KAZIA
THERAPEUTICS

ANNUAL REPORT 2020

THE PATH AHEAD IS CLEAR. KAZIA IS UNFALTERING IN OUR COMMITMENT TO TAKE PAXALISIB INTO AN INTERNATIONAL PIVOTAL STUDY FOR REGISTRATION. OUR SUCCESS WILL MEAN THE FIRST NEW DRUG FOR PATIENTS DIAGNOSED WITH GLIOBLASTOMA IN MORE THAN TWO DECADES.

2020 AT A GLANCE

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

OUR CLINICAL RESEARCH

Paxalisib is currently in clinical trials at world-leading centres in a wide range of different forms of brain cancer

5

Ongoing clinical trials with paxalisib

As at 30 June 2020

368

Hospitals currently recruiting patients to paxalisib clinical trials

As at 30 June 2020

121

Patients treated with paxalisib worldwide to date

As at 30 June 2020

OUR PATIENTS

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

133,000

Patients diagnosed with glioblastoma worldwide each year

Source: GLOBOCAN 2012

85-90%

Of glioblastoma patients have dysregulation of the PI3K pathway, which is targeted by paxalisib

Source: Cancer Genome Atlas

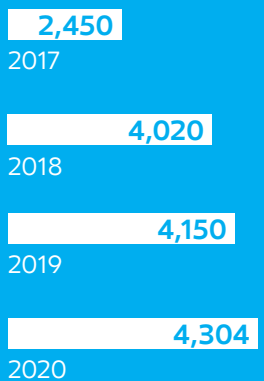
65%

Of patients will never respond to temozolomide, the only existing standard of care

Source: AA Pandith et al. (2018) Scientific Reports 8:6704

OUR BUSINESS

Since 2016, Kazia has built a lean, highly efficient business focused on clinical development of novel anti-cancer therapies



Media mentions for FY2020

US$ 1.5b

Forecast global commercial market opportunity for glioblastoma per annum

63

Patents granted for paxalisib worldwide

78.9%

Of operating cashflows invested in R&D (FY20)

Overall Survival

Paxalisib:
17.7 months

Temozolomide (existing standard of care):
12.7 months

Interim analysis as at 29 February 2020

Cantrixil is currently completing a clinical trial in ovarian cancer

25

Patients treated with Cantrixil worldwide to date

As at 30 June 2020

Progression-Free Survival

Cantrixil:
5.5 months

Chemotherapy:
3.4 months

Interim analysis as at 30 September 2019

Number of new therapies approved by FDA, 2010-2020

Lung cancer:
17

Glioblastoma:
0

Source: US Food and Drug Administration

Number of clinical trials commenced, 2019

Breast cancer:
135

Glioblastoma:
35

Source: clinicaltrials.gov

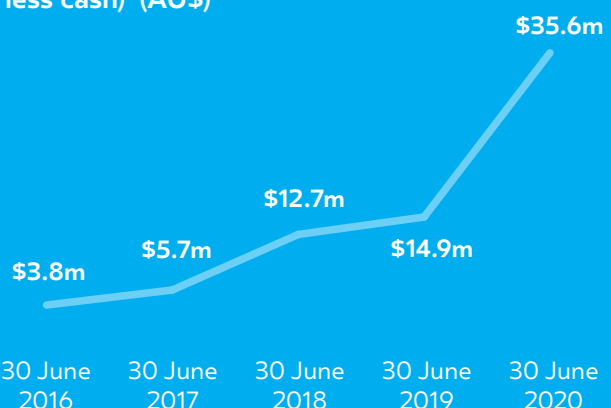
5-year survival of patients

Breast cancer:
90

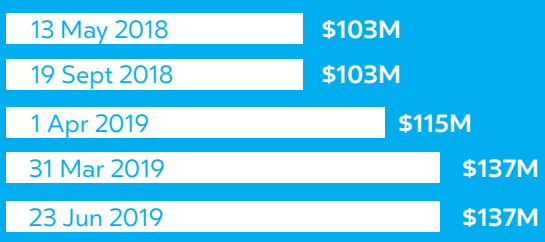
Glioblastoma:
3

Source: US National Cancer Institute

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



Indicative Analyst Valuation (AU$)



Source: Edison Research

CHAIRMAN'S LETTER

IT IS FAIR TO SAY THAT THESE RESULTS HAVE SUBSTANTIALLY EXCEEDED EXPECTATIONS, AND THEY DEMONSTRATE THE RICH AND GROWING POTENTIAL OF THIS VERY PROMISING DRUG

Dear Shareholder,

Our company concludes the 2020 financial year in a very strong position, despite the ongoing COVID-19 pandemic. We are reporting very encouraging data, we are well-funded, and we have a clear path forward for our lead asset, paxalisib. I am very pleased to highlight here some of Kazia's specific achievements during the past twelve months.

FINANCIAL PERFORMANCE

Our cash balance at 30 June 2020 was $8.8 million, versus $5.4 million at 30 June 2019. Our total assets were $23 million, as against $21.2 million at 30 June 2019. We committed net outlays of $8.8 million to advance the company, of which 79% was devoted directly to investment in R&D.

Kazia remains, in your Board's view, an exceptionally efficient drug development business. With the resources at hand, the company has completed recruitment of two international clinical trials, has continued to support four ongoing investigator-initiated studies, has presented data at four international conferences, and has executed an extensive program of regulatory and manufacturing work to support the critical transition of paxalisib into a pivotal study for registration.

FUNDING

We have completed two financing rounds during the financial year, in October 2019 and April 2020. In aggregate, these efforts have raised some $13 million in new capital for the company and have brought significant and high-quality institutional support to the share register. Both raises were executed at extremely competitive terms: a 17% discount to 5-day VWAP in October, and a 3% discount in April, notwithstanding the very challenging environment in capital markets associated with COVID-19.

Aside from the vital funding that these transactions provided, we have been pleased to welcome a number of new institutional investors to the Kazia register. It has been noted previously that few listed companies can achieve their full potential without the support of professional investors, and each of the three financing rounds that Kazia has completed have been anchored by institutional participants. Most of the participants in earlier rounds have continued to support the company in its most recent raise, reflecting their robust and ongoing commitment to the company's success.

In parallel, the company offered existing shareholders an opportunity to strengthen their position on the same terms as institutional investors, via a Share Purchase Plan (SPP) in May 2020. This was extremely well supported and raised approximately $1.8 million. The proceeds of our last SPP, in 2018, allowed us to put in place several high-quality clinical research collaborations for paxalisib, and we expect to likewise apply the funds from this SPP directly to the task of bringing hope to patients with brain cancer.

PROGRESS

I have said before that the lifeblood of any life sciences company is clinical data. On that score, I will allow the numbers to speak for themselves. Paxalisib has reported a progression-free survival of 8.4 months (versus 5.3 months for temozolomide, the existing standard of care), and an overall survival of 17.7 months (versus 12.7 months for temozolomide). It is fair to say that these results have substantially exceeded expectations, and they demonstrate the rich and growing potential of this very promising drug.

OUTLOOK

Given these data, our highest priority is to move paxalisib swiftly into a pivotal study for registration. We are delighted to have been accepted onto the GBM AGILE study, a ground-breaking international clinical trial that has been established by many of the leading experts in glioblastoma to expedite the delivery of new drugs for this very challenging disease. As previously flagged, we expect commencement of GBM AGILE in the second half of calendar 2020, although of course we continue to monitor the rapidly changing operational environment.

The GBM AGILE study places paxalisib on a direct path to commercialisation. If the drug's performance matches our hopes and expectations, it stands to become the first drug approved for this group of patients in over twenty years, and the first signal of hope that even this most challenging of cancers can be beaten.

I have said previously that we consider the best path forward for Cantrixil to lie in a partnership with a larger company, one who shares our belief in the asset's potential, and who brings to the partnership the wherewithal and technical resources to fully realise that potential. Our efforts on this front remain ongoing, and will be driven by final data from the phase I study, which we expect to have on hand in Q4 CY2020.

I would like to thank my fellow directors and our management team, led by our CEO, James Garner, for their dedicated and unflagging work in support of the company. In the four years or so since Kazia began to take form, we have achieved a great deal, but our most important work lies ahead. We are grateful to our shareholders whose support has made these achievements possible, and I look forward to reporting our further progress in the year ahead.

Iain Ross
Chairman of the Board

CEO'S REPORT

PUT SIMPLY, IT APPEARS THAT PAXALISIB MAY BE ABLE TO EXTEND THE LIFE OF PATIENTS WITH GLIOBLASTOMA

Dear Fellow Shareholder,

We have made great strides over the past twelve months, and it is a testament to the hard work of many people that we now stand poised shortly to commence a pivotal study for registration with paxalisib (formerly GDC-0084). Kazia has come a very long way in the last four years or so.

So many important things happened in FY2020 that it is difficult to single out individual events, but I wanted to share several personal highlights.

First, in November 2019, we presented interim data from the ongoing phase II study of paxalisib at the Society for Neuro-Oncology (SNO) annual meeting. This data showed a median progression-free survival (PFS) of 8.4 months. The benchmark for this patient group, which is achieved by temozolomide, the existing standard of care, is 5.3 months, so this was clearly a tremendously encouraging result. For the first time, we had solid evidence that paxalisib was effective, using a measure that would likely be acceptable for FDA registration.

However, we were able to move beyond this in May 2020 with data presented at the prestigious American Society of Clinical Oncology (ASCO) annual meeting. This showed a median overall survival (OS) of 17.7 months, versus an historical benchmark of 12.7 months for temozolomide. Put simply, it appears that paxalisib may be able to extend the life of patients with glioblastoma. No drug has convincingly demonstrated this ability in the last twenty years. If it continues to be borne out in the larger study we're about to enter into, this result will transform the practice of neuro-oncology.

Behind each of these headline data points is a mass of detailed and painstaking work by the Kazia team, which collectively supports paxalisib's journey through the complex regulatory pathway to a marketed product. One important landmark on this journey was the confirmation in late 2019 that 'paxalisib' was approved by the WHO as the international non-proprietary name for the drug, which previously carried the code number GDC-0084. The United States Adopted Name (USAN) Council approved the name 'paxalisib' for the US in May 2020, and so our drug now has its formal name for all future development.

Given the very positive data, our intent had been to launch a Kazia-sponsored phase III study in CY2020. However, our invitation to join the international GBM AGILE has led to a change in strategy. In our view, GBM AGILE offers a faster, more cost-effective path to market, in a clinical trial of exceptional quality, and with the engagement and support of most of the top clinicians in this field, as well as the enthusiastic endorsement of the US Food and Drug Administration (FDA). The cutting-edge adaptive approach is only one of the features that attracts us to the study, and paxalisib will be an ideal fit with both its objectives and its design.

We expect GBM AGILE to begin recruiting patients in the second half of CY2020. When it does, it will be the seventh clinical trial of paxalisib. This reflects the fact that our drug has, over the past several years, moved from being a glioblastoma drug to something much larger, a brain cancer drug. We have clinical studies ongoing in childhood brain cancer, and in metastatic brain cancer, which is cancer that has spread to the brain from elsewhere in the body, and each of these studies presents the opportunity to expand the use of paxalisib and to help a greater number of patients with this very challenging disease.

Finally, the Cantrixil program in ovarian cancer has continued to deliver. Presentations at the European Society for Medical Oncology in September 2019, and to the American Association for Cancer Research in June 2020, both showed promising signs of activity for the drug. We have said previously that we feel the potential of Cantrixil would be best realised with the support of a larger company, and the emerging data will no doubt help to fuel those discussions as we bring the phase I study to completion.

Meanwhile, the path ahead for Kazia is clear. We are unfaltering in our commitment to take paxalisib into an international pivotal study for registration. Our success will mean the first new drug for patients diagnosed with glioblastoma in more than two decades. Our data readouts over the past twelve months, coupled with the work already underway for GBM AGILE, mean that this is no longer merely an aspiration, but rather a concrete, realistic, and comprehensive plan. We know what we need to do, and we have the resources, the expertise, and the determination to see it through.

I am thankful to my colleagues on the Board and in the Management Team for their indefatigable dedication and unfailing professionalism, and we remain extremely grateful for the ongoing support of our investors, whose strong commitment to the company is reflected in these important achievements.

Dr James Garner
Chief Executive Officer

KEY MILESTONES AND HIGHLIGHTS – 2019/2020

2016

- New CEO recruited from Sanofi to drive establishment of Kazia Therapeutics.
- Paxalisib (GDC-0084) licensed from Genentech, Inc

2017

- New Chairman installed to accelerate corporate transformation.
- FDA consultation regarding future development path for paxalisib
- Launch of Kazia Therapeutics branding, replacing legacy corporate identify.

2018

- FDA grants Orphan Drug Designation to paxalisib.
- Commencement of recruitment to phase II study of paxalisib in glioblastoma.
- Partnership with St Jude Children's Research Hospital to explore paxalisib in DIPG.
- Funding round of A$ 4.3 million.
- Partnership with Dana Farber Cancer Institute to explore paxalisib in breast cancer brain metastases.

