exercisable	Unvested	Balance at the end of the year
Options over ordinary shares - vested and unvested			
J Garner	1,200,000	800,000	2,000,000
K Hill	12,500	112,500	125,000
G Heaton	92,500	103,000	195,500
Iain Ross	100,000	300,000	400,000
Bryce Carmine	100,000	300,000	400,000
Steven Coffey	100,000	300,000	400,000
	1,605,000	1,915,500	3,520,500

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. All options are unlisted and were issued under the Company's Employee Share Option Plan.

Grant date	Expiry date	Exercise Price	Closing Balance
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	87,000
5 February 2018	5 February 2023	$0.780	320,000
4 January 2019	4 January 2024	$0.493	37,500
13 November 2019	4 January 2024	$0.493	1,200,000
13 January 2020	13 January 2025	$0.881	200,000
9 November 2020	13 January 2025	$0.881	800,000
9 November 2020	9 November 2024	$1.132	1,200,000
4 January 2021	4 January 2025	$1.690	200,000
			4,219,000

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

The following ordinary shares of Kazia Therapeutics Limited were issued during the year ended 30 June 2021 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
7 August 2017	$0.670	121,500
5 February 2018	$0.780	120,000
4 January 2019	$0.490	200,000
		441,500

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

There were no non-audit services provided during the financial year by the auditor.

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

26 August 2021

Sydney

Dr James Garner

Managing Director, Chief Executive Officer

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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 2021, 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, 26 August 2021

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 26 August 2021. 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 2021

	Note	Consolidated 2021 $	Consolidated 2020 $
Revenue	5	**15,182,711**	-
Other income	6	**2,192**	995,000
Finance income		**42,240**	65,905
Expenses			
Research and development expense		**(14,541,366)**	(9,494,328)
General and administrative expense		**(7,021,823)**	(3,689,867)
Fair value losses on financial assets at fair value through profit or loss		**-**	(167,814)
Loss on revaluation of contingent consideration		**(2,570,261)**	(474,557)
Loss before income tax benefit		**(8,906,307)**	(12,765,661)
Income tax benefit	8	**484,347**	298,195
Loss after income tax benefit for the year attributable to the owners of Kazia Therapeutics Limited		**(8,421,960)**	(12,467,466)
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		**1,868**	(3,520)
Other comprehensive income for the year, net of tax		**1,868**	(3,520)
Total comprehensive income for the year attributable to the owners of Kazia Therapeutics Limited		**(8,420,092)**	(12,470,986)
		Cents	**Cents**
Basic earnings per share	31	**(7.16)**	(17.07)
Diluted earnings per share	31	**(7.16)**	(17.07)

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 2021

	Note	Consolidated 2021 $	Consolidated 2020 $
Assets			
Current assets			
Cash and cash equivalents	9	**27,586,760**	8,764,044
Trade and other receivables	10	**84,362**	1,352,252
Other assets	11	**1,719,696**	537,305
Total current assets		**29,390,818**	10,653,601
Non-current assets			
Trade and other receivables	10	**6,693,628**	-
Intangibles	12	**22,002,593**	12,410,139
Total non-current assets		**28,696,221**	12,410,139
Total assets		**58,087,039**	23,063,740
Liabilities			
Current liabilities			
Trade and other payables	13	**4,932,660**	3,488,933
Employee benefits	14	**229,337**	191,451
Contingent consideration	15	**3,164,557**	1,387,089
Total current liabilities		**8,326,554**	5,067,473
Non-current liabilities			
Deferred tax	16	**2,928,441**	3,412,788
Employee benefits	14	**54,684**	-
Contingent consideration	15	**8,926,641**	457,899
Total non-current liabilities		**11,909,766**	3,870,687
Total liabilities		**20,236,320**	8,938,160
Net assets		**37,850,719**	14,125,580
Equity			
Contributed equity	17	**80,290,062**	48,781,214
Other contributed equity	18	**464,000**	464,000
Reserves	19	**1,300,566**	1,065,923
Accumulated losses		**(44,203,909)**	(36,185,557)
Total equity		**37,850,719**	14,125,580

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 2021

Consolidated	Contributed equity $	Other contributed equity $	Foreign currency translation reserve $	Share based payments reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2019	36,641,519	464,000	(451,668)	2,489,121	(24,948,206)	14,194,766
Loss after income tax benefit for the year	-	-	-	-	(12,467,466)	(12,467,466)
Other comprehensive income for the year, net of tax	-	-	(3,520)	-	-	(3,520)
Total comprehensive income for the year	-	-	(3,520)	-	(12,467,466)	(12,470,986)
Shares issued (note 17)	12,972,747	-	-	-	-	12,972,747
Share issue costs (note 17)	(833,052)	-	-	-	-	(833,052)
Transactions with owners in their capacity as owners:						
Share-based payments (note 32)	-	-	-	262,105	-	262,105
Expired options	-	-	-	(1,230,115)	1,230,115	-
Balance at 30 June 2020	48,781,214	464,000	(455,188)	1,521,111	(36,185,557)	14,125,580

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 2021

Consolidated	Contributed equity $	Other contributed equity $	Foreign currency translation reserve $	Share based payments reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2020	48,781,214	464,000	(455,188)	1,521,111	(36,185,557)	14,125,580
Loss after income tax benefit for the year	-	-	-	-	(8,421,960)	(8,421,960)
Other comprehensive income for the year, net of tax	-	-	1,868	-	-	1,868
Total comprehensive income for the year	-	-	1,868	-	(8,421,960)	(8,420,092)
Shares issued (note 17)	32,908,949	-	-	-	-	32,908,949
Share issue costs (note 17)	(1,673,388)	-	-	-	-	(1,673,388)
Transactions with owners in their capacity as owners:						
Issue of shares on exercise of options	273,287	-	-	(80,353)	80,353	273,287
Share based payment (note 32)	-	-	-	636,383	-	636,383
Expired options	-	-	-	(323,255)	323,255	-
Balance at 30 June 2021	80,290,062	464,000	(453,320)	1,753,886	(44,203,909)	37,850,719

