UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended June 30, 2018

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission file number 0-29962

Kazia Therapeutics Limited
(formerly Novogen Limited)

ACN 063 259 754
(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

New South Wales, Australia
(Jurisdiction of incorporation or organization)

Three International Towers Level 24, 300 Barangaroo Avenue, Sydney, New South Wales 2000, Australia
(Address of principal executive offices)

Gabrielle Heaton
(e)Gabrielle.Heaton@kaziatherapeutics.com (t) +61-2-9472-4101
Three International Towers Level 24, 300 Barangaroo Avenue, Sydney, New South Wales 2000, Australia
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing ten Ordinary Shares*	**The NASDAQ Stock Market**

Securities registered or to be registered pursuant to Section 12(g) of the Act.
None

* Not for trading, but only in connection with the registration of American Depositary Shares.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

Not Applicable

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

The number of outstanding Ordinary Shares of the issuer as at June 30, 2018 was 48,409,621.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☐ No ☒

Indicate by check mark if the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See definition of “large accelerated filer”, “accelerated filer” or “emerging growth company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing

U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

If ‘Other’ has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 20-F includes forward-looking statements, which involve a number of risks and uncertainties. These forward-looking statements can generally be identified as such because the context of the statement will include words such as "may," "will," "intend," "plan," "believe," "anticipate," "expect," "estimate," "predict," "potential," "continue," "likely," or "opportunity," the negative of these words or other similar words. Similarly, statements that describe our future plans, strategies, intentions, expectations, objectives, goals or prospects and other statements that are not historical facts are also forward-looking statements. Discussions containing these forward-looking statements may be found, among other places, in "Business Overview" and "Operating and Financial Review and Prospects" in this Annual Report on Form 20-F. For such statements, we claim the protection of the Private Securities Litigation Reform Act of 1995 and section 27A of the Securities Act and Section 21E of the Exchange Act. Readers of this Annual Report on Form 20-F are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the time this Annual Report on Form 20-F was filed with the Securities and Exchange Commission, or SEC. These forward-looking statements are based largely on our expectations and projections about future events and future trends affecting our business and are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. These risks and uncertainties include, without limitation, those discussed in "Risk Factors" and in "Operating and Financial Review and Prospects" of this Annual Report on Form 20-F. In addition, past financial or operating performance is not necessarily a reliable indicator of future performance, and you should not use our historical performance to anticipate results or future period trends. We can give no assurances that any of the events anticipated by the forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations and financial condition. Except as required by law, we undertake no obligation to update publicly or revise our forward-looking statements to reflect events or circumstances that arise after the filing of this Annual Report on Form 20-F.

In this Annual Report on Form 20-F, "Kazia," "Company," "we," "us" and "our" refer to Kazia Therapeutics Limited and its wholly owned subsidiaries on a consolidated basis, unless the context otherwise provides.

PART I

Item 1. Identity of Directors, Senior Management and Advisors

Item 1 details are not required to be disclosed as part of the Annual Report.

Item 2. Offer Statistics and Expected Timetable

Item 2 details are not required to be disclosed as part of the Annual Report.

Item 3. Key Information

A. Selected financial data

The selected financial data have been derived from the consolidated financial statements of the Company for and as of the fiscal years ended June 30, 2016, 2017 and 2018 included in this Annual Report and should be read in conjunction with, and are qualified in their entirety by, reference to those statements and the notes thereto.

This financial report complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been audited in accordance with the Public Company Accounting Oversight Board ("PCAOB") auditing standards in the United States by the Company's independent registered public accounting firm. The Company's fiscal year ends on June 30. As used throughout this Annual Report, the word "fiscal" followed by a year refers to the 12-month period ended on June 30 of that year. For example, the term "fiscal 2018" refers to the 12 months ended June 30, 2018. Except as otherwise indicated, all dollar amounts referred to in this Annual Report are at the consolidated level and exclude inter-company amounts.

Summary of consolidated profit or loss and other comprehensive income (IFRS)	2014 A$'000	2015 A$'000	2016 A$'000	2017 A$'000	2018 A$'000	2018 US$'000
Revenue and other income	429	2,842	4,071	8,812	13,108	9,699
(Loss) before income tax expense from continuing operations	(7,569)	(7,306)	(12,155)	(10,869)	(6,344)	(4,694)
(Loss) after income tax expense from discontinued operations	—	—	—	—	—	—
(Loss) after income tax expense for the year	(7,569)	(7,306)	(12,155)	(10,670)	(6,039)	(4,468)
Net (loss) attributable to members of Kazia Therapeutics Limited	(7,468)	(7,139)	(12,062)	(10,670)	(6,039)	(4,468)
Earnings per share for loss from continuing operations attributable to the owners of Kazia Therapeutics Limited						
Basic (loss) per share (cents per share)	(4.76)	(2.99)	(2.82)	(2.28)	(12.48)	(9.23)
Diluted (loss) per share (cents per share)	(4.76)	(2.99)	(2.82)	(2.28)	(12.48)	(9.23)
Weighted average number of ordinary share shares used to calculate earnings per share	156,725,363	238,418,048	427,431,910	467,833,849	48,376,525	48,376,525
Number of outstanding ordinary shares at year end	168,557,834	423,116,465	429,733,982	483,287,914	48,409,621	48,409,621

Summary of consolidated financial position (IFRS)	2014 A$'000	2015 A$'000	2016 A$'000	2017 A$'000	2018 A$'000	2018 US$'000
Cash and cash equivalents	2,502	44,371	33,453	14,455	5,956	4,407
Total assets	4,660	46,140	35,517	35,910	28,175	20,847
Net assets/Equity	1,413	44,362	33,931	25,338	19,242	14,238
Debt	2,707	—	—	—	—	—
Capital Stock	142,586	190,404	191,301	193,769	31,576	23,363

The Company publishes its consolidated financial statements expressed in Australian dollars. In this Annual Report, references to "U.S. dollars" or "US$" are to the currency of the United States of America ("U.S.") and references to "Australian dollars" or "A$" are to the currency of Australia. For the convenience of the reader, this Annual Report contains translations of certain Australian dollar amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the Australian dollar amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise stated, the translations of Australian dollars into U.S. dollars have been made at the rate of US$0.7399 = A$1.00, the foreign exchange rate as issued weekly by the Board of Governors of the Federal Reserve System (www.federalreserve.gov/releases) on June 29, 2018.

Exchange rates for the six months to September 2018 for A$1.00 per US$

Month	High	Low
April	$0.7784	$0.7543
May	$0.7595	$0.7445
June	$0.7677	$0.7355
July	$0.7466	$0.7322
August	$0.7428	$0.7192
September	$0.7107	$0.7278

Exchange rates for the last five fiscal years for A$1.00 per US$

Fiscal year ended June 30	Average Rate*
2014	$ 0.9186
2015	$ 0.8365
2016	$ 0.7289
2017	$ 0.7542
2018	$ 0.7741

* Determined by calculating the average rate of the exchange rates on the last trading day of each month during the period.

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

D. Risk factors

Investment in our securities involves a high degree of risk. You should consider carefully the risks described below, together with other information in this Annual Report on Form 20-F and our other public filings, before making investment decisions regarding our securities. If any of the following events actually occur, our business, operating results, prospects or financial condition could be materially and adversely affected. This could cause the trading price of our common stock to decline and you may lose all or part of your investment. Moreover, the risks described below are not the only ones that we face. Additional risks not presently known to us or that we currently deem immaterial may also affect our business, operating results, prospects or financial condition.

Risks Related to Our Financial Condition and Capital Requirement

We have incurred significant net losses. We anticipate that we will continue to incur significant net losses for the foreseeable future and we may never achieve or maintain profitability.

We are a biotechnology company and have not yet generated significant revenue. We have incurred losses of A$12.2 million, A$10.7 million and A$6.0 million for the fiscal years ended June 30, 2016, 2017 and 2018, respectively. We have not generated any revenues from sales of any of our product candidates.

As of June 30, 2018, we had accumulated losses of A$14.6 million. We have devoted most of our financial resources to research and development, including our clinical and preclinical development activities. To date, we have financed our operations primarily through the issuance of equity securities, research and development grants from the Australian government and payments from our collaboration partners. We have not generated, and do not expect to generate, any significant revenue for the foreseeable future, and we expect to continue to incur significant operating losses for the foreseeable future due to the cost of research and development, preclinical studies and clinical trials and the regulatory approval process for product candidates. The amount of our future net losses is uncertain and will depend, in part, on the rate of our future expenditures. Our ability to continue operations will depend on, among other things, our ability to obtain funding through equity or debt financings, strategic collaborations or additional grants.

We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future. We anticipate that our expenses will increase substantially if and as we:

- continue our research and preclinical development of our product candidates;
- expand the scope of our current preclinical studies for our product candidates or initiate clinical, additional preclinical or other studies for product candidates;
- seek regulatory and marketing approvals for any of our product candidates that successfully complete clinical trials;
- further develop the manufacturing process for our product candidates;
- change or add additional manufacturers or suppliers;
- seek to identify and validate additional product candidates;
- acquire or in-license other product candidates and technologies;
- maintain, protect and expand our intellectual property portfolio;
- create additional infrastructure to support our operations as a public company in the United States and our product development and future commercialization efforts; and
- experience any delays or encounter issues with any of the above.

The net losses we incur may fluctuate significantly from quarter to quarter and year to year, such that a period to-period comparison of our results of operations may not be a good indication of our future performance. In any particular quarter or quarters, our operating results could be below the expectations of securities analysts or investors, which could cause the price of the ADSs to decline.

We have never generated any revenue from product sales and may never be profitable.

Our ability to generate significant revenue and achieve profitability depends on our ability, alone or with strategic collaboration partners, to successfully complete the development of and obtain the regulatory approvals for our product candidates, to manufacture sufficient supply of our product candidates, to establish a sales and marketing organization or suitable third-party alternative for the marketing of any approved products and to successfully commercialize any approved products on commercially reasonable terms. All of these activities will require us to raise sufficient funds to finance business activities. We do not expect any milestone payments from our collaborative partners to be significant in the foreseeable future. In addition, we do not anticipate generating revenue from commercializing product candidates for the foreseeable future, if ever. Our ability to generate future revenues from commercializing product candidates depends heavily on our success in:

- establishing proof of concept in preclinical studies and clinical trials for our product candidates;
- successfully initiating and completing clinical trials of our product candidates;
- obtaining regulatory and marketing approvals for product candidates for which we complete clinical trials;
- maintaining, protecting and expanding our intellectual property portfolio, and avoiding infringing on intellectual property of third parties;
- establishing and maintaining successful licenses, collaborations and alliances with third parties;
- developing a sustainable, scalable, reproducible and transferable manufacturing process for our product candidates;
- establishing and maintaining supply and manufacturing relationships with third parties that can provide products and services adequate, in amount and quality, to support clinical development and commercialization of our product candidates, if approved;
- launching and commercializing any product candidates for which we obtain regulatory and marketing approval, either by collaborating with a partner or, if launched independently, by establishing a sales, marketing and distribution infrastructure;
- obtaining market acceptance of any product candidates that receive regulatory approval as viable treatment options;
- obtaining favorable coverage and reimbursement rates for our products from third-party payers;
- addressing any competing technological and market developments;
- identifying and validating new product candidates; and
- negotiating favorable terms in any collaboration, licensing or other arrangements into which we may enter.

Even if one or more of our product candidates is approved for commercial sale, we may incur significant costs associated with commercializing any approved product candidate. As one example, our expenses could increase beyond expectations if we are required by the Food and Drug Administration, or FDA, or other regulatory agencies, domestic or foreign, to perform clinical and other studies in addition to those that we currently anticipate. Even if we are able to generate revenues from the sale of any approved products, we may not become profitable and may need to obtain additional funding to continue operations, which could have an adverse effect on our business, financial condition, results of operations and prospects.

The Company is currently conducting clinical trials of two experimental therapies. Failure of one or both of these therapies to show benefit to patients could materially affect the continuity of our business and our financial condition.

The Company's lead programs include GDC-0084, a small molecule inhibitor of the PI3K/Akt/mTor pathway, and Cantrixil (TRX-E-002-1), a small molecule agent with activity against tumor-initiating cells. However, even though progress has been made, such as the clinical validation of the PI3K/Akt/mTor pathway as a target for oncology therapies, developments of our product candidates may prove unsuccessful, after completion of clinical trials, due to any failure to provide any beneficial effect to cancer patients. It is possible that either or both agents may fail to show sufficient benefit as a treatment for cancer to become commercially-viable products.

The Company has ongoing clinical trials in which experimental therapies are administered to human subjects. If profound and unexpected safety concerns are encountered in clinical trials, it may materially affect the continuity of our business and our financial condition.

Despite all applicable efforts to characterise the safety profile of our drug development candidates through animal studies and other mechanisms, the possibility of unexpected safety concerns remains. If one or both of our clinical stage candidates were found to be associated with profound and unexpected toxicity, Kazia may be required to cease development, and may additionally incur other impairments to the business including reputational damage.

The Company's ability to continue as a going concern is dependent on its ability to raise capital to support its R&D programs.

The Company has limited cash resources and will periodically need additional funds to maintain the planned level of R&D activity. We expect to consume cash and incur operating losses for the foreseeable future as the Company continues developing its oncology drug candidates. The impact on cash resources and results from operations will vary with the extent and timing of future clinical trial programs. While it is not possible to make accurate predictions of future operating results, we expect existing cash and cash equivalents will be sufficient to enable us to continue our research and development activities until approximately second quarter calendar 2019.

As at June 30, 2018, we had cash in hand and at bank of A$6 million and further readily realizable assets of A$6.2 million. 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, our ability to continue its development activities as a going concern is dependent upon it deriving sufficient cash from investors, from licensing and partnering activities and from other sources of revenue such as grant funding. The directors have considered the cash flow forecasts and the funding requirements of the business and are confident that the strategies in place are appropriate to generate sufficient funding to allow us 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 we 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.

If the Company is unable to obtain additional funds on favorable terms or at all, it may be required to cease or reduce its operations. Also, if the Company raises more funds by selling additional securities, the ownership interests of holders of its securities will be diluted.

We receive Australian government research and development grants. If we lose funding from these research and development grants, we may encounter difficulties in the funding of future research and development projects, which could harm our operating results.

We have historically received, and expect to continue to receive, grants through the Australian federal government's Research and Development Tax Incentive program ("R&D tax rebate"), under which the government provides a cash refund for a percentage of eligible research and development expenditures by small Australian entities (defined as Australian entities with less than A$20 million in revenue) having a tax loss. The R&D tax rebate is made by the Australian federal government for eligible research and development purposes based on the filing of an annual application. We received R&D tax rebates during fiscal 2017 and 2018 of A$4.4 million and A$4.0 million, respectively. In respect of fiscal 2018, we estimate the rebate which will be received in early fiscal 2019 and has accrued that amount of A$2.2 million as income in the statement of profit or loss and other comprehensive income. This rebate is available for our research and development activities in Australia, as well as activities in the United States and other countries to the extent such non-Australian based expenses relate to our activities in Australia, do not exceed 50% of the expenses for the relevant activities and are approved by the Australian government.

To the extent our research and development expenditures are deemed to be "ineligible," then our rebates would decrease. In addition, the Australian government may in the future decide to modify the requirements of, reduce the amounts of the rebates available under, or discontinue the R&D tax rebate program. For instance, the Australian government has recently announced changes to the rebate program which introduce an annual cap of A$4 million on refunds and amends the rate at which refunds are calculated. Any future changes in the R&D tax rebate could have a material adverse effect on our future cash flows and financial position.

Negative global economic conditions may pose challenges to the Company's business strategy, which relies on access to capital from the markets or collaborators. Failure to obtain sufficient funding on acceptable terms could have a material adverse effect on our business, results of operations and financial condition.

Negative conditions in the global economy, including credit markets and the financial services industry, have generally made equity and debt financing more difficult to obtain, and may negatively impact the Company's ability to complete financing transactions. The duration and severity of these conditions is uncertain, as is the extent to which they may adversely affect the Company's business and the business of current and prospective vendors and collaborators. If negative global economic conditions persist or worsen, the Company may be unable to secure additional funding to sustain its operations or to find suitable collaborators to advance its internal programs, even if positive results are achieved from research and development efforts.

If we are unable to raise sufficient funding on acceptable terms, we may be unable to continue to operate. There is no assurance that we will be successful in obtaining sufficient financing on acceptable terms and conditions to fund continuing operations, if at all. Our failure to obtain sufficient funds on acceptable terms when needed could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to Our Business Operations

We may not successfully engage in strategic transactions or enter into new collaborations, which could adversely affect our ability to develop and commercialize product candidates, impact our cash position, increase our expenses and present significant distractions to our management.

From time to time, we may consider additional strategic transactions, such as collaborations, acquisitions, asset purchases or sales and out- or in-licensing of product candidates or technologies. In particular, we will evaluate and, if strategically attractive, seek to enter into additional collaborations, including with major biotechnology or pharmaceutical companies. The competition for collaborators is significant, and the negotiation process is time-consuming and complex. Any new collaboration may be on terms that are not optimal for us, and we may not be able to maintain any new or existing collaboration if, for example, development or approval of a product candidate is delayed, sales of an approved product candidate do not meet expectations or the collaborator discontinues the collaboration. Any such collaboration, or other strategic transaction, may require us to incur non-recurring or other charges, increase our expenditures, pose significant integration or implementation challenges or disrupt our management or business.

These transactions would entail numerous operational and financial risks, including exposure to unknown liabilities, incurrence of substantial debt or dilutive issuances of equity securities to pay transaction consideration or costs, higher than expected collaboration, acquisition or integration costs, write-downs of assets or goodwill or impairment charges, increased amortization expenses, difficulty and cost in facilitating the collaboration or combining the operations and personnel of any acquired business, impairment of relationships with key suppliers, manufacturers or customers of any acquired business due to changes in management and ownership and the inability to retain key employees of any acquired business.

Accordingly, although there can be no assurance that we will undertake or successfully complete any additional transactions of the nature described above, any transactions that we do complete may be subject to the foregoing or other risks and have a material adverse effect on our business, results of operations, financial condition and prospects. Conversely, any failure to enter any collaboration or other strategic transaction that would be beneficial to us could delay and make more expensive the development and potential commercialization of our product candidates and have a negative impact on the competitiveness of any product candidate that reaches market.

Any inability to attract and retain qualified key management and technical personnel would impair our ability to implement our business plan.

Our success largely depends on the continued service of key management and other specialized personnel. The loss of one or more members of our management team or other key employees or advisors could delay or increase the cost of our research and development programs and materially harm our business, financial condition, results of operations and prospects. The relationships that our key managers have cultivated within our industry make us particularly dependent upon their continued employment with us. We are dependent on the continued service of our technical personnel because of the highly technical nature of our product candidates and the specialized nature of the regulatory approval process for our product candidates. Because our management team and key employees are not obligated to provide us with continued service, they could terminate their employment with us at any time without penalty. We do not maintain key person life insurance policies on any of our management team members or key employees. Our future success will depend in large part on our continued ability to attract and retain other highly qualified scientific, technical and management personnel, as well as personnel with expertise in clinical testing, manufacturing, governmental regulation and commercialization. We face competition for personnel from other companies, universities, public and private research institutions, government entities and other organizations.

Our collaborations with outside scientists and consultants may be subject to restriction and change.

We work with medical experts, chemists, biologists and other scientists at academic and other institutions, and consultants who assist us in our research, development and regulatory efforts, including the members of our scientific advisory board. In addition, these scientists and consultants have provided, and we expect that they will continue to provide, valuable advice regarding our programs and regulatory approval processes. These scientists and consultants are not our employees and may have other commitments that would limit their future availability to us. If a conflict of interest arises between their work for us and their work for another entity, we may lose their services. In addition, we are limited in our ability to prevent them from establishing competing businesses or developing competing products. For example, if a key scientist acting as a principal investigator in any of our future clinical trials identifies a potential product or compound that is more scientifically interesting to his or her professional interests, his or her availability to remain involved in any future clinical trials could be restricted or eliminated.

We face potential product liability, and, if successful claims are brought against us, we may incur substantial liability and costs. If the use of our product candidates harms patients, or is perceived to harm patients even when such harm is unrelated to our product candidates, our regulatory approvals could be revoked or otherwise negatively impacted and we could be subject to costly and damaging product liability claims.

The use of our product candidates in clinical trials and the sale of any products for which we may in the future obtain marketing approval exposes us to the risk of product liability claims. Product liability claims might be brought against us by consumers, healthcare providers, pharmaceutical companies or others selling or otherwise coming into contact with our product candidates. There is a risk that our product candidates may induce adverse events. If we cannot successfully defend against product liability claims, we could incur substantial liability and costs. In addition, regardless of merit or eventual outcome, product liability claims may result in:

- impairment of our business reputation;
- withdrawal of clinical trial participants;
- costs due to related litigation;
- distraction of management's attention from our primary business;
- substantial monetary awards to patients or other claimants;
- the inability to commercialize our product candidates;
- decreased demand for our product candidates, if approved for commercial sale; and
- increased cost, or impairment of our ability, to obtain or maintain product liability insurance coverage.

We may use our limited financial and human resources to pursue a particular research program or product candidate and fail to capitalize on programs or product candidates that may be more profitable or for which there is a greater likelihood of success.

Because we have limited resources, we may forego or delay pursuit of opportunities with certain programs or product candidates or for indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. Our spending on current and future research and development programs for product candidates may not yield any commercially viable products. If we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through strategic collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to such product candidate, or we may allocate internal resources to a product candidate in a therapeutic area in which it would have been more advantageous to enter into a collaboration arrangement.

Our internal computer and information technology systems, or those of our collaborators and other development partners, third-party CROs or other contractors or consultants, may fail or suffer security breaches, which could result in a disruption of our product development programs.

Despite the implementation of security measures, our internal computer and information technology systems and those of our current and any future CROs and other contractors, consultants and collaborators are vulnerable to damage from computer viruses, cyber-attacks, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. Such events could cause interruptions of our operations. While we have not experienced any material system failure, accident or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a disruption of our development programs and our business operations, whether due to a loss of our trade secrets or other similar disruptions. For example, the loss of clinical trial data from ongoing or future clinical trials or data from preclinical studies could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Likewise, we rely on third parties to manufacture our product candidates and will rely on third parties to conduct future clinical trials, and similar events relating to their computer systems could also have similar consequences to our business. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development and commercialization of our product candidates could be delayed and become more expensive.

Our ability to utilize our net operating losses and certain other tax attributes may be limited.

We have substantial carried forward tax losses which may not be available to offset any future assessable income. In order for an Australian corporate taxpayer to carry forward and utilize tax losses, the taxpayer must pass either the continuity of ownership test, or COT, or, if it fails the COT, the same business test, or SBT, in respect of relevant tax losses.

We have not carried out any analysis as to whether we have met the COT or, failing the COT, the SBT over relevant periods. In addition, future shareholding changes may result in a significant ownership change for us. It is therefore uncertain as to whether any of our tax losses carried forward as of June 30, 2018 will be available to be carried forward and available to offset our assessable income, if any, in future periods

Risks Related to the Product Development and Regulatory Approval of Our Product Candidates

We may not be able to obtain orphan drug exclusivity, where relevant, in all markets for our product candidates.

Regulatory authorities in some jurisdictions, including the United States, may designate drugs for relatively small patient populations as orphan drugs. Under the Orphan Drug Act, the FDA may designate a product as an orphan drug if it is a product intended to treat a rare disease or condition, which is generally defined as a patient population of fewer than 200,000 individuals annually in the United States. The FDA may also designate a product as an orphan drug if it is intended to treat a disease or condition of more than 200,000 individuals in the United States and there is no reasonable expectation that the cost of developing and making a drug or biological product available in the United States for this type of disease or condition will be recovered from sales of the product candidate.

Generally, if a product with an orphan drug designation subsequently receives the first marketing approval for the indication for which it has such designation, the product is entitled to a period of marketing exclusivity, which precludes the FDA from approving another marketing application for the same drug for such indication for that time period. The applicable period is seven years in the United States. Orphan drug exclusivity may be lost if the FDA determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantity of the drug to meet the needs of patients with the rare disease or condition.

In February 2018, the FDA granted orphan drug designation status in the United States for GDC-0084. Even if we obtain orphan drug exclusivity for additional products in the United States or other jurisdictions, that exclusivity may not effectively protect the product from competition because different drugs can be approved for the same condition, and the same drug could be approved for a different condition. Moreover, even after an orphan drug is approved, the FDA can subsequently approve the same drug, made by a competitor, for the same condition if the FDA concludes that the competitive product is clinically superior in that it is shown to be safer, more effective or makes a major contribution to patient care.

Positive results from preclinical studies of our product candidates are not necessarily predictive of the results of our planned clinical trials of our product candidates.

Positive results in preclinical proof of concept and animal studies of our product candidates may not result in positive results in clinical trials in humans. Many companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in clinical trials after achieving positive results in preclinical development or early stage clinical trials, and we cannot be certain that we will not face similar setbacks. These setbacks have been caused by, among other things, preclinical findings made while clinical trials were underway or safety or efficacy observations made in clinical trials, including adverse events. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that believed their product candidates performed satisfactorily in preclinical studies and clinical trials nonetheless failed to obtain FDA or other regulatory authority approval. If we fail to produce positive results in our clinical trials of our product candidates, the development timeline and regulatory approval and commercialization prospects for our product candidates, and, correspondingly, our business and financial prospects, would be negatively impacted.