2019

- Top-line safety data from phase II study of paxalisib in glioblastoma.
- Partnership with Alliance for Clinical Trials in Oncology to explore paxalisib in brain metastases.

July 2019 (FY20)

Kazia collaborates with Memorial Sloan Kettering Cancer Center in New York on a phase I study to explore paxalisib in combination with radiotherapy for metastatic brain cancer.

August 2019

Kazia's phase I study of Cantrixil in ovarian cancer completes recruitment.

September 2019

St Jude Children's Research Hospital declares a maximum tolerated dose in its ongoing phase I study of paxalisib in DIPG, supporting future development for paediatric use.

October 2019

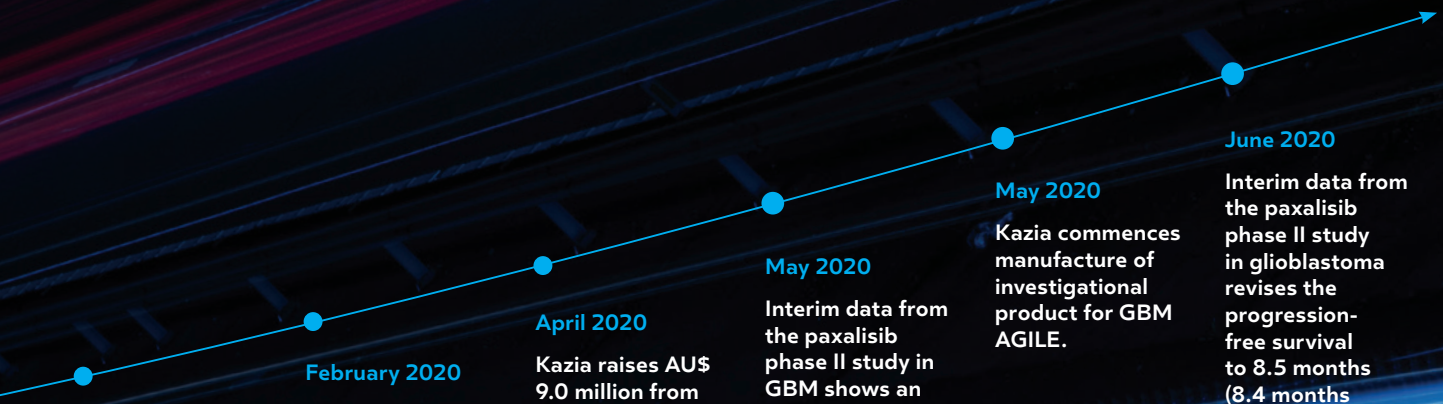
Kazia raises AU$ 4 million from institutional investors in an equity placement.

November 2019

Interim data from the paxalisib phase II study in glioblastoma shows a progression-free survival of 8.4 months, compared to 5.3 months for the existing standard of care.

December 2019

Paxalisib is accepted onto the international GBM AGILE pivotal study. This is expected to provide definitive data for FDA approval, with recruitment to begin in 2H CY2020.



January 2020

World Health Organisation confirms 'paxalisib' as the international non-proprietary name (INN) for the drug formerly known as GDC-0084.

February 2020

Kazia's phase II study of paxalisib in glioblastoma completes recruitment.

April 2020

Kazia raises AU$ 9.0 million from institutional investors in an oversubscribed equity placement with an accompanying share purchase plan for existing shareholders.

May 2020

Interim data from the paxalisib phase II study in GBM shows an overall survival of 17.7 months, compared to 12.7 months for the existing standard of care.

May 2020

Kazia commences manufacture of investigational product for GBM AGILE.

June 2020

Interim data from the paxalisib phase II study in glioblastoma revises the progression-free survival to 8.5 months (8.4 months previously), once the entire patient group is included.

PIPELINE REVIEW
Moving Towards Registration

The transition to a registrational study is a quantum leap in the development of a new drug. No longer are we exploring the potential of our drug. Rather, we are single-mindedly focused on making it available to patients and clinicians.

PAXALISIB (GDC-0084)

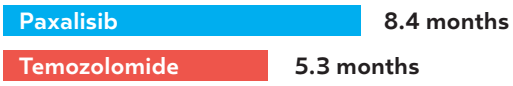
In last year's Annual Report, we celebrated the return of paxalisib to the clinic, with five ongoing clinical studies underway in different forms of brain cancer. Just one year later, we are already rich with promising data from the first of these studies, our phase II study in glioblastoma. Meanwhile, the four investigator-initiated studies have been making excellent progress, and we expect to see initial data from several of them in calendar 2020.

Registration	Indication	Phase	Sponsor	Status
NCT03522298	Glioblastoma	II	Kazia Therapeutics	Fully recruited
NCT03994796	Brain metastases	II	Alliance for Clinical Trials in Oncology	Recruiting
NCT03765983	Breast cancer brain metastases (with Herceptin)	II	Dana-Farber Cancer Institute	Recruiting
NCT03696355	DIPG	I	St Jude Children's Research Hospital	Fully recruited
NCT04192981	Brain metastases (with radiotherapy)	I	Memorial Sloan Kettering Cancer Center	Recruiting
NCT03970447 (GBM AGILE)	Glioblastoma	II / III	Global Coalition for Adaptive Research	Set-up

Our phase II study in glioblastoma was designed to transition paxalisib from the very advanced recurrent patients examined in the original phase I study to the newly-diagnosed patients who we see as the preferred target population for the drug. We enrolled the first patient in September 2018 and recruited our thirtieth and final patient in February 2020.

Preliminary efficacy data from this study was released in November 2019 at the Society for Neuro-Oncology (SNO) Annual Meeting. It showed a progression-free survival (PFS) for patients treated with paxalisib of 8.4 months. The existing standard of care treatment, temozolomide, is associated with a PFS of 5.3 months. While the comparison between studies is always complex and imperfect, the magnitude of difference points very strongly towards a meaningful treatment advantage with paxalisib. In short, this was our first concrete evidence that paxalisib works, and as such it has ignited huge interest in the drug from clinicians, investors, and potential partners.

Progression-Free Survival (PFS)

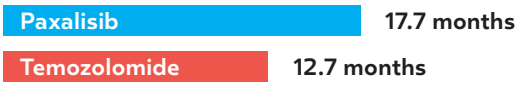


PFS is an important measure of a drug's efficacy. In many cases, it can serve as an 'approvable endpoint', providing sufficient evidence for FDA to grant a marketing authorisation. In other cases, PFS is strongly predictive of success in other metrics.

Nevertheless, the gold standard for any new drug is the ability to extend life, or overall survival (OS) in the language of drug development. In May 2020, at the prestigious Annual Meeting of the American Society for Clinical Oncology (ASCO), we released initial data from the study which showed an OS of 17.7 months, versus 12.7 months for temozolomide. This is a dramatic difference.

Should it be replicated in a larger study, it would certainly provide a basis for FDA approval. Very few drugs are able to prolong the lives of glioblastoma patients, and so paxalisib has staked its claim at the forefront of the global drug development effort in this very challenging disease.

Overall Survival (OS)



The study remains ongoing, and further data will emerge during the second half of 2020. However, the key conclusions are already clear. Paxalisib is an efficacious drug, and on that basis deserves to move forward into a pivotal study for registration.

On the basis of these emerging data, we were given the opportunity to include paxalisib in a ground-breaking international clinical study named GBM AGILE. This is a new kind of approach to clinical development that is sometimes called a 'platform study' or 'master protocol study'. It provides a standard approach to testing multiple drugs for a disease, comparing them against a shared control arm. There are many advantages to this approach, including substantial savings in cost and time. More importantly, the study is strongly supported by FDA, and provides a very rigorous basis on which to demonstrate the efficacy of paxalisib.

We are currently working through the complex set-up requirements for GBM AGILE, and expect to begin recruitment in the second half of CY2020.

Of the four investigator-initiated studies, the study at St Jude Children's Research Hospital in DIPG is perhaps the most advanced, and we expect initial data in the second half of CY2020. DIPG is a devastating childhood brain cancer, with an average life expectancy from diagnosis of around 9-10 months. No drug treatment has shown convincing evidence of efficacy, and the standard of care remains palliative radiotherapy. To date, more than two dozen children with the disease have received paxalisib, and we look forward to seeing an initial read-out from this important study.

The remaining three investigator-initiated studies are progressing well. In the phase II breast cancer brain metastases study at Dana-Farber Cancer Institute, initial data is also anticipated during CY2020. The phase II study by the Alliance for Clinical Trials in Oncology, in which paxalisib is being tested alongside Lilly's abemaciclib and Roche's entrectinib, is recruiting well. The most recent study, a phase I trial examining paxalisib in combination with radiotherapy for brain metastases at Memorial Sloan Kettering Cancer Center in New York is also well underway. In June 2020, Dr Jonathan Yang, the principal investigator on the study, reported some very early data from the first patient in the study, which showed a promising response to treatment.

These many clinical trials are only the leading edge of a complex and substantial body of work to move paxalisib towards a marketing approval, and extensive activity goes on behind the scenes in manufacturing, in regulatory affairs, and in the laboratory. One visible result of this was confirmation in December 2019 that the World Health Organisation had approved paxalisib as the formal international non-proprietary name (INN) of the drug formally known as GDC-0084. In May 2020, this was endorsed by the United States Adopted Name (USAN) Council. As in all aspects of drug development, the naming of new medicines is a technical and highly regulated process, and it represents a gratifying coming of age for paxalisib.

CANTRIXIL

The ongoing phase I study of Cantrixil in ovarian cancer completed recruitment in August 2019, and the last follow-up visit by the last patient occurred in April 2020. Interim data was presented at the European Society for Medical Oncology (ESMO) conference in September 2019. It showed several patients responding well to Cantrixil, and suggested a PFS of 5.3 months, which compares favourably to the figure of 3.4 months which is typical for patients as advanced as those in the study. Further data was presented at the American Association of Cancer Research (AACR) annual meeting in June 2020. It reported one complete response (CR) and two partial responses (PR) out of sixteen evaluable patients, making an overall response rate (ORR) of 19%. Final data is expected to be available in the second half of CY2020.

GBM AGILE
Paxalisib's path to market

The ground-breaking GBM AGILE clinical trial is expected to serve as the pivotal study for paxalisib, providing the core clinical data to support its approval as a commercial pharmaceutical product.

The randomised clinical trial was purportedly invented by James Lind, an eighteenth-century Scottish doctor who worked with the British Royal Navy. Observing high mortality from scurvy among seamen, he hypothesised that citrus fruit may improve outcomes. He assigned one group of scorbutic sailors to receive oranges and lemons, while the other received seawater. After six days, they ran out of fruit, but it was already clear that the treated sailors were very much improved.

Our approach to demonstrating the efficacy of a new medicine has not changed very much since Lind's time. Drugs are still compared individually to control groups. Hypotheses are set down at the beginning of the trial and can only be proven or disproven, but not modified or refined. And the number of patients in a trial remains largely a matter of educated guesswork. In some cases, we end up with too few, and fail to detect the benefit of a drug. More often, we recruit too many, which is a waste of resources.

In consequence, the average cost of developing a new drug is estimated to exceed US$ 1 billion, and the process typically takes 12-15 years. This delays the introduction of new medicines and necessitates high prices for those that are successful. In challenging diseases such as glioblastoma, it has indirectly reduced investment such that no new drugs have been approved for newly-diagnosed patients since the last century.

GBM AGILE lies at the cutting edge of new thinking about clinical trials. It has been established independently of any individual pharmaceutical company by some of the leading experts in the field. The study provides a long-term platform into which potential new treatments can be placed for a period of time to investigate their use in glioblastoma. Several drugs may run concurrently, and all are compared against a common control group, saving substantial time and cost. Moreover, GBM AGILE is an adaptive study, in which innovative Bayesian statistical techniques are used to adjust the number of patients dynamically so as to reach an answer for each drug as efficiently as possible.

GBM AGILE is sponsored by the Global Coalition for Adaptive Research (GCAR), a US-based not-for-profit corporation. The global lead investigator is Professor Timothy Cloughesy, a world-leading neuro-oncologist based at UCLA Medical School, who has substantial clinical trial experience with paxalisib.

GCAR and Kazia share a profound vision to bring new therapies forward for patients with glioblastoma. GBM AGILE is a bold and exciting attempt to reimagine the drug development process. The development of paxalisib has been innovative in many ways, and participation in GBM AGILE is a fitting final step in the drug's journey to become a marketed product.

24
Current Number of Trial Sites

1
Current Participating Therapy

Planned Geographic Reach:
US, Canada, Europe, China

For More Information

Web: https://www.gcaresearch.org/

Twitter: @GCAResearch

Instagram: @GCAResearch

Timothy Cloughesy

WORKING WITH THE BEST

Kazia is privileged to work with cancer researchers around the globe who share our passion for good science and our commitment to patients.