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 2021

	Note	Consolidated 2021 $	Consolidated 2020 $
Cash flows from operating activities			
Receipts from customers *		**13,739,254**	-
Payments to suppliers (inclusive of GST)		**(23,868,218)**	(10,200,368)
R&D cash rebate		**1,018,448**	1,390,849
Net cash used in operating activities	30	**(9,110,516)**	(8,809,519)
Net cash from investing activities		**-**	-
Cash flows from financing activities			
Proceeds from issue of shares - net of issuance costs	17	**28,108,848**	12,139,695
Net cash from financing activities		**28,108,848**	12,139,695
Net increase in cash and cash equivalents		**18,998,332**	3,330,176
Cash and cash equivalents at the beginning of the financial year		**8,764,044**	5,433,868
Effects of exchange rate changes on cash and cash equivalents		**(175,616)**	-
Cash and cash equivalents at the end of the financial year	9	**27,586,760**	8,764,044

* Receipts from customers were subject to deduction of VAT and withholding tax at source.

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 26 August 2021. 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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

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 2021. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations is that none are deemed to have a material impact on the entity.

Going concern

The consolidated entity incurred a loss after income tax of $8,421,960 (2020: $12,467,466), was in a net current asset position of $21,064,264 (2020: net current asset position of $5,586,128) and had net cash outflows from operating activities of $9,110,516 (2020: $8,809,519) for the year ended 30 June 2021.

As at 30 June 2021 the consolidated entity had cash in hand and at bank, including cash on deposit, of $27,586,760.

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 continue to explore grant funding, licensing opportunities and equity investment opportunities in the Company. In particular, the directors have considered the impact of COVID-19 on the operations of the Company, and make the following observations:

- Kazia's key clinical trials have not been impacted by COVID-19 to date. The GBM Agile study, the pivotal study for paxalisib in glioblastoma, is on track with recruitment running to plan, and no disruption to this schedule is foreseen. The Phase II study of paxalisib in glioblastoma was fully recruited prior to the onset of restrictions and is in wrap up stage at the date of this report. Plans are on track for the commencement of a Phase I trial for EVT801 before the end of 2021;
- In general, clinical research in advanced cancer is relatively protected from pandemic disruption due to the ongoing and time-critical need for patient care in specialised facilities which cannot easily be repurposed;
- The Company is not reliant on ongoing revenue from customers, and so changes in customer behaviour over the next several years due to public health restrictions and reduced economic activity have little to no impact on its finances;
- The Company was able to secure funding of approximately $9 million at the height of the initial wave of COVID-19 in April 2020, and additional funds of approximately $25 million during the 2021 financial year;
- Based on budgets and forecasts, the Company has sufficient cash to fund the operations for a period of at least 12 months from the date of this report; and
- As a consequence, the directors do not foresee any other impacts of COVID-19 on the Company's ability to pursue its objectives, and in particular on its ability to raise additional funding if required.

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 28.

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 2021 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised using a five step approach in accordance with AASB 15 Revenue from Contracts with Customers to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Distinct promises within the contract are identified as performance obligations. The transaction price of the contract is measured based on the amount of consideration the consolidated entity expects to be entitled to from the customer in exchange for services. Factors such as requirements around variable consideration, significant financing components, noncash consideration, or amounts payable to customers also determine the transaction price. The transaction is then allocated to separate performance obligations in the contract based on relative standalone selling prices. Revenue is recognised when, or as, performance obligations are satisfied, which is when control of the promised service is transferred to the customer. Amounts received prior to satisfying the revenue recognition criteria are recorded as deferred revenue. Amounts expected to be recognised as revenue within the 12 months following the balance sheet date are classified within current liabilities. Amounts not expected to be recognised as revenue within the 12 months following the balance sheet date are classified within non-current liabilities.

The consolidated entity recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in its consolidated statement of financial position. Similarly, if the consolidated entity satisfies a performance obligation before it receives the consideration, the consolidated entity recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Licensing revenues, including milestone revenue

Revenue from licensees of the consolidated entity's intellectual property reflects the transfer of a right to use the intellectual property as it exists at the point in time in which the licence is transferred to the customer.

Licensing agreements are examined to determine whether they contain additional performance obligations, over and above the right to use the intellectual property. To the extent that additional performance obligations exist, the transaction price the consolidated entity expects to receive for the contract is allocated to the separate performance obligations.

The receipt of milestone payments is often contingent on meeting certain clinical, regulatory or commercial targets, and is therefore considered variable consideration. The transaction price of the contingent milestone is estimated using the most likely amount method. Within the transaction price, the price associated with a contingent milestone is included only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Milestone payments that are not within the control of the Group, such as regulatory approvals, are not considered highly probable of being achieved until those approvals are achieved.

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.

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.

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.

Interpretation 23 Uncertain tax positions

Interpretation 23 clarified the application of the recognition and measurement criteria in AASB 112 Income Taxes (AASB 112) where there is uncertainty over income tax treatments and requires an assessment of each uncertain tax position as to whether it is probable that a taxation authority will accept the position. Where it is not probable, the effect of the uncertainty is reflected in determining the relevant taxable profit or loss, tax bases, unused tax losses and unused tax credits or tax rates. The amount is determined as either the single most likely amount or the sum of the probability weighted amounts in a range of possible outcomes, whichever better predicts the resolution of the uncertainty. Judgments are reassessed as and when new facts and circumstances are presented.