Even if the Company receives regulatory approval to commercialize its drug candidates, the ability to generate revenues from any resulting products will be subject to a variety of risks, many of which are out of the Company's control.

Regardless of regulatory approval, products arising from the development process may not gain market acceptance among physicians, patients, healthcare payers or the medical community. The Company believes that the degree of market acceptance and its ability to generate revenues from such products will depend on a number of factors, including, but not limited to:

- advancements in the treatment of cancer that make our treatments obsolete;
- market exclusivity and competitor products;
- timing of market introduction of the Company's drugs and competitive drugs;
- actual and perceived efficacy and safety of the Company's drug candidates;
- prevalence and severity of any side effects;
- potential or perceived advantages or disadvantages over alternative treatments;
- strength of sales, marketing and distribution support;
- price of future products, both in absolute terms and relative to alternative treatments;
- the effect of current and future healthcare laws on the Company's drug candidates; and
- availability of coverage and reimbursement from government and other third-party payers.

If any of the Company's drugs are approved and fail to achieve market acceptance, the Company may not be able to generate significant revenue to achieve or sustain profitability.

Risks Related to Commercialization of Our Product Candidates

The Company may not be able to establish the contractual arrangements necessary to develop, market and distribute the product candidates. Our failure to do so may adversely affect our business, results of operations and financial condition.

The Company has been successful in executing contractual agreements with strategic partners. This remains a key part of the Company's business plan and the Company must continue to partner with third parties to manufacture clinical grade drug product and conduct key pre-clinical and clinical investigations. Strategic agreements around packaging, branding, market access and distribution for its drug products will also eventually be required.

However, potential partners could be discouraged by the Company's limited operating history. There is no assurance that the Company will be able to negotiate commercially acceptable licensing or other agreements for the future exploitation of its drug product candidates including continued clinical development, manufacture or marketing. If the Company is unable to successfully contract for these services, or if arrangements for these services are terminated, the Company may have to delay the commercialization program which will adversely affect its ability to generate operating revenues.

The Company's commercial opportunity will be reduced or eliminated if competitors develop and market products that are more effective, have fewer side effects or are less expensive than its drug candidates.

The development of drug candidates is highly competitive and is high risk. A number of other companies have products or drug candidates in various stages of pre-clinical or clinical development that are intended for the same therapeutic indications for which the Company's drug candidates are being developed. Some of these potential competing drugs are further advanced in development than the Company's drug candidates and may be commercialized sooner. Even if the Company is successful in developing effective drugs, its compounds may not compete successfully with products produced by its competitors.

The Company's competitors include pharmaceutical companies and biotechnology companies, as well as universities and public and private research institutions. In addition, companies active in different but related fields represent substantial competition. Many of the Company's competitors developing oncology drugs have significantly greater capital resources, larger R&D staff and facilities and greater experience in drug development, regulation, manufacturing and marketing. These organizations also compete with the Company and its service providers, to recruit qualified personnel, and to attract partners for joint ventures and to license technologies. As a result, the Company's competitors may be able to develop technologies and products that would render the Company's technologies or its drug candidates obsolete or non-competitive.

Risks Related to Our Intellectual Property

If we are unable to protect intellectual property rights related to our product candidates, we may not be able to obtain exclusivity for our product candidates or prevent others from developing similar competitive products.

We rely upon a combination of patents, know-how, trade secret protection and confidentiality agreements to protect the intellectual property related to our product candidates.

The strength of patents in the biotechnology and pharmaceutical field involves complex legal and scientific questions and can be uncertain. The patent applications that we own or in-license may fail to result in issued patents with claims that cover our product candidates in the United States or other jurisdictions. In addition, we cannot guarantee that any patents will issue from any pending or future patent applications owned by or licensed to us. There is no assurance that all of the potentially relevant prior art relating to our patents and patent applications has been found. If such prior art exists, it can invalidate a patent or prevent a patent from issuing from a pending patent application. Even if patents do successfully issue and even if such patents cover our product candidates, third parties may initiate opposition, interference, re-examination, post-grant review, inter partes review, nullification or derivation action in court or before patent offices or similar proceedings challenging the validity, enforceability or scope of such patents, which may result in the patent claims being narrowed or invalidated. Furthermore, even if our patents and patent applications are unchallenged, they may not adequately protect our intellectual property, provide exclusivity for our product candidates or prevent others from designing around our claims. Any of these outcomes could impair our ability to prevent competition from third parties.

If the patent applications we hold or have in-licensed with respect to our programs or product candidates fail to issue, or are revoked, if the breadth or strength of our patent protection is threatened, or if our patent portfolio fails to provide meaningful exclusivity for our product candidates, it could dissuade companies from collaborating with us to develop product candidates and threaten our ability to commercialize future products. Any successful opposition to any patents owned by or licensed to us could deprive us of rights necessary for the successful commercialization of any product candidates that we may develop. Further, if we encounter delays in regulatory approvals, the period of time during which we could market a product candidate under patent protection could be reduced. Even where we have a valid and enforceable patent, we may not be able to exclude others from practicing our invention where the other party can show that they used the invention in commerce before our filing date or the other party benefits from a compulsory license. In addition, patents have a limited lifespan. In the United States, the natural expiration of a patent is generally 20 years after it is filed. Various extensions may be available, but the life of a patent, and the protection it affords, is limited. Even if patents covering our product candidates are obtained, once the patent life has expired for a product, we may be open to competition from competitive medications, including biosimilar or generic medications. This risk is material in light of the length of the development process of our products and lifespan of our current patent portfolio.

In addition to the protection afforded by patents, we rely on trade secret protection and confidentiality agreements to protect proprietary know-how that is not patentable or that we elect not to patent, processes for which patents are difficult to enforce and any other elements of our product candidate discovery and development processes that involve proprietary know-how, information or technology that is not covered by patents. However, trade secrets can be difficult to protect. What constitutes a trade secret and what protections are available for trade secrets varies from state to state in the United States and country by country worldwide. We seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with our employees, consultants, scientific advisors and contractors. We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems. Security measures may be breached, and we may not have adequate remedies for any breach. In addition, our trade secrets may otherwise become known or be independently discovered by competitors. Although we expect all of our employees and consultants to assign their inventions to us, and all of our employees, consultants, advisors and any third parties who have access to our proprietary know-how, information or technology to enter into confidentiality agreements, we cannot provide any assurances that all such agreements have been duly executed or that our trade secrets and other confidential proprietary information will not be disclosed or that competitors will not otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques.

The Company is at an early stage of drug development and is in the process of applying for patents over composition and matter and use for both of its drug technology platforms. There is no certainty that patent protection will be granted or maintained in the event of challenge by an external party.

The Company has a patent portfolio to protect its key assets. The patent strategy is adapted for each technology platform and the sub-sections of each platform. The over-arching strategy in the IP portfolio is to cover the three critical corner stones of pharmaceutical patent: composition of matter (the breadth structures covered in the patent), method of manufacture (the chemical processes used to manufacture the compounds disclosed in the patent) and method of use. Our key patents covering lead assets have been granted in Australia and are at different stages of entering national phase in other jurisdictions. Consequently, the risk to our patent coverage for our lead assets has been substantially reduced. While the Company's patent strategy is closely supervised by experienced patent attorneys and every effort made to ensure the likely success of achieving approval of patent claims in all major territories, there is no guarantee that any or all jurisdictions will grant such claims.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and applications are required to be paid to the USPTO and various governmental patent agencies outside of the United States in several stages over the lifetime of the patents and applications. The USPTO and various corresponding governmental patent agencies outside of the United States require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process and after a patent has issued. There are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction.

Our success depends, in part, on our ability to protect our intellectual property and our technologies.

Our commercial success depends, in part, on our ability to obtain and maintain patent and trade secret protection for our technologies, our traits, and their uses, as well as our ability to operate without infringing upon the proprietary rights of others. If we do not adequately protect our intellectual property, competitors may be able to use our technologies and erode or negate any competitive advantage we may have, which could harm our business and ability to achieve profitability.

Filing, prosecuting and defending patents on product candidates in all countries around the world would be prohibitively expensive. In addition, we may at times in-license third-party technologies for which limited international patent protection exists and for which the time period for filing international patent applications has passed. Consequently, we may not be able to prevent third parties from practicing our inventions, or from selling or importing products made using our inventions. Potential competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and further, may export otherwise infringing products to territories where we have patent protection but enforcement is difficult. These products may compete with our product candidates, if approved, and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights around the world. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets and other intellectual property protection, particularly those relating to biotechnology products, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Risks Related to Our Reliance on Third Parties

The Company relies on third parties to conduct its pre-clinical studies. If those parties do not successfully carry out their contractual duties or meet expected deadlines, the Company's drug candidates may not advance in a timely manner or at all.

In the course of discovery, pre-clinical testing and clinical trials, the Company relies on third parties, including laboratories, investigators, clinical contract research organizations ("CROs"), and manufacturers, to perform critical services. For example, the Company relies on third parties to conduct all of its pre-clinical and clinical studies. These third parties may not be available when the Company needs them or, if they are available, may not comply with all regulatory and contractual requirements or may not otherwise perform their services in a timely or acceptable manner, and the Company may need to enter into new arrangements with alternative third parties and the studies may be extended, delayed or terminated. These independent third parties may also have relationships with other commercial entities, some of which may compete with the Company. As a result of the Company's dependence on third parties, it may face delays or failures outside of its direct control. These risks also apply to the development activities of collaborators, and the Company does not control their research and development, clinical trial or regulatory activities.

The Company has no direct control over the cost of manufacturing its drug candidates. Increases in the cost of manufacturing the Company's drug candidates would increase the costs of conducting clinical trials and could adversely affect future profitability.

The Company does not intend to manufacture the drug product candidates in-house, and it will rely on third parties for drug supplies both for clinical trials and for commercial quantities in the future. The Company has taken the strategic decision not to manufacture active pharmaceutical ingredients ("API") for the drug candidates, as these can be more economically supplied by third parties with particular expertise in this area. The Company outsources the manufacture of its drug products and their testing to FDA requirements. The Company uses contract facilities that are registered with the FDA, have a track record of large scale API manufacture, and have already invested in capital and equipment. The Company has no direct control over the cost of manufacturing its product candidates. If the cost of manufacturing increases, or if the cost of the materials used increases, these costs may be passed on, making the cost of conducting clinical trials more expensive. Increases in manufacturing costs could adversely affect the Company's future profitability if it was unable to pass all of the increased costs along to its customers.

Risks Related to our Securities

Enforceability of civil liabilities under the federal securities laws against the Company or the Company's officers and directors may be difficult.

The Company is a public company limited by shares and is registered and operates under the Australian Corporations Act 2001. Some of the Company's directors and officers reside outside of the United States. In addition, a substantial portion of the directly owned assets of the Company are located outside of the United States. As a result, it may be difficult or impossible for investors to effect service of process within the United States against the Company or its directors and officers or to enforce against them any of the judgments, including those obtained in original actions or in actions to enforce judgments of the U.S. courts, predicated upon the civil liability provisions of the federal or state securities laws of the United States. There is doubt as to the enforceability in the Commonwealth of Australia, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon federal or state securities laws of the U.S., especially in the case of enforcement of judgments of U.S. courts where the defendant has not been properly served in Australia.

The trading price of the Company's ordinary shares and American Depositary Shares ("ADSs") is highly volatile. Your investment could decline in value and the Company may incur significant costs from class action litigations

The trading price of the Company's ordinary shares and ADSs is highly volatile in response to various factors, many of which are beyond the Company's control, including:

- unacceptable toxicity findings in animals and humans;
- lack of efficacy in human trials at Phase II stage or beyond;
- announcements of technological innovations by the Company and its competitors;
- new products introduced or announced by the Company or its competitors;
- changes in financial estimates by securities analysts;
- actual or anticipated variations in operating results;
- expiration or termination of licenses, research contracts or other collaboration agreements;
- conditions or trends in the regulatory climate in the biotechnology, pharmaceutical and genomics industries;
- changes in the market values of similar companies;
- the liquidity of any market for the Company's securities; and
- additional sales by the Company of its shares.

In addition, equity markets in general and the market for biotechnology and life sciences companies in particular, have experienced substantial price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the companies traded in those markets. Further changes in economic conditions in Australia, the U.S., EU, or globally, could impact the Company's ability to grow profitably. Adverse economic changes are outside the Company's control and may result in material adverse effects on the Company's business or results of operations. These broad market and industry factors may materially affect the market price of the Company's ordinary shares and ADSs regardless of its development and operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against that company. Such litigation, if instituted against the Company, could cause it to incur substantial costs and divert management's attention and resources.

If the market price of the Company's ADSs remains below US$5.00 per share, under stock exchange rules, the Company's stockholders will not be able to use such ADSs as collateral for borrowing in margin accounts. This inability to use ADSs as collateral may depress demand as certain institutional investors are restricted from investing in securities priced below US$5.00 and may lead to sales of such ADSs, creating downward pressure on and increased volatility in the market price of the Company's ordinary shares and ADSs.

A decrease in the trading price of our ADSs could cause their delisting from NASDAQ.

Under NASDAQ rules, companies listed on the NASDAQ Capital Market are required to maintain a share price of at least US$1.00 per share to avoid delisting of their shares. If the share price declines below US$1.00 for a period of 30 consecutive business days, then that listed company would have 180 days to regain compliance with the US$1.00 per share minimum. In the event that the Company's share price declines below US$1.00, it may be required to take action, such as a reverse stock split, in order to comply with the NASDAQ rules that may be in effect at the time.

You are reliant on the depositary to exercise your voting rights and to receive distributions on ADSs and, as a result, you may be unable to exercise your voting rights on a timely basis or you may not receive certain distributions.

In certain circumstances, holders of ADSs may have limited rights relative to holders of ordinary shares. The rights of holders of ADSs with respect to the voting of ordinary shares and the right to receive certain distributions may be limited in certain respects by the deposit agreement entered into by us and The Bank of New York Mellon. For example, although ADS holders are entitled under the deposit agreement, subject to any applicable provisions of Australian law and of our Constitution, to instruct the depositary as to the exercise of the voting rights pertaining to the ordinary shares represented by the ADSs, and the depositary has agreed that it will try, as far as practical, to vote the ordinary shares so represented in accordance with such instructions, ADS holders may not receive notices sent by the depositary in time to ensure that the depositary will vote the ordinary shares. This means that, from a practical point of view, the holders of ADSs may not be able to exercise their right to vote. In addition, under the deposit agreement, the depositary has the right to restrict distributions to holders of the ADSs in the event that it is unlawful or impractical to make such distributions. We have no obligation to take any action to permit distributions to holders of our ADSs. As a result, holders of ADSs may not receive distributions.

There is a substantial risk that we are, or will become, a passive foreign investment company, or PFIC, which will subject our U.S. investors to adverse tax rules

Holders of our ordinary shares or ADSs who are U.S. persons for U.S. federal income tax purposes face income tax risks. There is a substantial risk that we are, or will become, a passive foreign investment company, commonly referred to as a PFIC. Our treatment as a PFIC could result in a reduction in the after-tax return to the holders of our ordinary shares or ADSs and would likely cause a reduction in the value of such ordinary shares or ADSs. For U.S. federal income tax purposes, we will be classified as a PFIC for any taxable year in which either (i) 75% or more of our gross income is passive income, or (ii) at least 50% of the average quarterly value of all of our assets for the taxable year produce or are held for the production of passive income. For this purpose, cash is considered to be an asset that produces passive income. We believe that there is a risk we will be classified as a PFIC for the taxable year ended June 30, 2018. If we are classified as a PFIC for U.S. federal income tax purposes, highly complex rules will apply to U.S. holders owning ordinary shares or ADSs. Accordingly, you are urged to consult your tax advisors regarding the application of such rules. See Item 10 - Additional Information - Taxation, United States Federal Income Tax Consequences" for a more complete discussion of the U.S. federal income tax risks related to owning and disposing of our ordinary shares or ADSs.

Currency fluctuations may adversely affect the price of our ordinary shares, ADSs.

Our ordinary shares are quoted in Australian dollars on the ASX and the ADSs are quoted in U.S. dollars on NASDAQ. Movements in the Australian dollar/U.S. dollar exchange rate may adversely affect the U.S. dollar price of the ADSs. In the past year the Australian dollar has generally weakened against the U.S. dollar. However, this trend may not continue and may be reversed.

Australian takeover laws may discourage takeover offers being made for us or may discourage the acquisition of a significant position in our ordinary shares and ADSs.

We are incorporated in Australia and are subject to the takeover laws of Australia. Among other things, we are subject to the Australian Corporations Act 2001, or the Corporations Act. Subject to a range of exceptions, the Corporations Act prohibits the acquisition of a direct or indirect interest in our issued voting shares if the acquisition of that interest will lead to a person's voting power in us increasing to more than 20%, or increasing from a starting point that is above 20% and below 90%. Australian takeover laws may discourage takeover offers being made for us or may discourage the acquisition of a significant position in our ordinary shares. This may have the ancillary effect of entrenching our board of directors and may deprive or limit our shareholders' and ADS holders' opportunity to sell their ordinary shares and ADSs and may further restrict the ability of our shareholders and ADS holders holders to obtain a premium from such transactions. See Item 10.B "Additional Information – Memorandum and Articles of Association."

Item 4. Information on the Company

A. History and development of the Company

Kazia Therapeutics Limited ("Kazia"), a public company limited by shares, was incorporated in March 1994 under the laws of New South Wales, Australia. Kazia is registered and operates under the Australian Corporations Act 2001.

Kazia has its registered office at Three International Towers, Level 24, 300 Barangaroo Avenue, Sydney, NSW 2000, Australia. Its telephone number and other contact details are: Phone +61-2-9472 4101; email info@kaziatherapeutics.com; and website, www.kaziatherapeutics.com (the information contained in the website does not form part of the Annual Report). Our agent for service of process in the United States is C T Corporation System, 111 Eighth Avenue, New York, New York 10011, USA.

The Company's Ordinary Shares are listed on the Australian Securities Exchange ("ASX") under the symbol 'KZA' and its ADSs, each representing ten Ordinary Shares, trade on the NASDAQ Capital Market under the symbol 'KZIA'. The Depositary for the Company's ADSs is The Bank of New York Mellon, 101 Barclay Street 22W New York, N.Y. 10286.

B. Business overview

Since its inception in 1994, the principal business of the Company has been pharmaceutical drug development. The Company is an emerging oncology-focused biotechnology company that has a portfolio of development candidates, diversified across several distinct technologies, with the potential to yield first-in-class and best-in-class agents in a range of oncology indications. The lead program is GDC-0084, a small molecule inhibitor of the PI3K / AKT / mTOR pathway, which is being developed to treat glioblastoma multiforme (GBM), which is the most common malignant and highly aggressive form of primary brain tumor in adults. Cantrixil (TRX-E-002-1) is the Company's second clinical asset and is being developed as a potential therapy for ovarian cancer.

The Company has out-licensed all of its other pre-clinical assets to a range of entities in order to focus its time and cash resources on the above two important programs. We hold an ownership stake in those entities in order to share in any upside from successful development of those pre-clinical assets.

Research and Development

GDC-0084

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

GDC-0084 was developed by Genentech, Inc. ("Genentech") 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 validation for GDC-0084 as a potential drug for brain cancer. Genentech also completed a phase I clinical trial in 47 patients with advanced grade III and grade IV glioma. The most common adverse events were oral mucositis and hyperglycemia. Per RANO criteria, 40% of patients exhibited a best observable response of stable disease, and 26% demonstrated a metabolic partial response on FDG-PET.

During fiscal 2018, the Company completed manufacture of investigational product (clinical trial material) in a capsule presentation suitable for phase II clinical trial use. The manufacturing was undertaken at contract manufacturing facilities in North America in accordance with current Good Manufacturing Practice (cGMP). In August 2017, the Company engaged Chiltern Oncology, a specialist contract research organisation (CRO) to conduct the phase II clinical study. The Company conducted a Type B meeting with the US Food and Drug Administration (FDA) in September 2017 that provided general support and specific guidance to the projected phase II clinical study. A first institutional review board approval was received in December 2017.

In February 2018, the U.S. Food and Drug Administration, the FDA, designated GDC-0084 as an orphan drug. Under the Orphan Drug Act, the FDA may designate a product as an orphan drug if it is a product intended to treat a rare disease or condition or if there is no reasonable expectation that the cost of developing and making a drug available in the United States for this type of disease or condition will be recovered from sales of the product candidate. Upon receipt of marketing approval for the indication for which an orphan drug has been designated, a product is entitled to a period of marketing exclusivity, which precludes the FDA from approving another marketing application for the same drug for seven years. Designation as an orphan drug may also provide opportunities from the FDA for grant funding, protocol assistance and financial assistance such as a waiver of New Drug Application fees.

In March 2018, GDC-0084 entered a phase II clinical trial in the United States. The initial focus is on dose optimization in the treatment of newly-diagnosed patients with glioblastoma multiforme. The final goal is to seek definitive evidence of clinical efficacy. The initial dose optimization component is likely to involve the recruitment of between 6 - 24 patients and is expected to be followed by a dose expansion cohort of approximately 20 patients to provide further information about the drug in the target population. We expect to receive initial results in early calendar 2019. A definitive randomized controlled study is expected to include approximately 224 patients and compare GDC-0084 to temozolomide, the existing standard of care for this patient population.

In parallel, the Company has commenced a 13-week toxicology study in two animal species under Good Laboratory Practice (GLP) conditions in order to support the further development and commercialisation of GDC-0084. This study remains ongoing and is expected to complete in the second half of calendar 2018. The Company has also taken patents to acceptance or grant in a number of territories, including Australia, China, and the United States.

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

Cantrixil (TRX-E-002-1)

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 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 September 2016, the FDA approved Cantrixil IND application. As a result, in December 2016, the Company commenced a phase I clinical trial of Cantrixil in patients with ovarian cancer. The study seeks to establish the safety and tolerability of the development candidate, to determine a Maximum Tolerated Dose (MTD), and to explore indicative signals of clinical efficacy. Five trials sites in the United States and Australia are currently recruiting to the study.

Cantrixil is undergoing a phase I clinical trial at five trial sites in Australia and the United States. The study is in the "dose escalation" stage, which primarily aims to understand the safety and tolerability of a drug and to establish a "maximum tolerated dose" for further investigation. The trial is structured in part A (dose escalation phase), which seeks to test the safety and maximum tolerated dose, and part B (dose expansion cohort), which seeks to explore the efficacy of the product. Part A is expected to enroll between 3 and 42 patients while part B is expected to enroll 12 patients.

In June 2018, Kazia released preliminary high-level data on phase I regarding part A. Overall, the drug has encountered few dose-limiting toxicities. As a result, the trial has progressed with a number of patient enrolled towards the lower margin of the forecast range, in line with the trial protocol. Of five patients for whom any conclusion could be drawn as to efficacy, three had shown stable disease after two cycles of Cantrixil monotherapy, and one had shown a partial response after receiving Cantrixil in conjunction with chemotherapy. We expect part A to terminate in the fourth calendar quarter of 2018. Part B is expected to commence immediately after part A terminates, and is projected to recruit an additional 12 patients at the maximum tolerated dose determined in Part A.

Patent Protection

The Company has an aggressive global Intellectual Property ("IP") strategy to protect its key assets and we have partnered with a global patent law firm to lodge patents that offer the best possible protection for our assets. The patent strategy is adapted for each technology platform and the principle mode of protection is through the patenting procedure, seeking to obtain exclusive licenses for all its key inventions and drug pipeline. The overarching strategy in the IP portfolio is to cover the three critical corner stones of pharmaceutical patent: composition of matter (the breadth structures covered in the patent), method of manufacture (the chemical processes used to manufacture the compounds disclosed in the patent) and method of use. Patents are submitted initially as provisional applications and after 12 months' progress through to a Patent Cooperation Treaty ("PCT") application.

Drug discovery/development efforts are contributing to our pipeline with our other technology platforms also delivering hit and lead drug candidates. As the research programs reveal new hit molecules, these are protected through lodging patents. The Company will continue to pursue a broad patent filing strategy based on multiple jurisdictions with a focus on those member countries offering the most significant market opportunities for future development.

Regulatory requirements

Australian Regulatory Requirements

The *Therapeutic Goods Act 1989* ("1989 Act"), sets out the legal requirements for the import, export, manufacture and supply of pharmaceutical products in Australia. The 1989 Act requires that all pharmaceutical products to be imported into, supplied in, manufactured in or exported from Australia be included in the Australian Register of Therapeutic Goods ("ARTG"), unless specifically exempted under the Act.

Medicines with a higher level of risk (prescription medicines, some non-prescription medicines) are evaluated for quality, safety and efficacy and are registered on the ARTG. Medicines with a lower risk (many over the counter medicines including vitamins) are assessed only for quality and safety. Medicines included in the ARTG can be identified by the AUST R number (for registered medicines) or an AUST L number (for listed medicines) which appears on the packaging of the medicine.

In order to ensure that a product can be included in the ARTG, a sponsoring company must make an application to the Therapeutic Goods Administration ("TGA"). The application usually consists of a form accompanied by data (based on the EU requirements) to support the quality, safety and efficacy of the product for its intended use and payment of a fee. Application details are available on the TGA website www.tga.gov.au.