Dr Dun has conducted extensive laboratory research on Kazia's paxalisib, exploring its potential use as a therapy for DIPG.

Dr Matt Dun

Dr Matt Dun is a Senior Lecturer at the University of Newcastle, Australia. After an early career in the Royal Australian Navy, he completed his PhD in 2012 and began to develop his interests in researching cancer through the new field of proteomics. In contrast to the more established science of cancer genetics, proteomics tries to understand the genesis and growth of a tumour by studying the vast array of proteins that are generated.

Dr Dun founded the Cancer Signalling Research Group at the University of Newcastle, with an initial focus on blood cancers. In 2018, he received the devastating news that his daughter, Josie, had been diagnosed with DIPG, a rare childhood brain cancer. Struck by the paucity of knowledge and research in the disease, he collaborated with many of the global leaders in childhood brain cancer to develop new theories about how it may be treated. His work has led to the first, high-resolution, quantitative proteomic analysis of the disease.

As a tireless advocate for research into this disease, Dr Dun has been recognised by more than 20 national and international awards. He is an Emerging Leadership Fellow at the National Health and Medical Research Council (NHMRC) and was named the Outstanding Cancer Research Fellow at the NSW's Premier Awards for Outstanding Cancer Research in 2019, and a Young Tall Poppy Science Award winner in 2020. Also in 2020, he was invited to join the 'Preclinical Working Group' of the Pacific Neuro Oncology Consortium (PNOC) known as 'DMG-ACT'.

To support his research, Dr Dun founded RUNDIPG, a charity focused on supporting cutting-edge research into DIPG. As a world-leading researcher, and as a patient advocate, he has been extensively profiled in national print and television media and has attracted many hundreds of thousands of dollars to DIPG research.

Dr Dun has conducted extensive laboratory research on Kazia's paxalisib, exploring its potential use as a therapy for DIPG. This work has already shown paxalisib to be broadly active against DIPG cell lines, and has proceeded to identify potential combinations of paxalisib with other therapies that may lead to enhanced efficacy in patients.

This important clinical trial will provide valuable insights into the complex interplay of tumour biology, drug treatment, and radiotherapy, and may point to additional opportunities for paxalisib to benefit patients with brain cancer.

Dr T. Jonathan Yang

Dr T. Jonathan Yang is Director of Metastatic Disease in the Department of Radiation Oncology at Memorial Sloan Kettering Cancer Center in New York. He completed his PhD at Vrije Universiteit Amsterdam in the Netherlands and his medical training at Yale University, before undertaking specialist training. This critical discipline of radiation oncology focuses on using radiotherapy to treat cancer, and Dr Yang is highly experienced in cutting-edge techniques such as stereotactic radiotherapy.

Dr Yang's primary interest is in tumours of the central nervous system, including both primary brain tumours (such as glioblastoma), and metastatic brain tumours, as well as leptomeningeal carcinomatosis. He has been a pioneer in the new technology of proton beam therapy and works closely with the New York Proton Center that was established in 2019 as a collaboration between Memorial Sloan Kettering Cancer Center, Mount Sinai Hospital, and the Montefiore Health System. Proton beam therapy is a highly targeted form of radiation therapy that aims to selectively destroy tumour with limited damage to surrounding tissue.

In addition to his clinical practice, he is a prolific clinical researcher in brain cancer, and has particularly investigated how novel targeted pharmacological therapies can augment and support radiotherapy. One of his areas of research considers how radiotherapy can be used not just to prolong survival but also to improve quality of life, especially by minimising side effects. He has more than ninety publications and posters in the field of radiation oncology.

Dr Yang's work has previously shown that changes in the PI3K pathway can be associated with resistance to radiotherapy in brain tumours. His research has led him to examine Kazia's paxalisib as a potential way to augment the effects of radiotherapy, and to avoid the problem of resistance. In 2019, he launched a phase I clinical trial to examine paxalisib in combination with radiotherapy in brain metastases (NCT04192981). This important clinical trial will provide valuable insights into the complex interplay of tumour biology, drug treatment, and radiotherapy, and may point to additional opportunities for paxalisib to benefit patients with brain cancer.

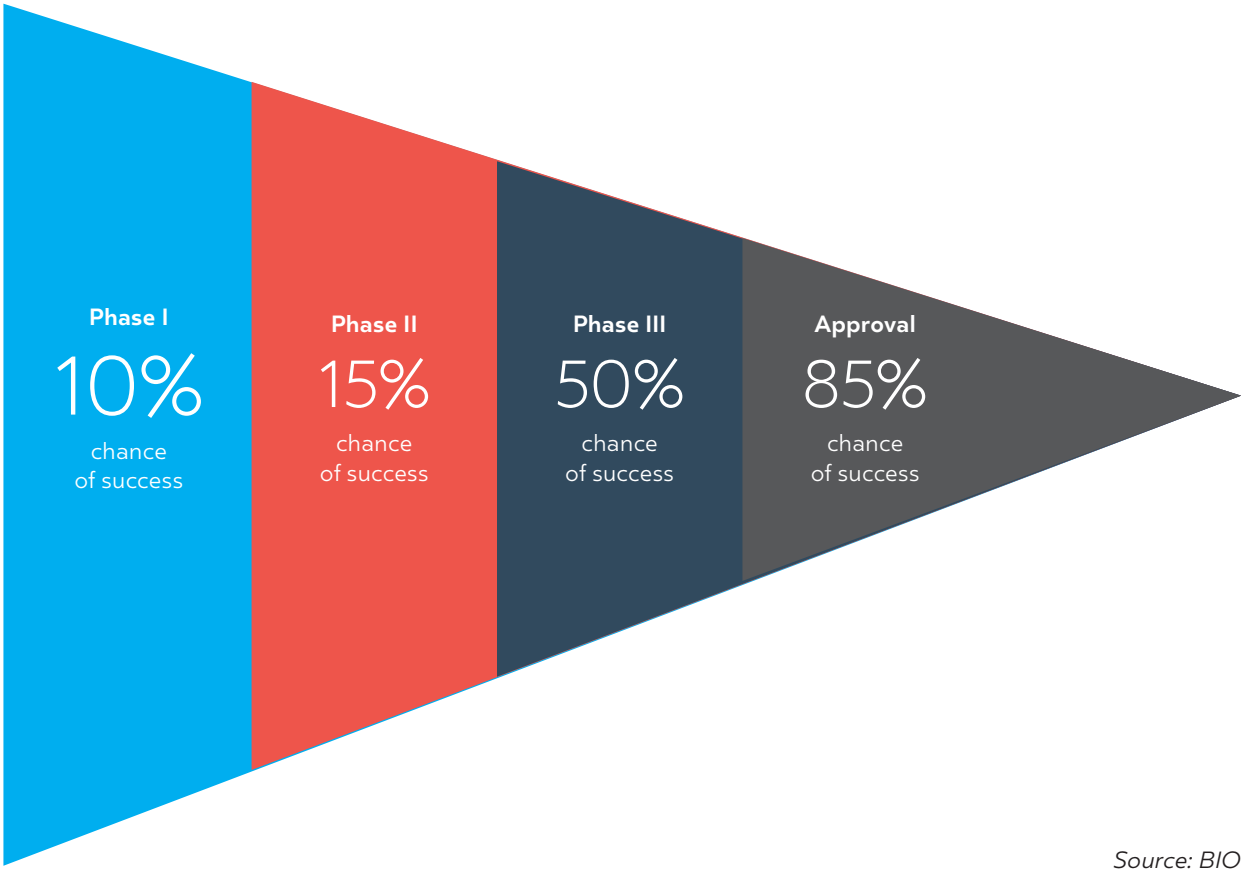
THE JOURNEY TO A COMMERCIAL PRODUCT

With paxalisib poised to enter a pivotal study, our journey to a commercial product begins its final stage

REDUCING RISK

A new cancer drug typically spends up to fifteen years in research and development before it is approved by regulatory agencies for widespread use by patients. By far the majority of new drugs fail somewhere along the journey. Only about 1 in 10 drugs that enter phase I human trials will ever reach market.

Likelihood of Success for a Drug in Development



Source: BIO

Kazia's paxalisib is about to enter the final step in this process, phase III human trials, and statistically this implies approximately a 50% likelihood of it succeeding. However, the fact that the PI3K mechanism is very well-validated, and the fact that paxalisib is targeting an orphan indication, both considerably enhance its chances of success. On balance, paxalisib is considerably more likely at this stage to reach market than not.

COMMERCIAL OPPORTUNITY

Glioblastoma is generally estimated to represent a US$1.5 billion per annum global market. Temozolomide, the existing standard of care, achieved peak sales of slightly more than US$ 1 billion before it lost patent protection, so this gives confidence that the estimate is broadly correct.

For any new drug, the largest geographic market is typically in the United States, and for this reason Kazia has invested considerable effort during the development of paxalisib in running clinical trials in the United States and in optimising the regulatory package for FDA.

Pricing

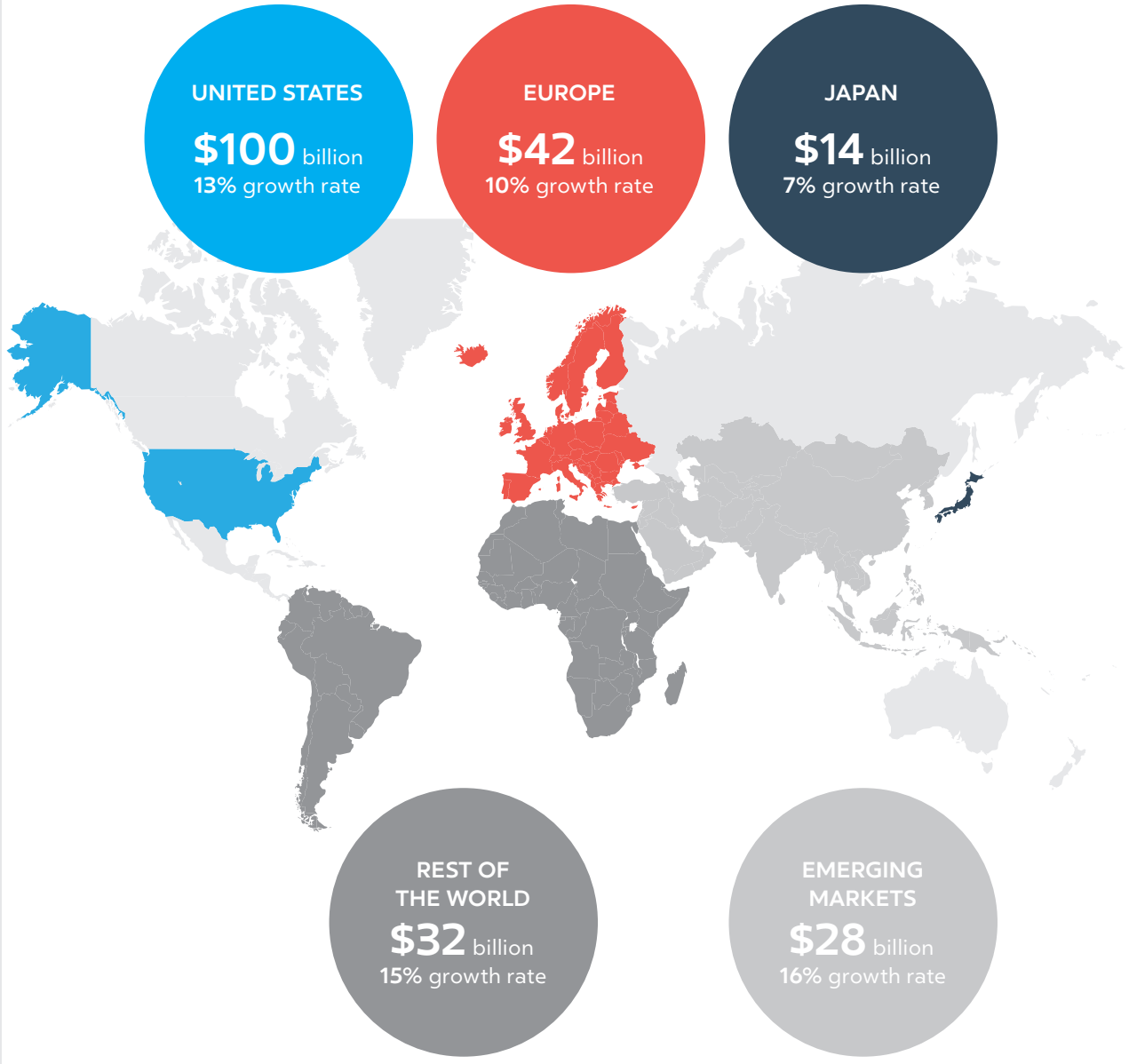
In the United States, the median cost of a newly approved cancer drug in 2018 was

US$ 148,000

per year of treatment

Source: IQVIA Institute for Human Data Science

Global Market for New Oncology Drugs, 2023



Source: IQVIA Institute for Human Data Science

PRODUCT APPROVAL

Once paxalisib completes its participation in GBM AGILE, it will need to undergo a detailed review by regulatory agencies in each country for which it will be marketed. The end result of this review is usually referred to as either a marketing authorisation or a product approval. Only after approval can the drug be marketed to clinicians and prescribed to patients, and only at this point does the company begin to make sales revenue.

