ASX RELEASE

29 August 2018

KAZIA APPENDIX 4E AND FINANCIAL REPORT

Sydney, 29 August 2018 – Kazia Therapeutics Limited (ASX: KZA; NASDAQ: KZIA), an Australian oncology-focused biotechnology company, is pleased to present its Appendix 4E and financial report for the year ended 30 June 2018.

The H1 FY18 saw the completion of the company transformation and restructure which commenced in FY17. After receiving the approval of shareholders at the 2017 Annual General Meeting, the Company's name was changed to Kazia Therapeutics Limited, and the balance sheet significantly restructured through a share consolidation and cancellation of share capital. During this time the Company also commenced out-licensing non-clinical assets, with deals structured favourably toward return on the future value of those assets. This has enabled management's time and the Company's cash resources to be focused on Kazia's clinical stage assets. The out-license of Kazia's non-clinical assets is now complete.

During H2 FY18 the Company's net cash burn, after receipt of the R&D rebate of $4.4m, reduced from $18.5m in the prior year to $8.5m in the current reporting year, as a result of the program to streamline Kazia's corporate activities. Pleasingly, cash used in operating activities in H1 FY18 was reported as $7.8m with the equivalent outflow in H2 FY18 contained to just $4.8m. This reduction was achieved in parallel with the Company's substantially consistent quantum of R&D spend in the current year, pertaining to running our Phase I and Phase II clinical trials. Similarly, Kazia's operating result benefitted from the non-cash gain on legal settlement with Noxopharm (ASX: NOX) which has been previously reported, as well as increased subsidies and grants received and the accrual of Kazia's anticipated R&D refund of $2.2m for FY18.

Kazia's lead clinical asset, GDC-0084 a potential therapeutic for glioblastoma multiforme, has entered a Phase II trial and is progressing as planned. The Phase I trial for Cantrixil, Kazia's potential therapeutic for the treatment of ovarian cancer has yielded some preliminary results.

The Company carries current assets of $9.3m at year end with a further $4.3m in readily saleable financial assets, comprising shares and options, all of which are available to fund these programs through to H2 FY19.

[ENDS]

About Kazia Therapeutics Limited

Kazia Therapeutics Limited (ASX: KZA, NASDAQ: KZIA) is an innovative oncology-focused biotechnology company, based in Sydney, Australia. Our pipeline includes two clinical-stage drug development candidates, and we are working to develop therapies across a range of oncology indications.

Our lead program is GDC-0084, a small molecule inhibitor of the PI3K / AKT / mTOR pathway, which is being developed to treat glioblastoma multiforme, the most common and most aggressive form of primary brain cancer. Licensed from Genentech in late 2016, GDC-0084 entered a phase II clinical trial in March 2018. Initial data is expected in early calendar 2019.

TRX-E-002-1 (Cantrixil), is a third-generation benzopyran molecule with activity against cancer stem cells, and is being developed to treat ovarian cancer. TRX-E-002-1 is currently undergoing a phase I clinical trial in Australia and the United States. Initial data was presented in June 2018 and the study remains ongoing.

For more information, please visit www.kaziatherapeutics.com.

Kazia Therapeutics Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Kazia Therapeutics Limited (formerly Novogen Limited)
ABN:	37 063 259 754
Reporting period:	For the year ended 30 June 2018
Previous period:	For the year ended 30 June 2017

2. Results for announcement to the market

				$
Revenues from ordinary activities	down	52.1%	to	119,170
Loss from ordinary activities after tax attributable to the owners of Kazia Therapeutics Limited	down	43.4%	to	(6,039,242)
Loss for the year attributable to the owners of Kazia Therapeutics Limited	down	43.4%	to	(6,039,242)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the consolidated entity after providing for income tax amounted to $6,039,242 (30 June 2017: $10,670,377).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	9.63	1.95

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

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10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

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11. Attachments

Details of attachments (if any):

The Directors' report and financial statements of Kazia Therapeutics Limited for the year ended 30 June 2018 is attached.

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12. Signed

Signed ____________________ Date: 29 August 2018

Mr Iain Ross
Chairman

Kazia Therapeutics Limited (formerly Novogen Limited)

ABN 37 063 259 754

Directors' report and financial statements - 30 June 2018

Directors	Mr Iain Ross Mr Bryce Carmine Mr Steven Coffey Dr James Garner
Company secretary	Ms Kate Hill
Registered office	Three International Towers, Level 24 300 Barangaroo Avenue Sydney NSW 2000
Principal place of business	Three International Towers, Level 24 300 Barangaroo Avenue Sydney NSW 2000
Share register	Computershare Investor Services Pty Limited Level 4 60 Carrington Street Sydney NSW 2000 Tel: 1300 787 272
Auditor	Grant Thornton Audit Pty Ltd Level 17 383 Kent Street Sydney NSW 2000
Stock exchange listing	Kazia Therapeutics Limited ordinary shares are listed on the Australian Securities Exchange (ASX code: KZA) Kazia Therapeutics Limited's ordinary shares trade in the United States in the form of ADRs on the NASDAQ Capital Market (NASDAQ code: KZIA). At year end each ADR represents ten ordinary Kazia shares. Kazia Therapeutics Limited options are listed on the Australian Securities Exchange (ASX code KZAO)
Website	www.kaziatherapeutics.com

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 2018.

Directors

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

Iain Ross
Bryce Carmine
Steven Coffey
James Garner

Principal activities

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

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to $6,039,242 (30 June 2017: $10,670,377).

The attached financial statements detail the performance and financial position of the consolidated entity for the year ended 30 June 2018.

Cash resources

At 30 June 2018, the consolidated entity had total funds, comprising cash at bank and on hand of $2,956,182 and short term deposits of $3,000,000. Total current assets at year-end stand at $9,259,615 and the company also holds listed securities with a market value at year end in excess of $4 million, which are readily convertible into cash.

Going concern

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

Rounding of amounts

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

Research and development report
The company's lead development candidate is GDC-0084, a small molecule inhibitor of the PI3K / Akt / mTor pathway, that is being developed as a potential therapy for glioblastoma multiforme (GBM), the most common malignant and highly aggressive form of primary brain tumor in adults.

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

During the period, the company has completed manufacture of investigational product in a capsule presentation, under Good Manufacturing Practice (GMP) conditions, for use in a projected phase II clinical study. The company conducted a Type B meeting with the US Food and Drug Administration (FDA) in September 2017, which provided general support and specific guidance to the projected phase II clinical study. The company engaged Chiltern Oncology, a specialist contract research organisation (CRO) to execute the study. A first institutional review board approval was received in December 2017, and the study commenced in March 2018. It is listed on clinicaltrials.gov as NCT03522298.

In parallel, the company has commenced a 13-week toxicology study in two animal species under Good Laboratory Practice (GLP) conditions in order to support the further development and commercialisation of GDC-0084. This study remains ongoing and is expected to complete in the second half of calendar 2018. The company has also taken patents to acceptance or grant in a number of territories, including Australia, China, and the United States.
In February 2018, the company was notified by FDA that its application for Orphan Drug Designation (ODD) for GDC-0084 had been successful. Orphan designation provides a number of potential benefits for a drug in development, including a waiver of application fees at the time of a New Drug Application (NDA), potential access to orphan grants, and up to seven years of additional market exclusivity once the product is commercialised.

Post-period, in July 2018, the company submitted an application to the World Health Organisation (WHO) for an International Non-proprietary Name (INN) for GDC-0084. The INN will be the generic name by which the compound is generally known in its future development and commericalisation, and an application is common practice at this stage in a drug's development. The application is expected to be initially reviewed at the INN Autumn Consultation in the fourth calendar quarter of 2018, and the final selection of a name is expected to be complete by the end of calendar 2019.

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

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

In December 2016, the company commenced a phase I clinical trial of Cantrixil in patients with ovarian cancer. It is listed on clinicaltrials.gov as NCT02903771. The study seeks to establish the safety and tolerability of the development candidate, to determine a Maximum Tolerated Dose (MTD), and to explore indicative signals of clinical efficacy. Five trials sites in the United States and Australia are currently recruiting to the study.

The Cantrixil phase I study reported high-level data from an unplanned interim analysis in June 2018. The study continued to recruit to the dose escalation component but had enrolled mostly single-patient cohorts to date. Of five patients for whom any conclusion could be drawn as to efficacy, three had shown stable disease after two cycles of Cantrixil monotherapy, and one had shown a partial response after receiving Cantrixil in conjunction with chemotherapy. The study remains ongoing, and it is anticipated that the dose escalation component will complete in the third calendar quarter of 2018.

Significant changes in the state of affairs
The company continued to pursue its strategy of focusing resources on clinical programs, being those most likely to provide a return to shareholders, and so the majority of the company's early-stage intellectual property (IP) was licensed out or partnered. In November 2017, Trilexium and a suite of early-stage molecules were licensed to Heaton-Brown Life Sciences Pty Ltd, a privately-held start-up, in return for 10% of the equity in the company and undisclosed commercial terms.