The first phase of evaluation, known as the Application Entry Process, is usually a short period during which an application is assessed at an administrative level to ensure that it complies with the basic guidelines. The TGA may request further details from the applicant and may agree with sponsors that additional data (which while not actually required by the application, could enhance the assessment outcome) may be submitted later at an agreed time. The TGA must decide within at least 40 working days whether it will accept the application for evaluation.

Once an application is accepted for evaluation, aspects of the data provided are allocated to evaluators within the different relevant sections, who prepare clinical evaluation reports. Following evaluation, the chemistry, quality control bioavailability and pharmacokinetics aspects of a product may be referred to a Pharmaceutical Sub-Committee ("PSC"), which is a sub-committee of the TGA prescription medicine expert advisory committee, the Advisory Committee on Prescriptive Medicines ("ACPM") to review the relevant clinical evaluation reports.

The clinical evaluation reports (along with any resolutions of the ACPM sub-committee) are sent to the sponsoring company who then has the opportunity to comment on the views expressed within the evaluation report, provide corrections and to submit supplementary data to address any issues raised in the evaluation reports.

Once the evaluations are complete, the TGA prepares a summary document on the key issues on which advice will be sought from either the ACPM (for new medicines) or from the Peer Review Committee ("PRC") for extensions to products which are already registered. This summary is sent to the sponsoring company, which is able to submit a response to the ACPM or PRC dealing with issues raised in the summary and those not previously addressed in the evaluation report. The ACPM/PRC provide independent advice on the quality, risk/benefit, effectiveness and access of the product and conduct medical and scientific evaluations of the application. The ACPM meets every two months to examine the applications referred by the TGA and its resolutions are provided to the sponsoring company within five working days after the ACPM meeting.

The TGA takes into account the advice of the ACPM or PRC in reaching a decision to approve or reject a product. Any approval for registration on the ARTG may have conditions associated with it.

From the time that the TGA accepts the initial application for evaluation, the TGA must complete the evaluation and make a decision on the registration of the product within at least 255 working days. If not completed within 255 working days, the TGA forfeits 25% of the evaluation fee otherwise payable by the sponsor, but any time spent waiting for a response from the sponsor is not included in the 255 working days. The TGA also has a system of priority evaluation for products that meet certain criteria, including where the product is a new chemical entity that it is not otherwise available on the market as an approved product, and is for the treatment of a serious, life-threatening illness for which other therapies are either ineffective or not available.

U.S. Regulatory Requirements

The FDA regulates and imposes substantial requirements upon the research, development, pre-clinical and clinical testing, labelling, manufacture, quality control, storage, approval, advertising, promotion, marketing, distribution, import and export of pharmaceutical products including drugs and biologics, as well as significant reporting and record-keeping obligations. State governments may also impose obligations in these areas.

In the United States, pharmaceutical products are regulated by the FDA under the Federal Food, Drug, and Cosmetic Act ("FDCA"), and other laws in the case of biologics, the Public Health Service Act and other acts that implement regulations. The Company believes that the FDA will regulate its products as drugs. The process required by the FDA before drugs may be marketed in the United States generally involves the following:

- pre-clinical laboratory evaluations, including formulation and stability testing, and animal tests performed under the FDA's Good Laboratory Practices regulations to assess pharmacological activity and toxicity potential;
- submission and approval of an IND Application, including results of pre-clinical studies, clinical experience, manufacturing information, and protocols for clinical tests, which must become effective before clinical trials may begin in the United States;

- obtaining approval of Institutional Review Boards ("IRBs"), to administer the products to human subjects in clinical trials;
- adequate and well-controlled human clinical trials to establish the safety and efficacy of the product for the product's intended use;
- development of manufacturing processes which conform to FDA current Good Manufacturing Practices ("cGMPs"), as confirmed by FDA inspection;
- submission of results for pre-clinical and clinical studies, and chemistry, manufacture and control information on the product to the FDA in a New Drug Approval ("NDA") Application; and
- FDA review and approval of an NDA, prior to any commercial sale, promotion or shipment of a product.

The testing and approval process requires substantial time, effort, and financial resources, and the Company cannot be certain that any approval will be granted on a timely basis, if at all.

The results of the pre-clinical studies, clinical experience together with initial specified manufacturing information, the proposed clinical trial protocol, and information about the participating investigators are submitted to the FDA as part of an IND, which must become effective before the Company may begin human clinical trials in the U.S. Additionally, an independent IRB must review and approve each study protocol and oversee conduct of the trial. An IND becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day period, raises concerns or questions about the conduct of the trials as outlined in the IND and imposes a clinical hold. If the FDA imposes a clinical hold, the IND sponsor must resolve the FDA's concerns before clinical trials can begin. Pre-clinical tests and studies can take several years to complete, and there is no guarantee that an IND submitted, based on such tests and studies, will become effective within any specific time period, if at all.

Human clinical trials are typically conducted in three sequential phases that may overlap, which are:

- *Phase I:* The drug is initially introduced into healthy human subjects or patients and tested for safety and dosage tolerance. For oncology medicines, patients with the target disease are used rather than healthy patients. Absorption, metabolism, distribution, and excretion testing, among other tests, are generally performed at this stage. These studies may also provide early evidence of effectiveness. The maximum tolerated dose of the drug may be calculated from Phase I studies;
- *Phase II:* The drug is studied in controlled, exploratory therapeutic trials in a limited number of subjects with the disease or medical condition for which the new drug is intended to be used in order to identify possible adverse effects and safety risks, to determine the preliminary or potential efficacy of the product for specific targeted diseases or medical conditions, and to determine dosage tolerance and the optimal effective dose; and
- *Phase III:* While Phase II studies demonstrate that a specific dosage range of the drug is likely to be effective and the drug has an acceptable safety profile, controlled, large-scale therapeutic, Phase III trials are undertaken at multiple study sites to demonstrate clinical efficacy and to further test for safety in an expanded patient population. These studies are used to evaluate the overall benefit – risk relationship of the drug and provide a basis for physician labelling.

The Company cannot be certain that it will successfully complete Phase I, Phase II or Phase III testing of its products within any specific time period, if at all. Furthermore, the FDA, the IRB or the Company may suspend or terminate clinical trials at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk.

Results of pre-clinical studies and clinical trials, as well as detailed information about the manufacturing process, quality control methods, and product composition, among other things, are submitted to the FDA as part of an NDA seeking approval to market and commercially distribute the product on the basis of a determination that the product is safe and effective for its intended use. Before approving an NDA, the FDA will inspect the facilities at which the product is manufactured and will not approve the product unless GMP compliance is satisfactory. If applicable regulatory criteria are not satisfied, the FDA may deny the NDA or require additional testing or information. As a condition of approval, the FDA also may require post-marketing testing or surveillance to monitor the product's safety or efficacy. Even after an NDA is approved, the FDA may impose additional obligations or restrictions (such as labelling changes), or even suspend or withdraw a product approval on the basis of data that arise after the product reaches the market, or if compliance with regulatory standards is not maintained. The Company cannot be certain that the FDA on a timely basis, if at all will approve any NDA it submits. Also, any such approval may limit the indicated uses for which the product may be marketed. Any refusal to approve, delay in approval, suspension or withdrawal of approval, or restrictions on indicated uses could have a material adverse impact on the Company's business prospects.

A user fee, pursuant to the requirements of the Prescription Drug User Fee Act ("PDUFA"), and its amendments, must accompany each NDA. According to the FDA's fee schedule, for the fiscal year 2017, the user fee for an application requiring clinical data, such as an NDA, is US$2,038,100. The FDA adjusts the PDUFA user fees on an annual basis. PDUFA also imposes an annual product fee for prescription drugs and biologics (US$97,750), and an annual establishment fee (US$512,200) on facilities used to manufacture prescription drugs and biologics. A written request can be submitted for a waiver under certain circumstances. Waivers may be possible for the application fee for the first human drug application that is filed by a small business, as defined by the FDCA, but there are no small business waivers for product or establishment fees. Waivers may also be possible for one or more fees, upon written request, when a waiver or reduction is necessary to protect the public health, the user fees would present a significant barrier to innovation, or the fees are anticipated to exceed the present or future costs incurred by FDA. The Company is not at the stage of development with its products where it is subject to these fees, but they are significant expenditures that may be incurred in the future and must be paid at the time of application submissions to FDA.

Satisfaction of FDA requirements typically takes several years. The actual time required varies substantially, based upon the type, complexity, and novelty of the pharmaceutical product, among other things. Government regulation imposes costly and time-consuming requirements and restrictions throughout the product life cycle and may delay product marketing for a considerable period of time, limit product marketing, or prevent marketing altogether. Success in pre-clinical or early stage clinical trials does not ensure success in later stage clinical trials. Data obtained from pre-clinical and clinical activities are not always conclusive and may be susceptible to varying interpretations that could delay, limit, or prevent marketing approval. Even if a product receives marketing approval, the approval is limited to specific clinical indications. Further, even after marketing approval is obtained, the discovery of previously unknown problems with a product may result in restrictions on the product or even complete withdrawal of the product from the market.

After product approval, there are continuing significant regulatory requirements imposed by the FDA, including record-keeping requirements, obligations to report adverse events in patients using the products, and restrictions on advertising and promotional activities. Quality control and manufacturing procedures must continue to conform to GMPs, and the FDA periodically inspects facilities to assess GMP compliance. Additionally, post-approval changes in ingredient composition, manufacturing processes or facilities, product labelling, or other areas may require submission of an NDA Supplement to the FDA for review and approval. New indications will require additional clinical studies and submission of an NDA Supplement. Failure to comply with FDA regulatory requirements may result in an enforcement action by the FDA, including warning letters, product recalls, suspension or revocation of product approval, seizure of product to prevent distribution, impositions of injunctions prohibiting product manufacture or distribution, and civil and criminal penalties. Maintaining compliance is costly and time-consuming. The Company cannot be certain that it, or its present or future suppliers or third-party manufacturers, will be able to comply with all FDA regulatory requirements, and potential consequences of noncompliance could have a material adverse impact on its business prospects.

The FDA's policies may change, and additional governmental regulations may be enacted that could delay, limit, or prevent regulatory approval of the Company's products or affect its ability to manufacture, market, or distribute its products after approval. Moreover, increased attention to the containment of healthcare costs in the U.S. and in foreign markets could result in new government regulations that could have a material adverse effect on the business. The Company's failure to obtain coverage, an adequate level of reimbursement, or acceptable prices for future products could diminish any revenues the Company may be able to generate. The Company's ability to commercialize future products will depend in part on the extent to which coverage and reimbursement for the products will be available from government and health administration authorities, private health insurers, and other third-party payers. EU member states and U.S. government and other third-party payers increasingly are attempting to contain healthcare costs by consideration of new laws and regulations limiting both coverage and the level of reimbursement for new drugs. The Company cannot predict the likelihood, nature or extent of adverse governmental regulation that might arise from future legislative or administrative action, either in the U.S. or abroad.

The Company's activities may also be subject to state laws and regulations that affect its ability to develop and sell products. The Company is also subject to numerous federal, state, and local laws relating to such matters as safe working conditions, clinical, laboratory, and manufacturing practices, environmental protection, fire hazard control, and disposal of hazardous or potentially hazardous substances. The Company may incur significant costs to comply with such laws and regulations now or in the future, and the failure to comply may have a material adverse impact on the Company.

The FDCA includes provisions designed to facilitate the development and expedite the review of drugs and biological products intended for treatment of serious or life-threatening conditions that demonstrate the potential to address unmet medical needs for such conditions. These provisions set forth a procedure for designation of a drug as a "fast track product". The fast track designation applies to the combination of the product and specific indication for which it is being studied. A product designated as fast track is ordinarily eligible for additional programs for expediting development and review, but products that are not in fast-track drug development programs may also be able to take advantage of these programs if they meet the necessary requirements. These programs include priority review of NDAs and accelerated approval. Drug approval under the accelerated approval regulations may be based on evidence of clinical effect on a surrogate endpoint that is reasonably likely to predict clinical benefit. A post-marketing clinical study will be required to verify clinical benefit, and other restrictions to assure safe use may be imposed.

Under the Drug Price Competition and Patent Term Restoration Act of 1984, a sponsor may obtain marketing exclusivity for a period of time following FDA approval of certain drug applications, regardless of patent status, if the drug is a new chemical entity or if new clinical studies were required to support the marketing application for the drug. This marketing exclusivity prevents a third party from obtaining FDA approval for an identical or nearly identical drug under an Abbreviated New Drug Application or a "505(b)(2) New Drug Application". The statute also allows a patent owner to obtain an extension of applicable patent terms for a period equal to one-half the period of time elapsed between the filing of an IND and the filing of the corresponding NDA plus the period of time between the filing of the NDA and FDA approval, with reductions taken for any time an applicant did not act with due diligence. There is a five-year maximum patent extension and a maximum of 14 years protection from product approval. The Company cannot be certain that it will be able to take advantage of either the patent term extension or marketing exclusivity provisions of these laws.

European Union Regulatory Requirements

Outside the United States, the Company's ability to market its products will also be contingent upon receiving marketing authorizations from the appropriate regulatory authorities and compliance with applicable post-approval regulatory requirements. Although the specific requirements and restrictions vary from country to country, as a general matter, foreign regulatory systems include risks similar to those associated with FDA regulation, described above. Under EU regulatory systems, marketing authorizations may be submitted either under a centralized or a national procedure. Under the centralized procedure, a single application to the European Medicines Agency ("EMA") leads to an approval granted by the European Commission that permits the marketing of the product throughout the EU. The centralized procedure is mandatory for certain classes of medicinal products, but optional for others. For example, all medicinal products developed by certain biotechnological means, and those developed for cancer and other specified diseases and disorders, must be authorized via the centralized procedure. The Company assumes that the centralized procedure will apply to its products that are developed by means of a biotechnology process. The national procedure is used for products not requiring authorization by the centralized procedure. Under the national procedure, an application for a marketing authorization is submitted to the competent authority of one-member state of the EU. The holders of a national marketing authorization may submit further applications to the competent authorities of the remaining member states via either the decentralized or mutual recognition procedure. The decentralized procedure enables applicants to submit an identical application to the competent authorities of all member states where approval is sought at the same time as the first application, while under the mutual recognition procedure, products are authorized initially in one-member state, and other member states where approval is sought are then requested to recognize the original authorization based upon an assessment report prepared by the original authorizing competent authority. Both the decentralized and mutual recognition procedures should take no longer than 90 days, but if one-member state makes an objection, which under the legislation can only be based on a possible risk to human health, the application will be automatically referred to the Committee for Medicinal Products for Human Use ("CHMP") of the EMA. If a referral for arbitration is made, the procedure is suspended. However, member states that have already approved the application may, at the request of the applicant, authorize the product in question without waiting for the result of the arbitration. Such authorizations will be without prejudice to the outcome of the arbitration. For all other concerned member states, the opinion of the CHMP, which is binding, could support or reject the objection or alternatively could reach a compromise position acceptable to all EU countries concerned. The arbitration procedure may take an additional year before a final decision is reached and may require the delivery of additional data.

As with FDA approval, the Company may not be able to secure regulatory approvals in the EU in a timely manner, if at all. Additionally, as in the U.S., post-approval regulatory requirements, such as those regarding product manufacture, marketing, or distribution, would apply to any product that is approved in the EU, and failure to comply with such obligations could have a material adverse effect on the Company's ability to successfully commercialize any product.

The conduct of clinical trials in the EU is governed by the European Clinical Trials Directive (2001/20/EC), which was implemented in May 2004. This Directive governs how regulatory bodies in member states control clinical trials. No clinical trial may be started without a clinical trial authorization granted by the national competent authority and favorable ethics approval.

Accordingly, there is a marked degree of change and uncertainty both in the regulation of clinical trials and in respect of marketing authorizations that face the Company or its products in the EU.

Stock market listing compliance

On May 30, 2017, NASDAQ notified the Company that for the previous 30 business days the bid price of the Company's common stock closed below the minimum US$1 per share requirement for continued inclusion on the NASDAQ Capital Market under NASDAQ Rule 5450(a)(1). On July 14, 2017, the Company effected a ratio change on the ADS program from 25 Ordinary Shares representing 1 ADS, to 100 Ordinary Shares representing 1 ADS. As a result, the traded price of the Company's common stock increased by a factor of 4, bringing the Company back into compliance with NASDAQ Listing Rule 5450(a)(1).

The Company has met the compliance requirements for ASX listings and accordingly has not been in breach of those requirements.

Product and Corporate Developments during Fiscal 2018

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

On November 13, 2017, we entered into a letter of intent with Cedrus Investment Ltd, an investment bank based in Hong Kong, for advisory services. The purpose of the agreement is to establish a corporate structure focused on expansion into the Greater China region. In particular, the key objective is to enable us to interact directly with the Chinse Food and Drug Administration to explore partnerships and commercialization opportunities in China.

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

In December 2017, the Company completed an agreement with Noxopharm Limited ("Noxopharm"), an ASX listed company, in relation to certain IP. In connection with this agreement, the Company received 5,970,714 of ordinary shares in Noxopharm and 3,000,000 options over Noxopharm stock, with a strike price of A$0.80. The value of the holdings in Noxopharm on June 30, 2018, was approximately A$4.3 million.

In July 2018, the Company announced that it had entered into an agreement with TroBio Therapeutics Pty Ltd, a privately-held start-up, in which all interests in the 'next generation' anti-tropomyosin (ATM) program would be assigned to TroBio in return for 12% of the equity in that company. Completion of the transaction remains conditional on the Department of Industry, Innovation and Science agreeing to novate the remainder of the CRC-P grant, amounting to A$2.3 million, to TroBio.

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

C. Organizational structure

Kazia Therapeutics Limited is incorporated in Australia and has the following wholly-owned subsidiaries:

Name	Country of incorporation
Kazia Laboratories Pty Ltd	Australia
Kazia Research Pty Ltd	Australia
Kazia Therapeutics Inc.	United States (Delaware)
Glioblast Pty Ltd	Australia

D. Property, plant and equipment

During fiscal 2018, the Company moved premises to a serviced office in the Sydney, which is subject to a one-year workspace license agreement that is renewable. The previously leased office was relinquished.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

Critical accounting policies

We prepare our financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). As such, we are required to make certain estimates, judgments, and assumptions that management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. The critical accounting policies are summarized in Item 18. “Financial Statements—Note 3—Critical Accounting Policies”.

The following discussion and analysis should be read in conjunction with Item 18. “Financial Statements” included below. Operating results are not necessarily indicative of results that may occur in future periods. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ materially from those anticipated in the forward-looking statements as a result of many factors including, but not limited to, those set forth under “Forward-Looking Statements” and “Risk Factors” in Item 3 “Key Information” included above in this Annual Report on Form 20-F. All forward-looking statements included in this document are based on the information available to the Company on the date of this document and the Company assumes no obligation to update any forward-looking statements contained in this Annual Report on Form 20-F.

A. Operating results

The following discussion relates to our consolidated results of operations, financial condition and capital resources. You should read this discussion in conjunction with our consolidated financial statements and the notes thereto contained elsewhere in this report.

The following table provides a summary of revenues and income for the past three fiscal years:

	For the fiscal year ended June 30,		
	2018	2017	2016
	A$000	A$000	A$000
Revenue:			
- Interest income	119	249	406
Other income:			
- Net foreign exchange gain	224	—	781
- Payroll tax rebate	—	7	18
- Subsidies and grants	685	130	—
- Reimbursement of expenses	8	17	—
- Gain on legal settlement	8,411	—	—
- Research and development rebate	2,200	8,409	2,866
- Gain on revaluation of contingent consideration	1,461	—	—
Total revenue and other income	13,108	8,812	4,071

Fiscal 2018 compared to fiscal 2017

Revenue and other income

The Company's revenue, which is solely interest income derived from interest bearing bank account, decreased from A$248,837 in 2017 to A$119,170 in 2018 as a result of decreased cash balances.

Research and development rebate decreased from A$8.4 million in fiscal 2017 to A$2.2 million in fiscal 2018. The two key factors influencing this reduction were the reduced level of R&D expenditure incurred in Australia, and the fact that the estimate for fiscal 2017 was able to be estimated with a sufficient level of accuracy to allow this amount to be booked in the fiscal 2017 accounts, along with the amount which was received in fiscal 2017 which related to fiscal 2016. Determining the eligible expenses requires an element of judgement. In 2016 and prior years, we were of the view that, due to the uncertainty around determining which expenses were eligible and uncertainty around the collectability of the claim that was made, we were unable to make a reliable estimate until the claim was submitted to and approved by the Australian Tax Office. Kazia has been claiming and successfully collecting the R&D tax incentive for the last five consecutive years, and we believe that, given the history of successful claims, we are able to make a reliable estimate in the current year. As such, during the current and prior years we recognised the relevant claim as a receivable at year-end.

During fiscal 2018, we recognized a gain of A$8.4 million as a result of a settlement reached with Noxopharm. The settlement was in the form of shares and options, which declined in value by year end, resulting in an impairment of A$2.8 million and a fair value loss of A$1.1 million, both of which were recognised as an expense during fiscal 2018. The Company also made a gain on revaluation of contingent consideration of A$1.5 million in relation to the acquisition of Glioblast Pty Limited in fiscal 2017.

Expenses

Research and development expenses fell from from A$11.1 million in fiscal 2017 to A$9.8 million in fiscal 2018 (12%) as a result of the Company's approach of focusing our cash resources on the two main clinical programs. Early stage discovery assets were out-licensed and staff numbers reduced accordingly.

General and administrative costs reduced from A$8.5 million in fiscal 2017 to A$5.6 million in fiscal 2018 as a result of the Company's focus on cost reduction and streamlining the business. As part of this process, the Company relocated to smaller serviced offices and reduced reliance on consultants and other third-party contractors.

Net loss

The Company's loss after income tax decreased from A$10.7 million in fiscal 2017 to A$6.0 million (44%) in fiscal 2018. The change was mainly as a result of some unusual items of other income during the year as described above, including a gain on legal settlement and a gain on revaluation of contingent consideration, as well as a reduction in non-R&D expenditure arising from the corporate streamlining undertaken since fiscal 2017. These improvements were partially offset by the fair value loss and impairment loss on the assets taken up under the legal settlement, and a reduction in the amount taken up as R&D rebate.

Fiscal 2017 compared to fiscal 2016

Revenue and other income

The Company's revenue, which is solely interest income derived from interest bearing bank account, decreased from A$406,000 in 2016 to A$249,000 in 2017 as a result of decreased cash balances.

The net foreign exchange loss is A$0.9 million in fiscal 2017 in comparison of net foreign exchange gain of A$0.8 million in fiscal 2016. The change is mainly due to the depreciation of AUD against USD.

Research and development rebate increased by 190% from A$2.9 million in fiscal 2016 to A$8.4 million in fiscal 2017 due to higher level of eligible research and development expense in fiscal 2017, and the fact that the estimate for fiscal 2017 was able to be estimated with a sufficient level of accuracy to allow this amount to be booked in the fiscal 2017 accounts. Determining the eligible expenses requires an element of judgement. In prior years, we were of the view that, due to the uncertainty around determining which expenses were eligible and uncertainty around the collectability of the claim that was made, we were unable to make a reliable estimate until the claim was submitted to and approved by the Australian Tax Office. Kazia has been claiming and successfully collecting the R&D tax incentive for the last consecutive five years, and we believe that, given the history of successful claims, we are able to make a reliable estimate in the current year. As such, during the current year, we recognised the FY17 claim as a receivable at year-end.

Expenses

Research and development expenses increased by A$1.2 million (12%) from A$9.9 million in fiscal 2016 to A$11.1 million in fiscal 2017 due to higher research and development activity in fiscal 2017, including the commencement of the Phase I clinical study for the Cantrixil program, as well as the design of the Phase II clinical study for the newly acquired asset, GDC 0084.

General and administrative costs increased by A$2.0 million (34%) from A$5.8 million in fiscal 2016 to A$8.5 million in fiscal 2017 due, in large part, to a one-off increase of salary expense as well as higher legal and consultancy fees. Higher legal costs arose as a result of increased patent activity as well as the costs surrounding the in-license of GDC 0084, while increased consultancy costs reflect a move to a more outsourced model where the Company accesses deep expertise through the use of consultants rather than employing staff with a more general expertise set. It should be noted that the salary expense in fiscal 2017 is confounded to a certain extent by significant change in the Key Management Personnel occurred in such year, and therefore includes several positions that have become redundant and several overlapping positions, as the Company made the transition from a research-based business to one engaged in clinical trials.

The fiscal 2017 expenses included a cost of A$765,000, which relates to the non-cash unwinding of the discount on contingent consideration. The transaction arose in fiscal 2017 and hence there is no comparative figure for 30 June 2018.

Net loss

The Company's loss after income tax decreased by A$1.5 million (12%) from A$12.2 million in fiscal 2016 to A$10.7 million in fiscal 2017. This was mainly as a result of the accrual of the fiscal 2017 R&D tax rebate, offset somewhat by additional R&D costs.

B. Liquidity and capital resources

We have incurred cumulative losses and negative cash flows from operations since our inception and, as of June 30, 2018, we had accumulated losses of A$14.6 million. We anticipate that we will continue to incur losses for at least the next several years. We expect that our research and development expenditure will continue to increase and, as a result, we will need additional capital to fund our operations, which we may raise through a combination of equity offerings, other third-party funding, and other collaborations, strategic alliances and licensing arrangements.

We had no borrowings in fiscal 2018 and do not currently have a credit facility.