Examples of National Regulatory Agencies	
United States	FDA
Australia	TGA
European Union	EMA
China	NMPA
Japan	PMDA

The complex package of documentation that is submitted to a regulatory agency is usually referred to as an NDA (New Drug Application). When paper submissions were the norm, an NDA would typically require a minivan for transport to the agency. These days, submission is performed electronically.

Even drugs with successful phase III clinical trials are not guaranteed approval. Regulatory agencies examine the total body of data, including areas such as manufacturing. The chances of a drug with positive phase III data securing product approval are around 90%.

For cancer drugs, the quality of the human trial data is paramount. The gold standard for any new cancer drug is to show an ability to extend life (overall survival). Sadly, very few cancer drugs at present are curative. Increasingly, progression-free survival is sometimes used as a surrogate endpoint. Endpoints such as tumour reduction or changes in blood tests are very rarely approvable. For paxalisib, the endpoint of the GBM AGILE study will be overall survival, and so the data should be very robust for approval purposes.

Review of an NDA usually takes about one year. However, in the US, for drugs which target a disease of high unmet need, FDA will sometimes grant Priority Review status, which means that the review will be completed within six months. Kazia expects paxalisib to be eligible for Priority Review.

MARKETING

Paxalisib has been chosen by the World Health Organisation as the international non-proprietary name (INN) for the drug originally designated GDC-0084. However, this will not be the commercial brand name. When paxalisib is launched to the market, it will have a trademarked brand, which also requires approval by the regulatory agency. This will be finalised at the time of our NDA submission.

Examples of Commercial Brands and Corresponding INNs	
Panadol®	paracetamol
Nexium®	esomeprazole
Lipitor®	atorvastatin
Adalat®	nifedipine
Januvia®	sitagliptin

Marketing a pharmaceutical product is complex and highly regulated. Any claim made regarding the product must be supported by concrete scientific data and must be within the scope of the product approval granted by the regulatory agency. The primary customers are expert clinicians, so sales personnel need a deep technical understanding of the field.

Marketing does not begin only after approval. During the pivotal study, companies start working closely with senior clinicians, sometimes referred to as key opinion leaders (KOLs), to understand exactly how the drug will be positioned in the market.

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FINANCIAL REPORT FY20

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 2020.

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 $12,467,466 (30 June 2019: $10,270,264).

The attached financial statements detail the performance and financial position of the consolidated entity for the year ended 30 June 2020.

Cash resources

At 30 June 2020, the consolidated entity had total funds, comprising cash at bank and on hand of $1,264,044 and short term deposits of $7,500,000. Total current assets at year-end stand at $10,653,601 including $1,017,278 of R&D tax rebate receivable.

Going concern

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

Impact of COVID-19

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

(1) Kazia's key clinical trials (phase II study of paxalisib in glioblastoma and phase I study of Cantrixil in ovarian cancer) were fully recruited prior to the onset of restrictions associated with COVID-19 in the United States and Australia;

(2) the GMB AGILE study, which is planned to serve as a pivotal study for paxalisib in glioblastoma, remains on track, and initiation of recruitment continues to be expected in 2H CY2020;

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

(4) The Company is pre-revenue, and so changes in customer behaviour over the next several years due to public health restrictions and reduced economic activity have little to no impact on its finances;

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

Rounding of amounts

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

Research and development report

The company's lead development candidate is paxalisib (formerly known as GDC-0084), a small molecule, brain-penetrant inhibitor of the PI3K / Akt / mTor pathway, that is being developed as a potential therapy for glioblastoma (GBM), the most common most aggressive form of primary brain tumour in adults, as well as other forms of brain cancer. Paxalisib is orally administered and is presented in a 15mg capsule formulation. The development candidate is the subject of IND 112,608 with the US FDA, and was granted orphan designation in February 2018.

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

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

During the period, the company has completed recruitment to a phase IIa clinical study in patients with newly-diagnosed glioblastoma who exhibit unmethylated MGMT promotor status (NCT03522298). Unmethylated MGMT status confers near-total resistance to temozolomide, the existing standard of care, and represents approximately two-thirds of the total incident GBM population. This phase IIa study recruited patients at five centres in the United States.

In May 2019, the company reported interim data from the initial dose escalation component of the study. In the newly-diagnosed population, a maximum tolerated dose (MTD) of 60mg was achieved, which is higher than the MTD of 45mg reported in the phase I study in recurrent patients. Adverse events were generally mild and reversible. Dose-limiting toxicities of mucositis and hyperglycemia were consistent with the PI3K inhibitor class and with prior clinical experience of this agent. In November 2019, the company reported initial interim efficacy data from the dose escalation component at the Society for Neuro-Oncology (SNO) Annual Meeting. These data showed a median progression-free survival of 8.4 months, which compares favourably in an indirect comparison to temozolomide, the existing standard of care, which is associated with a mPFS of 5.3 months in this population. In June 2020, an additional interim analysis was presented at the American Association of Cancer Research (AACR) Virtual Annual Meeting II, which showed a mPFS of 8.5 months on the entire data set and a median overall survival (OS) of 17.7 months. The corresponding figure for temozolomide is 12.7 months. Final data is expected in late CY2020 or early CY2021.

In February 2020, the company's collaborators at St Jude Children's Research Hospital in Memphis, TN completed recruitment to a phase I investigator-initiated clinical study of paxalisib in diffuse intrinsic pontine glioma (DIPG), a rare but highly-aggressive childhood brain cancer with no approved pharmacological treatments (NCT03696355). The St Jude study seeks to establish an MTD in the paediatric population before enrolling an expansion cohort to seek definitive signals of efficacy. The St Jude study is primarily funded by the hospital, with support via a financial grant from Kazia. In September 2019, the company announced that a pediatric MTD of 27 mg/m2 had been determined, which is approximately comparable to the doses used in adult clinical studies. Initial interim efficacy data is expected in 2H CY2020.

A phase II investigator-initiated clinical study is ongoing at Dana-Farber Cancer Institute in Boston, MA, exploring paxalisib in combination with Herceptin (trastuzumab) for HER2+ breast cancer brain metastases, a population for which there are again no approved pharmacological treatments (NCT03765983). The Dana-Farber study is primarily funded by the hospital, with support via a financial grant from Kazia. Initial interim efficacy data is expected in 2H CY2020.

In May 2019, the company joined a phase II clinical study sponsored by the Alliance for Clinical Trials in Oncology, a large academic research organisation, and funded by the US National Cancer Institute (NCT03994796). The Alliance study is a genomically-guided, multi-drug study in patients with brain metastases from any primary tumour. Those with mutations affecting the PI3K / Akt / mTOR pathway will be assigned to receive paxalisib, while patients with other driving mutations may receive abemaciclib (Eli Lilly & Company) or entrectenib (Genentech, Inc). The study commenced recruitment on schedule in July 2019, and is expected to recruit approximately 150 patients, evenly divided between the three treatment arms, over the course of a two-year period. The company is not yet in a position to provide guidance on the timing of likely data read-outs.

In July 2019, the company entered into a collaboration with researchers at Memorial Sloan Kettering Cancer Center in New York, NY to conduct a phase I clinical study with paxalisib in combination with radiotherapy for brain metastases and leptomeningeal metastases (NCT04192981). The Sloan Kettering study is primarily funded by the hospital, with support via a financial grant from Kazia. Recruitment commenced in Q4 CY2019 and the study is ongoing.

In December 2019, the company entered into a preliminary agreement with the Global Coalition for Adaptive Research (GCAR), a US-based 501(C)(3) non-profit organisation dedicated to advancing the development of new therapies via the application of cutting edge statistical methodologies. The agreement relates to set-up work for the planned entry of paxalisib into GBM AGILE, an international multi-drug platform study in glioblastoma that is sponsored by GCAR. The first agent to enter GBM AGILE was Bayer's Stivarga (regorafenib), and paxalisib was invited onto the study as the second agent by GCAR's Arm Selection Committee in 4Q CY2019. It is envisaged that further agents will be added in due course. GBM AGILE is heavily supported by clinicians and regulatory agencies, and provides an optimal path to market for paxalisib in glioblastoma. As a result, the company has discontinued development of its own planned phase III clinical study and has adopted GBM AGILE as the pivotal study for registration of paxalisib. It is expected that recruitment to the paxalisib arm will commence in 2H CY2020.

Two key research papers were published in relation to paxalisib during FY2020. First, a paper by Wen *et al.* in *Clinical Cancer Research* presented a definitive analysis of the Genentech phase I clinical study in recurrent glioma. This data had previously only been available to researchers via a 2016 ASCO poster. Second, Ellingson *et al.* published a paper in the same journal detailing a

post hoc analysis of the Genentech phase I study, using advanced imaging analysis methodologies. The Ellingson analysis was able to correlate plasma concentrations of paxalisib with pharmacodynamic changes on MRI and PET, and to also connect those changes with progression-free survival. As such, the analysis provides a powerful pharmacodynamic proof-of-concept for the drug in glioblastoma.

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

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

In December 2016, the company commenced a phase I clinical trial of Cantrixil in patients with ovarian cancer (NCT02903771). The study is designed to establish the safety and tolerability of the development candidate, to determine a Maximum Tolerated Dose (MTD), and to explore indicative signals of clinical efficacy. Data from the initial dose escalation cohort was reported at the American Association of Cancer Research meeting in April 2019. Cantrixil was broadly well-tolerated, and an MTD of 5 mg/kg was determined. Dose-limiting toxicities were generally gastrointestinal in nature. The company presented an interim efficacy analysis at the American Association of Cancer Research (AACR) Virtual Annual Meeting II, which reported a median progression-free survival of 5.5 months. Of 16 evaluable patients, one exhibited a complete response (CR), and two demonstrated a partial response to treatment (PR), making for an overall response rate (ORR) of 19%. The company expects to report final data from this study by the end of CY2020.

Subsequent events

Since the end of the financial year, the United States Food and Drug Administration (FDA) has awarded Rare Pediatric Disease Designation (RPDD) to Kazia's paxalisib (formerly GDC-0084) for the treatment of Diffuse Intrinsic Pontine Glioma (DIPG), a rare and highly-aggressive childhood brain cancer. In August 2020 United States Food and Drug Administration (FDA) has granted Orphan Drug Designation (ODD) to Kazia's paxalisib (formerly GDC-0084) for the treatment of malignant glioma, which includes Diffuse Intrinsic Pontine Glioma (DIPG), a rare and highly aggressive childhood brain cancer. During August 2020 the FDA has also granted Fast Track Designation (FTD) to paxalisib for the treatment of glioblastoma, the most common and most aggressive form of primary brain cancer

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

- Final results will be reported from the phase II clinical trial of paxalisib in glioblastoma;
- Final results will be reported from the phase I clinical trial of Cantrixil (TRX-E-002-1) in ovarian cancer;
- Interim results will be reported from the phase I clinical trial of paxalisib in DIPG at St Jude Children's Research Hospital;
- Interim results will be reported from the phase II clinical trial of paxalisib in HER2+ brain metastases at Dana-Farber Cancer Institute; and
- Recruitment will commence to the GBM AGILE pivotal study of paxalisib in glioblastoma.