In December 2017, the company completed an agreement with Noxopharm Limited (ASX: NOX), a publicly-held biotech company, in relation to certain IP. In connection with this agreement, the company received 5,970,714 of common stock in Noxopharm and 3,000,000 options over Noxopharm stock, with a strike price of $0.80. The value of the holdings in Noxopharm at 30 June 2018 is approximately $4.3m.

Post-period, in July 2018, the company announced that it had entered into an agreement with TroBio Therapeutics Pty Ltd, a privately-held start-up, in which all interests in the 'next generation' anti-tropomyosin (ATM) program would be assigned to TroBio in return for 12% of the equity in that company. Completion of the transaction remains conditional on the Department of Industry, Innovation and Science agreeing to novate the CRC-P grant to TroBio.

The company has continued to make all efforts to improve operating efficiency and to reduce G&A costs. The organisation has been significantly restructured, and the company's place of business has relocated to a less expensive location at Barangaroo in Sydney.

Following approval by shareholders at the Annual General Meeting in November 2017, the company changed its name to Kazia Therapeutics Limited and has undertaken a consolidation of its common stock at a 10:1 ratio. The ratio between the ASX securities and the NASDAQ securities has been revised such that each NASDAQ depository receipt represents 10 underlying ASX securities.

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

Matters subsequent to the end of the financial year
In July 2018 the consolidated entity announced that it has entered into an agreement with TroBio Therapeutics Pty Ltd, a privately held start-up, in which all interests in the 'next generation' anti tropomyosin (ATM) program would be assigned to TroBio in return for 12% of the equity in that company. Completion of the transaction remains conditional on the Department of Industry, Innovation and Science agreeing to novate the CRC-P grant to TroBio.

In July 2018 the company lodged an SEC Form F3 which will allow the Company to issue various types of securities, including ordinary shares and/or warrants, from time to time over a period of three years. Any ordinary shares issued will trade in the form of American Depository Shares which currently trade on NASDAQ under the symbol KZIA. The company is not obliged to issue any securities under this arrangement, but if it does, the amount and timing is at the discretion of the company.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations
The consolidated entity has a reasonable expectation that over the course of the coming 12 months:

- Results will be reported from the phase I clinical trial of Cantrixil (TRX-E-002-1)
- Initial results will be reported from the phase II clinical trial of GDC-0084

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 on a number of Australian company boards. He is Chairman of e-Therapeutics plc (LSE:ETX), Redx Pharma plc (LSE:REDX) and Biomer Technology Limited. In his career he has held senior positions in Sandoz AG, Fisons Plc, Hoffmann-La Roche AG and Celltech Group Plc and also undertaken a number of start-ups and turnarounds on behalf of banks and private equity groups. His track record includes multiple financing transactions having raised in excess of £300 million, both publicly and privately, as well as extensive experience of divestments and strategic restructurings and has over 20 years in cross-border management as a Chairman and CEO. He has led and participated in six four London Stock Exchange ('LSE') Initial Public Offerings,(4 LSE, 1 ASX, 1 NASDAQ) and has direct experience of mergers and acquisitions transactions in Europe, USA and the Pacific Rim.
Other current directorships:	Anatara Lifesciences Limited (ASX:ANR), e-Therapeutics plc (LSE: ETX), Redx Pharma plc (LSE:REDX)
Former directorships (last 3 years):	Tissue Therapies Limited, Benitec Biopharma Limited, Premier Veterinary Group Plc (LSE:PVG)
Special responsibilities:	Member of Remuneration and Nomination Committee, Member of Audit, Risk and Governance Committee.
Interests in shares:	220,000 ordinary shares
Interests in options:	None
Contractual rights to shares:	None

Name:	Bryce Carmine
Title:	Non-Executive Director
Qualifications:	B.Sc., Biochemistry, Microbiology & Genetics
Experience and expertise:	Bryce spent 36 years working for Eli Lilly & Co. and retired as Executive Vice President for Eli Lilly & Co, and President, Lilly Bio-Medicines. Prior to this he lead the Global Pharmaceutical Sales and Marketing and was a member of the company's Executive Committee. Mr Carmine previously held a series of product development portfolio leadership roles culminating when he was named President, Global Pharmaceutical Product Development, with responsibility for the entire late-phase pipeline development across all therapeutic areas for Eli Lilly. During his career with Lilly, Bryce held several country leadership positions including President Eli Lilly Japan, Managing Dir. Australia/NZ & General Manager of a JV for Lilly in Seoul, Korea. Bryce is currently Chairman and CEO of HaemaLogiX Pty Ltd, a Sydney based privately owned biotech.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Audit, Risk and Governance Committee, Chair of Remuneration and Nomination Committee.
Interests in shares:	91,819 ordinary shares
Interests in options:	None
Contractual rights to shares:	None

Name:	Steven Coffey
Title:	Non-Executive Director
Qualifications:	B. Comm, CA
Experience and expertise:	Steven is a Chartered Accountant, having spent his career in public practice since graduating from the University of New South Wales in 1983. He has been a partner in the chartered accounting firm Watkins Coffey Martin since 1993. He is a registered company auditor and audits a number of large private companies as well as a number of not-for-profit entities. He has previously served on the board of an Australian listed public company. Steve is currently a board member of two private ancillary funds (PAFs).
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of Audit, Risk and Governance Committee, Member of Remuneration and Nomination Committee.
Interests in shares:	142,000 ordinary shares
Interests in options:	5,875 listed options (NRTO)
Contractual rights to shares:	None

Name:	Dr James Garner
Title:	Chief Executive Officer, Managing Director
Qualifications:	MA, MBA, MBBS, BSc (Hons)
Experience and expertise:	Dr Garner is an experienced life sciences executive who has previously worked with companies ranging from small biotechs to multinational pharmaceutical companies such as Biogen and Takeda. His career has focused on regional and global development of new medicines from preclinical to commercialisation. Dr Garner is a physician by training and holds an MBA from the University of Queensland. He began his career in hospital medicine and worked for a number of years as a corporate strategy consultant with Bain & Company before entering the pharmaceutical industry. Prior to joining Kazia in 2016, he led R&D strategy for Sanofi in Asia-Pacific and was based in Singapore.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	50,000 ordinary shares
Interests in options:	750,000 options with various exercise prices and expiring 1 February 2021.
Contractual rights to shares:	None

Company secretary

Kate Hill (ACA, 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 also a Non-executive Director of Countplus Limited (ASX:CUP) and Elmo Software Limited (ASX:ELO) as well as Chair of their Audit and Risk Committees.

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 2018, 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	12	12	5	5	1	1
Bryce Carmine	12	12	5	5	1	1
Steven Coffey	12	12	5	5	1	1
James Garner	12	12	-	-	-	-

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

Remuneration report (audited)

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

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

The Board and the Remuneration and Nomination Committee have put in place both short term (cash bonus) and long term (employee share options) incentives for its employees.

Non-Executive Directors remuneration

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

Non-Executive Directors' fees are reviewed periodically by the Board and are regularly compared with those of companies of comparable market capitalisation and stage of development. The Chairman's fees are determined independently to the fees of other non-executive Directors based on comparative roles in the external market. The Non-Executive Directors fee structure is a fixed fee model (inclusive of superannuation). At the start of the financial year the Non-Executive fee structure was reviewed and simplified, with an overall reduction in the number of Non-Executive Directors and their individual fee arrangements. Non-Executive Directors have deferred 50% of their fees from 1 February 2018 in order to conserve cash resources. The deferred amount is included in accruals, and has been disclosed in this remuneration report.

Executive Directors and other KMP

The Board, the Remuneration and Nomination Committee in consultation with the Managing Director have put in place a performance based short-term incentive, in addition to the fixed remuneration, and long-term incentive based on tenure via the Employee Share Option Plan ("ESOP") which was re-approved by shareholders on 15 November 2017. The Board determines an appropriate level of fixed remuneration for the CEO and Group Executives, as well as the proportion of performance based remuneration. Fixed remuneration, consisting of base salary and superannuation, is reviewed annually at the end of each calendar year.

The executive remuneration and reward framework has three components:
- fixed remuneration
- short-term performance incentives
- share-based payments

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 determined that there be no increases in fixed remuneration during the financial year ended 30 June 2018 in order to conserve cash resources.

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.

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

Despite being pleased with the operational achievements of the team during the financial year, the Remuneration and Nomination Committee determined that no cash bonuses be paid in respect of the financial year ended 30 June 2018 in order to conserve cash resources.

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

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

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

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

The consolidated entity issued 664,000 share options under the ESOP during the financial year that ended 30 June 2018.

Any change to the ESOP will require approval by shareholders.

Use of remuneration consultants
During the financial year ended 30 June 2018, the consolidated entity did not engage remuneration consultants.

Details of remuneration

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

The KMP of the consolidated entity consisted of the following directors of Kazia Therapeutics Limited:
- Iain Ross - Non-Executive Director, Chairman
- Bryce Carmine - Non-Executive Director
- Steven Coffey - Non-Executive Director
- Dr James Garner - Managing Director, CEO

And the following persons:
- Gabrielle Heaton - Director of Finance and Administration
- Kate Hill - Company Secretary
- Dr Gordon Hirsch - Chief Medical Officer (ceased employment 31 December 2017)
- Dr Peng Leong - Chief Business Officer (ceased employment 31 January 2018)

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

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

The table above does not include long service leave as no KMP have been employed by the consolidated entity for more than 5 years.