As of June 30, 2018, we had cash and cash equivalents of A$6.0 million. Cash in excess of immediate requirements is invested in accordance with our investment policy, primarily with a view to liquidity and capital preservation. Currently, our cash and cash equivalents are held in bank accounts. Our short-term investments consist of term deposits with maturity within 90 days. At June 30, 2018, term deposits amounting to A$3.0 million had a weighted average interest rate of 2.40%.

We expect to consume cash and incur operating losses for the foreseeable future as the Company continues developing its oncology drug candidates. The impact on cash resources and results from operations will vary with the extent and timing of the future clinical trial programs. 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 Company's ability to continue its development activities as a going concern is dependent upon it deriving sufficient cash from investors, from licensing and partnering activities and from other sources of revenue such as grant funding. The directors have considered the cash flow forecasts and the funding requirements of the business and are confident that the strategies in place are appropriate to generate sufficient funding to allow us 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 Company 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 the financial statements.

Cash flows

The following table set forth the sources and uses of cash for the past three fiscal years:

(in A$ thousands)	2018	2017	2016
Net cash used in operating activities	(8,661)	(11,435)	(11,980)
Net cash used in investing activities	150	(7,117)	(522)
Net cash used in provided by financing activities	—	(18)	782

Operating activities. Net cash used in operating activities for the three fiscal years primarily represents net outflows for the cost of the R&D programs and the general and administrative costs of running the business.

Investing activities. Net cash used in investing activities in fiscal 2017 represents the purchase of a business and the out-licensing of a clinical stage asset, GDC 0084 during that year. The cash outflow in fiscal 2016 primarily represented the cost of an office move and associated fit out. The cash inflow in fiscal 2018 represents the cash portion of a legal settlement.

Financing activities. Net cash provided by financing activities of A$782,000 in fiscal 2016 related to the exercise of options. No such activity occurred in fiscal 2017 or 2018.

At June 30, 2018, the Company did not hold any derivative financial instruments for managing its foreign currency; however, the Company may from time to time enter into hedging arrangements where circumstances are deemed appropriate.

The Company believes that its future ability to fund its operations will be dependent on deriving sufficient cash from investors through successful capital raising, from licensing and partnering activities and return from government grants as well as continuing to qualify for the Research and Development Tax Incentive Program available in Australia. The R&D Tax Incentive is an Australian government run program which helps to offset some of the costs of R&D. Annually, the Company claims a refundable tax offset and has disclosed this as other income in the statement of profit or loss and other comprehensive income. The Company currently accounts for R&D Tax Incentive on an accruals basis providing a reasonable estimation can be made at year end.

The Company had no commitments for capital expenditure at the end of fiscal 2018.

The Company continuously pursues opportunities for non-dilutive funding, such as grant applications.

The Company cannot provide assurance that it or its subsidiaries will be able to raise the funds necessary to complete the planned clinical trial programs or find appropriate collaboration or licensing opportunities.

Financing activities

Equity issues

The Company has historically financed its operations primarily from issuing equity capital.

During fiscal 2016, the Company issued 6,617,517 ordinary shares, all following the exercise of options. The details of these options are as follows:

- 1,000 options expiring June 4, 2020, at an exercise price of A$0.40 per option;
- 1,000,000 options expiring on December 18, 2019, at an exercise price of A$0.15 per option;
- 5,614,224 options expiring on November 18, 2015, at an exercise price of A$0.125 per option; and
- 2,293 options expiring December 4, 2015, at an exercise price of A$0.30 per option.

During fiscal 2017, the Company issued 53,553,932 ordinary shares. The details of these ordinary shares issuing are as follows:

- In September 2016, 400,000 shares were issued to the Company's Scientific Advisory Board for no consideration in respect of services rendered;
- In September 2016, 20,000,000 shares were issued in relation to the conversion of part of the Triaxial convertible note (the "Convertible Notes");
- In October 2016, 17,153,932 shares were issued in relation to the acquisition of Glioblast Pty Ltd to support the development of GDC-0084; and
- In November 2016, 16,000,000 shares were issued in relation to the conversion of part of the Triaxial convertible note.

During fiscal 2018 the Company undertook a consolidation of its share capital whereby one new ordinary share represented 10 of the old ordinary shares. As a result of fractional holdings, an additional 830 of "old" ordinary shares were issued during this process. In addition, a further 80,000 "new" ordinary shares were issued during fiscal 2018 to the Company's Scientific Advisory Board in consideration of services rendered.

Foreign currency fluctuations were not material for the Company in fiscal 2018. See Item 18. "Financial Statements—Note 25 – Financial Instruments" for disclosures about financial risk management including interest rate risk, foreign currency risk and liquidity risk.

Convertible note (Triaxial) carrying value of A$464,000

During the year ended June 30, 2013 the Company issued Convertible Notes with a face value of A$1,500,000 to Triaxial in consideration of the acquisition of patents and intellectual property assets. The terms of these Convertible Notes were amended on December 4, 2014. During fiscal 2017, Kazia reached two milestones that triggered the conversion of a portion of its Convertible Notes. On September 14, 2016 the directors approved the issue of 20,000,000 ordinary shares as a consequence of a conversion of A$500,000 of the Convertible Notes, and on November 1, 2016 a further 16,000,000 ordinary shares were issued as a result of the conversion of a further portion of the Convertible Notes. During fiscal 2018, one of the noteholders waived his rights to the remaining tranche of convertible notes, resulting in the reduction of the convertible note carrying value by a further A$136,000. As of June 30, 2018, the Convertible Notes carrying value amounts to A$464,000.

C. Research and development, Patents and Licenses, etc.

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

Research and development expenses consist primarily of costs incurred for the development of our product candidates, which include:

- expenses incurred under agreements with academic research centres, clinical research organizations and investigative sites that conduct our clinical trials; and
- the cost of acquiring, developing, and manufacturing clinical trial materials.

We cannot determine with certainty the duration and completion costs of the current or future product development, preclinical studies or clinical trials of our product candidates. The duration, costs, and timing of clinical trials and development of our product candidates will depend on a variety of factors, including:

- the scope, rate of progress, and expense of our ongoing as well as any additional clinical trials and other research and development activities;
- the countries in which trials are conducted;
- future clinical trial results;
- uncertainties in clinical trial enrolment rates or drop-out or discontinuation rates of patients;
- potential additional safety monitoring or other studies requested by regulatory agencies;
- significant and changing government regulation; and
- the timing and receipt of any regulatory approvals.

A change in the outcome of any of these variables with respect to the development of a product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if the FDA, or another regulatory authority were to require us to conduct clinical trials beyond those that we anticipate will be required to complete clinical development of a product candidate or if we experience significant delays in enrollment in any of our clinical trials, we could be required to expend significant additional financial resources and time on the completion of clinical development.

In fiscal 2018, 2017 and 2016, we spent, respectively, a total of A$9.8 million, A$11.1 million and A$9.9 million on company-sponsored research and development activities. We plan to increase our research and development expenses for the foreseeable future as we continue the development of product candidates and explore further potential applications of our technology.

D. Trend Information

Subject to the risk factors discussed in Item 3D, we have a reasonable expectation that during fiscal 2019:

- results will be reported from the phase I clinical trial of Cantrixil (TRX-E-002-1); and
- initial results will be reported from the phase II clinical trial of GDC-0084.

In parallel, the Company continues to actively explore licensing and partnering opportunities with other companies that have the potential to effect further refinements in the scope of the Company’s business.

E. Off-balance sheet arrangements

The Company does not have any off-balance sheet arrangements.

F. Tabular disclosure of contractual obligations

The Company does not have any contractual obligations for future periods as at June 30, 2018.

Operating lease commitments in previous fiscal years included contracted amounts for leases of premises and plant and equipment under non-cancellable operating leases expiring within three years. Leases for premises included an annual review for CPI increases.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The names and details of the Company's Directors and senior management at the date of this report are as follows:

Iain Ross	Chairman, Non-Executive Director
Bryce Carmine	Non-Executive Director
Steven Coffey	Non-Executive Director
James Garner	Managing Director, Chief Executive Officer
Kate Hill	Company Secretary
Gabrielle Heaton	Director of Finance and Administration

Directors were in office for the entire period unless otherwise stated.

Names, titles, experience and expertise

Name:	**Iain Ross**
Title:	Chairman, Non-Executive Director
Experience and expertise:	Iain, based in the UK, is an experienced Director on a number of Australian company boards. He is Chairman of e-Therapeutics plc (LSE:ETX), Redx Pharma plc (LSE:REDX) and Biomer Technology Limited. In his career he has held senior positions in Sandoz AG, Fisons Plc, Hoffmann-La Roche AG and Celltech Group Plc and also undertaken a number of start-ups and turnarounds on behalf of banks and private equity groups. His track record includes multiple financing transactions having raised in excess of £300 million, both publicly and privately, as well as extensive experience of divestments and strategic restructurings and has over 20 years in crossborder management as a Chairman and CEO. He has led and participated in six Initial Public Offerings,(4 LSE, 1 ASX, 1 NASDAQ) and has direct experience of mergers and acquisitions transactions in Europe, USA and the Pacific Rim.
Other current directorships:	e-Therapeutics plc (LSE: ETX), Redx Pharma plc (LSE:REDX)
Special responsibilities:	Member of Remuneration and Nomination Committee, Member of the Audit, Risk and Governance Committee.

Name:	**Bryce Carmine**
Title:	Non-Executive Director
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 led the Global Pharmaceutical Sales and Marketing and was a member of the Company's Executive Committee. Bryce 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
Special responsibilities:	Chair of Remuneration and Nomination Committee, member of Audit, Risk and Governance Committee.

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

Name:	**Dr. James Garner**
Title:	Managing Director and Chief Executive Officer
Experience and expertise:	James is an internationally 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. A physician by training, James 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 from 2013 to 2016. Prior to that, he was regional Vice President of R&D for Takeda, from 2009 to 2013, where he had responsibility for a multinational team of approximately 60 people, and oversight of all development activities in the Asia-Pacific region.
Other current directorships:	None
Special responsibilities:	None

Name:	**Kate Hill**
Title:	Company Secretary
Experience and expertise:	Kate has over 20 years experience as an audit partner with Deloitte Touche Tohmatsu, working with ASX listed and privately-owned clients. She has worked extensively in regulated environments including assisting with Initial Public Offerings, capital raising and general compliance, as well as operating in an audit environment. She is also a Non-Executive Director of CountPlus Limited (ASX:CUP), and a Non-Executive Director and Interim Chair of Elmo Software Limited (ASX:ELO). She is Chair of the Audit and Risk Committee for both of these companies. Kate is a member of the Institute of Chartered Accountants in Australia and New Zealand, and a graduate of the Australian Institute of Company Directors.

Name:	**Gabrielle Heaton**
Title:	Director of Finance and Administration
Experience and expertise:	Gabrielle Heaton has over 30 years of commercial experience in media, property services and healthcare for multinational, ASX listed and overseas companies. She has held a number of senior Finance positions including CFO, Quality Auditor and been responsible for Human Resources and IT. Gabrielle has a Bachelor of Business from the University of Technology and is a member of CPA Australia.

Appointment of Scientific Advisory Board (SAB)

In September 2016, the Company announced the appointment of a Scientific Advisory Board (the "**SAB**"), a consultative advisory body, providing input and guidance to scientific programs but with no formal governance role. Reporting to the CEO, members of the SAB are appointed for two-year terms, with appointments renewable by mutual agreement. The SAB initially includes four newly-appointed members, including Professor Peter Gunning, who stepped down as a Non-Executive Director of the Company at this time. The inaugural membership of the SAB includes:

- Professor Sir Murray Brennan, GNZM – Chairman Emeritus of the Department of Surgery, Benno C Schmidt Chair in Clinical Oncology, and Vice President of International Programs, at Memorial Sloan Kettering Cancer Centre, New York.
- Dr Karen Ferrante – former Chief Medical Officer at Millennium Pharmaceuticals and former Head of Oncology Development at Pfizer Inc (NYSE: PFE).
- Professor Alex Matter, Chairman and Chief Executive Officer of the Experimental Therapeutics Centre, and also Chief Executive Officer of the D3 Platform, both part of A*STAR, the Agency for Science, Technology, and Research, in Singapore. Emeritus Professor of the Medical Faculty of the University of Basel, and an Honorary Adjunct Professor of the Department of Pharmacology in the Yong Loo Lin School of Medicine at the National University of Singapore.
- Professor Peter Gunning, Head of the School of Medical Sciences at the University of New South Wales.

B. Compensation

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 Company 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 Company, in determining remuneration.

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

Non-executive directors' fees

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

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

Executive directors and other KMP remuneration

The Board, the Remuneration and Nomination Committee in consultation with the Managing Director have put in place a performance based short-term incentive, in addition to the fixed remuneration, and long-term incentive based on tenure via the ESOP. The Board determines an appropriate level of fixed remuneration for the CEO and Group Executives, as well as the proportion of performance-based remuneration. Fixed remuneration, consisting of base salary and superannuation, is reviewed annually at the end of each calendar year.

The executive remuneration and reward framework has three components:

- fixed remuneration
- short-term performance incentives
- share-based payments

Fixed remuneration is reviewed annually by the Remuneration and Nomination Committee based on individual performance, the overall performance of the Company and comparable market remunerations. The Remuneration and Nomination Committee determined that there be no increases in fixed remuneration during the financial year ended 30 June 2018 in order to conserve cash resources.

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

The short-term incentives program is designed to align the targets of the Company with the performance hurdles of executives. Short-term incentive payments are granted to executives based on specific annual performance objectives, metrics and performance appraisals. Annual performance reviews are conducted at the end of each calendar year and bonuses are paid shortly after the performance reviews are completed.

The Board or the Remuneration and Nomination Committee may, at its discretion, award bonuses for exceptional performance. Despite being pleased with the operational achievements of the team during the financial year, the Remuneration and Nomination Committee determined that no cash bonuses be paid in respect of the financial year ended 30 June 2018 in order to conserve cash resources.

Employee share option plan

The Employee Share Option Plan (‘ESOP’) was approved by shareholders on March 4, 2015 and re-approved at the Annual General Meeting of Shareholders on 15 November 2017. The ESOP provides for the issue of options to eligible individuals, being employees or Officers of the Company, however it excludes Non-Executive Directors. Each option issued under the ESOP entitles its holder to acquire one fully paid ordinary share and is exercisable at a price based on a formula, which includes the weighted average price of such shares at the close of trading on the Australian Securities Exchange for the seven days prior to the date of issue. The number of options offered, the amount payable, the vesting period, the option period, the conditions of exercise or any other factors are at the discretion of the Board of Directors.

We issued 664,000 share options under the ESOP during the financial year that ended June 30, 2018. Any change to the ESOP will require approval by shareholders.

Use of remuneration consultants

During fiscal 2018, the Company did not engage remuneration consultants.

Details of remuneration

Details of the remuneration of the directors and other KMP of the Company are set out in the following tables.

The KMP of the Company consisted of the following directors of Kazia Therapeutics Limited:

- Iain Ross - Non-Executive Director, Chairman
- Bryce Carmine - Non-Executive Director, Deputy Chairman
- Steven Coffey - Non-Executive Director
- Dr. James Garner - Managing Director, Chief Executive Officer

And the following persons:

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

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

* Remuneration for duration of appointment as KMP

** Salary paid in US dollars, but disclosed in Australian dollars using a conversion rate of 0.7753

*** Salary paid in UK pounds, but disclosed in Australian dollars using a conversion rate of 0.5762

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

Employment agreements

It is the Remuneration and Nomination Committee policy that employment contracts are entered into with each of the executives who are considered to be KMP. Under the terms of the contracts, remuneration is reviewed at least annually (or more often at the discretion of the Remuneration and Nomination Committee). The employment contracts of KMPs include a termination clause whereby a party can terminate the agreement on notice. Such notice may vary between 4 weeks and 6 months. Under the terms of each contract, payment in lieu can be made by the Company to substitute the notice period. The Company 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 Company.

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:	February 1, 2016
Term of agreement:	Full-time employment
Details:	Base salary for fiscal 2018 of A$425,000, to be reviewed annually by the Remuneration and Nomination Committee. James's appointment with the Company may be terminated with the Company giving 6 months' notice or by James giving 6 months' notice. The Company may elect to pay James equal amount to that proportion of his salary equivalent 6 months' pay in lieu of notice, together with any outstanding entitlements due to him.
Name:	Gabrielle Heaton
Title:	Director of Finance and Administration
Agreement commenced:	July 3, 2017 (preceded by a temporary contract dated March 31, 2017, on the same financial terms)
Term of agreement:	Full time employment
Details:	Base salary for fiscal 2018 of A$170,000, to be reviewed annually by the Remuneration and Nomination Committee. Gabrielle's appointment with the Company may be terminated with the Company giving 4 weeks' notice or by Gabrielle giving 4 weeks' notice. The Company may elect to pay Gabrielle equal amount to that proportion of her salary equivalent 4 weeks' pay in lieu of notice, together with any outstanding entitlements due to her.
Name:	Kate Hill
Title:	Company Secretary
Agreement commenced:	September 9, 2016
Term of agreement:	Part-time contractor
Details:	Base remuneration for fiscal 2018 of A$140,000, based on time worked. Daily rate to be reviewed annually by the Remuneration and Nomination Committee with no change being made during fiscal 2018. The contract is open ended. Kate's appointment with the Company may be terminated with the Company giving 60 days' notice or by Kate giving 60 days' notice.

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

Share-based compensation

Issue of shares

There were no shares issued to Directors and other KMP as part of remuneration during the fiscal 2018.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and other Key Management Personnel in this financial year or future reporting years are as follows:

Grant Date	Number*	Vesting Date	Exercise Date	Expiry date	Exercise price	Value at grant date
2016-02-01	75,000	2017-08-01	2017-08-01	2021-02-01	$ 1.99	$ 0.08
2016-02-01	75,000	2018-02-01	2018-02-01	2021-02-01	$ 1.99	$ 0.08
2016-02-01	200,000	2019-02-01	2019-02-01	2021-02-01	$ 0.20	$ 0.09
2016-02-01	250,000	2020-02-01	2020-02-01	2021-02-01	$ 0.26	$ 0.09
2016-09-05	50,000	2017-09-05	2017-09-05	2021-09-05	$ 1.63	$ 0.05
2016-10-31	16,667	2017-10-31	2017-11-01	2021-09-05	$ 1.38	$ 0.04
2016-11-21	50,000	2017-11-21	2017-11-23	2021-11-23	$ 1.38	$ 0.05
2017-08-07	40,500	2018-08-07	2018-08-07	2022-08-07	$ 0.67	$ 0.18
2017-08-07	40,500	2019-08-07	2019-08-07	2022-08-07	$ 0.67	$ 0.18
2017-08-07	40,500	2020-08-07	2020-08-07	2022-08-07	$ 0.67	$ 0.18
2017-08-07	40,500	2021-08-07	2021-08-07	2022-08-07	$ 0.67	$ 0.18
2018-02-05	50,000	2018-08-05	2018-08-05	2023-02-05	$ 0.78	$ 0.20
2018-02-05	50,000	2019-02-05	2019-02-05	2023-02-05	$ 0.78	$ 0.20
2018-02-05	50,000	2019-08-05	2019-08-05	2023-02-05	$ 0.78	$ 0.20
2018-02-05	50,000	2020-02-05	2020-02-05	2023-02-05	$ 0.78	$ 0.20

* number of options is shown as post share consolidation

None of the options listed in the table above were exercised during the year ended June 30, 2018.

Options granted carry no dividend or voting rights. Each option is convertible to one ordinary share upon exercise.

Dr. Garner is entitled to no non-statutory benefits in the case of termination of employment.

Remuneration options: granted and vested during the year

There were 1,820,000 (equating to 362,000 post consolidation) options over ordinary shares issued to KMP as part of remuneration that were outstanding as at June 30, 2018. No options were issued to directors during the fiscal year. There were 266,667 options over ordinary shares vested in fiscal 2018.

There is no Board policy in relation to staff members limiting their exposure to risk as options vest subject to service criteria, not performance criteria.

Remuneration options: expired during the year

During fiscal 2018, 337,500 options issued to KMP expired or were forfeited.

Pension benefits

The Company paid A$170,456 during fiscal 2018 for employee superannuation benefits and pension benefits.

C. Board Practices

The role of the Board is as follows:

- representing and serving the interests of shareholders by overseeing and appraising the strategies, policies and performance of the Company. This includes overviewing the financial and human resources the Company has in place to meet its objectives and the review of management performance;
- protecting and optimising Company performance and building sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- responsible for the overall Corporate Governance of Kazia Therapeutics Limited and its subsidiaries, including monitoring the strategic direction of the Company and those entities, formulating goals for management and monitoring the achievement of those goals;
- setting, reviewing and ensuring compliance with the Company's values (including the establishment and observance of high ethical standards); and
- ensuring shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

Responsibilities/functions of the Board include:

- selecting, appointing and evaluating from time to time the performance of, determining the remuneration of, and planning for the successor of, the CEO;
- reviewing procedures in place for appointment of senior management and monitoring of its performance, and for succession planning. This includes ratifying the appointment and the removal of the Company Secretary;

- overseeing the Company, including its control and accountability systems;
- input into and final approval of management development of corporate strategy, including setting performance objectives and approving operating budgets;
- reviewing and guiding systems of risk management and internal control and ethical and legal compliance. This includes reviewing procedures in place to identify the main risks associated with the Company's businesses and the implementation of appropriate systems to manage these risks;
- overseeing and monitoring compliance with the Code of Conduct and other corporate governance policies;
- monitoring corporate performance and implementation of strategy and policy;
- approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;
- monitoring and reviewing management processes in place aimed at ensuring the integrity of financial and other reporting;
- monitoring and reviewing policies and processes in place relating to occupational health and safety, compliance with laws, and the maintenance of high ethical standards; and
- performing such other functions as are prescribed by law or are assigned to the Board.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, a director, employee or other person subject to ultimate responsibility of the directors under the Australian Corporations Act 2001.

Matters which are specifically reserved for the Board or its committees include the following:

- appointment of a Chair;
- appointment and removal of the CEO;
- appointment of directors to fill a vacancy or as additional directors;
- establishment of Board committees, their membership and delegated authorities;
- approval of dividends;
- development and review of corporate governance principles and policies;
- approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- calling of meetings of shareholders; and
- any other specific matters nominated by the Board from time to time.

Structure of the Board

The Company's Constitution governs the regulation of meetings and proceedings of the Board. The Board determines its size and composition, subject to the terms of the Constitution. The Board does not believe that it should establish a limit on tenure other than stipulated in the Company Constitution (refer to 'Term of Directors' below).

While tenure limits can help to ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight in the Company and its operation and, therefore, an increasing contribution to the Board as a whole. It is intended that the Board should comprise a majority of independent non-executive directors and comprise directors with a broad range of skills, expertise and experience from a diverse range of backgrounds, including compliance with the Diversity Policy. The Board regularly reviews the independence of each director in light of the interests disclosed to the Board.

The Board only considers directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. The Board has adopted a definition of independence based on that set out in Principle 2.3 of the ASX Corporate Governance Principles and Recommendations (3rd edition). The Board will review the independence of each director in light of interests disclosed to the Board from time to time. In accordance with the definition of independence above, and the materiality thresholds set, the Board considers Bryce Carmine, Iain Ross and Steven Coffey to be independent directors.

There are procedures in place, agreed by the Board, to enable directors in furtherance of their duties to seek independent professional advice at the Company's expense.

The appointment and expiration dates of each director in office at the date of this report is as follows:

Name	Position	Year First Appointed	Current term expires
Bryce Carmine	Non-executive Director	2015	Nov-20
Iain Ross	Non-executive Director, Chairman	2014	Nov-18
Steven Coffey	Non-executive Director	2012	Nov-19
James Garner	Managing director, CEO	2016	N/A*

* the managing director is exempt from standing for re-election under the constitution and Australian corporate law.

Further details on each director can be found in "Names, titles, experience and expertise" above.

Term of Directors

The Company's Constitution requires that at each Annual General Meeting of the Company, one third (or the number nearest to but not exceeding one third) of the directors, (excluding a director who is the Managing Director, and a director appointed to fill a casual vacancy) must retire from office provided that no director may retain office for more than three years without offering himself/herself for re-election even though such submission results in more than one third of the directors retiring from office.

The Board of Directors has the power to appoint any person to be a director either to fill a casual vacancy or as an additional director (up to a maximum of 10). Any director so appointed may hold office only until the next Annual General Meeting when he or she shall be eligible for election by the Company shareholders.

Board of Directors

The Board of Kazia Limited is elected by and accountable to shareholders. The Board monitors and directs the business and is responsible for the corporate governance of the Company. As at June 30, 2018, the Board comprised of four directors, three of whom were non-executive directors.

Committees

The Board has established an Audit, Risk and Governance Committee and a Remuneration and Nomination Committee.

Audit, Risk and Governance Committee

The Board has established an Audit, Risk and Governance Committee which operates under a Charter approved by the Board, which is available on the Company's website. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit, Risk and Governance Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

Members of the Audit, Risk and Governance Committee are Steven Coffey (Chairman), Bryce Carmine and Iain Ross, each of whom is an independent director.

Remuneration and Nomination Committee

The purpose of the Remuneration and Nomination Committee is to assist and advise the Board to develop, implement and, from time to time, update policies in relation to:

- the selection, nomination and appointment processes for directors; and
- the remuneration of key management personnel and directors.