ENVIRONMENTAL REGULATION

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

INFORMATION ON DIRECTORS

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

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

Name:	Iain Ross
Title:	Non-Executive Director, Chairman
Qualifications:	B.Sc. (Hons). C Dir.
Experience and expertise:	Iain, based in the UK, is an experienced Director and has served on a number of Australian company boards. He is Chairman of Redx Pharma plc (LSE:REDX), Silence Therapeutics plc (LON:SLN) and Biomer Technology Limited. In his career he has held senior positions in Sandoz AG, Fisons Plc, Hoffmann-La Roche AG and Celltech Group Plc and also undertaken a number of start-ups and turnarounds on behalf of banks and private equity groups. His track record includes multiple financing transactions having raised in excess of £300 million, both publicly and privately, as well as extensive experience of divestments and strategic restructurings and has over 20 years in cross-border management as a Chairman and CEO. He has led and participated in six 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:	Redx Pharma plc (LSE:REDX), Silence Therapeutics plc (LON:SLN)
Former directorships (last 3 years):	Premier Veterinary Group Plc (LSE:PVG), Anatara Lifesciences Limited (ASX:ANR) and e-Therapeutics plc (LSE:ETX).
Special responsibilities:	Member of Remuneration and Nomination Committee, Member of Audit, Risk and Governance Committee.
Interests in shares:	800,001 ordinary shares
Interests in options:	None
Contractual rights to shares:	None

Name:	Bryce Carmine
Title:	Non-Executive Director
Qualifications:	B.Sc., Biochemistry, Microbiology & Genetics
Experience and expertise:	Bryce spent 36 years working for Eli Lilly & Co. and retired as Executive Vice President for Eli Lilly & Co, and President, Lilly Bio-Medicines. Prior to this he lead the Global Pharmaceutical Sales and Marketing and was a member of the company's Executive Committee. Mr Carmine previously held a series of product development portfolio leadership roles culminating when he was named President, Global Pharmaceutical Product Development, with responsibility for the entire late-phase pipeline development across all therapeutic areas for Eli Lilly. During his career with Lilly, Bryce held several country leadership positions including President Eli Lilly Japan, Managing Dir. Australia/NZ & General Manager of a JV for Lilly in Seoul, Korea. Bryce is currently Chairman and CEO of HaemaLogiX Pty Ltd, a Sydney based privately owned biotech.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Audit, Risk and Governance Committee, Chair of Remuneration and Nomination Committee.
Interests in shares:	266,293 ordinary shares
Interests in options:	None
Contractual rights to shares:	None

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

Experience and expertise:	Steven is a Chartered Accountant and registered company auditor and has over 35 years experience in the accounting and finance industry. He has been a partner in the chartered accounting firm Watkins Coffey Martin since 1993. He is a Non-executive Director of The Docyard Limited (ASX:TDY) and chairs both the Audit and Risk Committee and the Remuneration Committee for that company. Steven sits on the board of a number of large private family companies and audits a number of large private companies and not-for-profit entities.
Other current directorships:	The Docyard Limited (ASX:TDY)
Former directorships (last 3 years):	None
Special responsibilities:	Chair of Audit, Risk and Governance Committee, Member of Remuneration and Nomination Committee.
Interests in shares:	326,474 ordinary shares
Contractual rights to shares:	None

Name:	Dr James Garner
Title:	Chief Executive Officer, Managing Director
Qualifications:	MA, MBA, MBBS, BSc (Hons), MAICD
Experience and expertise:	Dr Garner is an experienced life sciences executive who has previously worked with companies ranging from small biotechs to multinational pharmaceutical companies such as Biogen and Takeda. His career has focused on regional and global development of new medicines from preclinical to commercialisation. Dr Garner is a physician by training and holds an MBA from the University of Queensland. He began his career in hospital medicine and worked for a number of years as a corporate strategy consultant with Bain & Company before entering the pharmaceutical industry. Prior to joining Kazia in 2016, he led R&D strategy for Sanofi in Asia-Pacific and was based in Singapore.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	275,000 ordinary shares
Interests in options:	1,200,000 options with exercise price of $0.4925 expiring 4 January 2024
Contractual rights to shares:	None

COMPANY SECRETARY

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

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

MEETINGS OF DIRECTORS

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, 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	9	9	2	2	1	1
Bryce Carmine	9	9	2	2	1	1
Steven Coffey	9	9	2	2	1	1
James Garner	9	9	-	-	-	-

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.

Non-Executive Directors remuneration

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

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

Executive Directors and other KMP

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

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

The executive remuneration and reward framework has three components:

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

Fixed remuneration is reviewed annually by the Remuneration and Nomination Committee based on individual performance, the overall performance of the consolidated entity and comparable market remunerations. The Remuneration and Nomination Committee approved increases in fixed remuneration during the financial year ended 30 June 2020.

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

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

The Remuneration and Nomination Committee approved the payment of cash bonuses to the CEO and employees in respect of the financial year ended 30 June 2020.

The long-term incentive comprises equity-based payments. The consolidated entity aims to attract and retain high calibre executives, and align their interests with those of the shareholders, by granting equity-based payments which are issued at a premium to the share price on date of issue and vest in tranches based on tenure. The share-options issued to executives are governed by the ESOP.

Employee share option plan

The Employee Share Option Plan ('ESOP') was most recently approved by shareholders on 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, and a premium which is applied to this value. The number of options offered, the amount payable, the vesting period, the option period, the conditions of exercise or any other factors are at the discretion of the Board of Directors.

The consolidated entity issued 1,450,000 share options under the ESOP during the financial year that ended 30 June 2020, of which 1,300,000 were issued to KMP.

Any change to the ESOP will require approval by shareholders.

Use of remuneration consultants

During the financial year ended 30 June 2020, 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

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

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

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

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

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

The 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

Name	Fixed remuneration 2020	Fixed remuneration 2019	At risk - STI 2020	At risk - STI 2019	At risk - LTI 2020	At risk - LTI 2019
Non-Executive Directors:						
Iain Ross	**100%**	100%	**-**	-	**-**	-
Bryce Carmine	**100%**	100%	**-**	-	**-**	-
Steven Coffey	**100%**	100%	**-**	-	**-**	-
Executive Directors:						
James Garner	**59%**	74%	**19%**	13%	**22%**	13%
Other Key Management Personnel:						
Gabrielle Heaton	**89%**	85%	**7%**	9%	**4%**	6%
Kate Hill	**82%**	78%	**10%**	9%	**8%**	13%

Consequences of performance on shareholder wealth

Shareholder wealth in a company engaged in drug development is generally driven by successful commercialisation, out-licence or sale of a drug candidate, and is a long term proposition, rather than being linked to annual financial performance. The directors have selected a CEO and key management team who, in the directors' opinion, are well placed to realise such an outcome for our shareholders. Now that the current CEO and management team have been in place for a number of years, the directors are able to provide the below table showing increase in enterprise value of the Company over the relevant period, with details of bonuses and options awarded each year, to demonstrate the link between performance, reward and increase in shareholder wealth.

	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20
Enterprise value	3,794,773	5,736,560	12,659,955	14,884,643	**35,582,939**
Total bonuses paid to KMP	38,967	191,135	-	125,400	**212,500**
Number of bonus participants	4	5	-	3	**3**
Share options issued to KMP	880,000	450,000	362,000	100,000	**1,300,000**
Number of KMP granted options	3	2	2	2	**3**

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

During the year ended 30 June 2016, a total of 750,000 options were issued to the newly appointed CEO, Dr James Garner, and these have now been cancelled and replaced with 1,200,000 options issued in the current financial year. Both of these grants are included in the above analysis, although the recent grant of 1,200,000 is in replacement of the initial grant.

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

The consolidated entity received 98.64% of "yes" votes on its Remuneration Report for the financial year ending 30 June 2019. The consolidated entity received no specific feedback on its Remuneration Report at the Annual General Meeting.

Bonuses included in remuneration

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

Service agreements

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

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

Name:	James Garner
Title:	Chief Executive Officer, Managing Director
Agreement commenced:	1 February 2016
Term of agreement:	Full-time employment
Details:	Base salary to be reviewed annually by the Remuneration and Nomination Committee. James's appointment with the consolidated entity may be terminated with the consolidated entity giving 6 months' notice or by James giving 6 months' notice. The consolidated entity may elect to pay James equal amount to that proportion of his salary equivalent 6 months' pay in lieu of notice, together with any outstanding entitlements due to him. The current base salary, as from 1 January 2020, is $488,000 including an allowance for health benefits.
Name:	Gabrielle Heaton
Title:	Director of Finance and Administration
Agreement commenced:	13 March 2017
Term of agreement:	Full time employment
Details:	Base salary to be reviewed annually by the Remuneration and Nomination Committee. Gabrielle's appointment with the consolidated entity may be terminated with the consolidated entity giving 4 weeks' notice or by Gabrielle giving 4 weeks' notice. The consolidated entity may elect to pay Gabrielle equal amount to that proportion of her salary equivalent 4 weeks' pay in lieu of notice, together with any outstanding entitlements due to her. The current base salary, from 1 January 2020, is $200,000.

Name:	Kate Hill
Title:	Company Secretary
Agreement commenced:	9 September 2016
Term of agreement:	Part-time contractor
Details:	Base remuneration is based on time worked. Daily rate to be reviewed annually by the Remuneration and Nomination Committee, with an uplift of 10% on the daily rate applied from 1 January 2019. The contract is open ended. Kate's appointment with the consolidated entity may be terminated with the consolidated entity giving 60 days' notice or by Kate giving 60 days' notice.

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

Share-based compensation

Issue of shares

The terms and conditions of each grant of options over ordinary shares granted as remuneration to Directors or other Key Management Personnel in this financial year or future financial years are set out below.

The options issued on 13 November 2019 were to James Garner, and represented part of a modification to an earlier tranche of options granted to Dr Garner in early 2016.

The options which were cancelled as part of this modification had the following terms:

- Initially granted on 1 February 2016
- 500,000 had a exercise price of $1.988 and were fully vested at the time of the cancellation, expiry 1 February 2021
- 250,000 had a exercise price of $2.606 and were unvested at the time of the cancellation, expiry 1 February 2021
- On the date of cancellation, the fair value of the options was de minimus.

The newly issued options had the following terms:

- Exercise price of $0.49
- 50% fully vested at time of grant, the remainder to vest equally over a three-year period starting 4 January 2020
- Expiry 4 January 2024
- Fair value at grant date of $216,000

The options issued on 13 January 2020 were to Kate Hill (50,000 options, with a fair value at grant date of $17,000) and Gabrielle Heaton (50,000 options, with a fair value at grant date of $17,000). There are no performance conditions, consistent with the Company's Employee Share Option Plan rules, as reapproved by shareholders on 15 November 2017.

In all cases of employee options, 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.

Grant date	No of options	Vesting date	Exercise date	Expiry date	Exercise price $	Fair value per option at grant $
13/11/2019	600,000	13/11/2019	13/11/2019	04/01/2024	$0.49	$0.18
13/11/2019	200,000	04/01/2020	04/01/2020	04/01/2024	$0.49	$0.18
13/11/2019	200,000	04/01/2021	04/01/2021	04/01/2024	$0.49	$0.18
13/11/2019	200,000	04/01/2022	04/01/2022	04/01/2024	$0.49	$0.18
13/01/2020	25,000	13/01/2021	13/01/2021	13/01/2025	$0.88	$0.34
13/01/2020	25,000	13/01/2022	13/01/2022	13/01/2025	$0.88	$0.34
13/01/2020	25,000	13/01/2023	13/01/2023	13/01/2025	$0.88	$0.34
13/01/2020	25,000	13/01/2024	13/01/2024	13/01/2025	$0.88	$0.34
	1,300,000					

Options granted carry no dividend or voting rights. Each option is convertible to one ordinary share upon exercise. No options were exercised or lapsed during the year. 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.

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Purchased on market	Balance at the end of the year
Ordinary shares			
B Carmine	131,293	135,000	266,293
S Coffey	181,474	145,000	326,474
I Ross	475,001	325,000	800,001
J Garner	110,000	165,000	275,000
K Hill	30,000	-	30,000
G Heaton	-	10,000	10,000
	927,768	780,000	1,707,768

Option holding

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

	Balance at the start of the year	Granted as remuneration	Expired	Cancelled as part of modification	Balance at the end of the year
Options over ordinary shares					
S Coffey *	5,875	-	(5,875)	-	-
J Garner **, ***	750,000	1,200,000	-	(750,000)	1,200,000
K Hill **	270,000	50,000	-	-	320,000
G Heaton **	192,000	50,000	-	-	242,000
	1,217,875	1,300,000	(5,875)	(750,000)	1,762,000

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

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

*** The previously issued 750,000 options were cancelled and 1,200,000 new options issued. These transactions together have been accounted for as a modification.

Other transactions with key management personnel and their related parties

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

This concludes the remuneration report, which has been audited.

SHARES UNDER OPTION

Unissued ordinary shares of Kazia Therapeutics Limited under option at the date of this report are as follows. All options are unlisted and were issued under the Company's Employee Share Option Plan.