2017	Short-term benefits Cash salary and fees $	Cash bonus $	Movement in accrued annual leave Non-monetary $	Health Insurance $	Termination $	Post-employment benefits Super-annuation $	Share-based payments Equity-settled options $	Total $
Non-Executive Directors:								
B Carmine	117,123	-	-	-	-	11,127	-	128,250
S Coffey	46,338	-	-	-	-	35,000	-	81,338
P Gunning*	12,639	-	-	-	-	1,201	-	13,840
J O'Connor*,***	145,685	-	-	-	-	17,403	-	163,088
I Phillips*,***	79,713	-	-	-	-	-	-	79,713
I Ross	84,822	-	-	-	-	-	-	84,822
Executive Directors:								
J Garner	410,412	90,000	25,755	3,758	-	35,283	259,454	824,662
Other Key Management Personnel:								
A Heaton*,**,****	238,241	37,883	(34,442)	6,146	174,592	-	-	422,420
C Humphreys*	141,191	23,760	(4,934)	-	-	14,470	11,884	186,371
D Brown*, ****	203,754	32,588	(21,096)	-	140,780	13,797	-	369,823
G Heaton*	52,308	-	4,024	-	-	4,969	-	61,301
G Hirsch*	215,857	6,904	16,621	-	-	18,861	46,055	304,298
K Hill*	113,200	-	-	-	-	-	-	113,200
L Mateo*	25,192	-	1,095	-	-	2,364	-	28,651
P Leong*, **	394,811	-	15,001	28,717	-	-	85,864	524,393
	2,281,286	191,135	2,024	38,621	315,372	154,475	403,257	3,386,170

* Remuneration for the duration of appointment as KMP

** Salary paid in US dollars, but disclosed in Australian dollars using a conversion rate of .7545.

*** In addition to the above amounts, consultancy fees of $20,531 were paid to Kumara Inc, a corporation in which Ian Phillips is a Director and has a beneficial interest, and consultancy fees of $37,500 were paid to John O'Connor. These fees were incurred in respect of executive duties performed during the year and, in accordance with the Company's Constitution, fall outside of the cap on Non-Executive Directors fees.

**** Consistent with their contractual terms, amounts of $140,780 and $174,592 were paid to D Brown and A Heaton respectively, in lieu of notice.

The table above does not include long service leave as no KMP have been employed by the consolidated entity for more than 5 years.

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2018	2017	2018	2017	2018	2017
Executive Directors:						
James Garner	79%	58%	-	11%	21%	31%
Other Key Management Personnel:						
Gabrielle Heaton	97%	100%	-	-	3%	-
Gordon Hirsch	100%	83%	-	2%	-	15%
Kate Hill	88%	100%	-	-	12%	-
Peng Leong	100%	84%	-	-	-	16%

Consequences of performance on shareholder wealth
Shareholder wealth in a company engaged in drug development is generally driven by successful commercialisation, outlicence 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.

Voting and comments made at the consolidated entity's last Annual General Meeting
The consolidated entity received 75.3% of "yes" votes on its Remuneration Report for the financial year ending 30 June 2017. 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. No bonuses were paid in respect of or during the year ended 30 June 2018.

Service agreements
It is the Remuneration and Nomination Committee policy that 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 (or more often at the discretion of the Remuneration and Nomination Committee). 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 from 1 February 2017 of $425,000, 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.

Name:	Gabrielle Heaton
Title:	Director of Finance and Administration
Agreement commenced:	13 March 2017
Term of agreement:	Full time employment
Details:	Base salary from 13 March 2017 of $170,000, 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.

Name:	Kate Hill
Title:	Company Secretary
Agreement commenced:	9 September 2016
Term of agreement:	Part-time contractor
Details:	Base remuneration for the year ending 30 June 2018 of $153,000, based on time worked. Daily rate to be reviewed annually by the Remuneration and Nomination Committee, with no change being made during the year ended 30 June 2018. The contract is open ended. Kate's appointment with the consolidated entity may be terminated with the consolidated entity giving 60 days' notice or by Kate giving 60 days' notice.

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

Share-based compensation

Issue of shares
There were no shares issued to Directors and other KMP as part of compensation during the year ended 30 June 2018.

Options

The terms and conditions of each grant of options over ordinary shares granted as remuneration of Directors to other Key Management Personnel in this financial year or future financial years are set out below. The options issued on 7 August 2017 were to Kate Hill (100,000 options, post consolidation, with a fair value at grant date of $20,665) and Gabrielle Heaton (62,000 options, post consolidation, with a fair value at grant date of $12,806). The options issued on 5 February were to Kate Hill (120,000, with a fair value at grant date of $24,000) and Gabrielle Heaton (80,000, with a fair value at grant date of $16,000). Service conditions are that any unvested options are forfeit on cessation of employment. There are no performance conditions, consistent with the Company's Employee Share Option Plan rules, as reapproved by shareholders on 15 November 2017.

Grant date	No of options	Vesting date	Exercise date	Expiry date	Exercise price	FV per option at grant date
7-Aug-17	40,500	7-Aug-18	7-Aug-18	7-Aug-22	$0.67	$0.18
7-Aug-17	40,500	7-Aug-19	7-Aug-19	7-Aug-22	$0.67	$0.18
7-Aug-17	40,500	7-Aug-20	7-Aug-20	7-Aug-22	$0.67	$0.18
7-Aug-17	40,500	7-Aug-21	7-Aug-21	7-Aug-22	$0.67	$0.18
5-Feb-18	50,000	5-Aug-18	5-Aug-18	5-Feb-23	$0.78	$0.20
5-Feb-18	50,000	5-Feb-19	5-Feb-19	5-Feb-23	$0.78	$0.20
5-Feb-18	50,000	5-Aug-19	5-Aug-19	5-Feb-23	$0.78	$0.20
5-Feb-18	50,000	5-Feb-20	5-Feb-20	5-Feb-23	$0.78	$0.20

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

During the financial year 187,500 options held by P Leong and 150,000 options held by G Hirsch lapsed upon cessation of employment. These options were granted during the year ended 30 June 2017. No options were exercised during the year.

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Share consolidation	Balance at the end of the year
Ordinary shares			
B Carmine	918,181	(826,362)	91,819
S Coffey	1,420,000	(1,278,000)	142,000
J Garner	500,000	(450,000)	50,000
I Ross	2,200,000	(1,980,000)	220,000
K Hill	300,000	(270,000)	30,000
	5,338,181	(4,804,362)	533,819

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	Share consolidation	Forfeited on cessation of employment	Balance at the end of the year
Options over ordinary shares					
S Coffey*	58,747	-	(52,872)	-	5,875
J Garner**, ***	7,500,000	-	(6,750,000)	-	750,000
G Hirsch**	2,000,000	-	(1,800,000)	(150,000)	50,000
P Leong**	2,500,000	-	(2,250,000)	(187,500)	62,500
K Hill**	-	1,120,000	(900,000)	-	220,000
G Heaton**	-	700,000	(558,000)	-	142,000
	12,058,747	1,820,000	(12,310,872)	(337,500)	1,230,375

* The above listed options were not issued as part of remuneration.
** Options issued under the Employee Share Option Plan. Unvested options are forfeited upon cessation of employment with the consolidated entity.
*** 300,000 of James Garner's options are vested and exercisable at year end. Steven Coffey's options are also vested and exercisable. No other options held by a Director or member of Key Management Personnel are vested or exercisable at year end.

Other transactions with key management personnel and their related parties
There was no other transaction with KMP and their related parties.

This concludes the remuneration report, which has been audited.

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

Grant date	Expiry date	Exercise Price **	Closing Balance
16 December 2014	16 December 2019	$1.500	46,647
18 December 2014	18 December 2019	$1.500	19,952
4 June 2015 *	4 June 2020	$4.000	2,948,400
30 June 2015 *	4 June 2020	$4.000	200,000
30 June 2015	30 June 2020	$4.000	2,906,500
16 November 2015	16 November 2020	$2.200	236,667
18 March 2016	1 February 2021	$1.990	500,000
18 March 2016	1 February 2021	$2.610	250,000
5 September 2016	5 September 2021	$1.630	50,000
31 October 2016	1 November 2021	$1.380	12,500
12 October 2016	17 October 2021	$1.560	62,000
21 November 2016	23 November 2021	$1.380	50,000
7 August 2017	7 August 2022	$0.670	224,000
5 February 2018	5 February 2023	$0.780	440,000
			7,946,666

* Listed options. All other tranches of options shown above are unlisted
** As set out in note 21, the share capital of the company was consolidated during the financial year by a factor of 10. As a consequence, the number of options on issue has reduced by a factor of 10, and the strike price of each option has increased by a factor of 10.

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

Shares issued on the exercise of options
There were no ordinary shares of Kazia Therapeutics Limited issued on the exercise of options during the year ended 30 June 2018 and up to the date of this report.