This committee is accountable to the Board for its performance and is subject to an annual review by the Board. Members of the Remuneration and Nomination Committee are Bryce Carmine (Chairman), Steven Coffey and Iain Ross.

Performance

The performance of the Board and key executives is reviewed regularly using both measurable and qualitative indicators.

On an annual basis, directors will provide written feedback in relation to the performance of the Board and its Committees against a set of agreed criteria:

- each Committee of the Board will also be required to provide feedback in terms of a review of its own performance;
- feedback will be collected by the chair of the Board, or an external facilitator, and discussed by the Board, with consideration being given as to whether any steps should be taken to improve performance of the Board or its Committees;
- the Chief Executive Officer will also provide feedback from senior management in connection with any issues that may be relevant in the context of Board performance review; and
- where appropriate to facilitate the review process, assistance may be obtained from third party advisors.

Remuneration

It is the Company's objective to provide maximum shareholder benefit from the retention of a high-quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board, in assuming the responsibilities of assessing remuneration to employees, links the nature and amount of executive directors' and officers' remuneration to the Company and Company's financial and operational performance.

The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of high-quality management to the Company and Company; and
- performance incentives that allow executives to share in the success of Kazia Therapeutics Limited.

For a more comprehensive explanation of the Company's remuneration framework and the remuneration received by directors and key executives in the current period, please refer to the section "Compensation" above.

There is no plan to provide retirement benefits to executive or non-executive directors, except for the Australian Government Superannuation Guarantee.

The Remuneration and Nomination Committee is responsible for determining and reviewing compensation arrangements for the directors themselves and the Chief Executive Officer and executive team.

D. Employees

As of the end of each of the last three fiscal years, the Company employed the following number of people:

	FTEs		
Category of Activity	**2018**	**2017**	**2016**
Research and Development	3.6	10	9
Finance and Administration	1.7	6	7
Total	**5.3**	**16**	**16**

	FTEs		
Geographic Location	**2018**	**2017**	**2016**
Australia	5.3	15	15
United States	0	1	1
Total	**5.3**	**16**	**16**

E. Share Ownership

Directors' and KMP interests in the shares and options of the Company for fiscal 2018:

Shareholding

The number of shares in the Company held during fiscal 2018 by each Director and other members of Key Management Personnel of the Company, including their personally related parties, is set out below:

	Balance at start of year	Received as part of rem	Additions	Share consolidation	Disposals	Balance at end of year
Ordinary shares						
B Carmine*	918,181	—	—	(826,362)	—	91,819
S Coffey*	1,420,000	—	—	(1,278,000)	—	142,000
J Garner*	500,000	—	—	(450,000)	—	50,000
I Ross*	2,200,000	—	—	(1,980,000)	—	220,000
K Hill*	300,000	—	—	(270,000)	—	30,000
Total	4,738,181	—	—	(4,804,362)	—	533,819

* Each Director and Key Management Personnel owns less than 1% of shareholding.

Option holding

The number of options over ordinary shares in the Company held during fiscal 2018 by each Director and other members of Key Management Personnel of the Company, including their personally related parties, is set out below:

	Balance at start of year	Granted	Share consolidation	Expired/ forfeit	Balance at end of year
Options					
S Coffey	58,747	—	(52,872)	—	5,875
J Garner	7,500,000	—	(6,750,000)	—	750,000
G Hirsch	2,000,000	—	(1,800,000)	(150,000)	50,000
P Leong	2,500,000	—	(2,250,000)	(187,500)	62,500
G Heaton	—	700,000	(558,000)	—	142,000
K Hill	—	1,120,000	(900,000)	—	220,000
	12,058,747	1,820,000	(12,310,872)	(337,500)	1,230,375

The granted options were issued as part of remuneration and under the Employee Share Option Plan. Unvested options are forfeited upon cessation of employment with the Company.

Share-based compensation

There were no shares issued to Directors or other KMP as part of compensation during fiscal 2018.

Item 7. Major Shareholders and Related Party Transactions

A. Major shareholders

As of October 8, 2018 Hishenk Pty Limited ("Hishenk") and associated parties beneficially owned 6.87 million or 13.81% of the total outstanding ordinary shares on issue. From July 1, 2015, Hishenk and associated parties increased their ownership from a nil holding to 5.5% on June 30, 2017. Hishenk and associated parties progressively increased their ownership up to 13.81% on October 8, 2018.

At October 8, 2018 there were 1,695,752 of the Company's ADSs outstanding, representing 16,957,517 ordinary shares (or 35.03% of the then outstanding ordinary shares). At October 8, 2018 there were 52 registered holders of the Company's ADSs. On that same date, 100 ordinary shares were held by US holders.

There have been no other significant shareholders in the last three fiscal years. All shareholders have the same voting rights.

B. Related party transactions

During fiscal 2018, we did not enter into any transactions or loans with any: (i) enterprises that directly or indirectly, through one or more intermediaries, control, are controlled by or are under common control with us; (ii) associates; (iii) individuals owning, directly or indirectly, an interest in our voting power that gives them significant influence over us, and close members of any such individual's family; (iv) executive officers and close members of such individuals' families; or (v) enterprises in which a substantial interest in our voting power is owned, directly or indirectly, by any person described in (iii) or (iv) or over which such person is able to exercise significant influence.

Transactions between related parties, when they occur, are on normal commercial terms and the conditions no more favorable than those available to other non-related parties.

C. Interests of Experts and Counsel

Not applicable

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

Consolidated financial statements are included in Item 18. "Financial Statements" commencing on page F-1.

Legal proceedings

There are no pending legal proceedings which either individually or in the aggregate will have a significant effect on the Company's financial position or loss.

Dividends

There were no dividends paid, recommended or declared during fiscal years 2018, 2017 or 2016.

B. Significant Changes

No significant change has occurred since the date of the annual financial statements included in this Annual Report on Form 20-F.

Item 9. The Offer and Listing

A. Offer and listing details

The following table sets forth, for the calendar periods indicated, the high and low market quotations for Kazia's ordinary shares, as quoted on the ASX, and Kazia's ADSs, as quoted on the NASDAQ Capital Market.

Kazia Therapeutics Limited share price history

- **ASX**

The Company's ordinary shares are traded on the ASX under the symbol KZA (formerly NRT). The following table sets forth, for the periods indicated, the high and low market quotations for our ordinary shares, as quoted on the ASX. The amounts have been adjusted to reflect the consolidation of our ordinary shares effected in November 2017 whereby every 10 pre-consolidation shares were consolidated into 1 post-consolidation share.

	Per Ordinary Share (A$)	
	High	**Low**
Fiscal Year Ended June 30,		
2014	3.91	1.44
2015	4.46	0.80
2016	2.95	0.95
2017	1.20	0.37
2018	0.80	0.34
Quarter Ended:		
September 2016	1.20	0.92
December 2016	1.05	0.79
March 2017	1.05	0.67
June 2017	0.69	0.37
September 2017	0.53	0.37
December 2017	0.54	0.34
March 2018	0.80	0.36
June 2018	0.79	0.41
September 2018	0.57	0.42
Month Ended:		
March 2018	0.80	0.61
April 2018	0.79	0.66
May 2018	0.76	0.65
June 2018	0.68	0.41
July 2018	0.59	0.42
August 2018	0.53	0.45
September 2018	0.46	0.42

- **NASDAQ CAPITAL MARKET**

The ADSs are traded on the NASDAQ Capital Market under the symbol KZIA (formerly NVGN). The following table sets forth, for the periods indicated, the high ask and low bid prices of the ADSs on the NASDAQ Capital Market:

	Per ADS (US$)*	
	High	**Low**
Fiscal Year Ended June 30		
2014	2.74	1.37
2015	3.80	0.60
2016	2.14	0.72
2017	0.98	0.28
2018	6.68	0.80
Quarter Ended:		
September 2016	0.98	0.69
December 2016	0.78	0.56
March 2017	0.76	0.51
June 2017	0.58	0.28
September 2017	3.82	0.32
December 2017	3.98	1.63
March 2018	6.68	2.82
June 2018	6.19	2.73
September 2018	4.21	2.95
Month Ended:		
March 2018	6.68	4.86
April 2018	6.19	5.00
May 2018	5.65	4.81
June 2018	5.40	2.73
July 2018	4.21	2.95
August 2018	3.85	3.15
September 2018	3.50	3.04

* Prior to July 14, 2017, for the periods represented above, each ADS represented 25 ordinary shares. On July 14, 2017 this ratio was changed such that from that date each ADS represented one hundred ordinary shares. In November 2017 the Company undertook a share consolidation of its ordinary shares listed on the Australian Stock Exchange such that one new share represented 10 old shares. As a result of this share consolidation, the ADS ratio changed such that each ADS now represents 10 ordinary shares. All of the ADS prices presented above have been adjusted to be comparative to the current ratio.

B. Plan of Distribution

Not applicable

C. Markets

Kazia's principal listing exchange and the exchange upon which its ordinary shares are quoted is the Australian Securities Exchange ("ASX"). The trading symbol on ASX is 'KZA'.

Kazia's ordinary shares trade in the U.S. in the form of ADSs on the NASDAQ Capital Market. Each ADS represents 10 ordinary shares of Kazia. The trading symbol on the NASDAQ Capital Market is 'KZIA'. Kazia has entered into a Deposit Agreement with The Bank of New York Mellon under which the Bank of New York, acting as depositary, issues the ADSs.

D. Selling Shareholders

Not applicable

E. Dilution

Not applicable

F. Expenses of the issue

Not applicable

Item 10. Additional Information

A. Share Capital

Not applicable

B. Memorandum and Articles of Association

Our Constitution is similar in nature to the bylaws of a U.S. corporation. It does not provide for or prescribe any specific objectives or purposes of Kazia. Our Constitution is subject to the terms of the ASX Listing Rules and the Corporations Act. It may be amended or repealed and replaced by special resolution of shareholders, passed by at least 75% of the votes cast by shareholders entitled to vote on the resolution.

Under Australian law, a company has the legal capacity and powers of an individual both within and outside Australia. The material provisions of our Constitution are summarized below. This summary is not intended to be complete nor to constitute a definitive statement of the rights and liabilities of our shareholders, and is qualified in its entirety by reference to the complete text of our Constitution, a copy of which is filed as Exhibit 1.1 to this Annual Report.

Interested Directors

A director may not vote in respect of any contract or arrangement in which the director has, directly or indirectly, any material interest according to our Constitution. However, that director may execute or otherwise act in respect of that contract or arrangement notwithstanding any material personal interest. Unless a relevant exception applies, the Corporations Act requires our directors to provide disclosure of certain interests or conflicts of interests and prohibits directors from voting on matters in which they have a material personal interest. In addition, the Corporations Act and the ASX Listing Rules require shareholder approval of any provision of related party benefits to our directors.

Directors compensation

Our directors are paid remuneration for their services as directors (but excluding any remuneration payable to a director under any executive services contract with us or one of our related bodies corporate) which is determined in a general meeting of shareholders. The aggregate, fixed sum for directors' remuneration is to be divided among the directors in such proportion as the directors themselves agree and in accordance with our Constitution. The fixed sum remuneration for directors may not be increased except at a general meeting of shareholders and the particulars of the proposed increase are required to have been provided to shareholders in the notice convening the meeting. In addition, executive directors may be paid remuneration as employees of Kazia.

Fees payable to our non-executive directors must be by way of a fixed sum and not by way of a commission on or a percentage of profits or operating revenue. Remuneration paid to our executive directors must also not include a commission or percentage of operating revenue.

Pursuant to our Constitution, any director who performs services that in the opinion of our board of directors, are outside the scope of the ordinary duties of a director may be paid extra remuneration, which is determined by our board of directors.

In addition to other remuneration provided in our Constitution, all of our directors are entitled to be paid by us for reasonable travel accommodation and other expenses incurred by the directors in attending general meetings, board meetings, committee meetings or otherwise in connection with our business.

Borrowing powers exercisable by Directors

Pursuant to our Constitution, the management and control of our business affairs are vested in our board of directors. Our board of directors has the power to raise or borrow money and charge any of our property or business or any uncalled capital and may issue debentures or give any other security for any of our debts, liabilities or obligations or of any other person, in each case, in the manner and on terms it deems fit.

Retirement of Directors

Pursuant to our Constitution and the ASX Listing Rules, at least one director, other than the managing director, must retire from office at every annual general meeting. The director who retires in this manner is required to be the director longest in office since last being elected. A director, other than the director who is the Chief Executive Officer, must retire from office at the conclusion of the third annual general meeting after which the director was elected. Retired directors are eligible for a re-election to the board of directors unless disqualified from acting as a director under the Corporations Act or our Constitution.

Rights and restrictions on classes of shares

The rights attaching to our ordinary shares are detailed in our Constitution. Our Constitution provides that our directors may issue shares with preferred, deferred or other special rights, whether in relation to dividends, voting, return of share capital or otherwise as our board of directors may determine. Subject to any approval which is required from our shareholders under the Corporations Act and the ASX Listing Rules, we may issue further shares on such terms and conditions as our board of directors resolves.

Dividend rights

Our board of directors may from time to time determine to pay dividends to shareholders. All dividends unclaimed for one year after having been declared may be invested or otherwise made use of by our board of directors for our benefit until claimed or otherwise disposed of in accordance with our Constitution.

Voting rights

Under our Constitution, and subject to any voting exclusions imposed under the ASX Listing Rules (which typically exclude parties from voting on resolutions in which they have an interest), the rights and restrictions attaching to a class of shares, each shareholder has one vote on a show of hands at a meeting of the shareholders unless a poll is demanded under the Constitution or the Corporations Act. On a poll vote, each shareholder shall have one vote for each fully paid share and a fractional vote for each share held by that shareholder that is not fully paid, such fraction being equivalent to the proportion of the amount that has been paid to such date on that share. Shareholders may vote in person or by proxy, attorney or representative. Under Australian law, shareholders of a public company are not permitted to approve corporate matters by written consent. Our Constitution does not provide for cumulative voting. Note that ADS holders may not directly vote at a meeting of the shareholders but may instruct the depositary to vote the number of deposited ordinary shares their ADSs represent.

Right to share in our profits

Pursuant to our Constitution, our shareholders are entitled to participate in our profits only by payment of dividends. Our board of directors may from time to time determine to pay dividends to the shareholders; however, no dividend is payable except in accordance with the thresholds set out in the Corporations Act.

Rights to share in the surplus in the event of liquidation

Our Constitution provides for the right of shareholders to participate in a surplus in the event of our liquidation, subject to the rights attaching to a class of shares.

No redemption provision for ordinary shares

There are no redemption provisions in our Constitution in relation to ordinary shares. Under our Constitution, any preference shares may be issued on the terms that they are, or may at our option be, liable to be redeemed.

Variation or cancellation of share rights

Subject to the terms of issue of shares of that class, the rights attached to shares in a class of shares may only be varied or cancelled by either:

- a special resolution passed by members holding shares in the class; or
- the written consent of members with at least 75% of the shares in the class.

Directors may make calls

Our Constitution provides that subject to the terms on which the shares have been issued directors may make calls on a shareholder for amounts unpaid on shares held by that shareholder, other than monies payable at fixed times under the conditions of allotment.

General Meetings of Shareholders

General meetings of shareholders may be called by our board of directors. Except as permitted under the Corporations Act, shareholders may not convene a meeting. The Corporations Act requires the directors to call and arrange to hold a general meeting on the request of shareholders with at least 5% of the votes that may be cast at a general meeting. Notice of the proposed meeting of our shareholders is required at least 28 days prior to such meeting under the Corporations Act.

Foreign Ownership Regulation

There are no limitations on the rights to own securities imposed by our Constitution. However, acquisitions and proposed acquisitions of securities in Australian companies may be subject to review and approval by the Australian Federal Treasurer under the Foreign Acquisitions and Takeovers Act 1975, or the FATA, which generally applies to acquisitions or proposed acquisitions:

- by a foreign person (as defined in the FATA) or associated foreign persons that would result in such persons having an interest in 20% or more of the issued shares of, or control of 20% or more of the voting power in, an Australian company; and
- by non-associated foreign persons that would result in such foreign persons having an aggregate interest in 40% or more of the issued shares of, or control of 40% or more of the voting power in, an Australian company, where the Australian company is valued above the monetary threshold prescribed by FATA.

However, no such review or approval under the FATA is required if the foreign acquirer is a U.S. entity or an entity from certain other countries and the value of the target is less than A$1,134 million, unless the company operates in certain sensitive industries. Exemptions do not apply to investments by foreign governments and their associated entities.

The Australian Federal Treasurer may prevent a proposed acquisition in the above categories or impose conditions on such acquisition if the Treasurer is satisfied that the acquisition would be contrary to the national interest. If a foreign person acquires shares or an interest in shares in an Australian company in contravention of the FATA, the Australian Federal Treasurer may order the divestiture of such person’s shares or interest in shares in that Australian company.

Ownership Threshold

There are no provisions in our Constitution that require a shareholder to disclose ownership above a certain threshold. The Corporations Act, however, requires a shareholder to notify us and the ASX once it, together with its associates, acquires a 5% interest in our ordinary shares, at which point the shareholder will be considered to be a “substantial” shareholder. Further, once a shareholder owns a 5% interest in us, such shareholder must notify us and the ASX of any increase or decrease of 1% or more in its holding of our ordinary shares, and must also notify us and the ASX on its ceasing to be a “substantial” shareholder. As we are also a U.S. public company, our shareholders are also subject to disclosure requirements under U.S. securities laws.

Issues of Shares and Change in Capital

Subject to our Constitution, the Corporations Act, the ASX Listing Rules and any other applicable law, we may at any time issue shares and grant options or warrants on any terms, with preferred, deferred or other special rights and restrictions and for the consideration and other terms that the directors determine.

Subject to the requirements of our Constitution, the Corporations Act, the ASX Listing Rules and any other applicable law, including relevant shareholder approvals, we may consolidate or divide our share capital into a larger or smaller number by resolution, reduce our share capital (provided that the reduction is fair and reasonable to our shareholders as a whole and does not materially prejudice our ability to pay creditors) or buy back our ordinary shares whether under an equal access buy-back or on a selective basis.

Change of Control

Takeovers of listed Australian public companies, such as Kazia, are regulated by the Corporations Act, which prohibits the acquisition of a "relevant interest" in issued voting shares in a listed company if the acquisition will lead to that person's or someone else's "voting power" (being the person's relevant interests plus those of its associates) in Kazia's issued shares increasing from 20% or below to more than 20% or increasing from a starting point that is above 20% and below 90%, subject to a range of exceptions.

Generally, a person will have a relevant interest in securities if the person:

- is the holder of the securities;
- has power to exercise, or control the exercise of, a right to vote attached to the securities; or
- has the power to dispose of, or control the exercise of a power to dispose of, the securities, including any indirect or direct power or control.

If, at a particular time, a person has a relevant interest in issued securities and the person:

- has entered or enters into an agreement with another person with respect to the securities;
- has given or gives another person an enforceable right, or has been or is given an enforceable right by another person, in relation to the securities (whether the right is enforceable presently or in the future and whether or not on the fulfillment of a condition);
- has granted or grants an option to, or has been or is granted an option by, another person with respect to the securities; or
- the other person would have a relevant interest in the securities if the agreement were performed, the right enforced or the option exercised;

then the other person is taken to already have a relevant interest in the securities.

There are a number of exceptions to the above prohibition on acquiring a relevant interest in issued voting shares above 20%. In general terms, some of the more significant exceptions include:

- when the acquisition results from the acceptance of an offer under a formal takeover bid;
- when the acquisition is conducted on market by or on behalf of the bidder under a takeover bid,
- the acquisition occurs during the bid period, the bid is for all the voting shares in a bid class and the bid is unconditional or only conditioned on prescribed matters set out in the Corporations Act;
- when shareholders of Kazia approve the takeover by resolution passed at general meeting;
- an acquisition by a person if, throughout the six months before the acquisition, that person or any other person has had voting power in Kazia of at least 19% and, as a result of the acquisition, none of the relevant persons would have voting power in Kazia more than three percentage points higher than they had six months before the acquisition;

- when the acquisition results from the issue of securities under a pro rata rights issue;
- when the acquisition results from the issue of securities under dividend reinvestment schemes;
- when the acquisition results from the issue of securities under underwriting arrangements;
- when the acquisition results from the issue of securities through operation of law;
- an acquisition that arises through the acquisition of a relevant interest in another listed company which is listed on a prescribed financial market;
- an acquisition arising from an auction of forfeited shares conducted on-market; or
- an acquisition arising through a compromise, arrangement, liquidation or buy-back.

Breaches of the takeovers provisions of the Corporations Act are criminal offenses. The Australian Securities and Investments Commission, or ASIC, and the Australian Takeover Panel have a wide range of powers relating to breaches of takeover provisions or other circumstances deemed to be unacceptable (whether or not they involve a breach of the takeover provisions), including the ability to make orders canceling contracts, freezing transfers of, and rights attached to, securities, and forcing a party to dispose of securities. There are certain defenses to breaches of the takeover provisions provided in the Corporations Act.

Access to and Inspection of Documents

Inspection of our records is governed by the Corporations Act. Any member of the public has the right to inspect or obtain copies of our registers on the payment of a prescribed fee. Shareholders are not required to pay a fee for inspection of our registers or minute books of the meetings of shareholders. Other corporate records, including minutes of directors' meetings, financial records and other documents, are not open for inspection by shareholders. Where a shareholder is acting in good faith and an inspection is deemed to be made for a proper purpose, a shareholder may apply to the court to make an order for inspection of our books.

C. Material contracts

License Agreement with Genentech Inc.

In October 2016, the Company entered into a worldwide licensing agreement with Genentech, a member of the Roche Group, to develop and commercialise GDC-0084, a small molecule inhibitor of the phosphoinositide-3-kinase (PI3K) pathway. Under the terms of the agreement, the Company paid Genentech an upfront payment of US$5 million. In addition the terms of the agreement call for performance-related consideration linked to regulatory and commercial outcomes and royalty payments in-line with industry benchmarks.

Acquisition of Glioblast Pty Ltd—Share Sale Agreement with Kilinwata Investments Pty. Ltd., Mi Ok Chong and Paul Hopper

In October 2016, the Company acquired 100% of the issued shares of Glioblast Pty Ltd, a privately-held, neuro-oncology-focused Australian biotechnology company. The transaction included an upfront payment of A$2.1 million, comprising A$600,000 in cash and ordinary fully-paid shares valued at A$1.5 million, with the actual number of shares determined on the basis of the volume-weighted average price of the Company's shares on the ASX in the seven days prior to this announcement. The shareholders of Glioblast will be eligible for further payments in cash or equity on the achievement of performance related milestones. The first two of these milestones provide for the issue of ordinary fully-paid shares valued at A$1.25 million respectively on commencement and successful completion of a phase II clinical trial of GDC-0084, with the actual number of shares determined on the basis of the volume-weighted average price of the Company's shares on the ASX in the seven days prior to satisfaction of the relevant milestone being announced. A further two milestones may trigger payments in cash or equity at the Company's sole discretion. Any issue of equity in the Company will be subject to a minimum six-month escrow period.

Convertible Note Deed Poll and Amendment

On December 4, 2014, we and Triaxial signed a Convertible Note Deed Poll ('Deed') which superseded the precedent Loan Agreement. The Deed extinguishes the liability created by the Loan Agreement, which previously allowed for a cash settlement and now allows Triaxial to convert their debt into ordinary shares, provided that the Company achieves defined milestones established in the schedule of the Deed. Accordingly the convertible note has been reclassified as an equity instrument rather than debt instrument.

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

- on August 11, 2016 the Company announced the submission of an IND application. On September 10, 2016, the Company received a letter from the FDA advising the study may proceed. This triggered the conversion of Convertible Notes with a face value of A$500,000 into 20,000,000 ordinary shares.
- on October 31, 2016, the Company announced it had licensed a Phase II ready molecule. This triggered the conversion of Convertible Notes with a face value of A$400,000 into 16,000,000 ordinary shares.

During fiscal 2018, A$136,000 of the Convertible Notes was extinguished. The remaining Convertible Notes with a face value of A$464,000 at year end may be converted into 1,856,000 ordinary shares of the Company (post share consolidation).

The remaining portion of the convertible note will be exercised at the holders' discretion on completion of Phase II clinical trial or achieving "Breakthrough Designation". Completion will be deemed to occur upon the receipt by the Company 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 Company.

D. Exchange controls

Australia has largely abolished exchange controls on investment transactions. The Australian dollar is freely convertible into U.S. dollars. In addition, (other than as specified under "taxation" below and certain restrictions imposed under Australian law in relation to dealings with the assets of and transactions with, designated countries, entities and persons specified by the Reserve Bank of Australia from time to time, including, persons connected with terrorism) there are currently no specific rules or limitations regarding the export from Australia of profits, dividends, capital, or similar funds belonging to foreign investors, except that certain payments to nonresidents must be reported to the Australian Transaction Reports and Analysis Centre, which monitors such transactions. However, as mentioned above, the Reserve Bank of Australia does retain discretion to prevent foreign exchange dealings in certain circumstances under the Australian Banking (Foreign Exchange) Regulations 1959.

Under Australian law, foreign persons are prohibited from acquiring more than a limited percentage of the interests in an Australian company without approval from the Australian Treasurer or in certain other limited circumstances. These limitations are set forth in the Australian Foreign Acquisitions and Takeovers Act 1975 (the 'Foreign Takeovers Act").