Grant date	Expiry date	Exercise Price	Closing Balance
16 November 2015	16 November 2020	$2.200	236,667
5 September 2016	5 September 2021	$1.630	50,000
31 October 2016	1 November 2021	$1.380	12,500
12 October 2016	17 October 2021	$1.560	62,000
21 November 2016	23 November 2021	$1.380	50,000
7 August 2017	7 August 2022	$0.670	224,000
5 February 2018	5 February 2023	$0.780	440,000
4 January 2019	4 January 2024	$0.492	250,000
13 November 2019	4 January 2024	$0.492	1,200,000
13 January 2020	13 January 2025	$0.881	250,000
			2,775,167

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 2020 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

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

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

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

AUDITOR'S INDEPENDENCE DECLARATION

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

AUDITOR

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

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

On behalf of the Directors

Mr Iain Ross

Chairman

27 August 2020

Sydney

Dr James Garner

Managing Director, Chief Executive Officer

Grant Thornton

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Sydney NSW 2000

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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 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

S M Coulton
Partner – Audit & Assurance

Sydney, 27 August 2020

CONTENTS

GENERAL INFORMATION

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

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

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 August 2020. The directors have the power to amend and reissue the financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
Revenue and other income			
Other income	5	**995,000**	1,465,428
Finance income		**65,905**	99,619
Expenses			
Research and development expense		**(9,494,328)**	(6,475,626)
General and administrative expense		**(3,689,867)**	(3,785,563)
Loss on disposal of fixed assets		**-**	(1,076)
Fair value losses on financial assets at fair value through profit or loss		**(167,814)**	(1,808,512)
Loss on revaluation of contingent consideration		**(474,557)**	(62,729)
Loss before income tax benefit		**(12,765,661)**	(10,568,459)
Income tax benefit	7	**298,195**	298,195
Loss after income tax benefit for the year attributable to the owners of Kazia Therapeutics Limited		**(12,467,466)**	(10,270,264)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net exchange difference on translation of financial statements of foreign controlled entities, net of tax		**(3,520)**	(88,986)
Other comprehensive income for the year, net of tax		**(3,520)**	(88,986)
Total comprehensive income for the year attributable to the owners of Kazia Therapeutics Limited		**(12,470,986)**	(10,359,250)
		Cents	**Cents**
Basic earnings per share	32	**(17.07)**	(17.86)
Diluted earnings per share	32	**(17.07)**	(17.86)

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	Consolidated 2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	8	**8,764,044**	5,433,868
Trade and other receivables	9	**1,352,252**	1,710,703
Other	10	**537,305**	369,604
Total current assets		**10,653,601**	7,514,175
Non-current assets			
Financial assets	11	**-**	167,814
Intangibles	12	**12,410,139**	13,494,483
Total non-current assets		**12,410,139**	13,662,297
Total assets		**23,063,740**	21,176,472
Liabilities			
Current liabilities			
Trade and other payables	13	**3,488,933**	1,763,940
Provisions	14	**191,451**	136,352
Contingent consideration	15	**1,387,089**	-
Total current liabilities		**5,067,473**	1,900,292
Non-current liabilities			
Deferred tax	16	**3,412,788**	3,710,983
Contingent consideration	17	**457,899**	1,370,431
Total non-current liabilities		**3,870,687**	5,081,414
Total liabilities		**8,938,160**	6,981,706
Net assets		**14,125,580**	14,194,766
Equity			
Contributed equity	18	**48,781,214**	36,641,519
Other contributed equity	19	**464,000**	464,000
Reserves	20	**1,065,923**	2,037,453
Accumulated losses		**(36,185,557)**	(24,948,206)
Total equity		**14,125,580**	14,194,766

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

Consolidated	Contributed equity $	Other contributed equity $	Foreign currency translation reserve $	Share based payments reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2018	31,575,824	464,000	(362,682)	2,242,734	(14,677,942)	19,241,934
Loss after income tax benefit for the year	-	-	-	-	(10,270,264)	(10,270,264)
Other comprehensive income for the year, net of tax	-	-	(88,986)	-	-	(88,986)
Total comprehensive income for the year	-	-	(88,986)	-	(10,270,264)	(10,359,250)
Shares issued (note 18)	5,405,760	-	-	-	-	5,405,760
Share issue costs (note 18)	(340,065)	-	-	-	-	(340,065)
Transactions with owners in their capacity as owners:						
Share-based payments (note 33)	-	-	-	246,387	-	246,387
Balance at 30 June 2019	36,641,519	464,000	(451,668)	2,489,121	(24,948,206)	14,194,766

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

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 30 June 2020

Consolidated	Contributed equity $	Other contributed equity $	Foreign currency translation reserve $	Share based payments reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2019	36,641,519	464,000	(451,668)	2,489,121	(24,948,206)	14,194,766
Loss after income tax benefit for the year	-	-	-	-	(12,467,466)	(12,467,466)
Other comprehensive income for the year, net of tax	-	-	(3,520)	-	-	(3,520)
Total comprehensive income for the year	-	-	(3,520)	-	(12,467,466)	(12,470,986)
Shares issued (note 18)	12,972,747	-	-	-	-	12,972,747
Share issue costs (note 18)	(833,052)	-	-	-	-	(833,052)
Transactions with owners in their capacity as owners:						
Share-based payments (note 33)	-	-	-	262,105	-	262,105
Expired options	-	-	-	(1,230,115)	1,230,115	-
Balance at 30 June 2020	48,781,214	464,000	(455,188)	1,521,111	(36,185,557)	14,125,580

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
Cash flows from operating activities			
Payments to suppliers (inclusive of GST)		**(10,200,368)**	(8,905,468)
R&D cash rebate		**1,390,849**	2,191,258
Net cash used in operating activities	31	**(8,809,519)**	(6,714,210)
Cash flows from investing activities			
Proceeds from disposal of shares		**-**	2,359,137
Net cash from investing activities		**-**	2,359,137
Cash flows from financing activities			
Proceeds from issue of shares	18	**12,139,695**	3,815,695
Net cash from financing activities		**12,139,695**	3,815,695
Net increase/(decrease) in cash and cash equivalents		**3,330,176**	(539,378)
Cash and cash equivalents at the beginning of the financial year		**5,433,868**	5,956,182
Effects of exchange rate changes on cash and cash equivalents		**-**	17,064
Cash and cash equivalents at the end of the financial year	8	**8,764,044**	5,433,868

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 27 August 2020. The Directors have the power to amend and reissue the financial statements.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

New or amended Accounting Standards and Interpretations adopted

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

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

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

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

AASB 16 Leases

General impact of application of AASB 16 Leases

AASB 16 has been applied from 1 July 2019. The standard introduces new requirements with respect to lease accounting by removing the distinction between operating and finance leases, requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases except for short-term leases, being those less than 12 months, and leases of low-value assets.

Impact of the definition of a new lease

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The consolidated entity has applied this definition to all lease contracts currently held. The new policy is set out below.

As the consolidated entity is not party to any material leases with a term in excess of 12 months, the adoption of the new standard has not had a material impact on the current period.

Interpretation 23 Uncertain tax positions

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

Interpretation 23 is effective for the Group's annual financial reporting period beginning on 1 July 2019. The Company is of the view that there are no material uncertain positions which impact the Group's accounting for income taxes.

Going concern

The consolidated entity incurred a loss after income tax of $12,467,466 (2019: $10,270,264), was in a net current asset position of $5,586,128 (2019: net current asset position of $5,613,883) and had net cash outflows from operating activities of $8,809,519 (2019: $6,714,210) for the year ended 30 June 2020.

As at 30 June 2020 the consolidated entity had cash in hand and at bank of $8,764,044.

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- Kazia's key clinical trials (phase II study of paxalisib in glioblastoma and phase I study of Cantrixil in ovarian cancer) were fully recruited prior to the onset of restrictions associated with COVID-19 in the United States and Australia;
- The GBM AGILE study, which is planned to serve as a pivotal study for paxalisib in glioblastoma, remains on track, and initiation of recruitment continues to be expected in 2H CY2020;
- In general, clinical research in advanced cancer is relatively protected from pandemic disruption due to the ongoing and time-critical need for patient care in specialised facilities that cannot easily be repurposed;
- The Company is pre-revenue, and so changes in customer behaviour over the next several years due to public health restrictions and reduced economic activity have little to no impact on its finances;
- The Company was able to secure funding of approximately $9million at the height of the initial wave of COVID-19, with additional demand from institutional investors at that time, which could not be satisfied within the Company's placement capacity;
- The directors do not foresee any other impacts on the Company's ability to raise additional funding as a result of COVID-19.

The directors are confident that the abovementioned 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').

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

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 2020 and the results of all subsidiaries for the year then ended. Kazia Therapeutics Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

Operating segments

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

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

Foreign currency transactions

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

Foreign operations

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

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

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

Financial Instruments

Recognition and derecognition

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

Classification and initial measurement of financial assets

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

Subsequent measurement of financial assets

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

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

Classifications are determined by both:

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

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

Financial assets at amortised cost

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

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

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

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

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

Impairment of financial assets

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

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

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

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

Classification and measurement of financial liabilities

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

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

Revenue from contracts with customers

The Group does not earn revenue from contracts with customers.

Finance Income

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

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.

Other revenue

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

Income tax

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

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

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

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

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

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

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interpretation 23 Uncertain tax positions

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

Current and non-current classification

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

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

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

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

Cash and cash equivalents

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

Research and development

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

Leases

Under AASB 16, leases are accounted for as follows:

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

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

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

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

Intangible assets

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

Patents and trademarks

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

Licensing agreement for paxalisib (formerly 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

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

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

Compound financial instruments

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

Provisions

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

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Defined contribution superannuation expense

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

Share-based payments

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

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

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

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

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

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

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Finance costs

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

Fair value measurement

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

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

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

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

Issued capital

Ordinary shares are classified as equity.

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

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

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

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

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

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 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations is that none are deemed to have a material impact on the entity.

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Research and development expenses

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

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

Clinical trial expenses

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

Share-based payment transactions

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

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 2020 the group has estimated the rebate which will be received in early 2021 and has accrued that amount as income in the statement of profit or loss and other comprehensive income.

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

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

Recovery of deferred tax assets

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

Business combinations

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

Contingent consideration

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

NOTE 4. OPERATING SEGMENTS

Identification of reportable operating segments

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

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

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

Major customers

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

NOTE 5. OTHER INCOME

	Consolidated	
	2020 $	2019 $
Net foreign exchange gain	**4,631**	-
Payroll tax rebate	**2,259**	318
Subsidies and grants	**20,000**	9,413
Reimbursement of expenses	**-**	24,614
Research and development rebate	**968,110**	1,431,083
Other income	**995,000**	1,465,428

NOTE 6. EXPENSES

	Consolidated	
	2020 $	2019 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Property, plant and equipment	**-**	103
Amortisation		
GDC licensing agreement	**1,084,344**	1,084,347
Total depreciation and amortisation	**1,084,344**	1,084,450
Net foreign exchange loss		
Net foreign exchange loss	**-**	17,835
Leases		
Expense relating to short term leases	**107,929**	78,521
Superannuation expense		
Defined contribution superannuation expense	**139,697**	128,271
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	**1,525,599**	1,395,831
Other expenses		
Revaluation of contingent consideration	**474,557**	62,729

NOTE 7. INCOME TAX BENEFIT

	Consolidated	
	2020 $	2019 $
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	**(12,765,661)**	(10,568,459)
Tax at the statutory tax rate of 27.5%	**(3,510,557)**	(2,906,326)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	**72,079**	67,756
Gain/loss on revaluation of contingent consideration	**130,503**	17,250
Research and Development claim	**279,675**	393,548
	(3,028,300)	(2,427,772)
Tax losses and timing differences not recognised	**2,730,105**	2,129,577
Income tax benefit	**(298,195)**	(298,195)

	Consolidated	
	2020 $	2019 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised-Australia	**67,429,803**	57,049,913
Potential tax benefit @ 27.5%	**18,543,196**	15,688,726
Unused tax losses for which no deferred tax asset has been recognised-US	**1,570,207**	2,365,967
Potential tax benefit at statutory tax rates @ 21%-US	**329,743**	496,853

NOTE 8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated	
	2020 $	2019 $
Cash at bank and on hand	**1,264,044**	833,868
Short-term deposits	**7,500,000**	4,600,000
	8,764,044	5,433,868

NOTE 9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated	
	2020 $	2019 $
Trade receivables	**439**	16,767
R&D tax rebate receivable	**1,017,278**	1,439,825
Less: Allowance for expected credit losses	**-**	(16,767)
	1,017,717	1,439,825
Other receivables	**177,125**	112,017
Deposits held	**566,508**	563,982
Less: Provision for impairment of deposits held	**(409,098)**	(405,121)
	1,352,252	1,710,703

Deposits held included a guarantee to the value of €250,000 ($409,098) for the "APO Trend" case. Please refer to note 26 for further information on this matter.

Allowance for expected credit losses

The consolidated entity has recognised a loss of nil (2019: $16,767) in profit or loss in respect of impairment of receivables (excluding 'deposits held') for the year ended 30 June 2020.

NOTE 10. CURRENT ASSETS - OTHER

	Consolidated	
	2020 $	2019 $
Prepayments	**537,305**	369,604

NOTE 11. NON-CURRENT ASSETS - FINANCIAL ASSETS

	Consolidated	
	2020 $	2019 $
Listed ordinary shares – FVTPL	-	25,014
Unlisted shares and options – FVTPL	-	142,800
	-	167,814

Refer to note 23 for further information on fair value measurement.