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.

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

Under AASB 16, leases are accounted for as follows:

- Right-of-use assets and lease liabilities are recognised in the consolidated statement of financial position, initially measured at the present value of future lease payments;
- Depreciation on right-of-use assets and interest on lease liabilities are recognised in the consolidated statement of profit or loss; and
- The total amount of cash paid under lease arrangements is separated into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives under AASB 16 are recognised as part of the measurement of right-of-use assets and lease liabilities.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the consolidated entity has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within other expenses in the consolidated statement of profit or loss.

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Amortisation expense is included in research and development expenditure.

Licensing agreement for paxalisib

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 was 15 years from the date of acquisition.

Licensing agreement for EVT801

The Licensing agreement asset was initially brought to account at cost and is being amortised on a straight-line basis over the period of its expected benefit, being the remaining life of the patent, which was 12.5 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 the 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.

The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- 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.

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.

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.

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.

Revenue recognition

The consolidated entity applies judgement in determining whether contracts entered into fall within the scope of AASB 15 'Revenue from Contracts with Customers'. In doing so, management considers the commercial substance of the transaction and how risks and benefits of the contract accrue to the various parties to the contract. In determining the accounting treatment of the contracts with each customer, management assessed that the contracts were within the scope of AASB 15 'Revenue from Contracts with Customers'. Management has also made the judgement in each case that the grant of the licence and transfer of associated know-how and materials are accounted for as one performance obligation as they are not considered to be distinct; they are highly interrelated and could not provide benefits to the customer independently from each other. Judgements were also made in relation to the transfer of the licence and know-how in each case, and whether this should be recognised over time or a point in time. The point in time has been determined with regard to the point at which the transfer of know-how has substantially been completed and the customer has control of the asset and the ability to direct the use of and receive substantially all of the remaining benefits.

Clinical trial expenses

The timing of payment for work conducted under clinical trials often bears little relation to the timing of the work effort. Detailed estimates are made to determine the amount of work effort expended during a reporting period in order to determine the appropriate expense to be recognised, with the resulting prepayments or un-invoiced amounts being recognised as a prepayment or an accrual respectively.

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 option pricing 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.

Acquisition of intangible assets

The consolidated entity has applied judgement in determining the accounting treatment for the acquisition of the License agreement for EVT801. The License agreement has been determined to be a stand alone transaction, independent from any other agreements which have been or may be entered into with Evotec (France) SAS. Management has also made the decision to account for the cost of the asset conferred by the License agreement on the basis of the milestones that are probable of being payable, that is, those for which there is judged to be a probability of greater than 50% that the milestone will be triggered.

Contingent consideration

Contingent consideration relates to the intangible assets acquired, and the fair value of contingent consideration is dependent on the key assumptions used in accounting for the acquisition of those intangible assets. These assumptions include the probability of milestones occurring, and can also include the anticipated timing of settlement and discount rates used.

In the case where contingent consideration is recognised on the basis that the liability is probable of occurring, judgement is used in determining which milestones are considered probable of being triggered.

Intangible assets available for use

The consolidated entity has exercised judgement in determining that its intangible assets, being license agreements, have a finite life and are available for use once acquired. As the business model is to acquire such assets and then develop them to generate returns from future license transactions or other means, management have determined that the assets are available for use from the time that they are acquired. In each case the prima facie useful life is the remaining life of the patent over the asset, unless other factors over-ride this assessment.

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

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. Judgement is used to determine whether any indicators of impairment exist, and reference is made to the considerations included in AASB 136 Impairment of Assets in this assessment. If an impairment trigger is found to exist, the recoverable amount of the asset is determined.

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 year the consolidated entity transacted with two customers, and revenue from each customer amounted to in excess of 10% of the total revenue from the period. Both companies entered into license agreements for the consolidated entity's drug assets.

NOTE 5. REVENUE

	Consolidated	
	2021 $	2020 $
Licensing revenue	15,182,711	-

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2021 $	2020 $
Geographical regions		
China	10,006,031	-
Sweden	5,176,680	-
	15,182,711	-
Timing of revenue recognition		
Licensing revenue recognised at a point in time	15,182,711	-

NOTE 6. OTHER INCOME

	Consolidated	
	2021 $	2020 $
Net foreign exchange gain	-	4,631
Payroll tax rebate	2,192	2,259
Subsidies and grants	-	20,000
Research and development rebate	-	968,110
Other income	2,192	995,000

NOTE 7. EXPENSES

	Consolidated 2021 $	Consolidated 2020 $
Loss before income tax includes the following specific expenses:		
Amortisation		
Paxalisib licensing agreement	1,084,344	1,084,344
Evotech licensing agreement	180,965	-
Total amortisation	1,265,309	1,084,344
Net foreign exchange loss		
Net foreign exchange loss	430,273	-
Leases		
Expense relating to short term leases	92,552	107,929
Superannuation expense		
Defined contribution superannuation expense	138,010	139,697
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	1,562,868	1,525,599
Other expenses		
Chinese With-Holding Tax incurred on license transaction	931,099	-
Chinese Value Added Tax incurred on license transaction	537,578	-
	1,468,677	-

NOTE 8. INCOME TAX BENEFIT

	Consolidated 2021 $	Consolidated 2020 $
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(8,906,307)	(12,765,661)
Tax at the statutory tax rate of 26% (2020: 27.5%)	(2,315,640)	(3,510,557)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	347,960	298,195
Share-based payments	175,005	72,079
Gain/loss on revaluation of contingent consideration	706,822	130,503
Research and Development claim	-	279,675
	(1,085,853)	(2,730,105)
Adjustment to deferred tax balances as a result of change in statutory tax rate	(186,152)	-
Tax losses and timing differences not recognised	787,658	2,431,910
Income tax benefit	(484,347)	(298,195)