Under the Foreign Takeovers Act, as currently in effect, any foreign person, together with associates, is prohibited from acquiring, without prior approval from the Australian Treasurer, 15% or more of the voting power (including potential voting power) or issued shares (including rights to issued shares) ("Substantial Interest") of an entity such as Kazia, whose total share value or gross assets (whichever is higher) exceed A$231 million. If the person is a U.S. investor, the A$231 million threshold applies only for investments in prescribed sensitive sectors, otherwise a threshold of A$1,004 million rather than A$231 million applies. All direct investment by foreign governments and their related entities regardless of the value of the investment, including proposals to establish new businesses, must be notified to the Australian Treasurer. Where an acquisition is made in breach of these requirements, the Australian Treasurer may make an order requiring the acquirer to dispose of its Substantial Interest within a specified period of time. In addition, if a foreign person acquires a Substantial Interest in Kazia in circumstances where the above thresholds would be exceeded and as a result the total holdings of all foreign persons and their associates exceeds 40% in aggregate without the approval of the Australian Treasurer, then the Australian Treasurer may make an order requiring the acquirer to dispose of its Substantial Interest within a specified period of time. The same rule applies if the total holdings of all foreign persons and their associates already exceeds 40% and a foreign person (or its associate) acquires any further interests, including in the course of trading in the secondary market of the ADSs.

Under the current Australian foreign investment policy, it is unlikely that the Australian Treasurer would make such an order in relation to an acquisition that contravenes the Foreign Takeovers Act where the level of foreign ownership exceeds 40% in the ordinary course of trading, unless the Australian Treasurer is satisfied that the acquisition is contrary to the national interest. The Foreign Takeovers Act allows foreign persons to seek prior approval of acquisitions of Kazia interests which could otherwise result in the Australian Treasurer making an order requiring the foreign person to dispose of any Substantial Interest.

If a foreign person holds more than 15% of the interests of Kazia or if the level of aggregate foreign ownership of Kazia exceeds 40% at any time, Kazia would be considered a foreign person under the Foreign Takeovers Act. In such event, Kazia would be required to obtain the approval of the Australian Treasurer for Kazia, together with its associates, to acquire: (i) more than 15% of an Australian company or business with a share value or gross assets (whichever is higher) totaling over A$231 million; or (ii) any direct or indirect ownership interest in Australian urban land. However, as mentioned above, proposals by U.S. investors for investment in non-sensitive sectors do not require notification to the Australian Treasurer or the Australian Treasurer's approval unless the amount to be invested or the value of the target Australian company or business exceeds A$1,004 million.

The percentage of foreign ownership of Kazia would also be included in determining the foreign ownership of any Australian company or business in which it may choose to invest. Kazia has no current plans for any such acquisitions. The Company's Constitution does not contain any additional limitations on a non-resident's right to hold or vote the Company's securities.

E. Taxation

U.S. Taxation

This section describes the material U.S. federal income tax consequences to a U.S. holder (as defined below) of owning ordinary shares or ADSs. It applies only to ordinary shares or ADSs that are held as capital assets for tax purposes. This section does not apply to a holder of ordinary shares or ADSs that is a member of a special class of holders subject to special rules, including a financial institution, a dealer or trader in securities, a regulated investment company, a real estate investment trust, a grantor trust, a U.S. expatriate, a tax-exempt organization, an insurance company, a person liable for alternative minimum tax, a person who actually or constructively owns 10 per cent or more of the voting stock of the company, a person that holds ordinary shares or ADSs as part of a straddle or a hedging or conversion transaction, a person that purchases or sells ordinary shares or ADSs as part of a wash sale for tax purposes, or a person whose functional currency is not the U.S. dollar. Further, this description does not address state, local, non-U.S, or other tax laws, nor does it address the 3.8 per cent. U.S. federal Medicare tax on net investment income, the alternative minimum tax or the U.S. federal gift and estate tax consequences of owning and disposing of ordinary shares or ADSs.

For purposes of this description, a “U.S. Holder” is a beneficial owner of Notes who holds such Notes as capital assets within the meaning of the Code and is, for U.S. federal income tax purposes: (i) an individual citizen or resident of the United States; (ii) a corporation created or organised in or under the laws of the United States or any state thereof, including the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust that either (a) is subject to the supervision of a court within the United States and has one or more U.S. persons with authority to control all substantial decisions or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

If a partnership holds the ordinary shares or ADSs, the U.S. federal income tax treatment of a partner generally will depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the ordinary shares or ADSs should consult its tax advisor with regard to the U.S. federal income tax treatment of an investment in the ordinary shares or ADSs. This section is in part based on the representations of the Depositary and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

In general, for U.S. federal income tax purposes, a holder of ADSs will be treated as the owner of the ordinary shares represented by those ADSs. Exchanges of ordinary shares for ADSs, and ADSs for ordinary shares generally will not be subject to U.S. federal income tax.

Distributions

Subject to the passive foreign investment company rules discussed below, U.S. holders generally will include as dividend income the U.S. dollar value of the gross amount of any distributions of cash or property (without deduction for any withholding tax), other than certain pro rata distributions of ordinary shares, with respect to ordinary shares or ADSs to the extent the distributions are made from our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. A U.S. holder will include the dividend income on the day actually or constructively received (i) by the holder, in the case of ordinary shares, or (ii) by the depositary, in the case of ADSs. We do not intend to maintain calculations of earnings and profits, as determined for U.S. federal income tax purposes. Consequently, any distributions generally will be treated as dividend income.

Dividends paid to a non-corporate U.S. holder on shares or ADSs will generally be taxable at the preferential rates applicable to long-term capital gains provided (a) that certain holding period requirements are satisfied, (b) (i) the U.S.-Australia income tax treaty ("the Treaty") is a qualified treaty and we are eligible for benefits under the Treaty or (ii) our ordinary shares or ADSs are readily tradable on a U.S. securities market, and (c) provided that we were not, in the taxable year prior to the year in which the dividend was paid, and are not, in the taxable year in which the dividend is paid, a PFIC. The Treaty has been approved for the purposes of the qualified dividend rules and the ADSs are listed on NASDAQ. If, as is likely, the Company is currently a PFIC, any dividends paid to a noncorporate U.S. holder will not qualify for the preferential tax rates ordinarily applicable to "qualified dividends." In the case of a corporate U.S. holder, dividends on shares and ADSs are taxed as ordinary income and will not be eligible for the dividends received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

The amount of any cash distribution paid in any foreign currency will be equal to the U.S. dollar value of such currency, calculated by reference to the spot rate in effect on the date such distribution is received by the U.S. holder or, in the case of ADSs, by the Depositary, regardless of whether and when the foreign currency is in fact converted into U.S. dollars. If the foreign currency is converted into U.S. dollars on the date received, the U.S. holder generally should not recognize foreign currency gain or loss on such conversion. If the foreign currency is not converted into U.S. dollars on the date received, the U.S. holder will have a basis in the foreign currency equal to its U.S. dollar value on the date received, and generally will recognize foreign currency gain or loss on a subsequent conversion or other disposal of such currency. Such foreign currency gain or loss generally will be treated as U.S. source ordinary income or loss for foreign tax credit limitation purposes.

Dividends will be income from sources outside the United States, and generally will be "passive category" income or, for certain taxpayers, "general category" income, which are treated separately from each other for the purpose of computing the foreign tax credit allowable to a U.S. holder. The availability of the foreign tax credit and the application of the limitations on its availability are fact specific and are subject to complex rules. In general, a taxpayer's ability to use foreign tax credits may be limited and is dependent on the particular circumstances. U.S. holders should consult their own tax advisors with respect to these matters.

Sale, Exchange or other Disposition of Ordinary Shares or ADSs

Subject to the PFIC rules discussed below, a U.S. holder who sells or otherwise disposes of ordinary shares or ADSs will recognize a capital gain or loss for U.S. federal income tax purposes equal to the difference between the U.S. dollar value of the amount realized and the holder's tax basis, determined in U.S. dollars, in those ordinary shares or ADSs. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. The capital gain of a non-corporate U.S. holder is generally taxed at preferential rates where the holder has a holding period greater than 12 months in the shares or ADSs sold. There are limitations on the deductibility of capital losses.

The U.S. dollar value of any foreign currency received upon a sale or other disposition of ordinary shares or ADSs will be calculated by reference to the spot rate in effect on the date of sale or other disposal (or, in the case of a cash basis or electing accrual basis taxpayer, at the spot rate of exchange on the settlement date). A U.S. holder will have a tax basis in the foreign currency received equal to that U.S. dollar amount, and generally will recognize foreign currency gain or loss on a subsequent conversion or other disposal of the foreign currency. This foreign currency gain or loss generally will be treated as U.S. source ordinary income or loss for foreign tax credit limitation purposes. However, if such foreign currency is converted into U.S. dollars on the date received by the U.S. holder, a cash basis or electing accrual basis U.S. holder should not recognize any gain or loss on such conversion.

Passive Foreign Investment Company

A non-U.S. corporation will be a PFIC for U.S. federal income tax purposes for any taxable year if either:

- 75 per cent or more of its gross income for such year is "passive income" which for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions and gains from assets that produce passive income (the "Income Test"); or
- 50 per cent or more of the value of its gross assets (based on an average of the quarterly values of the gross assets) during such year is attributable to assets that produce passive income or are held for the production of passive income (the "Asset Test").

Passive income does not include rents and royalties derived from the active conduct of a trade or business. If the stock of a non-U.S. corporation is publicly traded for the taxable year, the asset test is applied using the fair market value of the assets for purposes of measuring such corporation's assets. If we own at least 25% (by value) of the stock of another corporation, we will be treated, for purposes of the PFIC tests, as owning our proportionate share of the other corporation's assets and receiving our proportionate share of the other corporation's income for purposes of the PFIC income and asset tests.

We believe there is a risk that the Company qualified as a PFIC for fiscal year 2018 and fiscal year 2017. Based on the composition of our assets and income, we believe that we should not be treated as a PFIC for U.S. federal income tax purposes with respect to our 2018 taxable year and we do not intend or anticipate becoming a PFIC for any future taxable year. However, the determination of PFIC status is a factual determination that must be made annually at the close of each taxable year and therefore, there can be no certainty as to our status in this regard until the close of the current or any future taxable year. Changes in the nature of our income or assets or a decrease in the trading price of our ordinary shares or ADSs may cause us to be considered a PFIC in the current or any subsequent year. If we were a PFIC in any year during a U.S. holder's holding period for our ordinary shares or ADSs, we would ordinarily continue to be treated as a PFIC for each subsequent year during which the U.S. holder owned the ordinary shares or ADSs.

Default PFIC Rules

If we are a PFIC for any taxable year during which a U.S. holder owns our ordinary shares or ADSs, unless the holder makes a mark-to-market election or the Qualified Electing Fund election described below, the holder will generally be (and remain) subject to additional taxes and interest charges, regardless of whether we remain a PFIC in any subsequent taxable year, (i) on certain "excess" distributions we may make; and (ii) on any gain realized on the disposition or deemed disposition of ordinary shares or ADSs. Distributions in respect of ordinary shares (or ADSs in respect of such shares) during the taxable year will generally constitute "excess" distributions" if, in the aggregate, they exceed 125% of the average amount of distributions in respect of the U.S. holder's ordinary shares (or ADSs) over the three preceding taxable years or, if shorter, the portion of the holder's holding period before such taxable year.

To compute the tax on "excess" distributions or any gain: (i) the "excess" distribution or the gain will be allocated ratably to each day in the holder's holding period for the ADSs or the ordinary shares; (ii) the amount allocated to the current taxable year and any taxable year before we became a PFIC will be taxed as ordinary income in the current year; (iii) the amount allocated to other taxable years will be taxable at the highest applicable marginal rate in effect for that year; and (iv) an interest charge at the rate for underpayment of taxes will be imposed with respect to any portion of the "excess" distribution or gain described under (iii) above that is allocated to such other taxable years. In addition, if we are a PFIC or, with respect to a particular U.S. holder, we are treated as a PFIC for the taxable year in which the distribution was paid or the prior taxable year, no distribution that the holder receives from us will qualify for taxation at the preferential rate for non-corporate holders discussed in "—Distributions" above. U.S. holders should consult with their own tax advisor regarding the application of the default PFIC rules based on the holder's particular circumstances.

If we are a PFIC for any taxable year during which a U.S. holder holds our ADSs or ordinary shares and any of our non-U.S. subsidiaries is also a PFIC (i.e., a lower-tier PFIC), such a U.S. holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC and would be subject to the rules described above on certain distributions by the lower-tier PFIC and our disposition of shares of the lower-tier PFIC, even though such U.S. holder would not receive the proceeds of those distributions or dispositions. U.S. holder's should consult with their own tax advisor regarding the application of the PFIC rules to any of our subsidiaries if we are a PFIC.

Mark-to-Market Election

If we are a PFIC for any taxable year during which a U.S. holder owns our ADSs or ordinary shares, the holder will be able to avoid the rules applicable to "excess" distributions or gains described above if the ordinary shares or ADSs are "marketable" and the holder makes a timely "mark-to-market" election with respect to the ordinary shares or ADSs. The ordinary shares or ADSs will be "marketable" stock as long as they remain regularly traded on a national securities exchange, such as the Nasdaq, or a foreign securities exchange regulated by a governmental authority of the country in which the market is located and which meets certain requirements, including that the rules of the exchange effectively promote active trading of listed stocks. If such stock is traded on such a qualified exchange or other market, such stock generally will be "regularly traded" for any calendar year during which such stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter, but no assurances can be given in this regard. Our ordinary shares are traded on the ASX, which may qualify as an eligible foreign securities exchange for this purpose.

If a U.S. holder is eligible to make a "mark-to-market" election with respect to our ordinary shares or ADSs and such election is made in a timely fashion, the holder will generally recognize as ordinary income or ordinary loss the difference between the fair market value of the ordinary shares or ADSs on the last day of any taxable year and the holder's adjusted tax basis in the ordinary shares or ADSs. Any ordinary income resulting from this election will generally be taxed at ordinary income rates. Any ordinary losses will be deductible only to the extent of the net amount of previously included income as a result of the mark-to-market election, if any. The U.S. holder's adjusted tax basis in the ordinary shares or ADSs will be adjusted to reflect any such income or loss. Any gain recognized on the sale or other disposition of ordinary shares or ADSs in a year when we are a PFIC will be treated as ordinary income, and any loss will be treated as an ordinary loss (but only to the extent of the net amount previously included as ordinary income as a result of the mark-to-market election).

Because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. holder may continue to be subject to the PFIC rules with respect to its such holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes, including shares in any of our subsidiaries that are treated as PFICs.

U.S. holders should consult with their own tax advisor regarding the applicability and potential advantages and disadvantages of making a "mark-to-market" election with respect to ordinary shares or ADSs if we are or become a PFIC, including the tax issues raised by lower-tier PFICs that we may own and the procedures for making such an election.

QEF Election

Alternative rules to those set forth under "Default PFIC Rules" above apply if an election is made to treat us as a "Qualified Electing Fund," or QEF, under Section 1295 of the Code. A QEF election is available only if the U.S. holder receives an annual information statement from us setting forth such holder's pro rata share of our ordinary earnings and net capital gains, as calculated for U.S. federal income tax purposes.

We do not intend to provide information necessary for a U.S. investor to make a qualified electing fund ("QEF") election. U.S. holders are urged to consult their own tax advisors regarding the application of the PFIC rules to their particular circumstances including the availability and tax consequences of a QEF election with respect to the ordinary shares or ADSs or with respect to any lower-tier PFIC that we may own under their particular circumstances.

Reporting

Holders of PFIC stock are subject to additional U.S. information reporting rules. If a U.S. holder owns ordinary shares or ADSs during any year in which we are a PFIC, the U.S. holder generally will be required to file an IRS Form 8621 ("Information Return by a Shareholder of a PFIC or Qualified Electing Fund") with respect to the Company, generally with the U.S. holder's federal income tax return for that year.

U.S. holders should consult their tax advisors with respect to the Company's status as a PFIC, the availability and desirability of a mark-to-market election, and such U.S. holder's information reporting obligations.

Australian Tax Considerations

In this section, we discuss the material Australian income tax, stamp duty and goods and services tax considerations related to the acquisition, ownership and disposal by the absolute beneficial owners of the ordinary shares or ADSs.

It is based upon existing Australian tax law as of the date of this registration statement, which is subject to change, possibly retrospectively. This discussion does not address all aspects of Australian tax law which may be important to particular investors in light of their individual investment circumstances, such as shares held by investors subject to special tax rules (for example, financial institutions, insurance companies or tax-exempt organizations). In addition, this summary does not discuss any foreign or state tax considerations, other than stamp duty.

Prospective investors are urged to consult their tax advisors regarding the Australian and foreign income and other tax considerations of the acquisition, ownership and disposition of the shares. This summary is based upon the premise that the holder is not an Australian tax resident and is not carrying on business in Australia through a permanent establishment (referred to as a "Non-Australian Shareholder" in this summary).

Australian Income Tax

Nature of ADSs for Australian Taxation Purposes

Ordinary shares represented by ADSs held by a U.S. holder will be treated for Australian taxation purposes as held under a "bare trust" for such holder. Consequently, the underlying ordinary shares will be regarded as owned by the ADS holder for Australian income tax and capital gains tax purposes. Dividends paid on the underlying ordinary shares will also be treated as dividends paid to the ADS holder, as the person beneficially entitled to those dividends. Therefore, in the following analysis we discuss the tax consequences to Non-Australian Shareholders which, for Australian taxation purposes, will be the same as to U.S. holders of ADSs.

Taxation of Dividends

Australia operates a dividend imputation system under which dividends may be declared to be "franked" to the extent of tax paid on company profits. Fully franked dividends are not subject to dividend withholding tax. Dividends payable to Non-Australian Shareholders will be subject to dividend withholding tax, to the extent the dividends are not declared to be conduit foreign income, or CFI, and are unfranked. Dividend withholding tax will be imposed at 30%, unless a shareholder is a resident of a country with which Australia has a double taxation agreement and qualifies for the benefits of the treaty. Under the provisions of the current Double Taxation Convention between Australia and the United States, the Australian tax withheld on unfranked dividends that are not CFI paid by us to whom a resident of the United States is beneficially entitled is limited to 15%.

If a company that is a Non-Australian Shareholder directly owns a 10% or more interest, the Australian tax withheld on unfranked dividends (that are not CFI) paid by us to whom a resident of the United States is beneficially entitled is limited to 5%. In limited circumstances, the rate of withholding can be reduced to zero.

Tax on Sales or other Dispositions of Shares—Capital Gains Tax

Non-Australian Shareholders will not be subject to Australian capital gains tax on the gain made on a sale or other disposal of ordinary shares, unless they, together with associates, hold 10% or more of our issued capital, at the time of disposal or for 12 months of the last two years prior to disposal.

Non-Australian Shareholders who own a 10% or more interest would be subject to Australian capital gains tax if more than 50% of our assets held directly or indirectly, determined by reference to market value, consists of Australian real property (which includes land and leasehold interests) or Australian mining, quarrying or prospecting rights. The Double Taxation Convention between the United States and Australia is unlikely to limit the amount of this taxable gain. Australian capital gains tax applies to net capital gains of foreign shareholders at the Australian tax rates for non-Australian residents, which start at a marginal rate of 32.5% (or a flat rate of 30% for companies). Net capital gains are calculated after reduction for capital losses, which may only be offset against capital gains.

The 50% capital gains tax discount is not available to Non-Australian Shareholders. Companies are not entitled to a capital gains tax discount.

Broadly, where there is a disposal of certain taxable Australian property, the purchaser will be required to withhold and remit to the Australian Taxation Office ("ATO") 12.5% of the proceeds from the sale. A transaction is excluded from the withholding requirements in certain circumstances, including where the value of the taxable Australian property is less than A$750,000, the transaction is an on-market transaction conducted on an approved stock exchange, a securities lending, or the transaction is conducted using a broker operated crossing system. There is also an exception to the requirement to withhold where the entity selling the shares provides the purchaser a declaration specifying either that they are an Australian resident or that the shares are not taxable Australian property (specifically, not 'indirect Australian real property interests'). The Non-Australian Shareholder may be entitled to receive a tax credit for the tax withheld by the purchaser which they may claim in their Australian income tax return.

Tax on Sales or other Dispositions of Shares—Shareholders Holding Shares on Revenue Account

Some Non-Australian Shareholders may hold ordinary shares on revenue rather than on capital account for example, share traders. These shareholders may have the gains made on the sale or other disposal of the ordinary shares and/or warrants included in their assessable income under the ordinary income provisions of the income tax law, if the gains are sourced in Australia.

Non-Australian Shareholders assessable under these ordinary income provisions in respect of gains made on ordinary shares held on revenue account would be assessed for such gains at the Australian tax rates for non-Australian residents, which start at a marginal rate of 32.5% (or a flat rate of 30% for companies). Some relief from Australian income tax may be available to Non-Australian Shareholders under the Double Taxation Convention between the United States and Australia.

To the extent an amount would be included in a Non-Australian Shareholder's assessable income under both the capital gains tax provisions and the ordinary income provisions, the capital gain amount would generally be reduced, so that the shareholder would not be subject to double tax on any part of the income gain or capital gain.

The comments above in "Tax on Sales or Other Dispositions of Shares—Capital Gains Tax" regarding a purchaser being required to withhold 12.5% tax on the acquisition of certain taxable Australian property equally applies where the disposal of the Australian real property asset by a foreign resident is likely to generate gains on revenue account, rather than a capital gain.

Dual Residency

If a shareholder is a resident of both Australia and the United States under those countries' domestic taxation laws, that shareholder may be subject to tax as an Australian resident. If, however, the shareholder is determined to be a U.S. resident for the purposes of the Double Taxation Convention between the United States and Australia, the Australian tax would be subject to limitation by the Double Taxation Convention (albeit the tie-breaker rules only apply for individuals). Shareholders should obtain specialist taxation advice in these circumstances.

Stamp Duty

No Australian stamp duty is payable by Australian residents or non-Australian residents on the issue, transfer and/or surrender of the ADSs or the ordinary shares in Kazia, provided that the shares issued, transferred and/or surrendered do not represent 90% or more of the issued shares in Kazia.

Australian Death Duty

Australia does not have estate or death duties. As a general rule, no capital gains tax liability is realized upon the inheritance of a deceased person's shares. The disposal of inherited shares by beneficiaries may, however, give rise to a capital gains tax liability if the gain falls within the scope of Australia's jurisdiction to tax.

Goods and Services Tax

The supply of ADSs or ordinary shares in Kazia will not be subject to Australian goods and services tax.

F. Dividends and paying agents

Not applicable

G. Statement by experts

Not applicable

H. Documents on Display

The Company is subject to the reporting requirements of the Exchange Act that are applicable to a foreign private issuer. Under the Exchange Act, the Company is required to file periodic reports and other information with the SEC. These materials, including this Annual Report and the exhibits hereto, may be inspected without charge and copied at established rates at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C., 20549. Please call the SEC at 1-800-SEC-0330 to obtain information on the operation of the public reference room. Such materials can also be obtained at the SEC's website at www.sec.gov.

I. Subsidiary Information

Not applicable

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Interest rate risk

The Company's exposure to market interest rates relate primarily to the investments of cash balances. The Company has cash reserves held primarily in Australian dollars and places funds on deposit with financial institutions for periods generally not exceeding three months

Credit risk

The Company places its deposits with high credit quality financial institutions, and, by policy, limits the amount of credit exposure to any single counter-party. The Company 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 Company mitigates default risk by depositing funds with only the safest and highest credit quality financial institutions and by constantly positioning its portfolio to respond appropriately to a significant reduction in a credit rating of any financial institution.

The Company has no interest rate exposure due to rate changes for long-term debt obligations. The Company primarily enters into debt obligations to support general corporate purposes, including capital expenditures and working capital needs. The Company does not consider the effects of interest rate movements to be a material risk to its financial condition.

For additional disclosure regarding interest rate risk see Item 18. “Financial Statements – Note 25 – Financial Instruments”.

Foreign currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar. 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 June 30, 2018, the Company did not hold derivative financial instruments in managing its foreign currency, however, the Company may from time to time enter into hedging arrangements where circumstances are deemed appropriate. The Company 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 Dollar (“AUD”) have exposure to the local currency of these subsidiaries and any other currency these subsidiaries trade in.

For additional disclosure regarding market risk see Item 18. “Financial Statements – Note 25 – Financial Instruments”.

Item 12. Description of Securities Other than Equity Securities

A. Debt Securities

Not applicable

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable

D. American Depositary Shares

The depositary collects its fees for delivery and surrender of American Depositary Shares (“ADSs”) directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid. The depositary may collect any of its fees by deduction from any cash distribution payable to you that are obligated to pay those fees.

From time to time, the depositary may make payments to us to reimburse or share revenue from the fees collected from you, or waive fees and expenses for services provided, generally relating to costs and expenses arising out of establishment and maintenance of the ADS program. In performing its duties under the deposit agreement, the depositary may use brokers, dealers or other service providers that are affiliates of the depositary and that may earn or share fees or commissions.