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

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

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

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

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 28 to the financial statements.

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

The Directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards. All services have been pre-approved by the Audit, Risk and Governance Committee

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

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

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

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

On behalf of the Directors

Mr Iain Ross
Chairman

Dr James Garner
Managing Director, Chief Executive Officer

29 August 2018
Sydney

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Auditor's Independence Declaration

To the Directors of Kazia Therapeutics Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Kazia Therapeutics Limited for the year ended 30 June 2018, 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

Grant Thornton Audit Pty Ltd
Chartered Accountants

S M Coulton
Partner – Audit & Assurance

Sydney, 29 August 2018

General information

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

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

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2018. The directors have the power to amend and reissue the financial statements.

Kazia Therapeutics Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

	Note	Consolidated 2018 $	2017 $
Revenue	5	119,170	248,837
Other income	6	12,989,303	8,563,431
Expenses			
Research and development expense		(9,773,662)	(11,136,178)
General and administrative expense		(5,598,447)	(8,529,126)
Loss on disposal of fixed assets		(136,753)	(15,885)
Fair value losses on financial assets at fair value through profit or loss		(1,114,080)	-
Impairment of financial assets		(2,830,030)	-
Loss before income tax benefit		(6,344,499)	(10,868,921)
Income tax benefit	8	305,257	198,544
Loss after income tax benefit for the year attributable to the owners of Kazia Therapeutics Limited		(6,039,242)	(10,670,377)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Gain on the revaluation of available-for-sale financial assets, net of tax		-	8,952
Net exchange difference on translation of financial statements of foreign controlled entities, net of tax		(251,332)	24,805
Other comprehensive income for the year, net of tax		(251,332)	33,757
Total comprehensive income for the year attributable to the owners of Kazia Therapeutics Limited		(6,290,574)	(10,636,620)
		Cents	**Cents**
Basic earnings per share	37	(12.48)	(2.28)
Diluted earnings per share	37	(12.48)	(2.28)

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

Kazia Therapeutics Limited
Statement of financial position
As at 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Assets			
Current assets			
Cash and cash equivalents	9	5,956,182	14,454,784
Trade and other receivables	10	2,535,479	4,262,512
Income tax refund due	11	-	4,963
Other	12	767,954	758,082
Total current assets		9,259,615	19,480,341
Non-current assets			
Financial assets	13	4,335,463	21,803
Property, plant and equipment	14	1,179	489,605
Intangibles	15	14,578,830	15,918,354
Total non-current assets		18,915,472	16,429,762
Total assets		28,175,087	35,910,103
Liabilities			
Current liabilities			
Trade and other payables	16	2,066,758	1,872,554
Provisions	17	161,327	155,149
Deferred income		138,188	41,003
Contingent consideration	18	1,521,228	3,315,401
Total current liabilities		3,887,501	5,384,107
Non-current liabilities			
Deferred tax	19	4,009,178	4,314,435
Provisions		-	63,878
Trade and other payables		-	106,398
Contingent consideration	20	1,036,474	703,599
Total non-current liabilities		5,045,652	5,188,310
Total liabilities		8,933,153	10,572,417
Net assets		19,241,934	25,337,686
Equity			
Contributed equity	21	31,575,824	193,769,409
Other contributed equity	22	464,000	600,000
Reserves	23	1,843,228	1,929,338
Accumulated losses		(14,641,118)	(170,961,061)
Total equity		19,241,934	25,337,686

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

Kazia Therapeutics Limited
Statement of changes in equity
For the year ended 30 June 2018

Consolidated	Issued capital $	Other contributed equity $	Available-for sale reserve $	Foreign currency reserve $	Share based payments reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2016	191,301,217	1,716,101	(45,776)	(136,155)	1,602,323	(160,506,785)	33,930,925
Loss after income tax benefit for the year	-	-	-	-	-	(10,670,377)	(10,670,377)
Other comprehensive income for the year, net of tax	-	-	8,952	24,805	-	-	33,757
Total comprehensive income for the year	-	-	8,952	24,805	-	(10,670,377)	(10,636,620)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs (note 21)	(17,662)	-	-	-	-	-	(17,662)
Share-based payments (note 38)	-	-	-	-	475,189	-	475,189
Transfers	-	(216,101)	-	-	-	216,101	-
Conversion of convertible note	900,000	(900,000)	-	-	-	-	-
Issued on acquisition of Glioblast Pty Ltd	1,585,854	-	-	-	-	-	1,585,854
Balance at 30 June 2017	193,769,409	600,000	(36,824)	(111,350)	2,077,512	(170,961,061)	25,337,686

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

Kazia Therapeutics Limited
Statement of changes in equity
For the year ended 30 June 2018

Consolidated	**Issued capital $**	**Other contributed equity $**	**Available for sale Reserve $**	**Foreign currency translation reserve $**	**Share based payments reserve $**	**Accumulated losses $**	**Total equity $**
Balance at 1 July 2017	193,769,409	600,000	(36,824)	(111,350)	2,077,512	(170,961,061)	25,337,686
Loss after income tax benefit for the year	-	-	-	-	-	(6,039,242)	(6,039,242)
Other comprehensive income for the year, net of tax	-	-	-	(251,332)	-	-	(251,332)
Total comprehensive income for the year	-	-	-	(251,332)	-	(6,039,242)	(6,290,574)
Transactions with owners in their capacity as owners:							
Share-based payments (note 38)	-	-	-	-	165,222	-	165,222
Issue of shares	29,600	-	-	-	-	-	29,600
Cancellation of share capital	(162,223,185)	-	-	-	-	162,223,185	-
Cancellation of convertible note	-	(136,000)	-	-	-	136,000	-
Balance at 30 June 2018	31,575,824	464,000	(36,824)	(362,682)	2,242,734	(14,641,118)	19,241,934

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

	Note	Consolidated 2018 $	2017 $
Cash flows from operating activities			
Loss after income tax benefit for the year		(6,039,242)	(10,670,377)
Adjustments for:			
Depreciation and amortisation	7	1,547,033	1,419,673
Impairment of property, plant and equipment		142,851	-
Net loss on disposal of non-current assets		136,753	15,885
Share-based payments		165,222	517,189
Foreign exchange differences		(251,322)	453,578
Shares issued for no consideration		29,600	-
Gain on legal settlement	39	(8,410,680)	-
(Gain)/loss on contingent consideration	18,20	(1,461,298)	764,359
Fair value loss on financial assets		3,944,110	-
		(10,196,973)	(7,499,693)
Change in operating assets and liabilities:			
Decrease/(increase) in trade and other receivables		1,723,575	(4,064,636)
Decrease in accrued revenue		97,185	41,003
Decrease in deferred tax balance		(305,257)	(197,707)
(Increase) in prepayments		(9,872)	(324,724)
Increase in trade and other payables		87,806	572,869
(Decrease)/increase in other provisions		(57,700)	38,190
Net cash used in operating activities		(8,661,236)	(11,434,698)
Cash flows used in operating activities is represented by:			
R&D cash rebate		3,973,052	4,436,284
Payments to suppliers		(12,634,288)	(15,870,982)
Net cash used in operating activities		(8,661,236)	(11,434,698)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	33	-	(7,097,152)
Payments for property, plant and equipment	14	-	(11,649)
Payments for intangibles	15	-	(8,445)
Proceeds from legal settlement	39	150,000	-
Net cash from/(used in) investing activities		150,000	(7,117,246)
Cash flows from financing activities			
Share issue transaction costs		-	(17,662)
Net cash used in financing activities		-	(17,662)
Net decrease in cash and cash equivalents		(8,511,236)	(18,569,606)
Cash and cash equivalents at the beginning of the financial year		14,454,784	33,453,140
Effects of exchange rate changes on cash and cash equivalents		12,634	(428,750)
Cash and cash equivalents at the end of the financial year	9	5,956,182	14,454,784

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 28 August 2018. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern

The consolidated entity incurred a loss after income tax of $6,039,242 (2017: $10,670,377), was in a net current asset position of $5,372,114 (2017: net current asset position of $14,096,234) and had net cash outflows from operating activities of $8,661,236 (2017: $11,434,698) for the year ended 30 June 2018.

As at 30 June 2018 the consolidated entity had cash in hand and at bank of $5,956,182 and current assets of $9,259,615. In addition, the consolidated entity holds listed shares with a year-end value of in excess of $4 million which are readily convertible into cash.

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

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

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

Basis of preparation

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

Note 2. Significant accounting policies (continued)

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, which are 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 32.

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 2018 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.

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.

Note 2. Significant accounting policies (continued)

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.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. In determining the economic benefits, provisions are made for certain trade discounts and returned goods. The following specific recognition criteria must also be met:

Interest
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.

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.

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.

Note 2. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 to 60 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

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

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

Note 2. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 2. Significant accounting policies (continued)

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

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

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

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

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

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

Software
Amortisation is calculated on a straight-line basis to write off the net cost of each item of software over their expected useful lives from 2.5 to 10 years.

Licensing agreement for GDC-0084
The Licensing Agreement asset was initially brought to account at fair value, and is being amortised on a straight-line basis over the period of its expected benefit, being the remaining life of the patent, which was15 years from the date of acquisition.