	Consolidated 2021 $	Consolidated 2020 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised-Australia	70,896,259	67,429,803
Potential tax benefit @ 26% (2020: 27.5%)	18,433,027	17,531,749
Unused tax losses for which no deferred tax asset has been recognised-US	2,038,587	1,570,207
Potential tax benefit at statutory tax rates @ 21%-US	428,103	329,743

NOTE 9. CASH AND CASH EQUIVALENTS

	Consolidated	
	2021 $	2020 $
Current assets		
Cash at bank and on hand	**21,086,760**	1,264,044
Short-term deposits	**6,500,000**	7,500,000
	27,586,760	8,764,044

NOTE 10. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2021 $	2020 $
Current assets		
Trade receivables	**-**	439
R&D tax rebate receivable	**-**	1,017,278
	-	1,017,717
Other receivables	**76,675**	177,125
Deposits held	**7,687**	566,508
Less: Provision for impairment of deposits held	**-**	(409,098)
	84,362	1,352,252
Non-current assets		
Deposit paid	**6,693,628**	-
	6,777,990	1,352,252

Of the deposit paid, $6.65m represents an advance to GCAR at the start of the GBM Agile trial, and is refundable if not utilised against trial expenses. The amount will be allocated against expenditure towards the latter end of the trial, which is expected to be over 12 months from year end.

NOTE 11. OTHER ASSETS

	Consolidated	
	2021 $	2020 $
Current assets		
Prepayments	**1,719,696**	537,305

NOTE 12. INTANGIBLES

	Consolidated	
	2021 $	2020 $
Non-current assets		
Licensing agreement – at acquired fair value	**16,407,788**	16,407,788
Less: Accumulated amortisation	**(5,081,993)**	(3,997,649)
	11,325,795	12,410,139
Licensing agreement – at cost	**10,857,763**	-
Less: Accumulated amortisation	**(180,965)**	-
	10,676,798	-
	22,002,593	12,410,139

NOTE 12. INTANGIBLES (CONTINUED)

Consolidated	EVT801 licensing agreement $	Paxalisib licensing agreement $	Total $
Balance at 1 July 2019	-	13,494,483	13,494,483
Amortisation expense	-	(1,084,344)	(1,084,344)
Balance at 30 June 2020	-	12,410,139	12,410,139
Additions	10,857,763	-	10,857,763
Amortisation expense	(180,965)	(1,084,344)	(1,265,309)
Balance at 30 June 2021	10,676,798	11,325,795	22,002,593

During the financial year the consolidated entity acquired exclusive rights to EVT801, a small-molecule selective inhibitor of vascular endothelial growth factor receptor 3 (VEGFR3).

NOTE 13. TRADE AND OTHER PAYABLES

	Consolidated 2021 $	Consolidated 2020 $
Current liabilities		
Trade payables	**1,893,150**	1,693,632
Accrued payables	**3,039,510**	1,795,301
	4,932,660	3,488,933

Refer to note 21 for further information on financial instruments.

NOTE 14. EMPLOYEE BENEFITS

	Consolidated 2021 $	Consolidated 2020 $
Current liabilities		
Annual leave	**229,337**	191,451
Non-current liabilities		
Long service leave	**54,684**	-
	284,021	191,451

NOTE 15. CONTINGENT CONSIDERATION

	Consolidated 2021 $	Consolidated 2020 $
Current liabilities		
Contingent consideration – paxalisib	**-**	1,387,089
Contingent consideration - EVT801	**3,164,557**	-
	3,164,557	1,387,089
Non-current liabilities		
Contingent consideration – paxalisib	**1,015,249**	457,899
Contingent consideration – EVT801	**7,911,392**	-
	8,926,641	457,899
	12,091,198	1,844,988

NOTE 15. CONTINGENT CONSIDERATION (CONTINUED)

Contingent consideration - paxalisib

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, now known as paxalisib.

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. Milestones 1 and 4 have now been paid out, and Milestone 3 has lapsed. Milestone 2 comprises shares to the value of $1,250,000.

The Genentech agreement comprises of one milestone payment payable on the first commercial licensed product sale, in the amount of $1,394,000.

Each milestone payment is probability weighted for valuation purposes. The milestone payments are discounted to present value, using a discount rate of 15% (previously 35%) per annum. The discount rate was considered at 30 June 2021 and it was determined that the risk of the asset, and therefore of the milestones being met, has been considerably decreased as a result of paxalisib entering the pivotal GBM Agile trial, which is progressing well, and the license transaction with Simcere Pharmaceutical Group, which provides an external validation of paxalisib. Accordingly, the discount rate applied to future expected cash flows has been revised downwards.

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.

Contingent consideration - EVT801

As set out in note 2, the acquisition of EVT801 has been accounted for at cost, with milestones where the payment is considered probable being booked as a current or non-current liability at year end, according to the estimated payment date. Milestones where the payment is not considered probable at year end have not been accounted for as a liability. The total amount of milestone payments not booked at year end amounts to €300,500,000 ($475,474,684).