Persons depositing or withdrawing shares must pay:	For:
US$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	• Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property • Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
US$.05 (or less) per ADS	• Any cash distribution to ADS registered holders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	• Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS registered holders
US$.05 (or less) per ADSs per calendar year	• Depositary services
Registration or transfer fees	• Transfer and registration of shares on the Company's share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	• Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) • Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	• As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	• As necessary

The Depositary may collect any of the fees by deduction from any cash distribution payable, or by selling a portion of any securities to be distributed, to holders that are obligated to pay those fees.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

This item is not applicable.

Item 14. Material Modifications to the Rights of Security Holders and the Use of Proceeds

This item is not applicable.

Item 15. Controls and Procedures

(a) Disclosure controls and procedures

At the end of the period covered by this Annual Report, the Company's management, with the participation of the Chief Executive Officer and the Director of Finance and Administration, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, the Company's Chief Executive Officer and the Director of Finance and Administration have concluded that the Company's disclosure controls and procedures are effective as of June 30, 2018.

(b) Management's annual report on internal controls over financial reporting

The management of Kazia Therapeutics Limited is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Director of Finance and Administration, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of June 30, 2018 based on the criteria set forth in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013). Based on our evaluation under the criteria set forth in *Internal Control — Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of June 30, 2018.

Kazia Therapeutics Limited's internal control was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with management's authorization, assets are safeguarded, and financial records are reliable. Management also takes steps to ensure that information and communication flows are effective and monitor performance, including performance of internal control procedures.

Management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2018. Based on this assessment, management concluded that the Company's internal control over financial reporting is effective as of June 30, 2018.

(c) Attestation Report of the Registered Public Accounting Firm

Not applicable. As an emerging growth company, we are not required to provide an attestation report of the Company's registered public accounting firm on our internal control over financial reporting.

(d) Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16. [Reserved]

Item 16A. Audit Committee Financial Expert

The Board of Directors has determined that Steven Coffey, qualifies as an "audit committee financial expert" as that term is defined in Item 16A of Form 20-F. Steven Coffey meets the independence requirements of the NASDAQ Capital Market and SEC's rules and regulations as he is a qualified Chartered Accountant and has spent over 30 years in public practice. He is also a registered company auditor.

Item 16B. Code of Ethics

The Company has adopted a Code of Ethics and Business Conduct (the "Code"). The Code establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct. The Code confirms the Company's belief in treating all individuals with respect and recognises that different skills and diversity are essential to enrich the Company's perspective, improve corporate performance, increase shareholder value and maximise the achievement and goals of the Company. The Code applies to all Company employees, including management and Directors. The Code is available on the Company's website www.kaziatherapeutics.com.

Item 16C. Principal Accounting Fees and Services

Grant Thornton Audit Pty Ltd ("GT") has audited the Company's annual financial statements acting as the independent registered public accounting firm for the fiscal years ended June 30, 2018, 2017 and 2016.

The table below set forth the total fees for services performed by GT in fiscal years 2018, 2017 and 2016, and summarizes these amounts by the category of service.

	2018 A$'000	2017 A$'000	2016 A$'000
Audit or review fees - Grant Thornton Audit Pty Ltd	131	132	140
SEC Form F3 consent	11	—	1
Other services - Grant Thornton Audit Pty Ltd			
Tax compliance services	—	8	12
Total fees	142	140	153

Audit fees

The audit fees include the aggregate fees incurred in fiscal years 2018 and 2017 for professional services rendered in connection with the audit of the Company's annual financial statements and for related services that are reasonably related to the performance of the audit or services that are normally provided by the auditor in connection with regulatory filings of engagements for those financial years (including review of the Company's Annual Report on Form 20-F, consents and other services related to SEC matters).

SEC Form F3 consent

Fees paid in respect of filing of SEC Form F-3 consent services, which relates to procedures required by the auditor to issue their consent in the document.

Other services

Tax compliance fees

Tax fees billed in fiscal years 2017 and 2016 were for tax compliance advisory services.

Pre-approval policies and procedures

The Audit Committee Charter sets forth the Company's policy regarding the appointment of independent auditors. The Audit Committee Charter also requires the Audit Committee to review and approve in advance the appointment of the independent auditors for the performance of 100% of all audit services and, after taking into account the opinion of management, 100% of lawfully permitted non-audit services. The Audit Committee may delegate authority to one or more members of the Audit Committee where appropriate, but no such delegation is permitted if the authority is required by law, regulation or listing standard to be exercised by the Audit Committee as a whole.

In fiscal year 2018, the amount paid for services other than Audit fees, as approved by the audit committee, corresponded to 7.7% of the total paid to Grant Thornton.

Item 16D. Exemptions from the Listing Standards for Audit Committees

This item is not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

This item is not applicable.

Item 16F. Changes in registrant's Certifying Accountant

This item is not applicable.

Item 16G. Corporate Governance

Implications of Being an Emerging Growth Company

Pursuant to The Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), we are classified as an "Emerging Growth Company." Under the JOBS Act, Emerging Growth Companies are exempt from certain reporting requirements, including the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act. Under this exemption, our auditor will not be required to attest to and report on our internal controls over financial reporting during a five-year transition period. We may avail ourselves of these disclosure exemptions until we are no longer an emerging growth company.

Pursuant to the JOBS Act, we will remain an Emerging Growth Company until the earliest of:

- the end of the fiscal year in which the fifth anniversary of completion of our initial resale registration statement in the United States occurs, or June 30, 2020;
- the end of the first fiscal year in which the market value of our ordinary shares held by non-affiliates exceeds US$700 million as of the end of the second quarter of such fiscal year;
- the end of the first fiscal year in which we have total annual gross revenues of at least US$1.0 billion; and
- the date on which we have issued more than US$1.0 billion in non-convertible debt securities in any rolling three-year period.

Implications of Being a Foreign Private Issuer

We are also considered a "foreign private issuer." In our capacity as a foreign private issuer, we are exempt from certain rules under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), that impose certain disclosure obligations and procedural requirements for proxy solicitations under Section 14 of the Exchange Act. In addition, our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and the rules under the Exchange Act with respect to their purchases and sales of our ordinary shares. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. In addition, we are not required to comply with Regulation FD, which restricts the selective disclosure of material information.

Exemptions from Certain Corporate Governance Rules of the NASDAQ Stock Market, LLC

Exemptions from the corporate governance standards of the NASDAQ Stock Market, LLC ("NASDAQ") are available to foreign private issuers such as Kazia when those standards are contrary to a law, rule or regulation of any public authority exercising jurisdiction over such issuer or contrary to generally accepted business practices in the issuer's country of domicile. In connection with Kazia's National Market Listing Application, NASDAQ granted Kazia exemptions from certain corporate governance standards that were contrary to the laws, rules, regulations or generally accepted business practices of Australia. These exemptions and the practices followed by Kazia are described below:

- Kazia is exempt from NASDAQ's quorum requirements applicable to meetings of ordinary shareholders. In keeping with the law of Australia and generally accepted business practices in Australia, Kazia's Constitution requires a quorum of three shareholders for a shareholders' meeting.
- Kazia is exempt from NASDAQ's requirement that each NASDAQ issuer shall require shareholder approval of a plan or arrangement in connection with the acquisition of the stock or assets of another company if "any director, officer or substantial shareholder of the issuer has a 5 percent or greater interest (or such persons collectively have a 10 percent or greater interest), directly or indirectly, in the Company or assets to be acquired or in the consideration to be paid in the transaction or series of related transactions and the present or potential issuance of common stock, or securities convertible into or exercisable for common stock, could result in an increase in outstanding common shares or voting power of 5 percent or more".
- Kazia will rely an exemption from the requirement that at least two members of a compensation committee be "independent" as defined in NASDAQ Rule 5605(a)(2). The ASX Listing Rules and Australian law do not require an Australian company to establish a compensation committee, known in Australia as a remuneration committee, which is comprised solely of non-executive directors if the company is not included in the S&P/ASX300 Index at the beginning of its financial year. Kazia was not included on the S&P/ASX300 Index at the beginning of its its last financial year and, hence, is not required under ASX Listing Rules to have a remuneration (compensation) committee. The ASX Corporate Governance Principles and Recommendations contain a non-binding recommendation that all ASX-listed companies should have a remuneration committee comprised of at least three members, a majority of whom (including the chair) are "independent". While these recommendations contain guidelines for assessing independence, ASX-listed entities are able to adopt their own definitions of an independent director for this purpose and is different from the definition in NASDAQ Rule 5605(a)(2). That being said, Kazia has, and expects to continue to have, a Remuneration and Nomination Committee consisting of three non-executive directors.

Kazia is listed on the ASX and subject to Chapter 10 of the ASX listing rules which requires shareholder approval for an acquisition from or disposal to a "related party" (including a director) or "substantial shareholder" (who is entitled to at least 10% of the voting securities) of "substantial assets". The Australian Corporations Act to which Kazia is also subject generally requires shareholder approval for a transaction with a director or director-controlled entity unless on arm's length terms.

Item 16H. Mine Safety Disclosure

This item is not applicable.

PART III

Item 17. Financial Statements

Refer to "Item 18 – Financial Statements" below

Item 18. Financial Statements

The financial statements filed as part of this Annual Report commencing on page F-1.

Item 19. Exhibits

(a) Exibits

1.1	Constitution of Kazia Therapeutics Limited, as amended and restated on November 16, 2016 (incorporated by reference to Exhibit 1.1 to the Company's Annual Report on Form 20-F filed with the SEC on October 25, 2017 (File No. 0-29962)).
2.1	Deposit Agreement, dated as of June 6, 2016 among Novogen Limited, The Bank of New York, as Depositary, and owners and holders from time to time of ADSs issued thereunder (incorporated by reference to Exhibit 2.1 to the Company's Annual Report on Form 20-F filed with the SEC on October 27, 2016 (File No. 0-29962)).
4.1	Lease Agreement, dated November 1, 2015 between Coal Services Pty Limited and Novogen (incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 20-F filed with the SEC on October 27, 2016 (File No. 0-29962)).
4.2	Employment Agreement for Chief Executive Officer of Novogen Limited, dated December 10, 2015 (incorporated by reference to Exhibit 4.2 to the Company's Annual Report on Form 20-F filed with the SEC on October 27, 2016 (File No. 0-29962)).
4.3	Employment Agreement for Director of Finance and Administration of Novogen Limited, dated as of July 3, 2017 (incorporated by reference to Exhibit 4.20 to the Company's Annual Report on Form 20-F filed with the SEC on October 25, 2017 (File No. 0-29962)).
4.4	Convertible Note Deed Poll with Triaxial Pty Ltd Noteholders dated December 6, 2012 (incorporated by reference to Exhibit 4.6 to the Company's Annual Report on Form 20-F filed with the SEC on October 27, 2016 (File No. 0-29962)).

4.5	Amendment to Convertible Note Deed Poll with Triaxial Pty Ltd Noteholders dated December 4, 2014 (incorporated by reference to Exhibit 4.7 to the Company's Annual Report on Form 20-F filed with the SEC on October 27, 2016 (File No. 0-29962)).
4.6	Kazia Therapeutics Officers' and Employees' Share Option Plan (incorporated by reference to Exhibit 4.10 to the Company's Annual Report on Form 20-F filed with the SEC on October 27, 2016 (File No.0-29962)).
4.7	Share Sale Agreement dated October 31, 2016 between Kilinwata Investments Pty. Ltd., Mi Ok Chong, Paul Hopper and Novogen Limited (incorporated by reference to Exhibit 4.11 to the Company's Annual Report on Form 20-F filed with the SEC on October 25, 2017 (File No. 0-29962)).
4.8	Exclusive License Agreement dated October 25, 2016 between Genentech, Inc. and Novogen Limited (incorporated by reference to Exhibit 4.12 to the Company's Annual Report on Form 20-F filed with the SEC on October 25, 2017 (File No. 0-29962)).
4.9	Sabio Solutions Pty Limited Letter of Appointment – Company Secretary, dated as of September 1, 2016 (incorporated by reference to Exhibit 4.17 to the Company's Annual Report on Form 20-F filed with the SEC on October 25, 2017 (File No. 0-29962)).
4.10	Sabio Solutions Pty Limited Contract Extension Letter, dated as of March 1, 2017 (incorporated by reference to Exhibit 4.18 to the Company's Annual Report on Form 20-F filed with the SEC on October 25, 2017 (File No. 0-29962)).
4.11	Sabio Solutions Pty Limited Contract Extension Letter, dated as of August 23, 2017 (incorporated by reference to Exhibit 4.19 to the Company's Annual Report on Form 20-F filed with the SEC on October 25, 2017 (File No. 0-29962)).
8.1	Company Subsidiaries.
12.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
12.2	Certification of Director of Finance and Administration pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
13.1	Certification of Chief Executive Officer and the Director of Finance and Administration pursuant to 18 U.S.C. Section 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
23.1	Consent of Independent Registered Public Accounting Firm.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

The registrant hereby certifies that it meets all the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

KAZIA THERAPEUTICS LIMITED

/s/ James Garner

Dr James Garner
Chief Executive Officer

Date: October 24, 2018

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
KAZIA THERAPEUTICS LIMITED

Opinion on the financial statements

We have audited the accompanying consolidated statements of financial position of Kazia Therapeutics Limited and subsidiaries (the "Company") as of June 30, 2018 and 2017, the related consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for each of the three years in the period ended June 30, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2018, in conformity with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Going concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of $6,039,242 during the year ended 30 June 2018, and had net operating cash outflows of $8,661,236. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Grant Thornton
GRANT THORNTON AUDIT PTY LTD

We have served as the Company's auditor since 2012.

Sydney, Australia
October 24, 2018

Consolidated statements of profit or loss and other comprehensive income
For the year ended June 30, 2018

	Note	2018 A$'000	2017 A$'000	2016 A$'000
Revenue from continuing operations	5	119	249	406
Other income	6	12,989	8,563	3,665
Expenses				
Research and development expense		(9,774)	(11,136)	(9,894)
General and administrative expense		(5,598)	(8,529)	(5,761)
Loss on disposal of fixed assets		(137)	(16)	(2)
Fair value losses on financial assets at fair value through profit or loss		(1,114)	—	—
Impairment of financial assets		(2,830)	—	—
Loss on disposal of Cantx, Inc. after income tax expense		—	—	(569)
Loss before income tax expense from continuing operations		(6,344)	(10,869)	(12,155)
Income tax benefit	8	305	199	—
Loss after income tax expense for the year		(6,039)	(10,670)	(12,155)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Gain (Loss) on the revaluation of available-for-sale financial assets, net of tax		—	9	(3)
Net exchange difference on translation of financial statements of foreign controlled entities, net of tax		(251)	25	(1)
Derecognition of foreign currency reserve relating to Cantx Inc.		—	—	178
Other comprehensive income for the year, net of tax		(251)	34	174
Total comprehensive income for the year		**(6,290)**	**(10,636)**	**(11,981)**
Loss for the year is attributable to:				
Non-controlling interest		—	—	(92)
Owners of Kazia Therapeutics Limited		(6,039)	(10,670)	(12,063)
Total loss for the year		(6,039)	(10,670)	(12,155)
Total comprehensive income for the year is attributable to:				
Non-controlling interest		—	—	(96)
Owners of Kazia Therapeutics Limited		(6,290)	(10,636)	(11,885)
Total comprehensive income for the year		**(6,290)**	**(10,636)**	**(11,981)**

		2018 A$ Cents	2017 A$ Cents	2016 A$ Cents
Earnings per share for loss attributable to the owners of Kazia Therapeutics Limited				
Basic earnings per share	37	(12.48)	(2.28)	(2.82)
Diluted earnings per share	37	(12.48)	(2.28)	(2.82)

The above consolidated statements of profit or loss or other comprehensive income should be read with the accompanying notes

Consolidated statements of financial position
As at June 30, 2018

	Note	2018 A$'000	2017 A$'000
Assets			
Current assets			
Cash and cash equivalents	9	5,956	14,455
Trade and other receivables	10	2,536	4,262
Income tax refund due	11	—	5
Other	12	768	758
Total current assets		**9,260**	**19,480**
Non-current assets			
Financial assets	13	4,335	22
Property, plant and equipment	14	1	490
Intangibles	15	14,579	15,918
Total non-current assets		**18,915**	**16,430**
Total assets		**28,175**	**35,910**
Liabilities			
Current liabilities			
Trade and other payables	16	2,067	1,873
Provisions	17	161	155
Deferred income		138	41
Contingent consideration	18	1,521	3,315
Total current liabilities		**3,887**	**5,384**
Non-Current liabilities			
Deferred tax	19	4,009	4,314
Provisions		—	64
Trade and other payables		—	106
Contingent consideration	20	1,037	704
Total non-current liabilities		**5,046**	**5,188**
Total liabilities		**8,933**	**10,572**
Net assets		**19,242**	**25,338**
Equity			
Contributed equity	21	31,576	193,769
Other contributed equity	22	464	600
Reserves	23	1,843	1,930
Accumulated losses		(14,641)	(170,961)
Equity attributable to the owners of Kazia Therapeutics Limited		**19,242**	**25,338**
Total equity		**19,242**	**25,338**

The above consolidated statements of financial position should be read with the accompanying notes

Statements of changes in equity
For the year ended June 30, 2018

	Contributed equity A$'000	Other Contributed equity A$'000	Reserves A$'000	Accumulated Losses A$'000	Non-controlling Interest A$'000	Total equity A$'000
Balance at July 1, 2015	190,404	1,716	990	(148,445)	(303)	44,362
Loss after income tax expense for the year	—	—	—	(12,062)	(93)	(12,155)
Other comprehensive income for the year, net of tax	—	—	174	—	—	174
Total comprehensive income for the year	—	—	174	(12,062)	(93)	(11,981)
Transactions with owners in their capacity as owners:						
Derecognition of noncontrolling interest	—	—	—	—	392	392
Derecognition of foreign currency reserves	—	—	—	—	4	4
Share-based payments	—	—	372	—	—	372
Contributions of equity, net of transaction costs	782	—	—	—	—	782
Expired Options	115	—	(115)	—	—	—
Balance at June 30, 2016	191,301	1,716	1,421	(160,507)	—	33,391

	Contributed equity A$'000	Other Contributed equity A$'000	Reserves A$'000	Accumulated Losses A$'000	Non-controlling Interest A$'000	Total equity A$'000
Balance at July 1, 2016	191,301	1,716	1,421	(160,507)	—	33,931
Loss after income tax expense for the year	—	—	—	(10,670)	—	(10,670)
Other comprehensive income for the year, net of tax	—	—	34	—	—	34
Total comprehensive income for the year	—	—	34	(10,670)	—	(10,636)
Transactions with owners in their capacity as owners:						
Share issue costs	(18)	—	—	—	—	(18)
Transfers	—	(216)	—	216	—	—
Conversion of convertible note	900	(900)	—	—	—	—
Employee share-based payment options	—	—	475	—	—	475
Share based payment	1,586	—	—	—	—	1,586
Balance at June 30, 2017	193,769	600	1,930	(170,961)	—	25,338

Statements of changes in equity (continued)
For the year ended June 30, 2018

	Contributed equity A$'000	Other Contributed equity A$'000	Reserves A$'000	Accumulated Losses A$'000	Non-controlling Interest A$'000	Total equity A$'000
Balance at June 30, 2017	193,769	600	1,930	(170,961)	—	25,338
Loss after income tax expense for the year	—	—	—	(6,039)	—	(6,039)
Other comprehensive income for the year, net of tax	—	—	(251)	—	—	(251)
Total comprehensive income for the year	—	—	(251)	(6,039)	—	(6,290)
Transactions with owners in their capacity as owners:						
Share issue costs	—	—	—	—	—	—
Transfers	—	—	—	—	—	—
Cancellation of share capital	(162,223)	—	—	162,223	—	—
Conversion of convertible note	—	(136)	—	136	—	—
Employee share-based payment options	—	—	—	—	—	—
Share based payment	—	—	165	—	—	165
Issue of shares	30	—	—	—	—	29
Balance at June 30, 2018	31,576	464	1,843	(14,641)	—	19,242

The above consolidated statements of changes in equity should be read with the accompanying notes

Consolidated statements of cash flows
For the year ended June 30, 2018

	Note	2018 A$'000	2017 A$'000	2016 A$'000
Cash flows from operating activities				
Loss before income tax expense for the year		(6,039)	(10,670)	(12,155)
Adjustments for:				
Depreciation and amortisation	7	1,547	1,420	643
Net loss on disposal of non-current assets		137	16	2
Impairment of property, plant and equipment		143	—	—
Share-based payments		165	517	372
Foreign exchange differences		(251)	454	(796)
Shares issued for no consideration		30	—	—
Gain on legal settlement	39	(8,411)	—	—
Make good credit and rental adjustment		—	15	101
Net gain on disposal of CanTx, Inc.		—	—	569
Interest income accrued		—	—	(1)
(Gain)/loss on contingent consideration	18, 20	(1,461)	764	—
Fair value loss on financial assets at fair value through profit or loss		1,114	—	—
Impairment of financial assets		2,830	—	—
		(10,196)	**(7,484)**	**(11,265)**
Change in operating assets and liabilities:				
Decrease/(increase) in trade and other receivables		1,724	(3,968)	15
Increase in income tax refund due		—	(1)	(4)
Increase in prepayments		(10)	(325)	(307)
Decrease/(increase) in trade and other payables		88	573	(328)
(Decrease)/increase in other provisions		(58)	23	(29)
(Decrease) in deposit paid		—	(96)	(62)
Increase in deferred tax liability		(305)	(198)	—
Decrease in accrued revenue		97	41	—
Net cash used in operating activities		**(8,661)**	**(11,435)**	**(11,980)**
Cash flows from investing activities				
Payment for purchase of business, net of cash acquired	33	—	(7,097)	—
Payments for property, plant and equipment	14	—	(12)	(522)
Payments for intangibles	15	—	(8)	(3)
Proceeds from disposal of property, plant and equipment		—	—	3
Proceeds from legal settlement	39	150	—	—
Net cash used in investing activities		**150**	**(7,117)**	**(522)**

Consolidated statements of cash flows (continued)
For the year ended June 30, 2018

	Note	2018 A$'000	2017 A$'000	2016 A$'000
Cash flows from financing activities				
Proceeds from issue of shares		—	—	853
Share issue transaction costs		—	(18)	71
Net cash from financing activities		—	**(18)**	**782**
Net (decrease) in cash and cash equivalents		(8,511)	(18,570)	(11,720)
Cash and cash equivalents at the beginning of the financial year		14,455	33,453	44,371
Effects of exchange rate changes on cash		12	(428)	802
Cash and cash equivalents at the end of the financial year	9	**5,956**	**14,455**	**33,453**

The above consolidated statements of cash flows should be read with the accompanying notes

Notes to the financial statements
June 30, 2018

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

Note 2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern

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

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

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

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

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

Notes to the financial statements
June 30, 2018

Note 2. Significant accounting policies (continued)

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 32.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kazia Therapeutics Limited ('company' or 'parent entity') as at June 30, 2018 and the results of all subsidiaries for the year then ended. Kazia Therapeutics Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

Operating segments

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

Foreign currency translation

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

Notes to the financial statements
June 30, 2018

Note 2. Significant accounting policies (continued)

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.

Revenue recognition

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

Interest

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

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

Other revenue

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

Grant Income

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

Income tax

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

Notes to the financial statements
June 30, 2018

Note 2. Significant accounting policies (continued)

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

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

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

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

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

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

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

Current and non-current classification

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

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

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

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

Cash and cash equivalents

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

Notes to the financial statements
June 30, 2018

Note 2. Significant accounting policies (continued)

Trade and other receivables

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

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

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

Investments and other financial assets

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

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

Loans and receivables

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

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

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

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

Available-for-sale financial assets

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

Notes to the financial statements
June 30, 2018

Note 2. Significant accounting policies (continued)

Impairment of financial assets

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

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

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

Property, plant and equipment

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

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

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

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

Research and development

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

Leases

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

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

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

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

Notes to the financial statements
June 30, 2018

Note 2. Significant accounting policies (continued)

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

Intangible assets

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

Patents and trademarks

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

Software

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

Licensing agreement for GDC-0084

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

Impairment of non-financial assets

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

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

Trade and other payables

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

Compound financial instruments

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

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

Notes to the financial statements
June 30, 2018

Note 2. Significant accounting policies (continued)

Provisions

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

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Defined contribution superannuation expense

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

Share-based payments

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

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

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

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

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

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

Notes to the financial statements
June 30, 2018

Note 2. Significant accounting policies (continued)

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

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

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

Finance costs

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

Fair value measurement

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

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

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

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

Issued capital

Ordinary shares are classified as equity.

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

Earnings per share

Basic earnings per share

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

Notes to the financial statements
June 30, 2018

Note 2. Significant accounting policies (continued)

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

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 June 30, 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

IFRS 9 Financial Instruments and its consequential amendments

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

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

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

Notes to the financial statements
June 30, 2018

Note 2. Significant accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers

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

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

IFRS 16 Leases

This standard is applicable to annual reporting periods beginning on or after January 1, 2019. The standard replaces IAS 17 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under IFRS 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

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

Notes to the financial statements
June 30, 2018

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 Binomial model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Fair value measurement hierarchy

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

Research and development tax rebate

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

Recovery of deferred tax assets

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

Business combinations

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

Notes to the financial statements
June 30, 2018

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

Net investment in foreign operations

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

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

Contingent consideration

Management uses valuation techniques in determining the fair values of the various elements of a business combination (see Note 29). Particularly, the fair value of contingent consideration is dependent on the key assumptions including probability of milestones occurring, timing of settlement and discount rates.