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

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

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 2. Significant accounting policies (continued)

Compound financial instruments
Compound financial instruments issued by the consolidated entity comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares does not vary with changes in fair value. The liability component of a financial liability is recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

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

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

Employee benefits

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

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

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

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

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

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

Note 2. Significant accounting policies (continued)

- 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.

Note 2. Significant accounting policies (continued)

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Kazia Therapeutics Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments and its consequential amendments
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks.

In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

The consolidated entity will adopt this standard and the amendments from 1 July 2018, and from that date assets previously treated as 'available for sale' will now be treated as fair value through profit and loss (FVTPL). Based on our assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019, apart from any gains or losses on investments in listed assets which would previously have been accounted for as 'available for sale'. Had the new standard been applied during the year ended 30 June 2018, there would be no impact on the financial statements for the year ended 30 June 2018 because impairment losses on available-for-sale assets were taken to profit and loss in the current financial year.

Note 2. Significant accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine
the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance
obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The consolidated entity will adopt this standard and the amendments from 1 July 2018. When this Standard is first adopted for the year ending 30 June 2019 there will be no material impact on the transactions and balances recognised in the financial statements. This is because the entity is still in the R&D stage of its development and is not anticipating generating material revenue streams during the year ending 30 June 2019.

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

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

Note 3. Critical accounting judgements, estimates and assumptions

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

Note 3. Critical accounting judgements, estimates and assumptions (continued)

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.

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

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

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

Research and development tax rebate
The R&D Tax Incentive is recognised when a reliable estimate of the amounts receivable can be made. For the year ended 30 June 2018 the group has estimated the rebate which will be received in early 2019 and has accrued that amount as income in the statement of profit or loss and other comprehensive income.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

Net investment in foreign operations
Intercompany loans are treated as net investment in foreign operations as repayment of such loans is neither planned nor likely to occur.

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 3. Critical accounting judgements, estimates and assumptions (continued)

Contingent consideration
Management uses valuation techniques in determining the fair values of the various elements of a business combination (see Note 33). Particularly, the fair value of contingent consideration is dependent on the key assumptions including probability of milestones occurring, timing of settlement and discount rates.

Note 4. Operating segments

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

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

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

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

Note 5. Revenue

	Consolidated	
	2018 $	2017 $
Bank interest	119,170	248,837

Note 6. Other income

	Consolidated	
	2018 $	2017 $
Net foreign exchange gain	223,998	-
Payroll tax rebate	235	7,000
Subsidies and grants	685,033	130,064
Reimbursement of expenses	8,129	17,031
Gain on legal settlement (note 39)	8,410,680	-
Research and development rebate	2,200,000	8,409,336
Gain on revaluation of contingent consideration	1,461,228	-
Other income	12,989,303	8,563,431

Note 7. Expenses

	Consolidated 2018 $	Consolidated 2017 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	191,884	52,179
Property, plant and equipment	18,759	47,373
Total depreciation	210,643	99,552
Amortisation		
Patents and intellectual property	249,906	570,104
Software	2,138	5,404
GDC licensing agreement	1,084,346	744,613
Total amortisation	1,336,390	1,320,121
Total depreciation and amortisation	1,547,033	1,419,673
Impairment		
Leasehold improvements	142,851	-
Finance costs		
Interest and finance charges paid/payable	70	276
Rental expense relating to operating leases		
Minimum lease payments	300,528	334,673
Superannuation expense		
Defined contribution superannuation expense	170,456	287,656
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	2,212,562	4,077,811
Other expenses		
Revaluation of contingent consideration	-	764,635

Note 8. Income tax benefit

	Consolidated 2018 $	Consolidated 2017 $
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(6,344,499)	(10,868,921)
Tax at the statutory tax rate of 27.5%	(1,744,737)	(2,988,953)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	45,436	130,677
Gain/loss on revaluation of contingent consideration	(401,837)	210,274
Capitalised expenses	-	234,369
Impact of foreign tax rate differential	-	(160)
Research and Development claim	605,000	1,281,771
Other non-deductible expenses	-	4,600
	(1,496,138)	(1,127,422)
Prior year tax losses not recognised now recouped	-	(678)
Tax losses and timing differences not recognised	1,190,881	929,556
Income tax benefit	(305,257)	(198,544)

	Consolidated 2018 $	Consolidated 2017 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised-Australia	50,330,712	49,139,830
Potential tax benefit @ 27.5%	13,840,946	13,513,453
Unused tax losses for which no deferred tax asset has been recognised-US	2,525,188	2,173,440
Potential tax benefit at statutory tax rates @ 21%-US	530,289	456,422

Note 9. Current assets - cash and cash equivalents

	Consolidated 2018 $	Consolidated 2017 $
Cash at bank and on hand	2,956,182	8,454,784
Short-term deposits	3,000,000	6,000,000
	5,956,182	14,454,784

Note 10. Current assets - trade and other receivables

	Consolidated	
	2018 $	2017 $
Trade receivables	1,130	231,065
R&D tax rebate receivable	2,200,000	3,973,052
Less: Provision for impairment of receivables	-	(225,998)
	2,201,130	3,978,119
Other receivables	119,890	77,207
Deposits held	608,532	578,657
Less: Provision for impairment of deposits held	(394,073)	(371,471)
	2,535,479	4,262,512

Deposits held included a guarantee to the value of €250,000 ($394,073) for the "APO Trend" case. Please refer to note 29 for further information on this matter.

Impairment of receivables
The consolidated entity has recognised a loss of nil (2016: loss of nil) in profit or loss in respect of impairment of receivables (excluding 'deposits held') for the year ended 30 June 2018.

The ageing of the impaired receivables provided for above are as follows:

	Consolidated	
	2018 $	2017 $
Trade receivables over 6 months overdue	-	225,998

Note 11. Current assets - income tax refund due

	Consolidated	
	2018 $	2017 $
Income tax refund due	-	4,963

Note 12. Current assets - other

	Consolidated	
	2018 $	2017 $
Prepayments	767,954	758,082

Note 13. Non-current assets - Financial assets

	Consolidated 2018 $	2017 $
Listed ordinary shares - available-for-sale	3,679,542	21,803
Unlisted shares and options - FVTPL	655,921	-
	4,335,463	21,803

Refer to note 26 for further information on fair value measurement.

Note 14. Non-current assets - property, plant and equipment

	Consolidated 2018 $	2017 $
Leasehold improvements - at cost	-	466,054
Less: Accumulated depreciation	-	(82,440)
	-	383,614
Plant and equipment - at cost	1,845	201,296
Less: Accumulated depreciation	(666)	(95,305)
	1,179	105,991
	1,179	489,605

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

Consolidated	Leasehold improvement $	Plant and equipment $	Total $
Balance at 1 July 2016	434,143	157,620	591,763
Additions	7,218	6,061	13,279
Disposals	(5,568)	(10,317)	(15,885)
Depreciation expense	(52,179)	(47,373)	(99,552)
Balance at 30 June 2017	383,614	105,991	489,605
Additions	6,705	2,480	9,185
Disposals	(55,584)	(88,533)	(144,117)
Impairment of assets	(142,851)	-	(142,851)
Depreciation expense	(191,884)	(18,759)	(210,643)
Balance at 30 June 2018	-	1,179	1,179

Note 15. Non-current assets - intangibles

	Consolidated 2018 $	Consolidated 2017 $
Patents and intellectual property - at cost	2,850,517	2,850,517
Less: Accumulated amortisation	(2,850,517)	(2,600,611)
	-	249,906
Software - at cost	-	11,070
Less: Accumulated amortisation	-	(5,798)
	-	5,272
Licensing agreement - at acquired fair value (Note 33)	16,407,789	16,407,789
Less: Accumulated amortisation	(1,828,959)	(744,613)
	14,578,830	15,663,176
	14,578,830	15,918,354

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

Consolidated	Software $	Patents and intellectual property $	GDC licensing agreement $	Total $
Balance at 1 July 2016	2,231	820,010	-	822,241
Additions	8,445	-	-	8,445
Additions through business combinations (note 33)	-	-	16,407,789	16,407,789
Amortisation expense	(5,404)	(570,104)	(744,613)	(1,320,121)
Balance at 30 June 2017	5,272	249,906	15,663,176	15,918,354
Disposals	(3,134)	-	-	(3,134)
Amortisation expense	(2,138)	(249,906)	(1,084,346)	(1,336,390)
Balance at 30 June 2018	-	-	14,578,830	14,578,830

Note 16. Current liabilities - trade and other payables

	Consolidated 2018 $	Consolidated 2017 $
Trade payables	1,406,887	1,248,890
Accrued payables	575,871	613,848
Other current liability	84,000	9,816
	2,066,758	1,872,554

Refer to note 25 for further information on financial instruments.