NOTE 16. DEFERRED TAX

	Consolidated	
	2021 $	2020 $
Non-current liabilities		
Deferred tax liability associated with Licensing Agreement	**2,928,441**	3,412,788

NOTE 17. CONTRIBUTED EQUITY

	Consolidated			
	2021 Shares	2020 Shares	2021 $	2020 $
Ordinary shares – fully paid	**132,012,209**	94,598,369	**80,290,062**	48,781,214

NOTE 17. CONTRIBUTED EQUITY (CONTINUED)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2019	62,166,673		36,641,519
Share placement	1 November 2019	10,000,000	$0.400	4,000,000
Share placement	16 April 2020	18,041,667	$0.400	7,216,667
Issued under Share Purchase Plan	11 May 2020	4,390,010	$0.400	1,756,004
Issued on conversion of options		19	$4.000	76
Less: share issue transaction costs		-	$0.000	(833,052)
Balance	30 June 2020	94,598,369		48,781,214
Issued on conversion of options	28 August 2020	25,000	$0.493	12,313
Institutional placement under ANREO	12 October 2020	20,525,820	$0.800	16,420,656
Retail placement under ANREO	26 October 2020	11,017,075	$0.800	8,813,660
Issued on conversion of options	2 March 2021	391,500	$0.635	248,661
Issued on conversion of options	15 March 2021	25,000	$0.493	12,313
Share placement	28 April 2021	3,037,580	$1.407	4,274,633
Issued on achievement of milestone	21 May 2021	2,391,865	$1.421	3,400,000
Less: share issue transaction costs		-	$0.000	(1,673,388)
Balance	30 June 2021	132,012,209		80,290,062

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 18. OTHER CONTRIBUTED EQUITY

	Consolidated	
	2021 $	2020 $
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 18. 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; and
- 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 19. 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 20. DIVIDENDS

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

NOTE 21. 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 2021, 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	2021 $	2020 $	2021 $	2020 $
US dollars	**21,072,592**	272,450	**3,447,803**	2,196,281
Euros	**-**	-	**15,943**	-
	21,072,592	272,450	**3,463,746**	2,196,281

The consolidated entity had net assets denominated in foreign currencies of $17,608,845 as at 30 June 2021 (2020: net liabilities $1,923,831).

NOTE 21. FINANCIAL INSTRUMENTS (CONTINUED)

If the AUD had strengthened against the USD by 10% (2020: 10%) then this would have had the following impact:

	AUD strengthened			AUD weakened		
Consolidated - 2021	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
US dollars	10%	(1,762,479)	(1,762,479)	(10%)	1,762,479	1,762,479
Euros	10%	1,594	1,594	(10%)	(1,594)	(1,594)
		(1,760,885)	(1,760,885)		1,760,885	1,760,885

	AUD strengthened			AUD weakened		
Consolidated - 2020	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
US dollars	10%	192,383	192,383	(10%)	(192,383)	(192,383)

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:

	2021		2020	
Consolidated	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Cash at bank and in hand	-	21,086,760	0.04%	1,264,044
Short term deposits	0.04%	6,500,000	0.95%	7,500,000
Net exposure to cash flow interest rate risk		27,586,760		8,764,044

The consolidated entity has cash and cash equivalents totalling $27,586,760 (2020: $8,764,044). An official increase/decrease in interest rates of 100 basis points (2020: 100 basis points) would have a favourable/adverse effect on profit before tax and equity of $275,867 (2020: $87,640) 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 21. 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 - 2021	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	-	1,893,150	-	-	-	1,893,150
Accrued payables	-	3,039,510	-	-	-	3,039,510
Contingent consideration	-	3,164,557	-	9,305,392	-	12,469,949
Total non-derivatives		8,097,217	-	9,305,392	-	17,402,609

Consolidated - 2020	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	-	1,693,632	-	-	-	1,693,632
Accrued payables	-	1,795,301	-	-	-	1,795,301
Contingent consideration	-	-	4,199,000	-	-	4,199,000
Total non-derivatives		3,488,933	4,199,000	-	-	7,687,933

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

NOTE 22. 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 - 2021	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Contingent consideration	-	-	1,015,249	1,015,249
Total liabilities	-	-	1,015,249	1,015,249

Consolidated - 2020	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Contingent consideration	-	-	1,844,988	1,844,988
Total liabilities	-	-	1,844,988	1,844,988

NOTE 22. FAIR VALUE MEASUREMENT (CONTINUED)

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 15. 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.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Level 3 $	Available-for-sale $	Total $
Balance at 1 July 2019	1,370,431	-	1,370,431
Losses recognised in profit or loss	474,557	-	474,557
Balance at 30 June 2020	1,844,988	-	1,844,988
Losses recognised in profit and loss	2,570,261	-	2,570,261
Payout of milestone	(3,400,000)	-	(3,400,000)
Balance at 30 June 2021	1,015,249	-	1,015,249

NOTE 23. 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 2021 $	Consolidated 2020 $
Short-term employee benefits	**1,574,520**	1,324,345
Post-employment benefits	**112,290**	96,473
Share-based payments	**616,598**	230,036
	2,303,408	1,650,854

Please refer to Note 27 for other transactions with key management personnel and their related parties.

NOTE 24. 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 2021 $	Consolidated 2020 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	**151,400**	124,250

NOTE 25. CONTINGENT LIABILITIES

Other than the contingent consideration set out in note 15, the consolidated entity does not have any other contingent liabilities.

NOTE 26. COMMITMENTS

Lease commitments comprise contracted amounts for leases of premises. The agreement has a duration less than 12 months from financial year end.

NOTE 27. RELATED PARTY TRANSACTIONS

Parent entity

Kazia Therapeutics Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 29.