Note 4. Operating segments

Identification of reportable operating segments

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

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

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

Major customers

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

Note 5. Revenue

	Consolidated		
	2018 A$'000	2017 A$'000	2016 A$'000
From continuing operations			
Sales revenue			
Bank interest	119	249	406
	119	249	406
Revenue from continuing operations	119	249	406

Notes to the financial statements
June 30, 2018

Note 6. Other income

	Consolidated		
	2018 A$'000	2017 A$'000	2016 A$'000
Net foreign exchange gain	224	—	781
Payroll tax rebate	—	7	18
Subsidies and grants	685	130	—
Gain on legal settlement (Note 39)	8,411	—	—
Reimbursement of expenses	8	17	—
Research and development rebate	2,200	8,409	2,866
Gain on revaluation of contingent consideration	1,461	—	—
Other income	12,989	8,563	3,665

Note 7. Expenses

	Consolidated		
	2018 A$'000	2017 A$'000	2016 A$'000
Loss before income tax includes the following specific expenses:			
Depreciation			
Leasehold improvements	192	52	30
Property, plant and equipment	19	47	42
Total depreciation	211	99	73
Amortisation			
Patents and intellectual property	250	570	570
Software	2	5	—
GDC licensing agreement	1,084	745	—
Total amortisation	1,336	1,320	570
Total depreciation and amortisation	1,547	1,419	643
Impairment			
Leasehold Improvements	143	—	—
Finance costs			
Interest and finance charges paid/payable	—	—	—
Rental expense relating to operating leases			
Minimum lease payments	301	335	280
Superannuation expense			
Defined contribution superannuation expense	170	288	209
Employee benefits expense excluding superannuation			
Employee benefits expense excluding superannuation	2,213	4,078	2,828
Other expenses			
Revaluation of contingent consideration	—	765	—

Notes to the financial statements
June 30, 2018

Note 8. Income tax benefit

	Consolidated 2018 A$'000	2017 A$'000	2016 A$'000
Numerical reconciliation of income tax benefit and tax at the statutory rate			
Loss before income tax benefit	(6,344)	(10,869)	(12,155)
Tax at the statutory tax rate of 27.5% (2017: 27.5%, 2016: 30%)	(1,745)	(2,989)	(3,646)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:			
Impact of foreign tax rate differential	—	—	44
Research and Development claim	605	1,282	1,479
Capitalised expenses	—	234	79
Employee option plan	46	131	112
Gain/loss on revaluation of contingent consideration	(402)	210	—
Other non-deductible expenses	—	5	(317)
	(1,496)	(1,127)	(2,249)
Prior year tax losses not recognised now recouped	—	(1)	—
Tax losses and timing differences not recognised	1,191	929	2,249
Income tax benefit	(305)	(199)	—

	2018 A$'000	2017 A$'000	2016 A$'000
Tax losses not recognised			
Unused tax losses for which no deferred tax asset has been recognised-Australia	50,331	49,131	59,909
Potential tax benefit @ 27.5% (2017: 27.5%, 2016: 30%)-Australia	13,841	13,513	17,973
Unused tax losses for which no deferred tax asset has been recognised-US	2,525	2,173	2,100
Potential tax benefit at statutory tax rates@21%-US	530	456	714

Note 9. Current assets - cash and cash equivalents

	Consolidated 2018 A$'000	2017 A$'000
Cash at bank and on hand	2,956	8,455
Short-term deposits	3,000	6,000
	5,956	14,455

Note 10. Current assets - trade and other receivables

	Consolidated 2018 A$'000	2017 A$'000
Trade receivables	1	231
Less: Provision for impairment of receivables	—	(226)
R&D tax rebate receivable	2,200	3,973
	2,201	3,978
Other receivables	120	77
Deposits held	609	578
Less: Provision for impairment of deposits held	(394)	(371)
	2,536	4,262

Deposits held included a guarantee to the value of €250,000 ($A371,471) for the "APO Trend" case. Please refer to note 29 for further information on 'deposits held'.

Impairment of receivables

The consolidated entity has recognised a loss of nil (2017: loss of nil) in profit or loss in respect of impairment of receivables (excluding 'deposits held') for the year ended June 30, 2018.

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

	Consolidated 2018 A$'000	2017 A$'000
Trade receivables over 6 months overdue	—	226

Notes to the financial statements
June 30, 2018

Note 11. Current assets - income tax refund due

	Consolidated 2018 A$'000	Consolidated 2017 A$'000
Income tax refund due	—	5

Note 12. Current assets - other

	Consolidated 2018 A$'000	Consolidated 2017 A$'000
Prepayments	768	758

Note 13. Non-current assets - Financial assets

	Consolidated 2018 A$'000	Consolidated 2017 A$'000
Listed ordinary shares - available-for-sale	3,680	22
Unlisted shares and options - FVTPL	655	—
	4,335	22

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

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

	Consolidated 2018 A$'000	Consolidated 2017 A$'000
Leasehold improvements - at cost	—	466
Less: Accumulated depreciation	—	(82)
	—	384
Plant and equipment - at cost	2	201
Less: Accumulated depreciation	(1)	(95)
	1	106
	1	490

Reconciliations

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

	Consolidated Leasehold improvement A$'000	Consolidated Plant and equipment A$'000	Total A$'000
Balance at July 1, 2016	435	157	592
Additions	7	6	13
Disposals	(6)	(10)	(16)
Depreciation expense	(52)	(47)	(99)
Balance at June 30, 2017	384	106	490
Additions	7	2	9
Disposals	(56)	(88)	(144)
Impairment of assets	(143)	—	(143)
Depreciation expense	(192)	(19)	(211)
Balance at June 30, 2018	—	1	1

Notes to the financial statements
June 30, 2018

Note 15. Non-current assets - intangibles

	Consolidated 2018 A$'000	2017 A$'000
Patents and intellectual property - at cost	2,851	2,851
Less: Accumulated amortisation	(2,851)	(2,601)
	—	250
Software – at cost	—	11
Less: Accumulated amortisation	—	(6)
	—	5
Licensing agreement - at acquired fair value (Note 33)*	16,408	16,408
Less: Accumulated amortisation	(1,829)	(745)
	14,579	15,663
	14,579	15,918

Reconciliations

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

	Consolidated Software A$'000	Patents and intellectual A$'000	GDC licensing agreement A$'000	Total A$'000
Balance at July 1, 2016	2	820	—	822
Additions	8	—	—	8
Additions through business combinations (note 33)	—	—	16,408	16,408
Amortisation expense	(5)	(570)	(745)	(1,320)
Balance at June 30, 2017	5	250	15,663	15,918
Balance at July 1, 2017	5	250	15,663	15,918
Disposals	(3)	—	—	(3)
Amortisation expense	(2)	(250)	(1,084)	(1,336)
Balance at June 30, 2018	—	—	14,579	14,579

Note 16. Current liabilities - trade and other payables

	Consolidated 2018 A$'000	2017 A$'000
Trade payables	1,407	1,249
Accrued payables	576	614
Lease incentive liability	84	10
	2,067	1,873

Refer to Note 29 for further information on financial instruments.

Note 17. Current liabilities - provisions

	Consolidated 2018 A$'000	2017 A$'000
Employee benefits	91	155
Lease make good	70	—
	161	155

Note 18. Current liabilities - Contingent consideration (Refer to Note 20 and 33)

	Consolidated 2018 A$'000	2017 A$'000
Contingent consideration	1,521	3,315

Note 19. Non-current liabilities - deferred tax

	Consolidated 2018 A$'000	2017 A$'000
Deferred tax liability associated with Licensing Agreement	4,009	4,314
Amount expected to be settled within 12 months	305	305
Amount expected to be settled after more than 12 months	3,704	4,009
	4,009	4,314

Notes to the financial statements
June 30, 2018

Note 20. Non-current liabilities - Contingent consideration

	Consolidated	
	2018 A$'000	2017 A$'000
Contingent consideration	1,037	704

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

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

Also refer to Note 33 for further information.

Note 21. Equity - contributed equity

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

Movements in ordinary share capital

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

Notes to the financial statements
June 30, 2018

Note 21. Equity - contributed equity (continued)

Ordinary shares

Note 1 - Share consolidation 10 to 1, which was approved by shareholders at the Annual General Meeting on November 15, 2017

Note 2 - Shares issued to the Company's Scientific Advisory Board in return for services

Note 3 - Section 258F of the Corporations Act allows a company to reduce its share capital by cancelling any paid-up share capital that is lost or is not represented by available assets. Given the long history of the consolidated entity and changes in the principal activity in recent years, the Directors believe that A$162,223,185 of the parent entity's share capital satisfies the criteria in Section 258F of the Corporations Act and accordingly this amount of the ordinary share capital has been cancelled.

Ordinary shares

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

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

Share buy-back

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

Capital risk management

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

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

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

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

Notes to the financial statements
June 30, 2018

Note 22. Equity - Other contributed equity

	Consolidated	
	2018 A$'000	2017 A$'000
Convertible note - Triaxial	464	600

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

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

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

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

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

Note 23. Equity - reserves

Available-for-sale reserve

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

Foreign currency reserve

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

Share-based payments reserve

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

Note 24. Equity - dividends

Dividends

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

Franking credits

There were no franking credits available at the reporting date.

Notes to the financial statements
June 30, 2018

Note 25. Financial instruments

Financial risk management objectives

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

Market risk

Foreign currency risk

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

As of June 30, 2018, the consolidated entity did not hold derivative financial instruments in managing its foreign currency, however, the consolidated entity may from time to time enter into hedging arrangements where circumstances are deemed appropriate. The consolidated entity used natural hedging to reduce the foreign currency risk, which involved processing USD payments from cash held in USD. Foreign subsidiaries with a functional currency of Australian Dollars ('AUD') have exposure to the local currency of these subsidiaries and any other currency these subsidiaries trade in.

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

	Assets		Liabilities	
	2018 A$'000	2017 A$'000	2018 A$'000	2017 A$'000
US dollars	317	5,797	896	1,010
Pound Sterling	—	—	—	84
	317	5,797	896	1,094

Notes to the financial statements
June 30, 2018

Note 25. Financial instruments (continued)

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

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

Consolidated - 2018	% change	AUD strengthened Effect on profit before tax A$'000	Effect on equity A$'000	% change	AUD weakened Effect on profit before tax A$'000	Effect on equity A$'000
US dollars	10%	58	58	(10%)	(58)	(58)

Consolidated - 2017	% change	AUD strengthened Effect on profit before tax A$'000	Effect on equity A$'000	% change	AUD weakened Effect on profit before tax A$'000	Effect on equity A$'000
US dollars	10%	(478)	(478)	(10%)	478	478
Pound Sterling	10%	8	8	(10%)	(8)	(8)
		(470)	(470)		470	470

Price risk

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

Interest rate risk

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

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

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

	2018		2017	
	Weighted average interest rate %	Balance A$'000	Weighted average interest rate %	Balance A$'000
Cash at bank and in hand	0.04%	2,956	0.10%	8,455
Short term deposits	2.35%	3,000	2.40%	6,000
Net exposure to cash flow interest rate risk		5,956		14,455

The consolidated entity has cash and cash equivalents totalling A$5,956,000 (2017: A$14,455,000). An official increase/decrease in interest rates of 100 basis points (2017: 100 basis points) would have a favourable/adverse effect on profit before tax and equity of A$59,000 (2017: A$144,000) 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.

Notes to the financial statements
June 30, 2018

Note 25. Financial instruments (continued)

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

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

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

Liquidity risk

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

Remaining contractual maturities

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

Consolidated 2018	Weighted average interest rate %	1 year or less A$'000	Between 1 and 2 years A$'000	Between 2 and 5 years A$'000	Over 5 years A$'000	Remaining contractual maturities A$'000
Non-derivatives						
Non-interest bearing						
Trade payables	—	1,407	—	—	—	1,407
Accrued payables	—	576	—	—	—	576
Contingent consideration	—	4,250	—	4,650	1,394	10,294
Total non-derivatives		6,233	—	4,650	1,394	12,277

Consolidated 2017	Weighted average interest rate %	1 year or less A$'000	Between 1 and 2 years A$'000	Between 2 and 5 years A$'000	Over 5 years A$'000	Remaining contractual maturities A$'000
Non-derivatives						
Non-interest bearing						
Trade payables	—	1,249	—	—	—	1,249
Accrued payables	—	614	—	—	—	614
Contingent consideration	—	4,250	—	4,650	1,394	10,294
Total non-derivatives		6,113	—	4,650	1,394	12,157

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

Notes to the financial statements
June 30, 2018

Note 26. Fair value measurement

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability

Consolidated - 2018	Level 1 A$'000	Level 2 A$'000	Level 3 A$'000	Total A$'000
Assets				
Ordinary shares - listed	3,680	—	—	3,680
Unlisted options	—	—	656	656
Total Assets	3,680	—	656	4,336
Liabilities				
Contingent Consideration	—	—	2,558	2,558
Total liabilities	—	—	2,558	2,558

Consolidated - 2017	Level 1 A$'000	Level 2 A$'000	Level 3 A$'000	Total A$'000
Assets				
Ordinary shares - listed	22	—	—	22
Total Assets	22	—	—	22
Liabilities				
Contingent Consideration	—	—	4,019	4,019
Total liabilities	—	—	4,019	4,019

There were no transfers between levels during the financial year.

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

The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the estimated cash flows rather than adjusting the discount rate.

Note 27. Key management personnel disclosures

Compensation

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

	Consolidated 2018 A$'000	2017 A$'000	2016 A$'000
Short-term employee benefits	1,636	2,513	1,586
Post-employment benefits	90	155	130
Long-term benefits	—	—	200
Termination benefits	—	315	—
Share-based payments	117	403	183
	1,843	3,386	2,099

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

Note 28. Remuneration of auditors

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

	Consolidated 2018 A$'000	2017 A$'000	2016 A$'000
Audit services - Grant Thornton Audit Pty Ltd			
Audit or review of the financial statements	131	132	140
F3 consent	11	—	1
Other services - Grant Thornton Audit Pty Ltd			
Tax compliance services	—	8	12
	142	140	153

Notes to the financial statements
June 30, 2018

Note 29. Contingent liabilities

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

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

Note 30. Commitments

	Consolidated 2018 A$'000	Consolidated 2017 A$'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	—	250
One to five years	—	78
	—	328

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

Notes to the financial statements
June 30, 2018

Note 31. Related party transactions

Parent entity

Kazia Therapeutics Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 34.

Key management personnel

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

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		
	2018 A$'000	2017 A$'000	2016 A$'000
Payment for other expenses:			
Accounting fees paid to Watkins Coffey Martin, an entity (partnership) in which Steven Coffey is a partner	—	—	7
Salary paid to Prue Kelly, the partner of Graham Kelly, a former director	—	—	47
In addition to Director's fees, Consultancy fees for executive duties while Mr Iain Ross was Acting CEO were paid to Gladstone Consultancy Partnership, a UK based consulting partnership in which he has a beneficial interest.	—	—	266
In addition to Director's fees, Consultancy fees for executive duties were paid to Kumara Inc, a corporation in which Mr Ian Phillips is a Director and has a beneficial interest.	—	21	120
In addition to Director's fees, Consultancy fees for executive duties were paid to John O'Connor.	—	38	—

Other transactions:

There were no other transactions 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.

Notes to the financial statements
June 30, 2018

Note 32. Parent entity information

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

	Parent	
	2018 A$'000	2017 A$'000
Statement of profit or loss and other comprehensive income		
Loss after income tax	(5,378)	(9,733)
Total comprehensive income	(5,378)	(9,733)
Statement of financial position		
Total current assets	7,902	17,356
Total assets	26,818	33,894
Total current liabilities	1,714	3,538
Total liabilities	6,760	8,556
Equity		
Contributed equity	31,576	193,769
Other contributed equity	464	600
Reserves	2,206	2,041
Accumulated losses	(14,188)	(171,072)
Total equity	20,058	25,338

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

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

Reserves comprise Share Based Payments reserve of A$2,243,000 (2017: A$2,078,000) and Available for Sale reserve of A$(37,000) (2017: A$(37,000))

Contingent liabilities

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

Capital commitments - Property, plant and equipment

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

Significant accounting policies

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

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

Notes to the financial statements
June 30, 2018

Note 33. Business combinations

Glioblast Pty Ltd

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

Details of the acquisition are as follows:

	Fair value A$'000
Intellectual property	16,408
Deferred tax liability	(4,512)
Net assets acquired	11,896
Goodwill	—
Acquisition-date fair value of the total consideration transferred	11,896
Representing:	
Cash paid or payable to vendor	7,097
Kazia Therapeutics Limited shares issued to vendor	1,544
Contingent consideration	3,255
	11,896

	Consolidated 2017 A$'000
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	16,408
Less: contingent consideration	(3,255)
Less: shares issued by company as part of consideration	(1,544)
Less: Deferred Tax Liability	(4,512)
Net cash used	7,097

Consideration transferred

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

Goodwill

There is no goodwill arising from this business combination.

Glioblast's contribution to the Group's results

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

Notes to the financial statements
June 30, 2018

Note 33. Business combinations (continued)

Contingent consideration

The Glioblast acquisition contains four contingent milestone payments, the first two milestone payments are to be settled with Kazia shares, and the third and fourth milestone payments are to be settled with either cash or Kazia shares at the discretion of Kazia.

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

The range of outcomes of contingent consideration are summarised below.

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

The contingent considerations listed above are undiscounted.

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 June 30, 2018 to take into account revised estimated probabilities of certain milestones being achieved.

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

Note 34. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 2018 %	Ownership interest 2017 %
Kazia Laboratories Pty Ltd	Australia	100%	100%
Kazia Research Pty Ltd	Australia	100%	100%
Kazia Therapeutics Inc.	United States of America	100%	100%
Glioblast Pty Ltd	Australia	100%	100%

Notes to the financial statements
June 30, 2018

Note 35. Deed of cross guarantee

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

Kazia Therapeutics Limited
Kazia Laboratories Pty Ltd
Kazia Research Pty Ltd

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

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

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

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

Accordingly, the additional statements have not been prepared.

Note 36. Events after the reporting period

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

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

In October 2018 the company completed a share placement to sophisticated investors, raising A$3.4 million, and at the same time, announced a Share Purchase Plan, which allows existing shareholders who fit the eligibility criteria to purchase shares to the value of up to A$15,000. The Share Purchase Plan is open until November 16, 2018.

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

Notes to the financial statements
June 30, 2018

Note 37. Earnings per share

	Consolidated 2018 A$'000	2017 A$'000	2016 A$'000
Loss after income tax attributable to the owners of Kazia Therapeutics Limited	(6,039)	(10,670)	(12,155)
Non-controlling interest	—	—	93
Loss after income tax attributable to the owners of Kazia Therapeutics Limited	(6,039)	(10,670)	(12,062)
	Number	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	48,376,525	467,833,849	427,431,910
Weighted average number of ordinary shares used in calculating diluted earnings per share	48,376,525	467,833,849	427,431,910
	Cents A$	Cents A$	Cents A$
Basic earnings per share	(12.48)	(2.28)	(2.82)
Diluted earnings per share	(12.48)	(2.28)	(2.82)

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

Note 38. Share-based payments

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

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

2018

Tranche	Grant date	Expiry date	Exercise Price (post consol) A$	Balance at the start of the year	Granted	Share Consolidation	Forfeited on cessation of employment	Balance at the end of the year
1	04-03-2015	16-12-2019	A$ 1.50	466,470	—	(419,823)	—	46,647
2	04-03-2015	18-12-2019	A$ 1.50	199,521	—	(179,569)	—	199,521
3	24-06-2015	30-06-2020	A$ 4.00	5,190,000	—	(4,671,000)	—	519,000
4	15-10-2015	16-11-2020	A$ 2.20	3,633,334	—	—	(3,396,67)	236,667
5	18-03-2016	01-02-2021	A$ 1.99	3,000,000	—	(2,700,000)	—	300,000
6	18-03-2016	01-02-2021	A$ 1.99	2,000,000	—	(1,800,000)	—	200,000
7	18-03-2016	01-02-2021	A$ 2.61	2,500,000	—	(2,250,000)	—	250,000
8	05-09-2016	05-09-2021	A$ 1.63	2,000,000	—	(1,800,000)	(150,000)	50,000
9	12-10-2016	17-10-2021	A$ 1.56	620,000	—	(558,000)	—	62,000
10	31-10-2016	01-11-2021	A$ 1.38	500,000	—	(450,000)	(37,500)	12,500
11	21-11-2016	23-11-2021	A$ 1.38	2,000,000	—	(1,800,000)	(150,000)	50,000
12	07-08-2017	07-08-2022	A$ 0.67	—	224,000	—	—	224,000
13	05-02-2018	05-02-2023	A$ 0.78	—	440,000	—	—	440,000
				22,109,325	664,000	(16,628,392)	(3,734,167)	2,410,766
Weighted average exercise price				A$ 0.244	A$ 0.740	A$ 0.000	A$ 2.140	A$ 2.120

* Options from Tranche 1 to Tranche 6, Tranches 8,10 and 11 listed above were vested and exercisable at the end of the period. Options from Tranche 9 listed above include 1/4 vested options at the end of the period.

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

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

Notes to the financial statements
June 30, 2018

Note 38. Share-based payments (continued)

2017

Tranche	Grant date	Expiry date	Exercise price A$	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year
1	04-03-2015	16-12-2019	A$0.150	466,470	—	—	—	466,470
2	04-03-2015	18-12-2019	A$0.150	199,521	—	—	—	199,521
3	24-06-2015	30-06-2020	A$0.400	5,190,000	—	—	—	5,190,000
4	15-10-2015	16-11-2020	A$0.220	5,200,008	—	—	(1,566,674)	3,633,334
5	18-03-2016	01-02-2021	A$0.199	3,000,000	—	—	—	3,000,000
6	18-03-2016	01-02-2021	A$0.199	2,000,000	—	—	—	2,000,000
7	18-03-2016	01-02-2021	A$0.261	2,500,000	—	—	—	2,500,000
8	05-09-2016	05-09-2021	A$0.163	—	2,000,000	—	—	2,000,000
9	12-10-2016	17-10-2021	A$0.156	—	620,000	—	—	620,000
10	31-10-2016	01-11-2021	A$0.138	—	500,000	—	—	500,000
11	21-11-2016	23-11-2021	A$0.138	—	2,000,000	—	—	2,000,000
				18,555,999	5,120,000	—	(1,566,674)	22,109,325
Weighted average exercise price				A$ 0.2680	A$ 0.1500	A$0.0000	A$ 0.2200	A$ 0.244

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

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

Employee share options

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

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

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

Conditions for an option to be exercised:

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

Notes to the financial statements
June 30, 2018

Note 38. Share-based payments (continued)

Options Valuation

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

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

Risk-free rate and grant date

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

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

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

Note 39. Settlement of legal proceedings

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

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

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

Exhibit 8.1

Kazia Therapeutics Limited has the following subsidiary companies

Subsidiary name	Shareholding	Company of incorporation
Kazia Laboratories Pty Limited	100%	Australia
Kazia Research Pty Limited	100%	Australia
Kazia Therapeutics Inc	100%	USA
Glioblast Pty Limited	100%	Australia

Exhibit 12.1

Certification of the Chief Executive Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934

I, James Garner, certify that:

1. I have reviewed this Annual Report on Form 20-F for the fiscal year ended June 30, 2018 ('Report') of Kazia Therapeutics Limited (the 'Company');

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f) for the Company and have:

    (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's Board of Directors (or persons performing the equivalent functions).

    (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

    (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

/s/ James Garner
James Garner
Chief Executive Officer

Date: October 24, 2018

Exhibit 12.2

Certification of the Director of Finance and Administration as required by Rule 13a-14(a) of the Securities Exchange Act of 1934

I, Gabrielle Heaton, certify that:

1. I have reviewed this Annual Report on Form 20-F for the fiscal year ended June 30, 2018 ('Report') of Kazia Therapeutics Limited (the 'Company');

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

    (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's Board of Directors (or persons performing the equivalent functions).

    (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

    (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

/s/ Gabrielle Heaton
Gabrielle Heaton
Director of Finance and Administration

Date: October 24, 2018

Exhibit 13.1

Certification of the Chief Executive Officer and the Director of Finance and Administration as required by Rule 13a-14(b) of the Securities Exchange Act of 1934

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), James Garner, Chief Executive Officer, and Gabrielle Heaton, Director of Finance and Administration, of Kazia Therapeutics Limited, an Australian corporation (the 'Company'), hereby certifies that:

(1) The Company's periodic report on Form 20-F for the period ended June 30, 2018 (the 'Form 20-F') fully complies with the requirements of section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 as amended; and

(2) The information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

* * *

Chief Executive Officer

/s/ James Garner
James Garner

Date: October 24, 2018

Director of Finance and Administration

/s/ Gabrielle Heaton
Gabrielle Heaton

Date: October 24, 2018

This certification accompanies the Form 20-F to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Kazia Therapeutics Limited under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 20-F), irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We have issued our report dated October 24, 2018, with respect to the consolidated financial statements included in the Annual Report of Kazia Therapeutics Limited on Form 20-F for the year ended June 30, 2018.

We consent to the incorporation by reference of the said report in Registration Statement of Kazia Therapeutics Limited on Form F-3 (File No. 333-226240).

/s/ Grant Thornton
GRANT THORNTON AUDIT PTY LTD

Sydney NSW Australia
October 24, 2018