NOTE 12. NON-CURRENT ASSETS - INTANGIBLES

	Consolidated	
	2020 $	2019 $
Patents and intellectual property – at cost	**2,850,517**	2,850,517
Less: Accumulated amortisation	**(2,850,517)**	(2,850,517)
	-	-
Licensing agreement – at acquired fair value	**16,407,788**	16,407,788
Less: Accumulated amortisation	**(3,997,649)**	(2,913,305)
	12,410,139	13,494,483
	12,410,139	13,494,483

Reconciliations

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

Consolidated	Paxalisib licensing agreement $	Total $
Balance at 1 July 2018	14,578,830	14,578,830
Amortisation expense	(1,084,347)	(1,084,347)
Balance at 30 June 2019	13,494,483	13,494,483
Amortisation expense	(1,084,344)	(1,084,344)
Balance at 30 June 2020	12,410,139	12,410,139

NOTE 13. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	2020 $	2019 $
Trade payables	**1,693,632**	1,049,944
Accrued payables	**1,795,301**	713,517
Other current liability	-	479
	3,488,933	1,763,940

Refer to note 22 for further information on financial instruments.

NOTE 14. CURRENT LIABILITIES - PROVISIONS

	Consolidated	
	2020 $	2019 $
Employee benefits	**191,451**	136,352

NOTE 15. CURRENT LIABILITIES - CONTINGENT CONSIDERATION

	Consolidated	
	2020 $	2019 $
Contingent consideration (see note 17)	**1,387,089**	-

NOTE 16. NON-CURRENT LIABILITIES - DEFERRED TAX

	Consolidated	
	2020 $	2019 $
Deferred tax liability associated with Licensing Agreement	**3,412,788**	3,710,983
Amount expected to be settled within 12 months	**298,195**	298,195
Amount expected to be settled after more than 12 months	**3,114,593**	3,412,788
	3,412,788	3,710,983

NOTE 17. NON-CURRENT LIABILITIES - CONTINGENT CONSIDERATION

	Consolidated	
	2020 $	2019 $
Contingent consideration	**457,899**	1,370,431

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

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

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

The range of outcomes of contingent consideration are summarised below:

Milestone - High/Low outcomes	High	Low
Milestone 2	1,250,000	1,250,000
Milestone 4	4,199,000	3,400,000
Milestone 5	1,394,000	1,394,000
	6,843,000	6,044,000

Each milestone payment is probability weighted for valuation purposes. The milestone payments are discounted to present value, using a discount rate of 35% per annum, if they are expected to be achieved more than 12 months after the valuation date. The contingent consideration was revalued at 30 June 2020 to take into account revised estimated probabilities and timelines of certain milestones being achieved, and a portion of the discount has unwound with the resultant Loss on contingent consideration being recognised in profit and loss.

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

NOTE 18. EQUITY - CONTRIBUTED EQUITY

	Consolidated			
	2020 Shares	2019 Shares	2020 $	2019 $
Ordinary shares - fully paid	**94,598,369**	62,166,673	**48,781,214**	36,641,519

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2018	48,409,621		31,575,824
Share placement	24 October 2018	8,900,001	$0.380	3,382,000
Milestone 1 shares issued in connection with purchase of Glioblast Pty Limited (GDC-0084)	9 November 2018	2,820,824	$0.440	1,250,000
Issued under Share Purchase Plan	23 November 2018	2,036,227	$0.380	773,760
Share issue transaction costs		-	$0.000	(340,065)
Balance	30 June 2019	62,166,673		36,641,519
Share placement	1 November 2019	10,000,000	$0.400	4,000,000
Share placement	16 April 2020	18,041,667	$0.400	7,216,667
Issued under the Share Purchase Plan	11 May 2020	4,390,010	$0.400	1,756,004
Issued on conversion of options		19	$4.000	76
Share issue transaction costs		-	$0.000	(833,052)
Balance	30 June 2020	94,598,369		48,781,214

Ordinary shares

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

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

Share buy-back

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

Capital risk management

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

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

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

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

NOTE 19. EQUITY - OTHER CONTRIBUTED EQUITY

	Consolidated	
	2020 $	2019 $
Convertible note - Triaxial	**464,000**	464,000

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

NOTE 19. EQUITY - OTHER CONTRIBUTED EQUITY (CONTINUED)

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

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

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

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

NOTE 20. EQUITY - RESERVES

Foreign currency translation reserve

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

Share-based payments reserve

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

NOTE 21. 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 22. 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 2020, 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	2020 $	2019 $	2020 $	2019 $
US dollars	**272,450**	30,720	**2,196,281**	1,046,504
Euros	**-**	-	**-**	731
	272,450	30,720	**2,196,281**	1,047,235

The consolidated entity had net liabilities denominated in foreign currencies of $2,448,320 as at 30 June 2020 (2019: net liabilities $1,016,515).

NOTE 22. FINANCIAL INSTRUMENTS (CONTINUED)

If the AUD had strengthened against the USD by 10% (2019: 10%) then this would have had the following impact:

	AUD strengthened			AUD weakened		
Consolidated - 2020	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
US dollars	10%	244,832	244,832	(10%)	(244,832)	(244,832)

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

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:

	2020		2019	
Consolidated	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Cash at bank and in hand	**0.04%**	**1,264,044**	0.03%	833,868
Short term deposits	**0.95%**	**7,500,000**	1.88%	4,600,000
Net exposure to cash flow interest rate risk		**8,764,044**		5,433,868

The consolidated entity has cash and cash equivalents totalling $8,764,044 (2019: $5,433,868). An official increase/decrease in interest rates of 100 basis points (2019: 100 basis points) would have a favourable/adverse effect on profit before tax and equity of $87,640 (2019: $54,337) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Credit risk

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

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

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

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

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

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

NOTE 22. 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 - 2020	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Trade payables	-	1,693,632	-	-	-	1,693,632
Accrued payables	-	1,795,301	-	-	-	1,795,301
Contingent consideration	-	4,199,000	-	2,644,000	-	6,843,000
Total non-derivatives		7,687,933	-	2,644,000	-	10,331,933

Consolidated - 2019	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Trade payables	-	1,049,944	-	-	-	1,049,944
Accrued payables	-	713,517	-	-	-	713,517
Contingent consideration	-	-	-	5,449,000	1,394,000	6,843,000
Total non-derivatives		1,763,461	-	5,449,000	1,394,000	8,606,461

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

NOTE 23. 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 - 2020	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Contingent consideration	-	-	**1,844,988**	**1,844,988**
Total liabilities	-	-	**1,844,988**	**1,844,988**

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

There were no transfers between levels during the financial year.

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

The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the estimated cash flows rather than adjusting the discount rate. The estimated cashflows were adjusted based on the directors' assessment of achieving contracted milestones as disclosed in Note 17. The probabilities used fell in the range of 35% to 55% and were informed by generally accepted industry probabilities of drugs achieving certain milestones in their progression towards registration.

NOTE 24. 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	
	2020 $	2019 $
Short-term employee benefits	**1,324,345**	1,175,398
Post-employment benefits	**96,473**	84,161
Share-based payments	**230,036**	125,010
	1,650,854	1,384,569

Please refer to note 28 for other transactions with key management personnel and their related parties.

NOTE 25. 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	
	2020 $	2019 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	**124,250**	119,800

NOTE 26. 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 had 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, and has three years from the date of the Austrian Supreme Court finding to do so. At the date of this report, no claim has been made by either party. Kazia is entitled to access APOtrend's books to calculate a license fee/ other payment claims against APOtrend. Kazia is currently trying to enforce this right in court.

The consolidated entity has provided a guarantee to the value of €250,000 ($409,098) with the court to provide a security for potential damage claims raised by APOtrend (which is not limited to this amount, however). As at 30 June 2020, the receivable balance continues to be fully impaired on the basis that it is unlikely to be recovered.

NOTE 27. COMMITMENTS

Lease commitments comprise contracted amounts for leases of premises. The agreement has a duration less than 12 months from financial year end and committed amounts are not material.

NOTE 28. RELATED PARTY TRANSACTIONS

Parent entity

Kazia Therapeutics Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

Transactions with related parties

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

Receivable from and payable to related parties

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

Loans to/from related parties

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

Terms and conditions

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

NOTE 29. PARENT ENTITY INFORMATION

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

Statement of profit or loss and other comprehensive income

	Parent	
	2020 $	2019 $
Loss after income tax	**(11,064,061)**	(7,198,302)
Total comprehensive income	**(11,064,061)**	(7,198,302)

Statement of financial position

	Parent	
	2020 $	2019 $
Total current assets	**9,702,674**	7,015,002
Total assets	**22,112,813**	20,677,299
Total current liabilities	**1,521,946**	213,444
Total liabilities	**5,392,632**	5,294,858
Equity		
Contributed equity	**48,781,214**	36,641,519
Other contributed equity	**464,000**	464,000
Reserves	**1,521,111**	2,489,121
Accumulated losses	**(34,046,144)**	(24,212,199)
Total equity	**16,720,181**	15,382,441

Reserves comprise Share Based Payments Reserve.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019, except as detailed in note 26.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2020 and 30 June 2019.

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 30. INTERESTS IN SUBSIDIARIES

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

		Ownership interest	
Name	Principal place of business / Country of incorporation	2020 %	2019 %
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 31. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	Consolidated	
	2020 $	2019 $
Loss after income tax benefit for the year	**(12,467,466)**	(10,270,264)
Adjustments for:		
Depreciation and amortisation	**1,084,344**	1,084,450
Impairment of property, plant and equipment	**-**	1,076
Net fair value loss on financial assets	**167,814**	1,808,511
Share-based payments	**262,105**	246,387
loss on contingent consideration	**474,557**	62,729
Change in operating assets and liabilities:		
Decrease in trade and other receivables	**358,452**	824,776
Increase in accrued revenue	**-**	(138,188)
Decrease/(increase) in prepayments	**(167,701)**	398,350
Increase/(decrease) in trade and other payables	**1,721,472**	(408,867)
Decrease in deferred tax liabilities	**(298,195)**	(298,195)
Increase/(decrease) in other provisions	**55,099**	(24,975)
Net cash used in operating activities	**(8,809,519)**	(6,714,210)

NOTE 32. EARNINGS PER SHARE

	Consolidated	
	2020 $	2019 $
Loss after income tax attributable to the owners of Kazia Therapeutics Limited	**(12,467,466)**	(10,270,264)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	**73,053,514**	57,503,555
Weighted average number of ordinary shares used in calculating diluted earnings per share	**73,053,514**	57,503,555
	Cents	Cents
Basic earnings per share	**(17.07)**	(17.86)
Diluted earnings per share	**(17.07)**	(17.86)

1,865,000 unlisted convertible notes with a face value of $464,000 and 2,775,167 unlisted options have been excluded from the above calculations as they were anti-dilutive.

NOTE 33. SHARE-BASED PAYMENTS

The options in the first three tranches in the table below were issued as consideration for services rendered in relation to capital raising conducted during a previous year by the consolidated entity, and have now expired.

The options in the remaining tranches in the table below have been issued to employees under the ESOP. In total, $262,105 (2019: $246,387) 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.

Options in tranches 5-7 and 15 represent a modification which occurred during the year. The options in tranches 5-7 were cancelled and the options in tranche 15 issued in their stead. These options were issued to the CEO and Managing Director, and the modification was approved by the shareholders on 13 November 2019. The option pricing model used to determine the incremental fair value was a Black-Scholes option pricing model. The inputs into the valuation model are set out in a table later in this note and the assumptions with regard to dividends, volatility and risk-free rate are relevant to the newly issued replacement options. The volatility was determined based upon historical volatility. The fair value of the new options granted was $216,000 and the fair value of the old options was de minimus just prior to the modification. Therefore, the incremental fair value of the modification was $216,000.

NOTE 33. SHARE-BASED PAYMENTS (CONTINUED)

The terms of the options were agreed by the directors on 4 January 2019, including immediate vesting of 50% of the options, with the remaining options to vest in equal portions over the following three years starting 4 January 2020. The options will expire on 4 January 2024. Because the options required shareholder approval they were not issued until that approval was granted on 13 November 2019, however the terms were as agreed on 4 January 2019.

2020

Tranche	Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Modified	Expired	Balance at the end of the year
1	04/03/2015	16/12/2019	$1.500	46,647	-	-	(46,647)	-
2	04/03/2015	18/12/2019	$1.500	19,952	-	-	(19,952)	-
3	24/06/2015	30/06/2020	$4.000	519,000	-	-	(519,000)	-
4	16/11/2015	16/11/2020	$2.200	236,667	-	-	-	236,667
5	18/03/2016	01/02/2021	$1.990	300,000	-	(300,000)	-	-
6	18/03/2016	01/02/2021	$1.990	200,000	-	(200,000)	-	-
7	18/03/2016	01/02/2021	$2.610	250,000	-	(250,000)	-	-
8	05/09/2016	05/09/2021	$1.630	50,000	-	-	-	50,000
9	12/10/2016	17/10/2021	$1.560	62,000	-	-	-	62,000
10	31/10/2016	01/11/2021	$1.380	12,500	-	-	-	12,500
11	21/11/2016	23/11/2021	$1.380	50,000	-	-	-	50,000
12	07/08/2017	07/08/2022	$0.670	224,000	-	-	-	224,000
13	05/02/2018	05/02/2023	$0.780	440,000	-	-	-	440,000
14	04/01/2019	04/01/2024	$0.492	250,000	-	-	-	250,000
15	13/11/2019	04/01/2024	$0.492	-	-	1,200,000	-	1,200,000
16	13/01/2020	13/01/2025	$0.881	-	250,000	-	-	250,000
				2,660,766	250,000	450,000	(585,599)	2,775,167
Weighted average exercise price				$1.960	$0.880	$2.348	$3.716	$0.797

No options were exercised or forfeited during the year.