Key management personnel

Disclosures relating to key management personnel are set out in note 23 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 28. PARENT ENTITY INFORMATION

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

Statement of profit or loss and other comprehensive income

	Parent	
	2021 $	2020 $
Loss after income tax	**(16,853,528)**	(11,064,061)
Total comprehensive income	**(16,853,528)**	(11,064,061)

Statement of financial position

	Parent	
	2021 $	2020 $
Total current assets	**25,041,721**	9,702,674
Total assets	**47,044,314**	22,112,813
Total current liabilities	**3,177,348**	1,521,946
Total liabilities	**15,032,430**	5,392,633
Equity		
Contributed equity	**80,290,062**	48,781,213
Other contributed equity	**464,000**	464,000
Reserves	**1,753,886**	1,521,111
Accumulated losses	**(50,496,064)**	(34,046,144)
Total equity	**32,011,884**	16,720,180

Reserves comprise Share Based Payments Reserve.

Contingent liabilities

The parent entity contingent liabilities as at 30 June 2021 and 30 June 2020 are as set out in Note 15. The contingent consideration is specific to the parent entity.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2021 and 30 June 2020.

NOTE 28. PARENT ENTITY INFORMATION (CONTINUED)

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 29. 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	2021 %	2020 %
Kazia Laboratories Pty Limited	Australia	**100.00%**	100.00%
Kazia Research Pty Limited	Australia	**100.00%**	100.00%
Kazia Therapeutics Inc.	United States of America	**100.00%**	100.00%
Glioblast Pty Limited	Australia	**100.00%**	100.00%
Kazia Therapeutics (Hong Kong) Limited	Hong Kong	**100.00%**	-

NOTE 30. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	Consolidated	
	2021 $	2020 $
Loss after income tax benefit for the year	**(8,421,960)**	(12,467,466)
Adjustments for:		
Depreciation and amortisation	**1,265,309**	1,084,344
Net fair value loss on financial assets	**-**	167,814
Share-based payments	**636,383**	262,105
Foreign exchange differences	**430,273**	-
Loss on contingent consideration	**2,570,261**	474,557
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	**(5,027,134)**	358,452
Increase in prepayments	**(1,182,391)**	(167,701)
Increase in trade and other payables	**1,010,520**	1,721,472
Decrease in deferred tax liabilities	**(484,347)**	(298,195)
Increase in other provisions	**92,570**	55,099
Net cash used in operating activities	**(9,110,516)**	(8,809,519)

Significant non-cash transactions

During the year the consolidated entity acquired a licensing agreement in relation to the asset EVT801. At year end no portion of the purchase price had been paid and accordingly the transaction does not appear in the cash flow statement.

Furthermore, the consolidated entity issued shares in satisfaction of an acquisition milestone. This transaction did not involve cash and accordingly the transaction does not appear in the cash flow statement.

NOTE 31. EARNINGS PER SHARE

	Consolidated 2021 $	Consolidated 2020 $
Loss after income tax attributable to the owners of Kazia Therapeutics Limited	**(8,421,960)**	(12,467,466)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	**117,674,543**	73,053,514
Weighted average number of ordinary shares used in calculating diluted earnings per share	**117,674,543**	73,053,514
	Cents	Cents
Basic earnings per share	**(7.16)**	(17.07)
Diluted earnings per share	**(7.16)**	(17.07)

1,865,000 unlisted convertible notes with a face value of $464,000 and 4,446,500 unlisted options have been excluded from the above calculations as they were anti-dilutive.

NOTE 32. SHARE-BASED PAYMENTS

All of the options set out below have been issued to employees and directors under the ESOP. During the financial year an expense of $636,383 was recognised.

2021

Tranche	Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired / lapsed on termination of employment	Balance at the end of the year
1	16/11/2015	16/11/2020	$2.200	236,667	-	-	(236,667)	-
2	05/09/2016	05/09/2021	$1.630	50,000	-	-	-	50,000
3	12/10/2016	17/10/2021	$1.560	62,000	-	-	-	62,000
4	31/10/2016	01/11/2021	$1.380	12,500	-	-	-	12,500
5	21/11/2016	23/11/2021	$1.380	50,000	-	-	-	50,000
6	07/08/2017	07/08/2022	$0.670	224,000	-	(121,500)	(15,500)	87,000
7	05/02/2018	05/02/2023	$0.780	440,000	-	(120,000)	-	320,000
8	04/01/2019	04/01/2024	$0.492	250,000	-	(200,000)	(12,500)	37,500
9	13/11/2019	04/01/2024	$0.492	1,200,000	-	-	-	1,200,000
10	13/01/2020	13/01/2025	$0.881	250,000	-	-	(50,000)	200,000
11	09/11/2020	13/01/2025	$1.132	-	1,200,000	-	-	1,200,000
12	09/11/2020	13/01/2025	$0.881	-	800,000	-	-	800,000
13	04/01/2021	04/01/2025	$1.690	-	200,000	-	-	200,000
				2,775,167	2,200,000	(441,500)	(314,667)	4,219,000
	Weighted average exercise price			$0.797	$1.090	$0.620	$1.850	$0.826

No options were forfeited during the year.

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

- Options in tranche 1 have expired during the year
- Options in tranches 2 - 8 were vested and exercisable except for tranche 6 which was vested as to 53%
- Options in tranche 9 were vested as to 1million of the 1.2million options on issue
- Options in tranches 10-12 were 25% vested
- Options in tranche 13 were unvested at year end

The weighted average remaining contractual life of options outstanding at 30 June 2021 is 2.6 years.