Note 17. Current liabilities - provisions

	Consolidated 2018 $	Consolidated 2017 $
Employee benefits	90,744	155,149
Lease make good	70,583	-
	161,327	155,149

Note 18. Current liabilities - Contingent consideration

	Consolidated 2018 $	Consolidated 2017 $
Contingent consideration	1,521,228	3,315,401

Note 19. Non-current liabilities - deferred tax

	Consolidated 2018 $	Consolidated 2017 $
Deferred tax liability associated with Licensing Agreement	4,009,178	4,314,435
Amount expected to be settled within 12 months	305,257	305,257
Amount expected to be settled after more than 12 months	3,703,921	4,009,178
	4,009,178	4,314,435

Note 20. Non-current liabilities - Contingent consideration

	Consolidated 2018 $	Consolidated 2017 $
Contingent consideration	1,036,474	703,599

Contingent consideration is payable on the achievement of certain pre-determined milestones. Certain of the contingent payments are contracted to be satisfied by issue of shares, and other such payments may be settled by the issue of shares or the payment of cash, at the discretion of the consolidated entity.

The milestones were probability weighted for valuation purposes and discounted to present value to arrive at the fair value of contingent consideration on acquisition date. During the financial year, the probability weightings were revised given current anticipated timelines, and a portion of the discount has unwound with the resultant gain on contingent consideration being recognised in profit and loss.

Note 21. Equity - contributed equity

	Consolidated			
	2018 Shares	2017 Shares	2018 $	2017 $
Ordinary shares - fully paid	48,409,621	483,287,914	31,575,824	193,769,409

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2016	429,733,982		191,301,217
Issue of shares - Note 2	05 September 2016	400,000	$0.105	42,000
Issue of shares - Convertible note conversion	14 September 2016	20,000,000	$0.025	500,000
Issue of shares - Acquisition of Glioblast Pty Limited (Note 33)	31 October 2016	17,153,932	$0.090	1,543,854
Issue of shares - Convertible note conversion	01 November 2016	16,000,000	$0.025	400,000
Share issue transaction costs		-	$0.000	(17,662)
Balance	30 June 2017	483,287,914		193,769,409
Share consolidation - Note 1	17 November 2017	(434,958,293)	$0.000	-
Issue of shares - Note 2	30 November 2017	80,000	$0.370	29,600
Cancellation of share capital - Note 3	31 December 2017	-	$0.000	(162,223,185)
Balance	30 June 2018	48,409,621		31,575,824

Ordinary shares
Note 1 - Share consolidation 10 to 1, which was approved by shareholders at the Annual General Meeting on 15 November 2017
Note 2 - Shares issued to the Company's Scientific Advisory Board in return for services
Note 3 - Section 258F of the Corporations Act allows a company to reduce its share capital by cancelling any paid-up share capital that is lost or is not represented by available assets. Given the long history of the consolidated entity and changes in the principal activity in recent years, the Directors believe that $162,223,185 of the parent entity's share capital satisfies the criteria in Section 258F of the Corporations Act and accordingly this amount of the ordinary share capital has been cancelled

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.

Note 21. Equity - contributed equity (continued)

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

Note 22. Equity - Other contributed equity

	Consolidated	
	2018	**2017**
	$	**$**
Convertible note - Triaxial	464,000	600,000

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.

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

• on 11 August 2016 the Company announced the submission of an IND application. On 10 September 2016, the Company received a letter from the FDA advising the study may proceed triggering conversion of 20,000,000 ordinary shares.

• on 31 October 2016, the Company announced it had licensed a Phase II ready molecule triggering the conversion of 16,000,000 ordinary shares.

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. 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.

During the financial year, a portion of the convertible notes was extinguished (Note 39). The remaining convertible note at year end may be converted into 1,856,000 ordinary shares in the consolidated entity (post share consolidation).

Note 23. Equity - reserves

Available-for-sale reserve
The reserve is used to recognise increments and decrements in the fair value of available-for-sale financial assets.

Foreign currency 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 24. Equity - dividends

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

Franking credits

There were no franking credits available at the reporting date.

Note 25. 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 2018, 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	**2018 $**	**2017 $**	**2018 $**	**2017 $**
US dollars	316,588	5,797,242	895,525	1,009,619
Pound Sterling	-	-	-	84,475
Indian Rupee	-	75	-	-
	316,588	5,797,317	895,525	1,094,094

The consolidated entity had net liabilities denominated in foreign currencies of $578,937 as at 30 June 2018 (2017: net assets $4,703,223).

If the AUD had strengthened against the USD by 10% (2017: 10%) then this would have had the following impact:

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

Note 25. Financial instruments (continued)

	AUD strengthened			AUD weakened		
Consolidated - 2017	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
US dollars	10%	(478,762)	(478,762)	(10%)	478,762	478,762
Euros	10%	-	-	(10%)	-	-
Pound Sterling	10%	8,448	8,448	(10%)	(8,448)	(8,448)
Indian Rupee	10%	(8)	(8)	(10%)	8	8
		(470,322)	(470,322)		470,322	470,322

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:

	2018		2017	
Consolidated	**Weighted average interest rate %**	**Balance $**	**Weighted average interest rate %**	**Balance $**
Cash at bank and in hand	0.04%	2,956,182	0.10%	8,454,784
Short term deposits	2.35%	3,000,000	2.40%	6,000,000
Net exposure to cash flow interest rate risk		5,956,182		14,454,784

The consolidated entity has cash and cash equivalents totalling $5,956,182 (2017: $14,454,784). An official increase/decrease in interest rates of 100 basis points (2017: 100 basis points) would have a favourable/adverse effect on profit before tax and equity of $59,562 (2017: $144,548) 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 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.

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 25. 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 - 2018	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Trade payables	-	1,406,887	-	-	-	1,406,887
Accrued payables	-	575,871	-	-	-	575,871
Contingent consideration	-	4,250,000	-	4,650,000	1,394,000	10,294,000
Total non-derivatives		6,232,758	-	4,650,000	1,394,000	12,276,758

Consolidated - 2017	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	-	1,248,890	-	-	-	1,248,890
Accrued payables	-	613,848	-	-	-	613,848
Contingent consideration	-	4,250,000	-	4,650,000	1,394,000	10,294,000
Total non-derivatives		6,112,738	-	4,650,000	1,394,000	12,156,738

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

Note 26. 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 - 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Ordinary shares - listed	3,679,542	-	-	3,679,542
Unlisted options	-	-	655,921	655,921
Total assets	3,679,542	-	655,921	4,335,463
Liabilities				
Contingent consideration	-	-	2,557,702	2,557,702
Total liabilities	-	-	2,557,702	2,557,702

Consolidated - 2017	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Ordinary shares - listed	21,803	-	-	21,803
Total assets	21,803	-	-	21,803
Liabilities				
Contingent consideration	-	-	4,019,000	4,019,000
Total liabilities	-	-	4,019,000	4,019,000

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.

Note 27. 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	
	2018 $	**2017 $**
Short-term employee benefits	1,635,719	2,513,066
Post-employment benefits	90,490	154,475
Termination benefits	-	315,372
Share-based payments	117,027	403,257
	1,843,236	3,386,170

Note 27. Key management personnel disclosures (continued)

Please refer to note 31 for other transactions with key management personnel and their related parties.

Note 28. 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 2018 $	Consolidated 2017 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	130,833	132,071
Other services - Grant Thornton Audit Pty Ltd		
F3 review	11,245	-
	142,078	132,071

Note 29. Contingent liabilities

The consolidated entity is continuing to prosecute its Intellectual Property ('IP') rights against an Austrian company, APOtrend. At 30 June 2018 the Austrian Supreme Court has rendered a final decision on the patent infringement. As a result, Kazia is entitled to make a claim against APOtrend in relation to two of the three products which were the subject of the claim, while for the third product, Kazia's claim was denied. In respect of this third product, APOtrend is entitled to claim compensation for damages caused by a preliminary injunction. At the date of this report, no claim has been made by either party.

The consolidated entity has provided a guarantee to the value of €250,000 ($394,073) with the court to confirm its commitment to the ongoing enforcement process. As at 30 June 2018, the receivable balance continues to be fully impaired on the basis that it is unlikely to be recovered.

Note 30. Commitments

	Consolidated 2018 $	Consolidated 2017 $
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	249,704
One to five years	-	78,521
	-	328,225

Operating lease commitments includes contracted amounts for leases of premises and plant and equipment under non-cancellable operating leases expiring within three years.

Note 31. Related party transactions

Parent entity
Kazia Therapeutics Limited is the parent entity.

Note 31. Related party transactions (continued)

Subsidiaries
Interests in subsidiaries are set out in note 34.