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

- Options in tranches 4, 8, 10, 11 and 13 were vested and exercisable
- Options in tranche 16 were unvested
- Options in the other tranches were vested as follows: 9: 75%, 12: 50% 14: 50% and 15: 67%. All were able to be exercised at year end.

All remaining options are expected to vest in future periods.

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

NOTE 33. SHARE-BASED PAYMENTS (CONTINUED)

2019

Tranche	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	$1.500	46,647	-	-	-	46,647
2	04/03/2015	18/12/2019	$1.500	19,952	-	-	-	19,952
3	24/06/2015	30/06/2020	$4.000	519,000	-	-	-	519,000
4	16/11/2015	16/11/2020	$2.200	236,667	-	-	-	236,667
5	18/03/2016	01/02/2021	$1.990	300,000	-	-	-	300,000
6	18/03/2016	01/02/2021	$1.990	200,000	-	-	-	200,000
7	18/03/2016	01/02/2021	$2.610	250,000	-	-	-	250,000
8	05/09/2016	05/09/2021	$1.630	50,000	-	-	-	50,000
9	12/10/2016	17/10/2021	$1.560	62,000	-	-	-	62,000
10	31/10/2016	01/11/2021	$1.380	12,500	-	-	-	12,500
11	21/11/2016	23/11/2021	$1.380	50,000	-	-	-	50,000
12	07/08/2017	07/08/2022	$0.670	224,000	-	-	-	224,000
13	05/02/2018	05/02/2023	$0.780	440,000	-	-	-	440,000
14	04/01/2019	04/01/2024	$0.492	-	250,000	-	-	250,000
				2,410,766	250,000	-	-	2,660,766
Weighted average exercise price				$2.120	$0.490	$0.000	$0.000	$1.960

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

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

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

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

Employee share options

During the year ended 30 June 2020, 250,000 options have been issued to the employees by the consolidated entity pursuant to the Company's Employee Share Option Plan.

- Tranche 16 of 250,000 options vesting equally over 4 years in annual intervals from 13 January 2021

Also during the year, 750,000 options were cancelled and replaced by 1,200,000 new options issued in their place. This has been accounted for as a modification of the first series of options, as their cancellation was contingent upon receipt of shareholder approval for the issue of the new options.

Of the new options, which are shown as tranche 15:

- 50% vested immediately
- the remaining 50% vest equally over 3 years in annual intervals from 4 January 2020

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:

NOTE 33. SHARE-BASED PAYMENTS (CONTINUED)

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 1 to 16 have various vesting periods and exercising conditions. These options are unlisted as at 30 June 2020.

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

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

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

Grant date	Expiry date	Share price at Grant Date	Exercise price	Volatility (%)	Remaining Life (years)	Risk free Rate (%)	Fair value per option
16/11/2015	16/11/2020	$0.140	$2.200	158.00%	0.37	2.04%	$1.280
05/09/2016	05/09/2021	$0.105	$1.630	122.00%	1.16	1.60%	$0.840
12/10/2016	17/10/2021	$0.098	$1.560	122.00%	1.29	1.89%	$0.780
31/10/2016	01/11/2021	$0.090	$1.380	122.00%	1.20	1.87%	$0.720
21/11/2016	23/11/2021	$0.092	$1.380	122.00%	1.20	2.10%	$0.730
07/08/2017	07/08/2022	$0.430	$0.670	74.50%	2.08	1.95%	$0.206
05/02/2018	05/02/2023	$0.500	$0.780	74.50%	2.58	1.95%	$0.200
04/01/2019	04/01/2024	$0.340	$0.493	74.50%	3.50	1.95%	$0.140
13/11/2019	13/11/2024	$0.410	$0.493	74.50%	4.20	1.95%	$0.180
13/01/2020	13/01/2025	$0.620	$0.881	74.50%	4.50	1.95%	$0.340

NOTE 34. SUBSEQUENT EVENTS

In August 2020 the Company was advised that the United States Food and Drug Administration (FDA) has awarded Rare Pediatric Disease Designation (RPDD) to Kazia's paxalisib (formerly GDC-0084) for the treatment of Diffuse Intrinsic Pontine Glioma (DIPG), a rare and highly-aggressive childhood brain cancer.

In August 2020 the Company was also advised that the FDA has awarded Fast Track Designation (FTD) to paxalisib for the treatment of glioblastoma, the most common and the most aggressive form of primary brain cancer in adults.

In August 2020 United States Food and Drug Administration (FDA) has granted Orphan Drug Designation (ODD) to Kazia's paxalisib (formerly GDC-0084) for the treatment of malignant glioma, which includes Diffuse Intrinsic Pontine Glioma (DIPG), a rare and highly aggressive childhood brain cancer.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the Board of Directors

Mr Iain Ross
Chairman

Dr James Garner
Managing Director, Chief Executive Officer

27 August 2020
Sydney

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Independent Auditor's Report

To the Members of Kazia Therapeutics Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Kazia Therapeutics Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 2020 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 $12,467,466 during the year ended 30 June 2020, and had a net operating cash outflows of $8,809,519. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Intangible asset impairment (Note 2, Note 3 & Note 12)	
The Group carries on its statement of financial position the Licensing Agreement which grants the Group the right to develop the paxalisib (formerly known as GDC-0084) molecule. The asset has a carrying value of $12,410,139 and is being amortised over the 20-year life of the underlying patent. AASB 136 *Impairment of Assets* requires an entity to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any indication exists, the entity shall estimate the recoverable amount of the asset. Assessing whether there is any indication that an asset may be impaired involves a high degree of judgement. This area is a key audit matter due to the complexities and high degree of judgement in assessing whether there are indicators of impairment.	Our procedures included, amongst others: • obtaining an understanding of and evaluating management's process and controls related to the assessment of the existence of impairment indicators; • reviewing and assessing management's documented consideration of the existence of any impairment indicators; as well as making enquiries with management's experts, for their expert opinions relating to the science; • considering each of the internal and external factors outlined by AASB 136 and assessing whether any indicators of impairment are present; • reviewing management's assessment of the potential impact of COVID-19 on the performance of the asset; • evaluating all information gathered to form a view as to the reliability of management's determination; and • assessing the adequacy of the relevant disclosures in the financial statements.

Grant Thornton

Completeness of contingent consideration (Note 2, Note 3, Note 15 & Note 17)	
During the 2017 financial year, the consolidated entity acquired 100% of the issued shares in Glioblast Pty Ltd, a privately-held, neuro-oncology-focused Australian biotechnology company. On the same day, Kazia entered into a worldwide licensing agreement with Genentech to develop and commercialise paxalisib (formerly known as GDC-0084). As disclosed in Note 17, the acquisition agreements contain contingent payments dependent on the achievement of contracted milestones. Management experts were used in the assessment of the likely success and timing of each milestone. The estimate of the contingent consideration at 30 June 2020 is $1,844,988. We consider the fair value of the contingent consideration at 30 June 2020 to be a key audit matter due to the high level of subjectivity and management judgement involved in calculating the contingent consideration and the materiality of the amounts in question.	Our procedures included, amongst others; • obtaining an understanding of and evaluating management's process and controls related to the estimation of the liability; • evaluating the competence, capabilities and objectivity of management's experts; • obtaining management's calculation of the contingent consideration liability and assessing the key inputs and assumptions made by management's experts; • where management's assumptions are applied to other critical accounting estimates, such as the valuation of intangible assets described above, assessing whether those assumptions have been applied consistently across estimates; • reviewing management's assessment of the potential impact of COVID-19 on the valuation of the contingent consideration and key inputs in the valuation model; and • assessing the adequacy of the relevant disclosures in the financial statements.
Recognition of R&D tax incentive (Note 2, Note 3, Note 5, Note 7 & Note 9)	

Under the research and development (R&D) tax incentive scheme, the Group receives a 43.5% refundable tax offset of eligible expenditure if its turnover is less than $20 million per annum, provided it is not controlled by income tax exempt entities. A Registration of R&D Activities Application is filed with AusIndustry in the following financial year and, based on this filing, the Group receives the incentive in cash.
 	
Management engaged an R&D expert to perform a detailed review of the Group's total R&D expenditure to determine the potential claim under the R&D tax incentive legislation. The receivable at year-end for the incentive was $1,017,278. This represents an estimated claim for the period 1 July 2019 to 30 June 2020.
 	
This area is a key audit matter due to the size of the receivable and because there is a degree of judgement and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme.
	Our procedures included, amongst others:
	• obtaining and documenting, through discussions with management, an understanding of the process to estimate the claim;
	• evaluating the competence, capabilities and objectivity of management's expert;
	• utilising an internal R&D tax specialist in:
	  • reviewing the methodology used by management for consistency with the R&D tax offset rules; and
	  • considering the nature of the expenses against the eligibility criteria of the R&D tax incentive scheme to assess whether the expenses included in the estimate were likely to meet the eligibility criteria.
	• inspecting supporting documentation for a sample of expenses claimed to assess validity of the claimed amount and eligibility against the R&D tax incentive scheme criteria;
	• comparing the nature of the R&D expenditure included in the current year estimate to the prior year claim;
	• comparing the eligible expenditure used in the receivable calculation to the expenditure recorded in the general ledger;
	• considering the entity's history of successful claims;
	• inspecting copies of relevant correspondence with AusIndustry and the Australian Taxation Office related to the claims; and
	• assessing the adequacy of the relevant disclosures in the financial statements.

Grant Thornton

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 25 to 31 of the Directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Kazia Therapeutics Limited, for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Grant Thornton

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, 27 August 2020

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 21 August 2020.

Range	Total holders	Number of shares
1 - 1,000	3,003	818,239
1,001 - 5,000	925	2,343,972
5,001 - 10,000	307	2,385,760
10.001 - 100,000	444	13,113,943
Over 100,000	75	75,936,455
Total	**4,754**	**94,598,369**
Holding less than a marketable parcel	2,458	385,252

EQUITY SECURITY HOLDERS

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

	Units	% Units
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	39,899,895	42.18
WILLOUGHBY CAPITAL PTY LTD <WILLOUGHBY CAPITAL A/C>	12,355,000	13.06
MNA FAMILY HOLDINGS PTY LTD <HISHENK PTY LTD SUPER A/C>	2,145,000	2.27
HISHENK PTY LTD	1,930,000	2.04
BNP PARIBAS NOMS PTY LTD <DRP>	1,687,141	1.78
JAMPLAT PTY LTD	970,000	1.03
CITICORP NOMINEES PTY LIMITED	955,390	1.01
MR IAIN ROSS	800,001	0.85
COMSEC NOMINEES PTY LIMITED	589,104	0.62
D & G BROWN INVESTMENTS PTY LIMITED	572,356	0.61
INVIA CUSTODIAN PTY LIMITED <GSJBW MANAGED A/C>	544,354	0.58
NATIONAL NOMINEES LIMITED	505,194	0.53
MR TONY MARK ELDRIDGE + MRS ANITA MAREE ELDRIDGE <TM & AM ELDRIDGE SUPER A/C>	505,000	0.53
BOND STREET CUSTODIANS LIMITED <DEAONE - D42595 A/C>	500,000	0.53
C & L JACKSON INVESTMENTS PTY LTD <JACKSON FAMILY S/FUND A/C>	458,840	0.49
EL CORONADO HOLDINGS	453,164	0.48
MRS JANET LOUISE BOWTELL + MR GARY OWEN BOWTELL <BOWTELL SUPER FUND A/C>	360,000	0.38
MR ROSS RICHARD EDDISON	345,725	0.37
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	342,135	0.36
MRS ALISON LOUISE SUTERS + MR MARK GERARD SUTERS	340,076	0.36
	66,258,375	70.04

SUBSTANTIAL HOLDERS

Substantial holders of equity in the Company are:

WILLOUGHBY CAPITAL PTY LTD <WILLOUGHBY CAPITAL A/C>	12,355,000	13.06
MNA FAMILY HOLDINGS PTY LTD <HISHENK PTY LTD SUPER A/C>	2,145,000	2.27
PLATINUM INTERNATIONAL HEALTH CARE FUND *	9,078,948	10.60
	23,578,948	**25.93**

* Held by a nominee

VOTING RIGHTS

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

Ordinary shares

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

There are no other classes of equity securities.

KAZIA THERAPEUTICS LIMITED

Corporate directory
30 June 2020

DIRECTORS

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

COMPANY SECRETARY

Ms Kate Hill

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTER

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

AUDITOR

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

STOCK EXCHANGE LISTING

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

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

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

WEBSITE

www.kaziatherapeutics.com

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