NOTE 32. SHARE-BASED PAYMENTS (CONTINUED)

2020

Tranche	Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Modified	Expired	Balance at the end of the year
1	04/03/2015	16/12/2019	$1.500	46,647	-	-	(46,647)	-
2	04/03/2015	18/12/2019	$1.500	19,952	-	-	(19,952)	-
3	24/06/2015	30/06/2020	$4.000	519,000	-	-	(519,000)	-
4	15/11/2015	16/11/2020	$2.200	236,667	-	-	-	236,667
5	18/03/2016	01/02/2021	$1.990	300,000	-	(300,000)	-	-
6	18/03/2016	01/02/2021	$1.990	200,000	-	(200,000)	-	-
7	18/03/2016	01/02/2021	$2.610	250,000	-	(250,000)	-	-
8	05/09/2016	05/09/2021	$1.630	50,000	-	-	-	50,000
9	12/10/2016	17/10/2021	$1.560	62,000	-	-	-	62,000
10	31/10/2016	01/11/2021	$1.380	12,500	-	-	-	12,500
11	21/11/2016	23/11/2021	$1.380	50,000	-	-	-	50,000
12	07/08/2017	07/08/2022	$0.670	224,000	-	-	-	224,000
13	05/02/2018	05/02/2023	$0.780	440,000	-	-	-	440,000
14	04/01/2019	04/01/2024	$0.492	250,000	-	-	-	250,000
15	13/11/2019	04/01/2024	$0.492	-	-	1,200,000	-	1,200,000
16	13/01/2020	13/01/2025	$0.880	-	250,000	-	-	250,000
				2,660,766	250,000	450,000	(585,599)	2,775,167
	Weighted average exercise price			$1.960	$0.880	$2.348	$3.716	$0.797

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

- Options in Tranches 4, 8, 10, 11 and 13 were vested and exercisable
- Options in Tranche 16 were unvested
- Options in other tranches were vested as follows: 9: 75%, 12: 50%, 14: 50%, 15: 67%

All remaining options are expected to vest in future periods.

The weighted average remaining contractual life of options outstanding at 30 June 2020 is 2.78 years.

Employee share options

During the year ended 30 June 2021, 2,200,000 options have been issued to directors and employees by the consolidated entity pursuant to the Company's Employee Share Option Plan.

- Tranche 11 vests in four equal 6-monthly tranches from 1 January 2021
- Tranche 12 vests in four equal annual amounts from 13 January 2021
- Tranche 13 vests in four equal annual tranches from 4 January 2022

Options within all tranches 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;
- 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.

NOTE 32. SHARE-BASED PAYMENTS (CONTINUED)

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 1 to 13 have various vesting periods and exercising conditions. These options are unlisted as at 30 June 2021.

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.

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
05/09/2016	05/09/2021	$0.105	$1.630	122.00%	1.16	1.60%	$0.840
12/10/2016	17/10/2021	$0.098	$1.560	122.00%	1.29	1.89%	$0.780
31/10/2016	01/11/2021	$0.090	$1.380	122.00%	1.20	1.87%	$0.720
21/11/2016	23/11/2021	$0.092	$1.380	122.00%	1.20	2.10%	$0.730
07/08/2017	07/08/2022	$0.430	$0.670	74.50%	2.08	1.95%	$0.206
05/02/2185	05/02/2023	$0.500	$0.780	74.50%	2.58	1.95%	$0.200
04/01/2019	04/01/2024	$0.340	$0.493	74.50%	3.50	1.95%	$0.140
13/11/2019	04/01/2024	$0.410	$0.493	74.50%	4.20	1.95%	$0.180
13/01/2020	13/01/2025	$0.620	$0.881	74.50%	4.50	1.95%	$0.340
09/11/2020	09/11/2024	$0.890	$1.132	90.00%	2.10	0.10%	$0.379
09/11/2020	09/11/2024	$0.890	$1.132	90.00%	2.30	0.10%	$0.403
09/11/2020	09/11/2024	$0.890	$1.132	90.00%	2.60	0.10%	$0.425
09/11/2020	09/11/2024	$0.890	$1.132	90.00%	2.80	0.10%	$0.446
09/11/2020	13/01/2025	$0.890	$0.881	90.00%	2.20	0.10%	$0.450
09/11/2020	13/01/2025	$0.890	$0.881	90.00%	2.70	0.10%	$0.490
09/11/2020	13/01/2025	$0.890	$0.881	90.00%	3.20	0.10%	$0.520
09/11/2020	13/01/2025	$0.890	$0.881	90.00%	3.70	0.10%	$0.550
04/01/2021	04/01/2025	$1.185	$1.169	90.00%	2.50	0.19%	$0.520
04/01/2021	04/01/2025	$1.185	$1.169	90.00%	3.00	0.19%	$0.576
04/01/2021	04/01/2025	$1.185	$1.169	90.00%	3.50	0.19%	$0.627
04/01/2021	04/01/2025	$1.185	$1.169	90.00%	4.00	0.19%	$0.671

NOTE 33. SUBSEQUENT EVENTS

There were no significant events subsequent to the reporting date.

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 2021 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