Key management personnel
Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2018	**2017**
	$	**$**
Payment for other expenses:		
In addition to Director's fees, Consultancy fees for executive duties were paid to Kumara Inc, a corporation in which Ian Phillips is a Director and has a beneficial interest.	-	20,531
In addition to Director's fees, Consultancy fees for executive duties were paid to John O'Connor.	-	37,500

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 32. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2018	**2017**
	$	**$**
Loss after income tax	(5,378,469)	(9,732,539)
Total comprehensive income	(5,378,469)	(9,732,539)

Note 32. Parent entity information (continued)

Statement of financial position

	Parent 2018 $	Parent 2017 $
Total current assets	7,902,064	17,355,670
Total assets	26,817,536	33,893,910
Total current liabilities	1,714,055	3,538,190
Total liabilities	6,759,707	8,556,224
Equity		
Contributed equity	31,575,823	193,769,408
Other contributed equity	464,000	600,000
Reserves	2,205,789	2,040,688
Accumulated losses	(14,187,783)	(171,072,410)
Total equity	20,057,829	25,337,686

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
As a condition of the ASIC Corporations Instrument 2016/785, Kazia Therapeutics Limited and the subsidiaries, entered into a Deed of Cross Guarantee on 28 May 1999. The effect of the deed is that Kazia Therapeutics Limited has guaranteed to pay any deficiency in the event of winding up of the controlled entities. The subsidiaries have also given a similar guarantee in the event that Kazia Therapeutics Limited is wound up. Refer to note 35.

Reserves comprise Share Based Payments reserve of $2,242,734 (2017: $2,077,512) and Available for Sale reserve of $(36,824) (2017: $(36,824))

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017, except as detailed in note 29.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at as 30 June 2018 and 30 June 2017.

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 33. Business combinations

Glioblast Pty Ltd
During the prior financial year, Kazia announced it acquired 100% of the issued shares in Glioblast Pty Ltd, a privately-held, neuro-oncology-focused Australian biotechnology company. On the same day, Kazia entered into a worldwide licensing agreement with Genentech to develop and commercialise GDC-0084 ("the Molecule"). These events have been considered together and accounted for as a business combination in accordance with AASB 3.

Details of the acquisition are as follows:

	Fair value 2017 $
Intellectual property	16,407,789
Deferred tax liability	(4,512,142)
Net assets acquired	11,895,647
Goodwill	-
Acquisition-date fair value of the total consideration transferred	11,895,647
Representing:	
Cash paid or payable to vendor	7,097,152
Kazia Therapeutics Limited shares issued to vendor	1,543,854
Contingent consideration	3,254,641
	11,895,647

	Consolidated 2017 $
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	16,407,789
Less: contingent consideration	(3,254,641)
Less: shares issued by company as part of consideration	(1,543,854)
Less: Deferred Tax Liability	(4,512,142)
Net cash used	7,097,152

Consideration transferred
Acquisition-related costs amounting to $345,000 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of other expenses.

Goodwill
There is no goodwill arising from this business combination.

Note 33. Business combinations (continued)

Glioblast's contribution to the Group's results
Glioblast contributed $nil to the Group's revenues and profits, respectively from the date of the acquisition to 30 June 2017. Had the acquisition occurred on 1 July 2016, the Group's revenue for the financial year ended 30 June 2017 would be unchanged.

Contingent consideration
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.

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

The range of outcomes of contingent consideration are summarised below:

Milestone	**Contingent consideration**	
	High	**Low**
Milestone 1	1,250,000	1,250,000
Milestone 2	1,250,000	1,250,000
Milestone 3	3,705,000	3,000,000
Milestone 4	4,199,000	3,400,000
Milestone 5	1,394,000	1,394,000
Total	11,798,000	10,294,000

Each milestone payment is probability weighted for valuation purposes. The milestone payments are discounted to present value, using a discount rate of 35% per annum, if they are expected to be achieved more than 12 months after the valuation date. The contingent consideration was revalued at 30 June 2018 to take into account revised estimated probabilities of certain milestones being achieved.

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

Note 34. 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:

Name	**Principal place of business / Country of incorporation**	**Ownership interest 2018 %**	**Ownership interest 2017 %**
Kazia Laboratories Pty Ltd	Australia	100.00%	100.00%
Kazia Research Pty Ltd	Australia	100.00%	100.00%
Kazia Therapeutics Inc.	United States of America	100.00%	100.00%
Glioblast Pty Ltd	Australia	100.00%	100.00%

Note 35. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Kazia Therapeutics Limited
Kazia Laboratories Pty Ltd
Kazia Research Pty Ltd

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report.

The above companies represent a 'Closed Group' for the purposes of ASIC Corporations Instrument 2016/785, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Kazia Therapeutics Limited, they also represent the 'Extended Closed Group'.

The consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group' differ from those of the consolidated entity in the following respects:

* the General and Administrative expenses of the closed group, and the loss before and after income tax, are lower than those of the consolidated entity by approximately $435,000.
* the assets and liabilities of the closed group differ from those of the consolidated entity by immaterial amounts of lower than $20,000 on a line by line basis, and the net assets of the closed group differ from those of the consolidated entity by less than $1,000.

Accordingly, the additional statements have not been prepared.

Note 36. Events after the reporting period

In July 2018 the consolidated entity announced that it has entered into an agreement with TroBio Therapeutics Pty Ltd, a privately held start-up, in which all interests in the 'next generation' anti tropomyosin (ATM) program would be assigned to TroBio in return for 12% of the equity in that company. Completion of the transaction remains conditional on the Department of Industry, Innovation and Science agreeing to novate the CRC-P grant to TroBio.

In July 2018 the company lodged an SEC Form F3 which will allow the Company to issue various types of securities, including ordinary shares and/or warrants, from time to time over a period of three years. Any ordinary shares issued will trade in the form of American Depository Shares which currently trade on NASDAQ under the symbol KZIA. The company is not obliged to issue any securities under this arrangement, but if it does, the amount and timing is at the discretion of the company.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 37. Earnings per share

	Consolidated	
	2018 $	2017 $
Loss after income tax attributable to the owners of Kazia Therapeutics Limited	(6,039,242)	(10,670,377)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	48,376,525	467,833,849
Weighted average number of ordinary shares used in calculating diluted earnings per share	48,376,525	467,833,849

Note 37. Earnings per share (continued)

	Cents	**Cents**
Basic earnings per share	(12.48)	(2.28)
Diluted earnings per share	(12.48)	(2.28)

1,865,000 unlisted convertible notes with a face value of $464,000, 4,798,266 unlisted options and 3,148,400 listed options have been excluded from the above calculations as they were anti-dilutive.

Note 38. Share-based payments

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

The options in tranches 4 - 10 in the table below have been issued to employees under the ESOP. In total, $165,222 (2017: $475,189) of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in profit or loss during the year and credited to share-based payment reserve.

2018

	Grant date	Expiry date	Exercise price (post consol)	Balance at the start of the year	Granted	Share Consolidation	Forfeited on cessation of employment	Balance at the end of the year
1	04/03/2015	16/12/2019	$1.500	466,470	-	(419,823)	-	46,647
2	04/03/2015	18/12/2019	$1.500	199,521	-	(179,569)	-	19,952
3	24/06/2015	30/06/2020	$4.000	5,190,000	-	(4,671,000)	-	519,000
4	15/11/2015	16/11/2020	$2.200	3,633,334	-	-	(3,396,667)	236,667
5	18/03/2016	01/02/2021	$1.990	3,000,000	-	(2,700,000)	-	300,000
6	18/03/2016	01/02/2021	$1.990	2,000,000	-	(1,800,000)	-	200,000
7	18/03/2016	01/02/2021	$2.610	2,500,000	-	(2,250,000)	-	250,000
8	05/09/2016	05/09/2021	$1.630	2,000,000	-	(1,800,000)	(150,000)	50,000
9	12/10/2016	17/10/2021	$1.560	620,000	-	(558,000)	-	62,000
10	31/10/2016	01/11/2021	$1.380	500,000	-	(450,000)	(37,500)	12,500
11	21/11/2016	23/11/2021	$1.380	2,000,000	-	(1,800,000)	(150,000)	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
				22,109,325	664,000	(16,628,392)	(3,734,167)	2,410,766
Weighted average exercise price				$0.244	$0.740	$0.000	$2.140	$2.120

Options from Tranche 1 to Tranche 6, Tranches 8, 10 and 11 listed above were vested and exercisable at the end of the period.
Options from Tranche 9 listed above include 1/4 vested options at the end of the period.
All remaining options are expected to vest in future periods. No options have expired during the financial year.

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

Note 38. Share-based payments (continued)

2017

	Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Forfeited on cessation of employment	Balance at the end of the year
1	04/03/2015	16/12/2019	$0.150	466,470	-	-	-	466,470
2	04/03/2015	18/12/2019	$0.150	199,521	-	-	-	199,521
3	24/06/2015	30/06/2020	$0.400	5,190,000	-	-	-	5,190,000
4	15/10/2015	16/11/2020	$0.220	5,200,008	-	-	(1,566,674)	3,633,334
5	18/03/2016	01/02/2021	$0.199	3,000,000	-	-	-	3,000,000
6	18/03/2016	01/02/2021	$0.199	2,000,000	-	-	-	2,000,000
7	18/03/2016	01/02/2021	$0.261	2,500,000	-	-	-	2,500,000
8	05/09/2016	05/09/2021	$0.163	-	2,000,000	-	-	2,000,000
9	12/10/2016	17/10/2021	$0.156	-	620,000	-	-	620,000
10	31/10/2016	01/11/2021	$0.138	-	500,000	-	-	500,000
11	21/11/2016	23/11/2021	$0.138	-	2,000,000	-	-	2,000,000
				18,555,999	5,120,000	-	(1,566,674)	22,109,325
	Weighted average exercise price			$0.268	$0.150	$0.000	$0.220	$0.244

* Options from Tranche 1 to Tranche 3 listed above were vested and exercisable at the end of the period. Options from Tranche 4 listed above include 1/3 vested options at the end of the period. Options from Tranche 5 listed above include 1/4 vested and exercisable options at the end of the period. All remaining options are expected to vest in future periods. No options have expired during the year.

The weighted average remaining contractual life of options outstanding at the 30 June 2017 is 3.55 years.

Employee share options
During the year ended 30 June 2018, 664,000 options have been issued to the employees by the consolidated entity pursuant to the Company's Employee Share Option Plan.

• Tranche 9 of 224,000 options vesting equally over 4 years
• Tranche 10 of 440,000 options vesting equally over 2 years in 6 monthly intervals

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

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

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

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

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

Options in Tranches 6 to 13 have various vesting periods and exercising conditions. These options are unlisted as at 30/06/2018.

Note 38. Share-based payments (continued)

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

Note 39. Settlement of legal proceedings

On 22 December 2017 the consolidated entity reached an agreement with another ASX listed company, Noxopharm Limited, in relation to that company's key asset, NOX66. Under this agreement, the consolidated entity has released Noxopharm Limited from any claims of ownership it believes it may have had of NOX66 or the IP and technology that underpins it. In return, the consolidated entity has received the following:

1) 5,970,714 ordinary shares in Noxopharm Limited, held under voluntary escrow until 14 June 2018 (value at date of settlement: $6,490,680);
2) 3,000,000 unlisted options in Noxopharm Limited, with an exercise price of $0.80, expiring 18 January 2020, unable to be exercised prior to 18 July 2018 (value at date of settlement: $1,770,000);
3) extinguishment of certain convertible notes (book value: $136,000); and
4) a cash payment of $165,000 (including GST) from Noxopharm Limited.

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

In the 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 2018 and of its performance for the financial year ended on that date;

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 35 to the financial statements.

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

James Garner

Mr Iain Ross
Chairman

Dr James Garner
Managing Director, Chief Executive Officer

29 August 2018
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 subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 2018 and of its performance for the year ended on that date; and

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Grant Thornton

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of $6,039,242 during the year ended 30 June 2018, and had net operating cash outflows of $8,661,236. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Intangible asset impairment (Notes 2 & 15)	
The Company carries on its statement of financial position the Genentech Licensing Agreement which grants the Company the right to develop the GDC-0084 molecule. The asset is being amortised over the 15-year remaining life of the underlying patent. AASB 136 *Impairment of Assets* requires that an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any indication exists, the entity shall estimate the recoverable amount of the asset. Assessing whether there is any indication that an asset may be impaired involves a high degree of judgement. This area is a key audit matter due to the complexities and high degree of judgement in assessing indicators for 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 paper documenting its consideration of the existence of any impairment indicators; • considering each of the internal and external factors outlined by AASB 136 and assessing whether any indicators of impairment are present; and • assessing the adequacy of the relevant disclosures in the financial statements.

Key audit matter	How our audit addressed the key audit matter
Settlement of legal proceedings (Notes 2, 13 & 39)	
During the 30 June 2018 financial year a legal dispute associated with Kazia Therapeutics Limited's intellectual property was settled on the terms outlined in Note 39. The fair value of the consideration of $8.4M has been recorded as income related to the settlement of the legal proceedings. The shares and options received are considered material to the financial statements and have been recorded as available-for-sale (AFS) and derivative financial assets, respectively, in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 139 requires: • that AFS and derivative assets be recorded at fair value; • that gains and losses on AFS assets are recorded as other comprehensive income, subject to the existence of impairment losses; and • that gains and losses on derivative assets are recorded in profit or loss. The decline in fair value of the shares of $2.8M following their acquisition was assessed by management and it was determined that the decline in value represented an impairment loss and has been recorded as such in profit and loss in accordance with AASB 139. This area is a key audit matter due to the accounting for the transaction and subsequent measurement of financial assets being an area of high estimation uncertainty.	Our procedures included, amongst others: • reviewing the legal settlement documents to understand and verify the terms and conditions of settlement; • reviewing management's documentation to support the accounting treatment of the legal settlement transaction; • reviewing management's valuations of financial assets at settlement date and balance date, including an assessment of the work of management's experts; • engaging our internal valuations experts to assess the reasonableness of the options valuation approach and the volatility used in the calculations performed by management and management's experts; • reviewing management's assessment of impairment of AFS assets; • evaluating the competence, capabilities and objectivity of management's expert; and • reviewing relevant disclosures within the financial statements.

Key audit matter	How our audit addressed the key audit matter
Recognition of R&D tax incentive (Notes 2, 6 & 10)	

Under the research and development (R&D) tax incentive scheme, the Company receives a 43.5% refundable tax offset of eligible expenditure if its turnover is less than $20 million per annum, provided it is not controlled by income tax exempt entities. A Registration of R&D Activities Application is filed with AusIndustry in the following financial year and, based on this filing, the Group receives the incentive in cash.
 	
Management engaged an R&D expert to perform a detailed review of the Group's total R&D expenditure to determine the potential claim under the R&D tax incentive legislation. The receivable at year-end for the incentive was $2.2m. This represents an estimated claim for the period 1 July 2017 to 30 June 2018.
 	
This area is a key audit matter due to the size of the receivable and because there is a degree of judgement and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme.
	Our procedures included, amongst others:
	
	• obtaining and documenting, through discussions with management, an understanding of the process to estimate the claim;
	• evaluating the competence, capabilities and objectivity of management's expert;
	• utilising an internal R&D tax specialist in:
	  o reviewing the methodology used by management for consistency with the R&D tax offset rules; and
	  o considering the nature of the expenses against the eligibility criteria of the R&D tax incentive scheme to assess whether the expenses included in the estimate were likely to meet the eligibility criteria.
	• comparing the nature of the R&D expenditure included in the current year estimate to the prior year claim;
	• comparing the eligible expenditure used in the receivable calculation to the expenditure recorded in the general ledger;
	• considering the entity's history of successful claims;
	• inspecting copies of relevant correspondence with AusIndustry and the ATO related to the claims; and
	• assessing the adequacy of the relevant disclosures in 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 2018, 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: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 7 to 14 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Kazia Therapeutics Limited, for the year ended 30 June 2018 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

Grant Thornton Audit Pty Ltd
Chartered Accountants

S M Coulton
Partner – Audit & Assurance

Sydney, 29 August 2018

The shareholder information set out below was applicable as at 28 August 2018.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

Range	Total holders	Number of shares
1 - 1,000	3,286	917,240
1,001 - 5,000	1,083	2,763,326
5,001 - 10,000	284	2,167,645
10,001 - 100,000	363	10,286,485
100,001 Over	40	32,274,925
Total	**5,056**	**48,409,621**
Holding less than a marketable parcel	3,335	969,190

Equity security holders

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

	Units	% of Units
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,969,467	35.05
HISHENK PTY LTD	5,219,124	10.78
MR MICHAEL MIHRAN ABOLAKIAN + MRS NAIRY ABOLAKIAN + MR STEPHEN ABOLAKIAN <HISHENK PTY LTD SF A/C>	1,436,000	2.97
D & G BROWN INVESTMENTS PTY LIMITED	884,945	1.83
MR EVAN KNIGHT MORGAN + MRS CAROLYN MARY MORGAN <EVAN K MORGAN SUPER A/C>	520,000	1.07
EL CORONADO HOLDINGS	453,164	0.94
PHYTOSE CORPORATION PTY LTD <BOUNDARY ONE SUPER FUND A/C>	442,697	0.91
MISS MI OK CHONG	428,849	0.89
DR ANDREW HEATON	402,301	0.83
C & L JACKSON INVESTMENTS PTY LTD <JACKSON FAMILY S/FUND A/C>	397,217	0.82
PHYTOSE CORPORATION PTY LTD <BOUNDARYONE S/F A/C>	365,920	0.76
MRS ALISON LOUISE SUTERS + MR MARK GERARD SUTERS	316,174	0.65
GRANT SUPER FUND 2017 PTY LTD <GRANT SUPERFUND A/C>	302,826	0.63
MR MOHAMMED SHAHEED	276,876	0.57
VNA HOLDINGS PTY LTD	229,499	0.47
MR JOHN PETSAS	220,511	0.46
MR IAIN ROSS	220,000	0.45
YAT HING INVESTMENT PTY LTD <TANG FAMILY A/C>	190,000	0.39
CITICORP NOMINEES PTY LIMITED	189,899	0.39
DR PHILIP STUART ESNOUF	181,914	0.38
	29,647,383	**61.24**

Substantial holders

Substantial holders of equity in the company are set out below:

	Units	% of Units
HISHENK PTY LTD	5,219,124	10.78
MR MICHAEL MIHRAN ABOLAKIAN + MRS NAIRY ABOLAKIAN + MR STEPHEN ABOLAKIAN <HISHENK PTY LTD SF A/C>	1,436,000	2.97
	6,655,124	13.75

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.