26 August 2021

Sydney

Grant Thornton

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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 controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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 2021 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 (including Independence Standards)* (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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Intangible asset impairment (Note 2, Note 3 & Note 12)	
The Group carries in its statement of financial position intangible assets relating to: • the Licensing Agreement which grants the Group the right to develop the paxalisib molecule; and • the Licensing Agreement which grants the Group the right to develop the EVT801 molecule. The paxalisib Licensing Agreement has a carrying value of $11,325,795 and the EVT801 Licensing Agreement has a carrying value of $10,676,798. These assets are being amortised over the remaining life of the underlying patents at acquisition date, being 15 years and 12.5 years respectively. 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. This is a key audit matter due to the materiality of amounts in question and the high degree of management judgement required 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 assessment of the existence of any impairment indicators, including making enquiries of management's experts; • considering each of the internal and external factors outlined by AASB 136 and assessing whether any indicators of impairment are present; • reviewing management's assessment of the potential impact of COVID-19 on the performance of the assets; and • assessing the adequacy of the relevant disclosures in the financial statements.
Asset acquisition accounting (Note 2, Note 3, Note 12 and Note 15)	
On 19 April 2021 the Group entered into a worldwide exclusive licensing agreement with Evotec SE, for the oncology drug candidate EVT801. The transaction has been accounted for as an asset acquisition and as noted in note 15, the agreement contains contingent payments dependent on the achievement of contracted milestones. Management has exercised judgement in determining the probability of achieving such milestones and the timing of each. The estimated contingent consideration at 30 June 2021 is $11,075,949. This is a key audit matter due to the materiality of amounts in question and the high degree of management judgement required.	Our procedures included, amongst others: • obtaining and reviewing the license agreement to understand the terms and conditions of the transaction; • reviewing management's assessment of the proposed accounting treatment of the transaction; • agreeing key terms of agreements utilised in management's assessment; • challenging key assumptions made by management in its assessment of accounting treatment; • assessing management's method of amortisation; • making enquiries of management's experts; and • assessing the adequacy of the relevant disclosures within the financial statements.

Grant Thornton

Accounting for license agreements under AASB15 Revenues from Contracts with Customers (Note 2, Note 3 and Note 5)

During the year, the Group entered into the following transactions:

- On 1 March 2021, the Group entered into an exclusive worldwide license agreement with Oasmia Pharmaceutical AB (Oasmia), granting Oasmia the worldwide rights to develop and commercialise Cantrixil; and
- On 29 March 2021 the Group entered into a licensing agreement with Simcere Pharmaceutical Group Ltd (Simcere), granting Simcere the rights to develop and commercialise Paxalisib, in the Greater China territory.

The transactions included the receipt if upfront cash payments of US$4 million and US$7million made to the Group from Oasmia and Simcere respectively.

This is a key audit matter due to the materiality of the transactions and the judgement required by management in accounting for these transactions in accordance with AASB15 Revenue from Contracts with Customers.

Our procedures included, amongst others:

- obtaining and reviewing copies of the license agreements to understand the terms and conditions of the transactions;
- reviewing management's accounting papers documenting the accounting treatments, including in relation to the applicability of AASB15;
- agreeing key terms of agreements utilised in management's assessment;
- challenging key assumptions made by management in its assessment of accounting treatments;
- making enquiries of management's experts; and
- assessing the adequacy of the relevant disclosures within the financial statements.

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 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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.

Grant Thornton

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: https://www.auasb.gov.au/auditors_responsibilites/ar1_2020.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 2021.

In our opinion, the Remuneration Report of Kazia Therapeutics Limited, for the year ended 30 June 2021 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, 26 August 2021

KAZIA THERAPEUTICS LIMITED

Shareholder information
30 June 2021

The shareholder information set out below was applicable as at 24 August 2017.

Equity security holders

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

There are no substantial holders in the company.

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.

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable at 17 August 2021.

Range	Total holders	Number of shares
1 - 1,000	1,302	701,945
1,001 - 5,000	1,187	3,053,974
5,001 - 10,000	361	2,801,494
10,001 - 100,000	503	14,370,636
100,001 Over	94	111,084,160
Total	**3,447**	**132,012,209**
Holding less than a marketable parcel	412	58,259

EQUITY SECURITY HOLDERS

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

Name	Number of shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	52,263,824	40.32
WILLOUGHBY CAPITAL PTY LTD <WILLOUGHBY CAPITAL A/C>	15,500,000	11.96
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	5,951,957	4.59
BNP PARIBAS NOMS PTY LTD <DRP>	5,342,372	4.12
CITICORP NOMINEES PTY LIMITED	2,926,720	2.26
MNA FAMILY HOLDINGS PTY LTD <HISHENK PTY LTD SUPER A/C>	1,920,000	1.48
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,384,872	1.07
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	1,316,415	1.02
HISHENK PTY LTD	1,295,000	1.00
JAMPLAT PTY LTD	1,293,334	1.00
MR IAIN ROSS	1,000,001	0.77
MR PETER ALAN LUEDEKE + MRS JULIA LUEDEKE <LUEDEKE RETIREMENT FUND A/C>	650,000	0.50
MR FRANCIS SAMSON	570,000	0.44
MR TONY MARK ELDRIDGE + MRS ANITA MAREE ELDRIDGE <TM & AM ELDRIDGE SUPER A/C>	555,000	0.43
NATIONAL NOMINEES LIMITED	506,172	0.39
D & G BROWN INVESTMENTS PTY LIMITED	503,589	0.39
C & L JACKSON INVESTMENTS PTY LTD <JACKSON FAMILY S/FUND A/C>	479,001	0.37
INVIA CUSTODIAN PTY LIMITED <GSJBW MANAGED A/C>	454,988	0.35
EL CORONADO HOLDINGS	453,164	0.35
MR ROSS RICHARD EDDISON	450,000	0.35
	94,816,409	73.15

SUBSTANTIAL HOLDERS

Substantial holders of equity in the Company are:

WILLOUGHBY CAPITAL PTY LTD <WILLOUGHBY CAPITAL A/C>	15,500,000	11.96
MNA FAMILY HOLDINGS PTY LTD <HISHENK PTY LTD SUPER A/C>	1,920,000	1.48
Platinum International Health Care Fund *	9,878,436	7.50
Quest Asset Partners *	11,101,710	8.40
	38,400,146	**29.34**

* Held via 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.

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KAZIA THERAPEUTICS LIMITED

Corporate directory
30 June 2021

DIRECTORS

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

COMPANY SECRETARY

Ms Kate Hill

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 Stock 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.

WEBSITE

www.kaziatherapeutics.com

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